

# CURRENT ACCOUNT

## The Seven Emperors

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Spring is here; can the annual economic summit be far behind? In June, for the tenth year running, the leaders of the seven major industrial democracies—America, Canada, Japan, Britain, France, Germany, and Italy—will sit down together, this time in London, to discuss their common economic problems. Planning for the talks is already under way; and if there is one sure thing in this life besides death and taxes, it is that in the weeks to come the press will be offering an increasing number of stories about what to expect from this newly traditional event. In my opinion, one is better off reading the sports page, or even the want ads. If anything significant comes out of this year's summit, no one will be more surprised than the summiteers themselves.

In principle the summits provide a golden opportunity for the major economic powers to devise cooperative solutions to common problems. In practice they have come to provide little more than photo sessions for the media. The issue is political will. To implement effective joint solutions governments must be prepared to make genuine compromises—real sacrifices—for the common good, subordinating the pursuit of narrow national advantage to the achievement of broader global objectives. It is not enough merely to endorse high-sounding principles in formal communiqués; policy commitments must actually be enforced when they come to the test. Not one of the governments represented at recent summits seems to have had the will to do so.

It was not always thus. At the first of the series, nine years ago at Rambouillet, France, genuine compromises were negotiated on such issues as exchange rates and gold, paving the way for formal agreement on reform of the international monetary system the following year. In 1978 at Bonn, a bargain was struck between the United States and Germany, committing the Germans to a program of domestic deflation in exchange for American pledges to strengthen efforts at conserving oil and controlling inflation. And in 1979 at Tokyo, specific quantitative targets for energy consumption and oil imports were adopted by all seven participants.

However, in more recent years the will to compromise seems itself to have been compromised. More and more, as world economic problems have multiplied, participating governments have grown resistant to sacrificing even a whit of national advantage. The most recent summits—Venice in 1980, Ottawa in 1981, Versailles in 1982, and Williamsburg last year—were characterized more by obstinacy than by any spirit of accommodation. Summit leaders did not come prepared to modify policies significantly for the common good. Rather, most of their energies were devoted to finding language that would paper over their various differences and permit each to go home claiming "victory" for his or her own domestic strategy. The result has been a series of increasingly hollow summit communiqués that pay lip service to noble principles which no participant has the least intention of implementing.

Last year's summit was particularly successful in producing a communiqué—the Williamsburg Declaration on

Economic Recovery—that was at once reassuring and innocuous. "We have strengthened our resolve," the Declaration said, "to deal cooperatively with continued problems.... We recognize that we must act together." Yet not a single new initiative was announced, and the discussions failed to induce a single government to commit itself to changing any of its policies. For example, on the issue of U.S. budget deficits, which are universally regarded as a prime cause of the high level of world interest rates, the declaration spoke vaguely of a renewed commitment "to reduce structural budget deficits.... Our governments will pursue appropriate monetary and budgetary policies that will be conducive to... reduced interest rates." But President Reagan made no concrete promises that would translate these words into action—nor, in truth, were any such promises expected. "There is no point in beating around the bush," said German Chancellor Helmut Kohl at the conclusion of the talks. America's interest-rate policies were "clearly opposed by everyone from the Japanese to the Canadians to us Europeans." And when asked if he expected some shift in Washington's policies, he replied: "I wouldn't say I was optimistic." In fact, there was no shift at all.

Likewise, on the crucial issue of foreign-trade intervention, the summiteers solemnly pledged to "commit ourselves to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers." Yet in the ten months since Williamsburg, trade barriers have gone up, not down, in most of these same nations. As Britain's Margaret Thatcher ruefully conceded: "We all condemn protectionism, but almost every country practices a certain amount."

Is this leadership? An empty declaration, whose highest goal is merely to avoid verbal conflict, holds out little hope of genuine solutions to common problems. The agenda is crowded: high interest rates, chronic unemployment, inflation, exchange rate instability, protectionism. What is needed is a multifaceted policy strategy that addresses these problems in a coordinated and coherent fashion. The mix of monetary and fiscal policies in each country should be altered on a complementary basis to bring down interest rates and unemployment while holding inflation in check; more active joint intervention in exchange markets should be initiated to curb both short-term volatility and medium-term misalignments of exchange rates; and a permanent negotiating process should be established in the General Agreement on Tariffs and Trade (GATT) to resolve trade disputes as they arise and to reduce trade barriers. Solutions *are* available. But they require political will, daring, and courage—characteristics not overmuch in evidence at recent summits, and certainly not likely to make an unaccustomed appearance during an American presidential campaign. This year's summiteers are undoubtedly approaching London with only the most limited expectations.

Hence my bet is that once again the seven heads of government, like the emperor of fable, will seek to hide their nakedness behind the veil of a meaningless communiqué. This is not leadership; it is an abdication of responsibility. How long will it be before they are seen to have no clothes?

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