

The first ever truly global crisis – an interview with Franck Biancheri from the Newropeans

By [Jorge Nascimento Rodrigues](#), Decembre 16, 2008

This crisis is definitely the terminal moment of the Bretton Woods system, 1944 version at the end of the World War II and 1971-76 version after the [Nixon shock](#). Also it's the bridge for a change in the great power system. In this sense it's a systemic crisis – not of capitalism as a system, but of the geopolitical, economic and financial system design from the 1940s. It's completely different from the 1930s, refers Franck Biancheri, the leader of [Newropeans](#). This is the **first** truly global crisis – a crisis of a world finally truly globalized in finance and economy.

Paradoxically, he thinks that the Eurozone is a safeguard – the crisis will not be as severe as in the US-UK axis. In geopolitical geography, the G7 is dead, says Franck. The priority is how to substitute the role of the US dollar in the financial and trade system (for instance in commodities). Franck does not expect the euro as the new world currency and do not support the return to the gold standard. A basket of world's main currencies will be fine.

PROFILE

Franck Biancheri, 47, holds a Master in Political Sciences from the Institut d'Études Politiques de Paris (Sciences-Po), is Senior Fellow Researcher for the think-tank Laboratoire Européen d'Anticipation Politique Europe 2020 (LEAP/E2020). He is also editorial adviser to [Newropeans Magazine](#) and President of [Newropeans](#), the first trans-European political party, launched in June 2005, which will present lists in all EU Member states for the elections to the European Parliament in June 2009. He is also the founder and president of the [TIESWeb](#) Transatlantic Network, launched in 1997 with the joint support of the European Commission and the US Department of State, with the mission to strengthen the transatlantic partnership by promoting dialogue between individuals on a people-to-people level. In 2003, he was elected “one of the 20 2003 Heroes” by Time Magazine's European readers, joining Bono, Zinedine Zidane, Lech Walesa, Vaclav Havel, Tony Blair, or Nelson Mandela. In 2004 he was also elected “among the 25 who change the world” by the 5th World Forum on E-Democracy and by PoliticsOnline. In 2006, he became the coordinator of the [Global Europe Anticipation Bulletin \(GEAB\)](#), the monthly confidential letter of LEAP/E2020. Biancheri is namely the author of [Vision Europe 2020](#), about future EU political trends, published in 2002, thought up by the under 40 European generation at that time.

Interview by Jorge Nascimento Rodrigues

Q: You talk of a systemic crisis. The American political scientist Immanuel Wallerstein has been referring since some time ago the emergence of a systemic crisis, different from previous capitalist crisis. What you mean by systemic and what's new in the present crisis?

FB: From February 15th 2006 on, when we coined the expression “global systemic crisis” in our bulletin (the GEAB N°2), we defined this concept as a

general break down of world governance as we knew it in the past decades (essentially since WW II). More specifically, since 1945, and in particular since 1989, the pillar of the “world order” has been the US, mostly relying on a mixture of military and financial supremacy. This leadership was relayed by a certain number of Allied countries, mostly within NATO (in particular UK) in addition with Japan. This is the “world order” which is falling in this global systemic crisis, and which is being progressively replaced by a new architecture of global governance, involving several new players and redefining the very tools of global management.

Q: And what means the falling of the present geopolitical world order in economic terms?

FB: Among other things, as we anticipated since 2006, it means the end of a world financial system organized in a pyramidal way, with Wall Street (New York) on top, seconded by The City (London). On the monetary front, it may be summarized by the expression “the collapse of the Dollar Wall”, to make an analogy with the collapse of the Berlin Wall which marked in 1989 the end of the other dominant player of the post WW II world, the USSR.

Biancheri: «It’s the end of a geopolitical era, not of capitalism»

Q: That means a crisis of capitalism as a system?

FB: In our opinion, this crisis has nothing to do with the end of capitalism or even a crisis of capitalism. It has on the contrary everything to do with the end of a political era which saw the overall global supremacy of one country, the USA; and which has been marked, since the 1970s and Bretton Woods II, by an increasing number of aberrations and excesses in the financial and monetary spheres, due to the diminishing ability of the USA to fulfill its role of global pillar. Atlas is exhausted and his world is falling apart. The systemic nature is therefore highlighting a major point: the crisis affects the very basis of the existing global organization in the fields of finance, currency, economy & politics... It comes from long-term problems which were not addressed in due time. And therefore neither short-term solutions nor ‘more of the same’ actions will be able to curb the crisis development.

Biancheri: « This crisis will be much stronger and will last longer than the 1930s one, especially for the USA which are its epicenter, but also for countries which are heavily integrated within the US economic and strategic sphere. »

Q: Is this ongoing crisis similar to the 1930s one?

FB: In 2007, we called the starting crisis in the USA, the 'Very Great US Depression'. So this crisis indeed is different from the 1930s one in many ways. First, today's world is far more integrated than in the 1930s so this crisis is definitely the first ever truly 'global crisis'. The 1930s one was essentially limited to the USA and Europe. Second, our societies depend much more on the financial sphere than 80 years ago, so the impact of the financial meltdown is going to affect more deeply and more durably our societies. Third, the USA, which is the epicenter of the current global crisis, was an ascendant world power in the 1930s when now it is a decaying one. So the crisis impact will reinforce the downward trends affecting the USA today, when in the 1930s the crisis impact was strongly diminished by the upward trend affecting the USA at that time. All in all, LEAP/E2020 has been repeatedly underscoring for almost three years that this crisis will be much stronger and will last longer than the 1930s one, especially for the USA which are its epicenter, but also for countries which are heavily integrated within the US economic and strategic sphere. This crisis is definitely the terminal moment of the Bretton Woods system, 1944 version & 1971-76 version.

Biancheri: « Within the Eurozone we will see a 'normal' recession or more probably stagnation or small magnitude stagflation with growth comprised between minus 1 and plus 1 per cent till 2011; while in the USA we are talking of a long depression (about a decade), with negative growth of an average of minus 2% for the coming 2/3 years, involving therefore social unrest, loss of global clout, and so on and so forth. UK will follow a similar pattern. »

Q: Do you see essential differences between the US and the European crisis?

FB: The major difference is going to be between the USA and the Eurozone. EU member states outside the Eurozone will be affected more severely than Eurozone ones. And some of them more integrated to the US economic and strategic sphere such as UK for instance, will be at least as affected as the USA if not more. Within the Eurozone we will see a 'normal' recession or more probably stagnation or small magnitude stagflation with growth comprised between minus 1 and plus 1 per cent till 2011; while in the USA we are talking of a long depression (about a decade), with negative growth of an average of minus 2% for the coming 2/3 years, involving therefore social unrest, loss of global clout, and so on and so forth. UK will follow a similar pattern.

Q: You think the Eurozone will thrive, now, better than the Atlantic US-UK axis, the innovation engines in economy and finance of the previous crisis in the last century?

FB: To put it simply: within the Eurozone, on average, we don't foresee like in the case of the USA (and UK) a decade-long loss of manufacturing capacities,

a huge housing bubble, a collapse of top financial institutions, a general bailout of an increasing number of major companies in all kinds of sectors (banks, insurances, manufacturers,...), a deficit situation at every level (local authorities, federal authorities, households, trade, payments,...).

Q: The Eurozone is a truly safeguard against default and financial meltdown? Do we need in Europe other collective institutional tools for crisis management other than the ECB?

FB: Yes, as I just said, the Eurozone is acting as the best protection against the current economic tsunami. If we may take an analogy, to resist the tsunami, some countries are sitting on multifloor concrete buildings (that's the case of the Eurozone), while others have only groundfloor concrete buildings (Japan, China for instance), and others only groundfloor or multifloors wooden buildings (USA, UK for instance). But the eurozone situation is far from perfect. There is an obvious need for regular meetings of the Eurozone summit now that it was gathered once last November. It should take place the day before every EU summit (every 4 months). There is a need for a kind of Secretariat of the Eurozone which will coordinate economic policies and serve as the daily interlocutor to the ECB on the one hand (in charge of monetary matters) and with the EU Commission & Parliament (in charge of the whole EU area). These two "instruments" are pre-requisite in order to have a pro-active Eurozone rather than a reactive one.

Biancheri: «The existence of a developed social system is the big asset of Europe compared to the USA or Asia which don't have them and will be faced by the emergency of having to build them from almost scratch, or face social unrest on a large scale. »

Q: From the medicines already applied in the US and in Europe which do you think are effective?

FB: To prevent major banks to collapse by injecting public funds within their capital and having the states taking the required share of power at their board has been, when done, an efficient emergency solution. On the contrary, buying out distressed assets, or not taking a share of power in banks when public capital is injected, are inefficient measures. The distressed assets buyout is only pushing towards the state (and ultimately the taxpayer) the cost of getting out of the mess. And not entering the bank's board is only making more probable that in a few months, because banks are not delivering the loan increase to the economy they promised, the very same banks will have to be fully nationalized.

Q: What must be the priorities?

FB: Overall, there are two priorities in the coming 2/3 months: a) initiating major infrastructure investment plans which in a year time will start creating lots of new jobs and adapt our infrastructure's to tomorrow's world; b) preparing our social systems to a major wave of unemployment in 2009/2010 so that they can both face an increase in number of unemployed people and an increase in the duration of the unemployment period. The existence of a developed social system is the big asset of Europe compared to the USA or Asia which don't have them and will be faced by the emergency of having to build them from almost scratch, or face social unrest on a large scale.

Q: Do you think deflation (induced by the recent crash in commodity prices, particularly oil) is now the “public enemy”?

FB: No. We are seeing a transitory deflation of asset prices which skyrocketed for speculative reasons. But the amazing money creation, especially in the US which is printing money like never before, or the major use of debt to pay their way out of the crisis, again in the USA and also in UK, will result into strong inflation in these countries.

Biancheri: « This transition period should not last more than a year. The G20 will start operating as a new “engine” for global governance when it will address the core issue of ‘how to replace the US Dollar as the core of the international monetary system?’. »

Q: What do you expect from the next G20 meeting?

FB: The G20 meetings are showing that global economic and financial governance by the Anglosphere plus EU and Japan is finished. Other players are getting into the game and will not get out of it from now on. But, having said that, for the moment the new players still play by the old rules. This transition period should not last more than a year. The G20 will start operating as a new “engine” for global governance when it will address the core issue of ‘how to replace the US Dollar as the core of the international monetary system?’. Till then, it will only be a discussion forum. I don't expect the next meeting in London to be more than that. Most probably, the 3rd meeting, if organized by summer 2009, will start becoming something else. For that to happen it must be organized outside the USA or UK (the two anchors of the collapsing financial system); Geneva or Vienna could be good locations, or Singapore or Tokyo); and it must put upfront the core question of the US Dollar on the table.

Q: Who will be the best candidate to substitute the US dollar as international reserve and trade currency – the euro? Or we will return to the gold standard?

FB: No we don't believe to a return to gold as the modern economy is too complex now to be related to one single physical value, especially one which is distributed worldwide without any connection to the respective weights of major world economies. And the instability created by a reference currency controlled by a single political entity as it is the case for the US Dollar clearly makes the case against any attempt for the Euro to play such a role. We think that the coming years will see the emergence of a global reserve currency (which could be called the "Global"). Only a complete overhaul of the system, involving the establishment of a global currency of reference based on a basket of world's main currencies, can prevent the world from entering into a depression and its related stream of crises.

Biancheri: « I am very afraid that Barak Obama and his team still belong to the 'old political class'. When looking at his team of economic advisers or officials, you can only notice that they all come from yesterday. »

Q: And from the new US Administration? Obama is part of your required 20 percent renewal of the political world class?

FB: The new US administration is facing a task of historic proportion, but I am very afraid that Barak Obama and his team still belong to the 'old political class'. When looking at his team of economic advisers or officials, you can only notice that they all come from yesterday. People like Laurence Summers have been directly responsible of the big Wall Street mess of the past decade (when they orchestrated in 1999 the suppression of Great Depression regulations preventing the banks to behave as they just did these past years). And Timothy Geithner is one of the three major decision-makers (together with Paulson and Bernanke) of the failed interventions of the past year. Meanwhile, Obama and his team only discovered the crisis at the same time as every single American citizen when it exploded mid September 2008. Their program is a classical 'democratic' one, to which they just intend to put more money to fight the crisis. Just think that Obama explained that his stimulus plan will create or preserve 2.5 million jobs (if it works)... with unemployment growing up at more than 500,000 jobs per month, it will not even be sufficient to compensate for job losses of the next 6 months. We are clearly far from the required measures. And when he says that in such a period of crisis 'deficits don't matter', he just seems to ignore that those deficits are a key factor which triggered the current crisis. Last but not least, LEAP/E2020 thinks that the clear indication that a political leader will start dealing efficiently with the crisis in the USA will come when somebody will put clearly in the US public debate that without diminishing by 50% the US military spending, there is no way out of the 'Very Great US Depression'. Not that the US military budget is the only problem to solve in this country, but it is a kind of strategic 'Gordian knot'. Without slicing it, there is no way for the US to elaborate its required new vision to get out of the depression.

Biancheri: « The point which remains to be seen is whether the USA will take a pro-active approach to the down-scaling of its military power and therefore that they will try to anticipate it and to organize it. Or whether it will be imposed to it by the defaulting of the US government. »

Q: That will mean a big downgrade of the hegemonic image and capacity of hard power of the US. Do you think the American Administration is in bankruptcy to be forced to do that, or even politically pressed to accept its fall from the superpower status?

FB: We think at LEAP/E2020 that, regarding this matter, the direction is from now on set by unstoppable historic trends. The hegemonic image of the USA is already a thing of the past or good for Hollywood movies only: Iran, Georgia, North Korea, the mess in Iraq, the quagmire in Afghanistan are there to prove it. The point which remains to be seen is whether the USA will take a pro-active approach to the down-scaling of its military power and therefore that they will try to anticipate it and to organize it. Or whether it will be imposed to it by the defaulting of the US government. In any case, lots of US bases throughout the world will soon be for sale. There are lots of talks among Western elites about Obama being the new Roosevelt or Kennedy. For LEAP/E2020 the question is essentially whether he will be “Gorbama” (or “Obatchev”) and therefore avoid the use of the country’s military strength to hopelessly try to retain in super-powership; or if the new president will succumb to the classical imperial temptation of using military force to try to stay on top. We will only start to have clues about that by mid 2009.

Q: But Gorbachev was the trigger for the Soviet Union superpower implosion. Geopolitics has horror to vacuum...

FB: This time the vacuum will be filled indeed by several powers.