

Summits Come and Summits Go As The Economy Continues Its Slide

After the G-20 Summit. What was Accomplished and For How Long

By [Danny Schechter](#)

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The eyes of the world have been on the Economic Summit in London but the ideas of the world were mostly conspicuous by their absence. Here we have a global crisis. The house is on fire. Unemployment is climbing. The real estate contagion is now claiming condos and even shopping malls. It's bad and by most accounts, getting worse. And, all the "leaders" of the world can do is devote ONE DAY to a forum that must have cost millions to stage.

Our media and politicians love spectacles and political celebrities. The spin was on what Michelle was wearing, not on what Barack was thinking when he was so unwilling to agree to an international regime of regulation which is so clearly needed in a globalized world economy.

The New York Times was properly critical of the Summit for falling "short," mostly focusing on the failure to commit to a larger stimulus package—what the US wanted but didn't get. They went lightly on their criticisms on the regulatory issue. The group also agreed to crack down on tax havens and, on a country-by-country basis, impose stricter financial regulations on hedge funds and rating agencies — necessary though insufficient steps to avoid a repeat of the current disaster." They never asked nor did they fully report on why Obama is "fiercely resistant to the idea of a global regulator."

(Bob Jackson of Arizona offered one plausible explanation: "The one smart thing the President did in London was to establish that the U.S. would not be regulated by global politicians. Our own politicians are corrupt and incompetent enough, without overt collusion of the politicians from the rest of the world.")

Fortunately, other Times Readers were ahead of the paper and the politicians in comments that could have been but weren't probed in most media outlets.

Jacob Olsson writes: "The lack of deep understanding of economics on the part of American journalists seems to be one explanation for the cheerleading of fiscal stimulus. It is the only solution that has been offered to them by people they trust. The reason this solution has been offered is that it is the only one that is seen to be able to preserve the financial oligarchy, which both Republicans and Democrats hold so dear."

Dwight writes from Brazil: "The US and UK could likely have gotten more concessions on stimulus if they'd admitted that the epi-center of this man-made quake was New York and London, and that thus the US and UK would assume a disproportionate share of the burden.

The Times editorial is full of continued American hubris. Vaguely euro-bashing. No assumption of America's leadership in creating a disaster."

Patrice Ayme writes from Switzerland: "The fundamental cause of the crisis is that the financial sector sucked up all the available world financial credit, and more. Then it lost it all in a fury of ill considered entanglements.

The way out is to outlaw it all retroactively (bankruptcy judges do this all the time at their own scale, so there is no constitution problem to do this, whatever Mr. Summers grumbles about "abrogation"."

Kevin writes from Georgia:

"The Europeans were not going to agree to larger stimulus packages for one very good reason. They do not need to have very large stimulus packages. Most G20 European countries have robust safety nets that already take care of their citizens when the economy falters. They also do not have the crumbling infrastructure that America has with regards to transportation, especially mass transit and technological infrastructure."

Butler Crittendon adds from San Francisco: "You seem in denial about America's role in creating the financial disaster we now face. Sure, other global capitalists participated, but in general it was a failure of neoliberal economic policies, spearheaded by U.S. and British bankers. You mention hedge funds, etc., but the only reason we had these monsters was because we permitted it. The exact details of the causes of the crisis are still unknown — and probably unknowable after so many rats hid their money in secret foreign accounts and had in place a \$1000 Trillion of derivatives, CDOs, and the alphabet soup of concocted poisonous 'instruments.'"

These are all important issues but most were buried in the fine print when covered at all. Of course, as is so often the case, high flying rhetoric—and Gordon Brown threw out that old canard about a "new world order"—will not be remembered. What countries do, or fail to do will.

As former CBS correspondent Tom Fenton wrote from London, "The agreements reached at the summit depend on the willingness of individual countries to carry them out. There will be a follow-up summit this fall to check on progress. President Obama said it will take a year or two to tell whether the summit has been successful in lifting the world out of recession. He was right to be cautious."

He was also right to recognize that he didn't accomplish his goal, as veteran British journalist Andrew Neil wrote on the Daily Beast: "For a start, the President did not get what, for him, was the original purpose of this G20 summit: a coordinated global fiscal stimulus. The British media may still fawn before the Obamas the way the US media used to, the First Lady can even touch the Queen in Buck House without being sent to the Tower of London; but the Obama charisma and character could not get an extra cent out of the world community."

So we are back to square one. The markets rose the day after the Summit not because of what was said there but because interest rates were cut in Europe and China released a positive report.

Many politicians have been complicit in the policies that led to the crisis. A banker who was

there. Stephen Roach, chairman of Morgan Stanley Asia, said he was worried that “many of the world leaders had gotten into something that was over their heads.” Probably true.

What was accomplished? Some windows were broken . A demonstrator died, The police, as usual, overreacted. The media has moved on.

In all, not too encouraging.

News Dissector Danny Schechter blogs for www.Mediachannel.org. He is making a film based on his new book PLUNDER: Investigating Our Economic Calamity (Cosimo Books at Amazon.com) Comments to dissector@mediachannel.org

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