

## **Interview with Professor David Held discussing the G20 Summit.**

**Government Department, LSE**

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00.00

**Justin Gest:**

Hi, I'm Justin Guest, welcome to the hotseat. London is abuzz right now with the G20 meetings. Police officers are covering the streets as are protestors and of course the world's diplomats are in town for meetings with very high expectations. With us to discuss these expectations and what is likely to happen is Graham Wallas Professor of Political Science here at the LSE, David Held. Thanks for being here.

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**David Held:**

Thank you.

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**JG:**

So Professor Held, could you give us some background on this – how serious are the economic problems that the G20 will be addressing today?

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**DH:**

I think this crisis is extremely serious. It's the most severe economic crisis of the core Western economies since the second world war. In my judgement its not yet as severe as the great depression, but certainly the worst crisis since 1945, and there are three kinds of crises that are interlaced: a monetary and financial crisis, which has created the banking crisis, which as you know now means that the banking system is essentially frozen. It's a regulatory crisis, because we've partly got into this mess because of the failure of government regulations, especially in the Anglo-American world, and its now becoming a real economy crisis, because the financial crisis is spilling over to the real economy, demand is falling, bankruptcies are rising. And as this gathers pace and momentum, many of the world's poorest countries that depend for their viability on exports and so on, are suffering serious declines in their export, which ramifies the thing throughout the system. So what started as an Anglo-American monetary financial crisis, has become a real economy crisis across the world, which threatens to push the world's poorest countries off the cliff, unless decisive action is taken.

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**JG:**

Alright, with that in mind, what issues need to be addressed at this meeting?

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**DH:**

I think there are at least four or five which are hugely important. The G20 really has to decide how and to what extent there will be a reflation of the global economy. It also has to face the question of how the financial sector and the banking sector is not only to be rescued, but regulated in the future. It has to decide in addition how the essentially ineffective international financial institutions like the IMF, are to become once again serious players. It has to decide how any reflation of the global economy isn't going to make matters worse in the longer term, because it has to at the same time address issues of environmental sustainability and climate change and so on. And finally, it has to ensure as I've already trailed, that the impact of this global economic crisis doesn't completely undermine the world's poorest countries. Let me say briefly what I mean by that. The world's richest countries can partly escape the worst effects of the economic crises by printing money. They're powerful enough to inject liquidity into the economy and roll back debts or socialise the cost of debts by state intervention, state purchasing of bad debt, the isolation of toxic assets and so on. Poor countries in this meaning are countries that can't inject liquidity, that can't roll back debt, and that face extraordinary levels of debt and bankruptcy if these issues aren't attended to. So there's a real question of the world's poorest countries that has to be attended to.

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**JG:**

So what expectations can we hold for this meeting, what do you expect they'll be able to do?

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**DH:**

Well, the first thing to say is there are quite serious political differences between the G20 countries. There are major differences between, again, the Anglo-American axis that wants a major global reflation repackage and the European Eurozone economies that want a more conservative, hesitant approach to reflation on the grounds that if you inject too much money into the world economies now, you may create an inflationary problem later down the line – that's one structural problem. But there's a second structural problem which is that there's a great difference between the world's debtor and creditor countries. It's the world's western economies that have broken all the rules of good financial governance. It's the world's biggest developing economies which have on the whole adhered to those rules. And why would it be in China's interest now, that is suffering a world financial crisis that comes from the western core, to simply acquiesce to what the British and American axis wants to develop. So there are a number of structural tensions between the United States and Europe, between the United States and China, and through this, politics will have to be done.

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**JG:**

So will it be enough in the end? What issues will be outstanding at the end of this meeting do you expect?

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**DH:**

Well I think the rhetoric will probably be good. I think Obama obviously attracts enormous attention, and to have his presence there I think will certainly give the talks enormous momentum. The communiqué will be appealing in many respects, but the key questions to look out for are these: will the reflationary package amount to the addition of new monies into the world economy or not? How far will the G20 go on financial regulations, the re-regulation of not just national financial markets, but also of the global financial economy. How far will they go in putting the agenda of the world's poorest countries at the heart of the agenda of the G20? And how far will they go towards reforming international financial institutions? This is a mighty agenda. It could be one of those defining moments where the weaknesses and failures of the multi-lateral order since 1945 begin to be addressed, or it could be one of those moments, which we've seen before in history, where the G20 in this case do not take the right decisions.

What do I expect? I expect some macroeconomic agreement on reflation of the world economy, but it will be limited because of the strong resistance of the Eurozone. I expect some moves towards regulation of financial markets, particularly off-shore businesses of various kinds, off-shore taxation havens. I expect some rhetoric on restricting the bonuses of bankers at the scale they have enjoyed in the previous past. I expect that the IMF will be given new facilities and China and other major developing countries will slowly be brought into the heart of the decision making process. All of this could be a step in the right direction, but what I don't really expect is a move from a management solution of the problems to a decisive solution to the problems that is both good for social justice, good for the environment and I should add as well, in terms of social justice and environment, sound for the world's poorest countries. So I would say one of the greatest worries to come from this, is I doubt the G20 will act enough to protect sub-Saharan African, to protect the 30, 40 poorest countries in the world, and I think this could be fateful in the future, because we cannot say we didn't know – we know exactly what's coming, and if we don't act on the basis of that knowledge, we have to say again that the G20 was unrepresentative, it didn't include the world's poorest countries, and once again decisions were taken in the interests of few, albeit, great powers with great populations, but not in the interest of the world's poorest. That's something we need to attend to, watch for, but whatever happens these problems won't be solved in 24 hours, these are stepping stones, but there is a great moment, a great opportunity to take the right steps. We will see in the next 24 hours whether those steps have been taken.

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**JG:**

Alright, that'll do it, thank you very much David Held, you're off the hotseat. Tune in next time for another edition of the hotseat here on the Government Department website.

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**DH:**

Thank you Justin, that was a pleasure.