

Bristol Dissent! Briefing

INFORMATION FOR ACTION

The G8 - Economics & Power

Introduction

In order to understand the G8, and how it influences our lives we need to understand something of its history. The origins of the G8 lie in what was known as the 'Library Group' - a gathering of the finance ministers of the U.S., West Germany, France, and the United Kingdom in the White House Library in April 1973. They met against a background of economic crisis - unemployment, inflation & the first oil crisis - to discuss the need to bring stability to the world economy and preserve the ability of capital to function amidst increasing economic turbulence. Of particular importance was Richard Nixon's decision to pull the U.S. out of the Gold Standard - thus unilaterally causing the collapse of the prevailing monetary system known as the Bretton Woods agreement. This grew into a series of regular meetings which became solidified as the G6 in 1975 with the inclusion of Italy and Japan. It became the G7 a year later after the U.S. insisted on the inclusion of Canada, because it was economically dependent on the U.S., in order to counterbalance what it saw as growing European influence. It only became the G8 in 1998, after the inclusion of Russia as a new free market economy.

The Prehistory of the G8

Though the G8 itself only dates back to 1975, it is necessary to go back much further, to 1944, to gain a proper picture. 1944 was the year of the Bretton Woods conference; while World War II raged around them 730 delegates from the 44 Allied nations met to plan the rebuilding of Global Capitalism, with their shared experiences of the Great Depression in mind. During the 1930's, as they saw it, the use of exchange controls, trade barriers and currency deflation for short-term national gain has fundamentally undermined world trade and the movement of investment to the point where trade was largely restricted to currency blocks (nations trading in the same currency e.g. Sterling) with devastating consequences. Some also believed that such trade warfare had been a major cause of the two world wars and thus it was vital to create a system based upon the uninterrupted flow of capital and

trade. This was the common position of delegates, in particular of the U.S. Thus they signed the Bretton Woods agreement which gave rise to the IMF and World Bank and created a system for currency control in order to bring exchange rate stability. The U.S. was the undisputed economic superpower and was able to use its leverage to gain the free access to markets that it was desperate to ensure. The strength of the U.S. currency and its use of the Gold standard led to a system where currencies were pegged to the dollar (itself pegged to a fixed value of gold). By 1971, after a period where it had successfully created economic stability, and overseen the post-war reconstruction of the advanced nations economies, it became clear that this system was no longer tenable: there were more Eurodollars (dollars held in banks outside the U.S.) than the U.S. could redeem in gold - this led to Nixon pulling out of the Gold Standard and the collapse of the Bretton Woods system.

Faced with growing economic turbulence the world's advanced economies were unwilling to relinquish their control over the world economy and needed to guarantee the free markets that were vital to their dominance of it. Hence the creation of the Library group and (eventually the G8).



*Men in Suits decide world's fate shock!
(Bretton Woods Meeting)*

What's Happening Now?

Where the Bretton Woods system had been a formal system that included many of the world's nations, the G6/7/8 is an informal grouping. The G8 has no legal or formal powers - rather it is a gathering where the finance ministers, and others, of the world's largest economies gather to hammer out a consensus among themselves on how capitalism is to be run. They are then in a position to enforce this consensus on the rest of the world through their

combined economic (and military) power - between them they control approximately 70% of the world's economic output. They are able to put this in place through their influence in institutions such as the World Bank, IMF, NATO, WTO, OECD etc. Though initially concerned largely with economic policy the G6/7/8 has seen fit to expand its remit into any area where they perceive a threat to economic stability - and hence their own interests. This has included security policy and terrorism as well as third world debt and crime. Though it has claimed to be putting forward solutions to the world's problems it has singularly failed to have much real impact instead ruthlessly pushing the agenda of free trade in its own and particularly the

create a free circulation of money. In particular this occurred in the Regan/Thatcher years where traditional manufacturing industries were devastated, and, not co-incidentally, much of the power of organised labour was lost. The world (and British) economy was rebuilt to one based upon the free flow of finance (under Thatcher the U.K. economy went from one that was 90% manufacturing & 10% finance to one that was 10% manufacturing and 90% finance). The power of Trans-national Corporations grew massively while much of the world's population faced increasing instability. Its through this process that the decisions of the G8 trickle down into our every day lives - from the Starbucks on every corner, driving local small concerns out of business to



60 years on — men in suits still decide world's fate.

U.S.'s interest. It remains committed to the Bretton Woods doctrine of the unimpeded flow of trade and capital and indeed has overseen a massive expansion of this leading to the present situation of Globalisation and Neo-Liberalism. The years since the Library Group first met have seen a massive reconstruction of the world economy in order to

traditional manufacturing jobs being replaced by unemployment and poorly paid precarious employment in call centres and the like, ever under the threat of being moved elsewhere at the whim of profit, economic collapse in Argentina to debt in Africa, this is the common thread that links it all together.