“This is not a moment of crisis”: Treasury Sec. Lew as He Heads to G20 in China

“This is not a moment of crisis,” U.S. Treasury Secretary Jacob “Jack” Lew (shown) said, in an interview with Bloomberg TV. “This is a moment where you’ve got real economies doing better than markets think, in some cases.” The interview, which ran on Wednesday, just before Lew headed to Shanghai, China, for the latest G20 summit of finance ministers and central bankers, will probably do little to allay investor fears that the global economy is indeed “in the middle of a full blown crisis.”

“I don’t think this is a moment in time when you’re going to see individual countries make the kinds of specific commitments that have been made in some other contexts that have been marked by real crisis,” Lew said of the G20 meeting (of the world’s 20 largest national economies), which will take place in Shanghai Friday and Saturday, February 26-27. “The idea is how do you avoid having things go to a place that you don’t want them to go,” Lew said. “That’s a different conversation than what do you do when you’re in the middle of a full blown crisis.”

“Weakness in demand globally is a problem that can’t be solved just by everyone looking at the United States,” said Lew, leading into his central interventionist message that governments must work together to “stimulate” the global economy with more government spending and more government debt. Other countries and regions, including China, have to look at what they can do “to stimulate consumer demand,” he stressed.

“There are structural issues that need to be addressed,” said Lew, with some countries needing regulatory and/or financial reform. “But fiscal and monetary policies are important tools. When used together they’re powerful. That’s the message we bring.”

Lew’s “non-crisis” message echoed that of International Monetary Fund Managing Director Christine Lagarde a few days earlier. On February 19, Lagarde, who had just been confirmed for a second five-year term as IMF chief, urged the G20 nations to coordinate economic policy. “Are we in a 2009 moment, I don’t think so. Are we in a moment where coordination is needed? Yes,” Lagarde said, a reference to the 2008-2009 financial crisis.

A key message underlying the “coordination” theme is that of “integration” and “convergence” — both political and economic — with China. Among the many voices striking that note is that of Treasury Under Secretary for International Affairs Nathan Sheets. In a February 22 op-ed entitled “The Importance of China’s Transition to Smarter Growth,” which was especially favorably promoted in China’s communist press, Sheets noted the PRC’s phenomenal growth:

> Later this week, China will host finance ministers and central bank governors from the G-20 nations for the first time since 2005. In the intervening decade, its economy has continued its remarkable

> rise, with its GDP last year climbing well above $10 trillion— nearly five times what it was when finance ministers from the world's largest economies last gathered as a group in Beijing.
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> China has become a key driver in commodity markets, a critical link in global supply chains, and increasingly a source of final demand for the exports of other countries' goods and services.

According to Sheets, Lew, Lagarde, and other economic "experts," China is in the process of reforming and "rebalancing" toward a more market-based, transparent, and freedom-promoting political-economic system.

"We have long known that China's move from an economy dependent on manufacturing and investment toward one more reliant on services and household consumption would not be easy," Sheets opines. "But the transition is necessary for the economy to rebalance toward more sustainable engines of demand." Sheets further comments:

> We continue to believe that if China implements the market-based economic reforms it has committed to, it has the necessary tools to support domestic demand and succeed in this economic transition. It is important for the Chinese to follow through on those commitments and to clearly communicate their actions as they do so….
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> A Chinese economy more reliant on services and household consumption would not only be more balanced internally. It would be more balanced externally so as to be less dependent on exports. This transformation would allow China to solidify its status as a driver of global demand and offers the best formula for China to achieve an orderly transition and put its economy on a more sustainable footing for healthy growth in the future. We want to see China make this transition, because we recognize that China's success ultimately benefits our own.

Like his boss, Jack Lew, Nathan Sheets is a member of the pro-world government Council on Foreign Relations (CFR), which has been the key institutional promoter of the U.S. policies that, over the past several decades, have transformed Communist China from a backward Third World country into a global economic, military, and political superpower.

The CFR and its allied partners at the Brookings Institution, the Peterson Institute for International Economics, and other similar bastions of "new world order" thinking, would have Americans believe that assisting China in its "rebalancing" from a manufacturing-intensive base to a technology-and-services base would be of enormous benefit to us. Increased U.S. investment in China, along with increased Chinese investment in the United States, they say, is the ticket to prosperity. Likewise, they assure us that this economic transition is also marching hand-in-hand with China's political transformation from a brutal Communist Party dictatorship into a more democratic, more open, more freedom-oriented political system. However, they can cite no credible evidence to back the rosy claims. In fact, President Xi Jinping has reinstituted some of the strictest Communist Party controls over China since the days of mass-murderer Mao Zedong.

Photo of Treasury Secretary Jacob Lew: AP Images

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