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G-20 stands for growth

World leaders and finance and banking chiefs are likely to present a united economic front in Pittsburgh

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How many finance ministers and central bankers does it take to end a global recession?

Presumably more than it takes to change a light bulb. And undoubtedly more than it did at the end of World War II, when U.S. economic might made America the undisputed world leader.

The Group of Twenty gathering this week in Pittsburgh brings together financial ministers and central bankers from 19 countries and the European Union. Member countries range from those who generally called the shots -- the United States and its major allies -- to those whose growing economic might will reshape the way government leaders fashion global economic policy in the future -- China, India, Brazil and Russia.

The meeting occurs as enthusiasm wanes for the free market enterprise championed by former President Ronald Reagan and former English Prime Minister Margaret Thatcher.

"The whole issue [back then] was that we should have the private sector become a big player. That's not in vogue any more," said Fariborz Ghadar, director of the Center for Global Business Studies at Penn State University's Smeal College of Business.

"The vogue now is that the government should step in and correct all the mistakes the private sector has gotten us into," he said.

The communique the G-20 issues at the end of the two-day meeting will, more than likely, avoid finger pointing and present a united front regarding how to rejuvenate the global economy and restore confidence in financial markets. It will probably build on the measured statement G-20 leaders issued at the conclusion of their November meeting in Washington: "We agreed that a broader policy response is needed, based on closer macroeconomic cooperation, to restore growth, avoid negative spillovers and support emerging market economies and developing countries."

But behind the scenes, both in preliminary meetings in advance of this week's session as well as those in Pittsburgh, thorny issues will get a more candid hearing.

Among those sure to be heard are the billions in dollars of debt the U.S. Treasury is auctioning to China and other foreign investors, and whether the value of those dollar-denominated securities is being undermined by the mushrooming federal budget deficit. Last month, the White House said it expected a cumulative deficit of $9 trillion from 2010 through 2019, $2 trillion higher than its May estimate.

"I'm sure China will quietly remind the U.S. that they don't want irresponsible monetary and fiscal policy," said University of Pittsburgh economics professor James H. Cassing.

Other sources of pressure on the U.S. dollar also will get an airing, including the desire of Russia and other countries to price oil, currently priced in dollars, in other currencies. U.S. consumers have a direct interest in whether those mounting pressures devalue the dollar, said Duquesne University political science professor Kent F. Moors.

"As people start moving from the dollar as the exchange currency, more of the dollars that are held abroad will come home; and that's where we'll see inflation," he said.

Mounting U.S. budget and trade deficits, as well as other nations' own domestic political agendas, have prompted some countries to question U.S. economic leadership. That makes it more important for Washington to have a clear, balanced response to those challenges, Dr. Moors said.

"We have to take a more realistic view of our position and advance our interests more effectively," he maintained. "We need a more consistent policy to do this, and nobody in Washington is doing this."

He cited calls for increasing U.S. regulation of futures trading as an example, predicting it will cause more of that trading to move to exchanges overseas.

"Not only will it increase [energy] prices, but we'll lose whatever control we have over it," Dr. Moors said.

Most of the groundwork has already been laid for the formal statement the finance ministers and central bankers will make before leaving Pittsburgh.

"They basically will say we've decided to take steps to turn the global economy around, that we're optimistic the global recession will end quickly, and that emerging countries should have more of a say in the mechanisms of the global system," Dr. Ghadar predicts.

The G-20 is the main vehicle these countries have for promoting international cooperation on financial and economic issues, so what they have to say will be important, Dr. Cassing said.

"When governments cooperate and move in the same direction, it can matter a lot," he said.

Dr. Ghadar believes that's not necessarily a good thing, especially if you believe that the less government interference in the economy the better.

While many believe that government intervention prevented last year's financial collapse from turning into another Great Depression, Dr. Ghadar cited research by Cato Institute senior fellow Alan Reynolds. The think tank scholar says countries where government spending is a greater percentage of the gross domestic product have experienced more severe recessions than nations where the government accounts for a smaller percentage of the economy.

"I think these governments should basically get out of the way," Dr. Ghadar said. "That won't be an issue in Pittsburgh because they've already decided the government's going to do everything."

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