# The Cost of G20 International Economic Coordination (IEC) During the Recent Global Crisis and Debt Power Politics: The Impact of the Fiscal Expansion on the G20 Relative Power, over the period 2009-2011.

**ABSTRACT:**

From the crisis in 2007/8 up to 2011, the G20 achieved coordination through fiscal stimuli. Did this G20 economic cooperation, agreed at leaders' level, succeed? What was the cost and how has it been distributed among the twenty most powerful economies? What are the short-term geopolitical consequences? The article focuses on the fiscal expansion, debt dynamics and their consequences for the G20 relative power, extending the analysis to include military–expenditure indicator. Thus it offers a new insight, since the outcome looks different when one considers both the military and economic power indicators instead of economic power alone. It argues: a) the cost of G20 economic coordination was unevenly distributed among partners; b) with regard to the overall impact of both crisis effects and crisis discretionary measures on the G20's 'hard' and 'soft' power, the traditional partners of the USA such as Europe and Japan seem to be more negatively affected than the USA itself or the BRIC countries.

## INTRODUCTION.

The G20's crisis management of the recent international financial crisis still fuels debates and raises questions. Indeed, the 2007/8 crisis generated concern among Realists' and Institutional-Liberalists'. Did the G20 international cooperation succeed? What was the cost and how has it been distributed among the twenty (strategically) most powerful economies? What are the geopolitical consequences, at least in the medium term? This paper addresses the last two questions concerning the G20 countries. Moreover, there is a wider issue: Would the crisis and the cost of its management diminish US 'hegemony' to a critical point, and would it open the way to a 'multipolar' the international system?

In the recent literature, opinions differ with regard to effective economic coordination and the assessment of its cost (section 1); as well as on the geopolitical implications (section 5).

Nevertheless, since the G20 economies took over the crisis management at a leaders level (November 2008), IEC has been achieved through an “unprecedented fiscal expansion” (G20 summit-declarations, 2009); not only in terms of financial-sector support, but also global-Demand support. Their coordination should have been a positive-sum game, since every state would benefit from stimulating Demand and rescuing the financial sector. The coordination took place during 2009 to a different extent for each country, with some countries extending measures to 2010. The exit strategies were initially to be undertaken at each country’s particular pace but later the Toronto G20-summit (2010) sought to set specific targets. Governments used fiscal policy for liquidity injections, tax measures, safety nets (generally social cost) and for the exit strategies, because interest rates remained at a low level, to boost the economy. At the international level, G20 coordination consisted in boosting the resources of the Bretton-Woods Institutions and the WTO, as well as reforming the IMF lending tools, quota and governance architecture for both the IMF and the World Bank (WB), and the financial system’s macro-prudential tools.

To inject liquidity, governments issued bonds, purchased ‘toxic’ assets and equities, and guaranteed deposits. Moreover tax cuts (for households and/or firms) were added to the previous fiscal stimulus, as well as other support measures that varied from country to country. Nevertheless, such stimuli resulted in significant fiscal expansion and, in most developed countries, fiscal deficits and debts soared. The extent of fiscal expansion was significant not only for the state’s regulatory role in the markets but also for its consequences on sovereign debt and on government spending, such as on national defense. Therefore, fiscal adjustment and debt service influence the relative power of the states, as we will show in the second section. We focus on the G20 countries because these geopolitically important economies are involved in the evolution of the international system. Therefore, changes in their relative power affect the prognoses of the USA maintaining its ‘hegemonic’ position, or of the international system evolving towards multipolarity.

Despite the fact that the answer depends on the time horizon adopted, the purpose of this paper is to show the short-term geopolitical effects of the crisis-related measures and the overall impact of the crisis as a result of coordinated fiscal expansion.

To do so, we have introduced new power indicators (such as military expenditure) to supplement the traditional economic ones. We will argue that the outcome in terms of relative power is different if we consider both military and economic power indicators, instead of the economic ones alone.

We equate the cost of the 2009-10 international economic coordination (IEC) with the cost of the crisis-related measures. All the crisis-related measures resulted in fiscal expansion. Accordingly, the cost of those economic policies is reflected in the General-Government-Balance Sheets. Virtually all the G-20 states adopted this kind of measures – even the emerging Asian economies, less hit by the crisis, because they had to face spillover crisis-effects, shrinking global Demand and trade activity. Support measures were therefore part of the fiscal expansion of the period (2009-2011), but an important part, that forced governments to exceed by far their plans. However, to estimate the geopolitical implications we had to consider the aggregate cost of the crisis (of both the discretionary measures and other costs).

On the other hand, the article limits itself to the quantitative aspect of the 'hard' power and uses military expenditure as an indicator (forming part of the government expenditure). Similarly, the article limits the quantitative aspect of 'soft' power to economic performance and to R&D (Research and Development). Additionally, exchange rate fluctuations were not taken into account, for the purposes of this article. Moreover, the article focuses on the unofficial G20 coordination, as the cost for the official cooperation (i.e. through institutions such as the IMF) is included in the cost of the fiscal expansion.

Our findings concern: a) The G20 did successfully achieve international economic coordination through fiscal expansion, since signs of recovery appeared from mid-2009 (IMF. WEO 2009-2013). However, the cost was unevenly distributed among partners, as it had been before under G7 management.

b) The geopolitical implications were asymmetrical, and not proportional to each- country's contribution to the crisis-burst: Though the crisis emanated from the 'hegemon' (USA) and its economic ideology, more negatively affected were the traditional US partners like Europe and Japan, than the BRIC countries and USA themselves. Therefore, though US have weakened, its traditional partners weakened more; and new rivals are not strong enough, to lead the world economy or to become threatening opponents.

The paper's organization goes as following:

In the first section, we link the article with the recent academic literature and address two questions, i.e. whether there was successful coordination between countries, and the various aspects concerning the assessment of that coordination.

In the second section, the article demonstrates the relationship between public finances and power. Especially, it shows the importance of the public-finances adjustment to the economy of the country and to the national power.

In the third section, the article addresses the question ‘What was the cost and how was it distributed among the G20?’ It compares the cost of the crisis-related measures and presents the main findings.

Next, in the fourth section it tackles the geopolitical consequences. It examines the implications of the crisis on the main power- indicators, such as the fiscal balance and general government debt, the GDP (and GDP rate), the military expenditure, the R&D expenditure without neglecting trade indicators and Foreign Direct Investment.

Finally, it comes to the concluding remarks, linking them with the relevant academic discussion on the geopolitical effects.

As for the time-horizon, the article covers the period 2009 – 2011. The lower limit is justified by the recognizable signs of recovery (GDP rate) since the second half of 2009; the upper limit is justified by the following considerations:

a) Factors of a completely different nature – such as natural disasters – affected public finances (e.g. Japan in 2011 – tsunami / earthquake; Australia in 2012, fires) and

b) In 2013, the USA changed the way it calculates GDP-data enhancing its GDP figures, i.e. they show better performance, (IMF, WEO (October 2013), pp. ix, 136). Since the article argues finally, that the USA though weakened by the crisis (and the crisis-related measures) has maintained its power-supremacy relatively to its G20 partners, I preferred to use the initial GDP-data as they appear in the IMF (WEO, 2009 to2012), notably on grounds of data-consistency.

## SECTION1. CONCISE OVERVIEW OF THE ACADEMIC LITERATURE ON ECONOMIC COORDINATION, ITS COST AND IMPACT.

Until the 2007/8 crisis burst, there had been three main instances of International Economic Policy Coordination (IEPC) attracting particular attention as a successful operation in normal times: the Bonn (1978), the Plaza (1985) and the Louvre (1987) Accords. Indeed, the G7 states managed in coordinating their economic policies to achieve adjustment in the international monetary system through exchange-rate (monetary) policy and avoid further negative spillovers. Some scholars reported - for instance in respect of the Plaza Accord - that the cost of IEPC was unevenly distributed among partners; and in favor of the most powerful, the US (Hazakis, 2005, pp.134-135). Also, Eichengreen (2011, p. 21) reminds us that under the Louvre Accord, the dollar “would be stabilized around current levels” while partners

would adopt measures leading to an appreciation of their currency by reducing their surpluses, i.e. Japan would increase public spending; Germany and the rest would decrease taxes. Hazakis (2012) in his first section offers an overview of the academic literature centered on the period before-G20 cooperation.

However, following the onset of the 2007/8 crisis, it was to the G20 that the G7 entrusted the IEPC, to handle crisis management and exit strategies. The same question therefore arises with regard to the distribution of the burden among partners: would it be as uneven as before (under G7 coordination), or would 'this time be different'? Such a question is still pertinent, since opinions differ on: a) to what extent economic coordination has been achieved and b) what the cost is.

For instance among those contesting that there was effective coordination, Armigeon (2012, p. 544, para.2) suggests "coordination between countries was very limited" when he examined a sample of 34 countries and observed a variety of fiscal responses. However for the countries belonging to the G20, he admits there was a counter-cyclical response along with a call for G20-coordination in 2009 (ibid, Table 1, p. 549).

Again, Rommerskirchen (2011, p. 26) though she describes the "uncoordinated nature of these fiscal efforts" and concludes that she did not find evidence for "meaningful orchestration of fiscal stimulus policies during the crisis", admits there was some overall coordination. However, she points out that the G20 commitment to coordination through fiscal policy "is vague when it comes to the form and size of stimulus measures . . . (as) the size and sequencing of the G20 fiscal stimuli varied considerably" (see also Table 1, ibid, p. 9).

Both Armigeon (2012) and Rommerskirchen (2011) rather suggest that countries would have taken such measures anyway, on their own initiative, but this is more a judgment than a clear fact. Additionally, Rommerskirchen (2011) recalls the problem of moral hazard when coordination does not apply to all members (ibid, p. 6). Moreover, Bertoldi M. *et al.* (2013, p.1, summary) argue the G20 should "define more precisely . . . how policy coordination . . . can be effective" (with respect to its goals). Additionally, Bird (2012) recalls the zero or the positive sum game-problem when it comes to international coordination, concluding, "The scope for formal and detailed policy coordination is strictly limited because of the underlying political constraints" (ibid, p.1, abstract); but he focuses on the exchange rate adjustment, not the fiscal one.

On the other hand, defenders of an effective G20 coordination are not limited to official (G20) papers and institutions like the IMF but include other researchers as well. For instance,

Makin (2010, p. 1) admits there was coordination through "unprecedentent fiscal stimulus in 2008-09 . . . Yet, by the Toronto summit in June 2010 the fiscal focus shifted to the need for budget deficit reduction". Again, Corsetti and Müller (2011) provided "new evidence on the cross-border effects of discretionary fiscal measures" (ibid, p. 1) mainly through the financial sector. However, their sample does not include all the G20 countries. Bracht C. (2013, p. 2) compared the G20 Compliance Scores 2008-2012 and found "for the six summits from 2008-2011, the average compliance score for all G20 members (on all goals) was . . . of 70.5 percent." Eichengreen (2011, p. 28) regrets the absence of "more closely coordinated fiscal stimulus" and he admits G20 coordination as a fact (Eichengreen 2012). Benes *et al*. (2013), admit there has been G20 fiscal coordination in varying proportions among countries. However, they focus on the benefits of IEPC especially at this time; as Canzoneri *et al.* (2005) did for earlier times. Nevertheless, Rogoff (1985) had earlier objected that IEPC in Keynesian economic environment might be counterproductive.

Anyway, the G7 in late 2008 and the G20 leaders in 2008-9, called on all members to adopt expansionist measures to manage the crisis and all the governments undertook fiscal stimuli to support their economies. For our purposes, it does not really matter how much of the fiscal expansion was strictly due to the coordination-call or stems from each government's own initiative. This is because we focus on the overall effect on the public finances, relating the concept of power to the state of public finances (section 2) and we look for changes in the relative power. On the contrary Armigeon, K. (2012, p. 550) seeks to measure the cost in terms of "the fiscal packages that were expressly intended to stimulate the economy." Our method is closer to the approach of Corsetti and Müller (2011, p.5). Though they admit that, "in order to take up the issue of coordinated policy actions, it is of particular interest to identify the discretionary component in the fiscal response to the crisis," they focus on the cyclically adjusted primary government budget balances 2008-2010, relative to the pre-crisis level in 2007. They assume that the sum of those changes "captures the discretionary stimulus measures such as temporary increases in government spending or tax cuts" (ibid, p. 6). Additionally, Antoniades (2013) examines debt indicators of both the public and private sector whilst, for our purposes, we limit our scope to the 'general government' finances of the G20 member-states.

Therefore, once the literature accepts (more or less) the G20 IEPC as a phenomenon due to the 2007/8 crisis, our attention turns to the effect of the fiscal stimuli on the G20 relative power, and to how the burden of the fiscal coordination has been distributed among partners. So far, 'Repoliticizing Debt' (Soederberg (2013, p. 544, notes) has preoccupied researchers

with “the role(s) that debt plays” (ibid, p. 1, abstract) focusing on debt as a source of power. But the focus was mainly on the economic aspects of the market-led growth, development and the social constructions of the ‘meanings of debt’. Similarly, Hembruff (2013) regarded debt as a social relationship, especially as “fictitious capital, that is, capital backed . . . by a claim on future value” (ibid, p.721). He also added the perspective of the “US dominance in both military and financial matters in the 90’s” (ibid, p. 717). However, he then focused on the transfer of the ‘value-added’ to the creditors, in the future. Nevetheless the accent is on the economy only, not on ‘hard power’ (defense) or generally on the G20 power relations and structural changes, as we try to do. Similarly, Antoniades (2013) restricts power to its economic dimension only.

Instead our article, while adopting the perspective of debt and power politics, introduces another indicator, i.e. the military expenditure to perceive how the fiscal expansion (2009-2010) and debt dynamics affected the G20 relative power. Since it is not certain a priori for a state, whether and to what extent its economic capabilities will be transformed into military ones, military expenditure is therefore a factor to be particularly examined. Moreover, military expenditure as part of public expenditure, contributes to public deficits and debt.

## SECTION 2. LINKING DEFICITS, DEBTS AND POWER.

Public deficits adjustment and debt service affect economic power and therefore the relative geopolitical position of a state. Many factors come into play.

Balance of Payment surplus and fiscal surplus concern the management of a country’s wealth. Surpluses are the result of development or GDP growth. By contrast, deficits include the transferred-abroad value-added, for repaying debts.

Anyway, military expenditure is financed through the government’s budget. A national economy with a surplus might deliberately increase military expenditure- i.e. ‘hard’ power- or further improve its ‘soft’ power, through Research and Development (R&D) expenditure, foreign aid, boosting domestic Demand, exporting its culture, etc. In both cases, such a country has more choices when it comes to its foreign policy, and more flexibility in international negotiations. On the other hand, power determines the structures of the international system. In addition, we assume there are inequalities among states; that the international system consists of a finite number of states, and that power has at least two components (‘hard’ and ‘soft’, following the Nye’s typology (1990) and including economy in the ‘soft’ power). Therefore, public-wealth management through fiscal and current account deficit affects a country’s power.

Moreover, the National Accounting equation shows the relation: (G-T) =(S-I) + (M-X). S=National Savings; I=Investment; G-T= public deficit and represents the government borrowing, M-X= Current Account deficit and represents the outflows of value/capital. Since, the (S-I) is given (exogenous variable, S has limited elasticity), an increase in public deficit implies an increase in Balance of Payments deficit. The interest to service public debt increases public expenditure and thus, the public deficit. However, deficits do not always have negative effects if they are at a low, sustainable level and encourage investments. Nevertheless, the relation between public deficits and growth is a complex of other factors too, such as the international environment and the monetary system. Moreover, reducing public investment affects employment, domestic demand, research, etc.

From a historical point of view, Ferguson (2001) recalls that the first goal of government expenditure and tax-revenues was to establish an army for defending the state outside and inside the country. Stiglitz (2006, p. 214) recalls 1862, when France invaded Mexico, because of a chronic debt. In 1876, England - supported by France - invaded Egypt for the same reason (ibid). In 1904, the US obliged the Dominican Republic to concede customs-revenue (ibid). In 1949, Newfoundland became part of the Canada as it was not able to service its debt (ibid). Similarly during the Bretton-Woods negotiations after WW II, the USA – then a surplus country - vetoed Keynes proposal, i.e. the UK's proposal for penalizing surplus countries through mechanisms like the 'bancor' (Williamson, 2011, p.2). And recently, countries with surpluses, such as China and Germany, succeeded during the Toronto G20 summit-negotiations in refuting US *hegemoni*c pressures to cut CA surpluses to 4 percent of GDP.

## SECTION 3. COST OF THE COORDINATED INTERVENTION.

For some G20 countries coordinated efforts for fiscal stimulus began in 2008 but for the majority it took place in 2009, though some extended measures until 2010 and 2011.

First, what best expresses the extent of the fiscal stimulus, till November 2009, is Table 2 of the Annex in IMF Fiscal Monitor (November 3, 2009, p. 36) that represents the 2009 fiscal expansion as a percentage of GDP, also showing the change with respect to the pre-crisis year 2007. In column A, it shows the fiscal impact comparatively to the pre-crisis year 2007; in column B, it measures separately the cost of the crisis-related measures as a percentage of GDP (however, the column A calculations took into consideration column B data). The cost in column B represents in our opinion the cost of the international economic coordination during the crisis/recession; this is because, when G20 summits deliberately and repeatedly

decided on coordinated action (Washington 2008- London, Pittsburgh, 2009), countries did comply with these decisions by undertaking fiscal stimulus, as effective data show, and without coercion from abroad.

Thus, the cost of the crisis-related measures (column B) was 3.1 percent of GDP for China, as against only 2 percent for the USA. However, and comparing the fiscal expansion to 2007 (before the crisis-related-measures appear on the fiscal balances), China was better off by having a deficit 4.8 percent of GDP, than the USA with a deficit of 6.4 percent of GDP. However, that difference – i.e. between cost of the crisis measures and fiscal expansion comparatively to 2007- reflects other factors too, such as US military expenditure. The IMF estimated "the structural primary balance deteriorated by 4.7 percent of GDP for the advanced G20 economies as a whole, for 2007 – 2010. Of this, non-stimulus spending accounts for 1.7 percent of the deterioration, reflecting increases in US defense, social security spending in Japan, and various expenditure items in Italy and United Kingdom" ( IMF, February 4, 2010, p. 8, Footnote no 3).

Also, Japan spent for the crisis measure 2.4 percent of GDP but the overall fiscal expansion comes to a deficit of -7.9 percent of GDP. (IMF, Fiscal Monitor, November 3, 2009, p. 36).

Specifically, looking at the trends 1997 – 2008 of the advanced G20 economies, the IMF data show that the US had the greatest increase in military spending (IMF. April 30, 2010, p.59). Apparently, the deployment in Iraq and Afghanistan accounted for the previous trend. Additionally, Japan ranked highest for social-security expenditure (ibid), the UK for education and public order. For health care, the UK came first, then Japan and next the USA (ibid). However, there are not similar trends for the G20 emerging economies.

As for other countries, the same source (IMF Table, Fiscal Monitor, Nov.3, 2009 Annex, p. 36), demonstrates Russia's fiscal expansion up to -13.4 percent of GDP with respect to 2007, but its crisis measures cost only 4.1 percent of GDP. Italy and Brazil spent similar amounts (0.2 percent and 0.6 percent of GDP respectively) but the total fiscal expansion cost more for Italy than Brazil (- 4.1 percent of GDP versus -1 percent, respectively). Germany and the UK suffered almost the same cost for the crisis measures (1.6 percent of GDP), but the overall fiscal expansion was worse for the UK (-3.7 percent of GDP, versus -8.9 percent of GDP respectively). Similar variations occurred for the rest of the G20. For Turkey and Mexico, the cost of the crisis-measures was 1.2 percent of GDP and 1.5 percent respectively, resulting in a fiscal expansion up to -4.9 percent of GDP for Turkey, and -3.5 percent of GDP for Mexico (with respect to the 2007 level). France's measures cost almost 0.7 percent of GDP, implying an overall balance-deterioration of -5.6 percent of GDP compared to 2007. This was similar

to Australia's expansion -5.8 percent of GDP, the country taking measures that cost 2.9 percent of GDP.

Secondly, new data released in May and November 2010, did not alter the previous analogies in the G20 relative performances. However, in the latest data (November 2010, IMF), one should notice the large correction in Argentina's crisis-measures cost from 1.5 percent of GDP to 4.7 percent of, in 2009. Therefore, as for the final figures of the crisis related measures alone, we have to consider the Box 1.1, of the IMF Fiscal Monitor (November 2010, p. 6-7), (See also at the Appendix, Table 1).

Beginning in 2010, some G20 countries planned maintaining fiscal stimulus measures either for the financial sector support, or for the domestic Demand. Others began immediately exit strategies with fiscal consolidation plans or reforms (especially the more indebted European countries); yet others intended to do it gradually. Germany added fiscal stimulus in 2010, that enabled it to boost the GDP rate growth and its exports but some tax-cuts affected its fiscal balance. China paid 2.7 percent of GDP for crisis-related measures in 2010. Saudi Arabia stimulus cost mounted finally to 5.4 percent of GDP in 2009 (Dubai bail out), and 4.2 percent in 2010, etc. (see Box 1.1, p. 6-7, of the IMF Fiscal Monitor (November 2010).

In sum, as Benes *et al*. (2013, Section VI, p. 24) noted, "Japan, emerging Asia and the United States implemented the largest fiscal packages, while the G20 countries in the euro area, Africa and Latin America had smaller packages".

Especially for the financial sector support, emerging economies conformed to the G7 call for liquidity and capital injections - specifically in 2009 - and they spent more on liquidity injections than on capital and asset purchases or guarantees.[1]

For instance, until August 2009, the biggest capital injections to financial-sector firms were those in the USA (5.2 percent of GDP), Austria (5.3 percent), the UK (3.9 percent) and the Netherlands at 3.4 percent (IMF, Fiscal Monitor Nov. 2009, p. 37). The following 2010 data show that the US finally used only 2.9 percent of the pre-announced 5.1 percent of GDP for capital injections (IMF, Fiscal Monitor, May 2010, p. 17). The UK, by contrast, used a bigger proportion, 6.4 percent, when compared to the 8.2 percent pledged initially, for 2009. Overall, the UK, Russia, and the USA made the largest capital injections.

By contrast, the most extensive liquidity injections for 2009 were those of Saudi Arabia (at 30.6 percent of GDP), China at 22.5 percent, and Brazil at 10.8 percent (IMF, Fiscal Monitor Nov. 2009, p. 37).

For guaranteeing deposits, Ireland pledged the most in 2009, i.e. 198.1 percent of GDP (ibid), but it did not avert a debt crisis the following year. In addition, Germany (18 percent)

and France (16.4 percent) pledged more than the USA (10.6 percent) and Japan (7.3 percent), in 2009 (ibid).

In the meantime, variations in the fiscal- stimulus absorption occurred. Accordingly to the IMF, Japan withdrew a program of 50 trillion yen for equity guarantees. The USA reviewed the 'Public-Private Investment Program' for 'toxic' assets purchase, while the 'Guarantee Program for Money Market Funds', i.e. 0.4 percent of GDP, not only came to an end but also brought in some commission: $1.2 billion (IMF. November 3, 2009, p.8).

Additionally in the USA, the 'Federal Deposit Insurance Corporation' and the 'National Credit Union Administration' reduced the anticipated expenses; as a result, a budget projection for losses of $ 125 billion, had been wiped out (ibid). Similarly, the TARP ('Troubled Assets Relief Program') cost declined (ibid), from the $700 billion the Bush administration had pledged in 2008, for toxic assets purchases (Baily, July 1, 2010, p.6).

Therefore, for the USA, government did not use some financial support measures, thus reducing the cost and slightly improving the fiscal balance. However, the cyclically adjusted primary fiscal balance, showed a further deterioration of 0.6 percent of GDP (IMF. May 14, 2010; p.7, 8). The cost of crisis-related measures cost for the US in 2009, was accordingly only 1.8 percent of GDP. Early in 2010, the USA added new stimulus of about 1.1 percent of GDP. Additionally, the USA further increased military expenditure by 0.5 percent of GDP (ibid).

Furthermore, since the slight recovery in mid-2009, the value of some developed-countries' assets increased (equities, dividends); that reduced even more the direct-financial-sector support. Overall, for some rich economies, the cost for the financial-sector-rescue specifically looks less than it was initially assumed (See at the Appendix, Tables 2,3).[2]

Nevertheless, the countries' financial obligations remained large and disproportionate. For the latter, pre-crisis weaknesses also play a role. In all, the G20 emerging economies spent more on crisis-related measures than the advanced during 2009. The cost for repairing the US-mortgage-subprime crisis was diffused abroad through interdependence phenomena and was unevenly distributed among G20 partners.

## SECTION 4. EFFECTS ON THE PUBLIC FINANCES AND OTHER POWER INDICATORS.

Effects on the public finances.

Generally, the crisis had more severe fiscal implications for the rich G20 economies than the emerging ones (IMF, *Fiscal Monitor, September 2011,* p. 2, Table 1, for the years 2008-11; but for the year 2007 look at IMF, *Fiscal Monitor, November 2010*, p. 3). However, though rich-countries' government-bond yields were high early in 2009, they declined by the end of the same year, almost to the pre-crisis level (IMF, November 3, 2009, p. 19). Specifically, after the collapse of Lehman Brothers bond-spreads shrunk since September 2009 in the US, Japan, France and Germany.

Nevertheless and as far as the G20 relative power is concerned, we took primarily into account Gross- General-Government-Debt as a percentage of GDP and General Government Balance as percentage of the GDP - as they have been calculated by the IMF (Fiscal Monitor, September 2011, pp. 64 – 73). Then, we examined the cyclically adjusted primary government budget balances. After having analyzed and traced the trends of the IMF data, we found:

On the whole, from 2009 the worst performances in terms of the fiscal balance were not restricted to the USA but also included the USA's traditional partners too, i.e. Japan and among European countries especially the UK and France (see also the Appendix, graph 2). Only Germany's performances were closer to those of emerging markets, more specifically to China's performance – but not better than South Korea or Indonesia. When it comes to public debt (and for the period we examine), the US ranked better than Japan or Italy (see the Appendix, graph 1). Closer to the trend of the US public debt, were Canada and Germany, while the emerging countries had lower levels. When we examined the cyclically adjusted primary government balances (ibid), and as Corsetti and Müller (2011) suggested, we found Japan had the largest deficit for the years 2006-7 and 2010 -11, indeed it doubled in 2010-11. However, for 2008-9 the UK had the worst cyclically adjusted primary deficit. The third worst performance was that of India but until 2009; then since 2010, USA took its place. On the contrary, the best performance relates to South Korea for 2010-11 and Brazil for 2009. Russia had the best figures over the period 2006-8 but its performance dropped sharply in 2009; however its performance improved in 2010, maintaining then a rising trend.

As Cottarelli, I. and Schachter, A (2010, p. 11) showed, the overall G7fiscal balances deteriorated from 7 percent of GDP to 9 ¼ GDP, for 2007-2010; though "part of this deterioration is cyclical, the cyclically adjusted primary balance weakened by about 5 percent of GDP."

Specifically, among the G20 as a whole, the largest ratios of gross-general government-debt to GDP for the whole period we examined (2006-2011), were registered by Japan (first) and

Italy (second). USA ranks third after 2009. The three best performances for the period, i.e. the lowest debt ratios concern Russia, Saudi Arabia after 2010 and Australia; next ranks China. The other European countries the UK, Germany and France, rank among the poor performers, but with lower debt ratios than the USA. Within the G7, the smallest gross debt was that of the UK**,** while the biggest was Japan's. Within the BRIC countries, India had the largest debt ratio until 2010; but in 2011 Brazil took its place.

Next, relative to the General-Government-Balance and among the G20, the largest deficit was that of India, for 2007 and 2008. For 2009 and 2010, the USA took the lead as having the largest deficit; but for 2011 Japan's was the largest the deficit. Overall, the US, Japan and India had the three worst performances after 2009, whilst generally the three best performances until 2009 were those of Saudi Arabia, Russia and South Korea. From 2010 Indonesia replaced Russia. Amid the G7, it was Japan which had the biggest deficit for 2006, while the UK and France did for 2007; USA did so for 2008 until 2010, and Japan for 2011, as noted before. Within the BRIC countries, India still represents the largest deficit for each year of 2007-2011.

*In figures* . (See also the Appendix Tables 4, 5).

Precisely, Japan's debt changed from 187.7 percent of GDP in 2007 to 216.3 percent of GDP in 2009, rising in 2010 to 220 percent and in 2011 up to 233.1 percent, the last-named steep rise reflecting the impact of the tsunami calamity on performance. Italy's debt rose from 103.6 percent of GDP in 2007 to 116.1 percent in 2009, rising further to 119 percent in 2010 and to 121.1 percent the following year. Moreover, Italy's deficit worsened abruptly in 2009 to 5.3 percent of GDP, from 2.7 percent in 2008. Brazil, Germany, France and Canada had similar level of debt ratios (to GDP), but diverged on the fiscal deficit level. Germany, France, the UK and Italy surpassed the European-Stability-Pact standards (deficit up to 3 percent of GDP and debt 60 percent). Instead, for Turkey, its debt arose to 39.4 percent (2007) and 46.1 percent (2009) but its deficit surged to 5.6 percent in 2009 from 1.6 percent in 2007 and 2.4 percent in 2008, declining again to 2.9 percent in 2010 and 0.9 percent in 2011. Germany's fiscal balance was within the Stability-Pact limits for the years 2007-2009 but for 2010 it exceeded them recording -3.3 percent of GDP. Its debt, from 65 percent in 2007, increased to 74.1 percent in 2009 and 84 percent in 2010. France seemed more than Germany, with the UK even worse. In 2007, France and the UK had similar deficits of about 2.7 percent. Indeed in 2009, France's deficit rose to 7.6 percent, the UK's to 10.3 percent, while in 2010 there were not significant differences. In 2011 they did better but without significant change to their parallel trend. By contrast, the debt indicator had a better evolution

for the UK than for France. The UK's debt changed from 43.9 percent in 2007 to 68.3 percent in 2009, 75.5 percent in 2010 and 80.8 percent in 2011. French debt, by contrast, increased from 63.8 percent in 2007 to 79 percent in 2009, 82.4 percent in 2010 and 86.9 percent in 2011. Russian debt rose from 8.5 percent (2007) to 10.9 percent (2009) and 11.7 percent (2011). Russia performed better than China in terms of the debt ratio but worse than China on trade performance.

Looking at the G20 partners as a whole, for the years 2007 and 2008, the largest deficit as percentage of the GDP was of India's, 4.2 percent and 7.2 percent respectively. India's deficit declined in 2010 to 8.8 percent and 8 percent in 2011. Additionally, India ran a debt at almost the same level for 2007-2009 (75.4 percent of GDP and 74.2 percent respectively) but it dropped in 2010 (67.3 percent) and in 2011 it was a little less than Brazil's (65 percent). However, for the years 2009 and 2010 the largest deficit was that of the USA: 12.8 percent and 10.3 percent respectively (but in 2007 the US deficit was at 2.7 percent of GDP). As for 2011, the largest deficit was Japan's: 10.3 percent (IMF. (September 2011). *Fiscal Monitor*, pp. 64 – 73).

Nevertheless, the USA's debt ranks third after Japan and Italy, as it was 85.2 percent in 2009 and 94.4 percent of GDP in 2010. By contrast, the USA's debt in 2007 was at a similar level to Germany's (62.3 percent versus 65 percent, respectively). In 2008, USA debt arose to 71.6 percent, in 2009 up to 85.2 percent and in 2010 to 94.4 percent. In the meantime, US "federal debt held by the public has risen from about 36 percent of GDP in 2007 to about 62 percent of in 2010" (Lipsky, 2011, p.1).

Looking at the G7 group, Japan held the largest deficit in 2006 as it was 4 percent of GDP, as well as in 2011 (see above). But in 2007, it was the UK and France that held that rank, each achieving a fiscal balance of -2.7 percent of GDP. Similarly, the USA held that position for 2008 with - 6.5 percent, as well as for 2009 and 2010 (as mentioned above for the G20 group).

Overall, Saudi Arabia and Russia benefitted from the rises in the prices of the oil they export. However, Saudi Arabia shrunk its fiscal surplus in 2007 15.8 percent of GDP, to a deficit of 4.6 percent in 2009. However, it again recorded a surplus in 2010 and 2011. The sharp decline relates to the Dubai bailout. Russia turned its fiscal surplus of 6.8 percent in 2007 into deficit of 6.3 percent in 2009 and 3.5 percent in 2010.

For China, the cost of the crisis measures meant that its 2007 fiscal surplus, 0.9 percent of GDP, turned into a deficit 3.1 percent in 2009. In 2010 its deficit was at 2.3 percent. In 2011, it was at 1.6 percent. China's low debt fluctuated from 19.6 percent (2007), to 17.7 percent

(2008 - 9). It rose sharply to 33.8 percent in 2010 and then declined again to 26.9 percent in 2011. China's exports contributed greatly: in 2009, the World Trade Organization (WTO) recognized China as the leading exporter of manufactured goods (end-2008) overtaking Germany. By the way, Germany ranked second in goods exports in 2009, after China, and third in services exports, after the USA and the UK. Additionally, in early 2010, Chinese exports represented approximately 10 percent of world exports, from the 3 percent share that China held in 1999 (*The Economist*, (Jan. 9, 2010), p. 65). Moreover, China is reportedly the largest gold producer, with a share of the global market of about 13 percent (Economist, 23/1/2010, p. 86). So, for 2000-2008, China's average exports-annual-change rate is the highest among the G20, i.e. 21 percent (WTO, (October 2009), Trade Profiles). Again for the year 2010, WTO (Trade Profiles) demonstrated China's better performance (globally) - still ranking it first in goods exports, while for services exports the USA came first.

South Africa, despite its low debt level throughout the crisis, saw its fiscal balance deteriorate abruptly from -0.5 percent to -5.2 percent in 2009. Korea had no fiscal deficit and a low-level debt. Surprisingly, Indonesia's debt kept declining through 2006 – 2010; its slight deficit remained at low levels.

However, the annual growth rate affects the management of public deficits and debts. This is because growth boosts potential revenue to offset the expenses, especially when public debt raises less quickly than the GDP rate.

**Effects on the GDP and GDP rate.**

Next, examining the GDP rate of annual change (the pace at which GDP evolves), GDP per capita, and the GDP in US $ nominal value of the G20 in comparison, we found the following (see the Appendix, graphs 3,4).

Still for 2009-2011, the USA's GDP per capita and GDP in nominal value was stronger than any of its partners.[3] Despite the shift in the share of the world GDP in favor of the emerging economies,[4] even in 2011 China's GDP (in nominal value) was almost a third of the US's, while the US GDP / capita exceeded by far the China's one.

Indeed the three best performances in terms of GDP / capita were those of the USA (first from 2005 to 2011 with the exception of second in 2008), then - and especially after 2008- Australia (exceeding the USA in 2008) and next Canada with a sudden increase in 2010. The UK, which had ranked second in 2007 just before the crisis, declined sharply in 2008 and 2009.

However, with regard to the GDP-annual-change rate, the results look tricky. USA-GDP slowed its pace: from a positive trend until 2007, it turned to -0.3 percent in 2008 and -3.5 percent in 2009. It was again positive in 2010 at 3 percent, but for 2011 was down to 1.8 percent (WEO update, Jan. 2012).[5] Nevertheless, the declining GDP-rate trend of the USA shows a better position for the US than for Japan, European-G20 partners and Russia until 2009, although Russia exceeded the USA trend after 2010. Additionally, Germany's better performances – especially the second and third 2010 trimesters, do not offset those of its European partners (OECD, *Quarterly National Accounts - GDP* Growth - Third Quarter 2010). Germany ranked second in 2009 exports of goods, after China. However, in 2010 Germany ranked third, with the USA holding the second place. For the trade in services, by contrast Germany ranked second, immediately after the USA (WTO, International Trade Statistics 2010, pp.21-24). The worst performance among the G20 with respect to the GDP rate was Italy's for 2007 (1.5 percent), 2008 (-1.3 percent) and 2010 (1.3 percent), with the exception of Russia's performance in 2009 ( -7.8 percent) (IMF. WEO Oct. 2011, pp 177-185; update Jan. 2012). Moreover, France had the second lowest GDP rate for 2010 (1.4 percent) after Italy, whereas Italy had that rank for 2011 (0.4 percent). Whereas the USA held the second-worst ranking for 2007 (1.9 percent) after Italy, Japan did so for 2008-2009 (-1.2 percent and -6.3 percent respectively). The UK had the third-lowest GDP rate for 2010-2011 (1.4 percent and 0.9 percent respectively), posisiton previously held by Mexico for 2009 (-6.2 percent), the US for 2008 (-0.3 percent) and Saudi Arabia for 2007 (2 percent).

On the contrary, the best performance in the GDP rate was China's, which also exceeded Japan from 2009; thus China became the second largest economy after the US (WTO Trade Profiles 2009, 2010, 2011). Russia's trend was higher than the USA's and the EU's after 2010. However, India came second to China for the whole period (IMF WEO Oct. 2011, pp 177-185; update Jan. 2012). Brazil's fluctuations ranged from 5.2 percent in 2008 to -0.6 percent in 2009, improving to 4.5 percent in 2010.

Finally, and comparing the trends of all partners, the US maintained stronger GDP per capita despite the weak rate of GDP change, the impact of the crisis and or the double deficits (public and Current Account). The EU and Japanese performances with regard to the GDP rate were worse than that of the USA, while but the impressive GDP rates of the emerging economies cannot threaten the size of the US economy. Consider also that the USA has an extraordinary advanced technology and sound institutions, both of which promote development.

However, as Cooper (2013, p. 969) suggests, “In structural terms GDP is not the only salient quantitative indicator of a country’s standing.” Nevertheless, Cooper focuses on ‘middle power identity’ and diplomatic behavior that are not our preoccupation. From our point of view, we will consider military expenditure after examining FDI and CA trends (see below).

**Foreign Direct Investments (FDI) and Current Account (CA) Balance**

Moreover, in June 2010, the attractiveness of America’s economy contributed to the USA being the second most popular FDI destination after Holland, while China came fourth followed by the UK and France. The same happened the previous year, with the exception that France outperformed the UK. Germany was not one of the top five preferred destinations. Furthermore, the US ranked second for outward investment in 2009-10 (IMF, January 2012).

On the other hand, the decline in trade activity during the crisis resulted in a temporary shrinking of the US CA-deficit to 4.7 percent of GDP in 2008, and to a CA-deficit of 2.7 percent in 2009. The US CA-deficit started widening again in 2010, though at a slower pace than before.

However, the three best performances in terms of the CA balance (as percentage of the GDP) were those of Saudi Arabia (first), then China and Russia. Germany’s surplus was at a low level, whereas in France, the UK and Italy the CA was in deficit, though less so than the USA. However, the worst performance after 2009 concerned Turkey. China’s surplus attained its highest point in 2007 (10.1 percent of GDP) and slowed down sharply in 2009 not only because of the decline of the global demand but also due to the diplomatic pressures on its currency policy by the West-G20 countries. In 2011 China’s surplus was at almost the same level as Russia’s.[6]

**Military expenditure; Research & Development.**

So far, we saw that despite the declining trend of US public finances and the GDP rate, the superpower has the strongest GDP per capita. Moreover, FDI and CA-balance indicators did not alter this perspective. As for the ‘hard power’, the military-expenditure indicator supports the conclusion drawn above, as set out below.

To begin with, it is the IMF’s view that for the years 1997- 2008 the USA increased its military spending faster than any of its G20 partners (IMF. (April 30, 2010, p.59).

Next, World-Bank indicators show that G20 countries tried not to reduce their military expenditure as a percentage of their GDP, throughout the crisis. On the contrary, as soon as recovery began, most of them slightly increased their ratio to GDP (World Bank, 2011. See the Appendix, Table 6 and graph 5).

For the USA, the ratio of the military expenditure to GDP was not only the second largest in the G20 (after Saudi Arabia) but it increased the most in 2008, while for other partners it increased to a lesser extent, remained stable or even slightly decreased. Specifically, the US ratio was stable at 4 percent of GDP for 2005-7 and rose to 4.3 percent in 2008, i.e. an increase of 0.3 percent. In comparison, among those countries which increased their spending, Canada raised its ratio by 0.1 percent, i.e. to 1.3 percent in 2008 (ibid); the UK, South Korea and India by 0.2 percent, with Italy, Russia and Turkey raising expenditure by 0.1 percent for the same year. However, when the 'fragile' recovery began in 2009, most of the G20 hurried to raise their defense expenditure.

However - and despite the missing data when examining the share of military spending in government expenditure - the US slightly reduced defense expenditure in the federal budget in 2009, from 18.8 percent in 2008, to 18 percent in 2009 (ibid). But China increased its ratio to government expenditure from 11.6 percent of GDP in 2007, to 16.1 percent in 2008. European partners and Japan maintained a declining trend after 2008.

Anyway, as the USA had the largest GDP, the "hegemonic power" spent the most in absolute value (in US $ nominal value). Even in 2010, the USA ranked first among the top 10 military spenders in 2010 (SIPRI. April 11, 2011). Therefore, since military spending is part of public expenditure and as we have related the state of public finances to the power status of a country, we would expect to find declining military capabilities for the US as a reflection of its increasing deficits and debt. However, the role of the dollar as international reserve makes the difference. Because there are still many willing buyers for US treasury securities and bonds, thus finance US public expenditure, including the military spending. Therefore, traditional economic-power indicators do not suffice when it comes to assessing a country's overall power capabilities.

Nevertheless, as the NATO Secretary General's Annual Report 2013 confirms, "Between 2007 (taken as the pre-crisis baseline) and 2013, the share of US expenditure has increased from 68 to 73 per cent. In 2013, the European share of the total Alliance defense expenditure continued to decrease as a whole" (NATO, (January 27, 2014).

As for the R&D expenditure, we found the following: in 2007, the US spent 2.67 percent of GDP, which increased in 2008 despite the crisis and the additional spending for the

discretionary measures. By contrast, the UK reduced R&D expenses in 2008, but increased them in 2009 although to a lower level. However, Russia, Canada, France and Italy reduced such expenses in 2007 (slightly) and increased them from 2009, as did most of the G20 countries. However, compared to Japan and South Korea in 2007 –which spent 3.45 percent of GDP and 3.21 percent of GDP respectively – the US ranked third (World Bank, (2012).

Nevertheless, even though R&D might result in positive externalities even in terms of 'hard power', the outcome remains uncertain. Therefore, we have limited ourselves to those indicative remarks.

## SECTION 5. CONCLUDING REMARKS.

Debt international relations are not neutral concerning military capabilities and the associated 'hard power' of states. The 'debt fare' state (Soedeberg, 2013, p. 540) of the neoliberal economic paradigm affects not only social and economic relations but national power at its core: national security (as some states had to reduce defense expenses).

Overall, the G20 achieved their international economic coordination through fiscal expansion, since there have been signs of recovery from mid 2009 to a varying extent or pace from country to country (IMF. WEO 2009-2013). We adopted the Gills B. (2010, p. 179) question "who will bear the burden of such adjustments" and we found the cost was unevenly distributed among partners as had happened before under the G7 IEPC management. The uneven distribution of the cost among partners, unsymmetrical also to the GDP - and especially the disproportion between the costs borne by the more responsible for the crisis explosion - is explained by the interdependence phenomena and the distribution of power within the International Monetary System (IMS).

The geopolitical implications were asymmetrical, and not proportional to each- country's contribution to the onset of the crisis. Though the crisis emanated from the 'hegemonic power' (USA) and its economic ideology, the countries most negatively affected were the traditional US partners such as Europe and Japan, rather than the BRIC countries and the USA itself. So, though the US ha weakened, its traditional partners weakened more, while new rivals are not strong enough to lead the world economy or to become threatening opponents.

Our findings find a degree of support from other researchers, although they adopt different methods and approaches. For instance, these results on the USA and its partners are in full alignment with Subacchi, P. (01/2010). However, Subacchi does not use 'hard power'

components. Indeed, she assesses the USA as “primus inter pares,” i.e. as still a hegemonic power, capable of influencing the multilateral institutions. She argues that the USA still has the size, the institutions, the technology, the attractiveness for foreign investments, the flexibility in the labor market and the supremacy of the dollar in the international monetary system, all those factors necessary to guarantee its supreme power in the international system.

Additionally, Antoniades’ (2013) second finding concurs with our results. He also concludes that the US maintains its hegemonic position but in terms of ‘US maintaining its capacity to control debt politics’. Gills (2010, p. 181) finally admits, “USA and the West, together as an ensemble remain globally hegemonic” though he advocates “shared hegemony with the rising powers” and “re-organization of the international system’.

Cooper (2013) instead, claims there is a shift of power towards multipolarity, as he refers to the structural realignments in the international system. Calls for multipolarity and greater diffusion of power have also been expressed by Mario Draghi, Marco Buti *et al*. (Peterson Institute for International Economics, 2010) as well as by Roumeliotis, P. (2009) and others.

However, it will take more time to confirm the geopolitical implications of the crisis and to assess if the present results become permanent. Wisely, Eric Helleiner noted in May 2010 that we are in an “interregnum, not a constitutive phase” (Helleiner, 2010, p. 633); though he challenges the whole Bretton Woods system of institutions, he also concludes the “crisis did not bring a new world order.”

**APPENDIX**

**Tables for section 3.**

1. CRISIS-RELATED DISCRETIONARY FISCAL STIMULUS.
(Percent of GDP).

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Argentina | 4.7 | 1.4 | . . . |
| Australia | 2.7 | 1.7 | 1.3 |
| Brazil | 0.7 | 0.6 | 0 |
| Canada | 1.8 | 1.7 | 0 |
| China | 3.1 | 2.7 | . . . |
| France | 1.2 | 1.1 | 0.6 |
| Germany | 1.7 | 2.2 | 1.7 |
| India | 0.5 | 0.3 | 0 |
| Indonesia | 1.4 | 0 | 0.2 |
| Italy | 0 | 0 | 0 |
| Japan | 2.8 | 2.2 | 1 |
| Korea | 3.6 | 1.1 | 0 |
| Mexico | 1.5 | 1 | 0 |
| Russia | 4.5 | 5.3 | 4.7 |
| Saudi Arabia | 5.4 | 4.2 | 1.6 |
| South Africa | 3 | 2.1 | 0 |
| Turkey | 1.2 | 0.5 | 0 |
| United Kingdom | 1.6 | 0 | 0 |
| USA | 1.8 | 2.9 | 1.7 |
| **G20** | 2.1 | 2.1 | 2.1 |
| Advanced G20 | 1.9 | 2.1 | 1.2 |
| Emerging G20 | 2.4 | 2 | 0.9 |

Source: Author's compilation from IMF data November 2010, Fiscal Monitor, www.imf.org

2. RECOVERY OF OUTLAYS AND NET COST O F FINANCIAL SECTOR SUPPORT, AS OF END-DECEMBER 2009.

| | Direct Support Pledged | Direct support. | Recovery | Net Direct |
|---|---|---|---|---|
| Australia | 0 | 0 | 0.1 | -0.1 |
| Canada | 9.1 | 4.4 | 0 | 4.4 |
| France | 1.5 | 1.1 | 0.8 | 0.3 |
| Germany | 3.4 | 4.9 | 0 | 4.8 |
| Italy | 1.3 | 0.3 | 0 | 0.3 |
| Japan | 6.6 | 0.1 | 0 | 0.1 |
| Korea | 2.7 | 0.5 | 0.4 | 0.1 |
| UK | 11.9 | 6.6 | 1.1 | 5.4 |
| USA | 7.4 | 4.9 | 1.3 | 3.6 |

Source: Author's compilation from IMF data May 2010, Fiscal Monitor, www.imf.org

3. RECOVERY OF OUTLAYS AND NET COST O F FINANCIAL SECTOR SUPPORT AS OF END-JUNE 2010.

| | Direct Support Pledged | Direct support. Utilized | Recovery | Net Direct cost |
|---|---|---|---|---|
| Germany | 6.8 | 4.7 | 0 | 4.6 |
| UK | 11.9 | 7.3 | 1.2 | 6.1 |
| USA | 7.4 | 5.3 | 1.7 | 3.7 |

Source: Author's compilation from IMF data November 2010, Fiscal Monitor, www.imf.org

**Tables and Graphs for section 4.**

**4. General Government Gross Debt (Percent of GDP)**

| G20 countries | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
|---|---|---|---|---|---|---|
| Argentina | 76,5 | 67,1 | 58,5 | 58,7 | 49,1 | 43,3 |
| Australia | 9,9 | 9,6 | 11,7 | 16,9 | 20,5 | 22,8 |
| Brazil | 66,7 | 65,2 | 63,6 | 68,1 | 66,8 | 65 |
| Canada | 70,3 | 66,5 | 71,1 | 83,3 | 84 | 84,1 |
| China | 16,2 | 19,6 | 17,7 | 17,7 | 33,8 | 26,9 |
| France | 63,9 | 64,2 | 68,3 | 79 | 82,4 | 86,9 |
| Germany | 67,9 | 65 | 66,4 | 74,1 | 84 | 82,6 |
| India | 78,5 | 75,4 | 74,7 | 74,2 | 67,3 | 64,9 |
| Indonesia | 40,4 | 36,9 | 33,2 | 28,6 | 27,4 | 25,2 |
| Italia | 106,6 | 103,6 | 106,3 | 116,1 | 119 | 121,1 |
| Japan | 191,3 | 187,7 | 195 | 216,3 | 220 | 233,1 |
| Korea | 31,1 | 30,7 | 30,1 | 33,8 | 33,4 | 32 |
| Mexico | 38,4 | 37,8 | 43,1 | 44,7 | 42,9 | 42,9 |
| Russia | 9 | 8,5 | 7,9 | 11 | 11,7 | 11,7 |
| Saudi Arabia | 27,3 | 18,5 | 13,2 | 15,9 | 9,9 | 7,1 |
| South Africa | 32,6 | 28,3 | 27,3 | 31,5 | 34,8 | 36,9 |
| Turkey | 46,1 | 39,4 | 39,5 | 46,1 | 42,2 | 40,3 |
| UK | 43,1 | 43,9 | 52 | 68,3 | 75,5 | 80,8 |
| USA | 61,1 | 62,3 | 71,6 | 85,2 | 94,4 | 100 |

Author's compilation from IMF data, (2011 September), at http://www.imf.org

**5. General Government Balance (Percent of GDP)**

| G20 countries | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| Argentina | -0,9 | -2,1 | -0,8 | -3,6 | -1,6 | -2 |
| Australia | 1,8 | 1,3 | -0,8 | -4,1 | -4,9 | -3,9 |
| Brazil | -3,5 | -2,7 | -1,4 | -3,1 | -2,9 | -2,5 |
| Canada | 1,6 | 1,6 | 0,1 | -4,9 | -5,6 | -4,3 |
| China | -0,7 | 0,9 | -0,4 | -3,1 | -2,3 | -1,6 |
| France | -2,4 | -2,7 | -3,3 | -7,6 | -7,1 | -5,9 |
| Germany | -1,6 | 0,3 | 0,1 | -3,1 | -3,3 | -1,7 |
| India | -5,5 | -4,2 | -7,2 | -9,7 | -8,8 | -8 |
| Indonesia | 0,2 | -1 | 0 | -1,8 | -1,2 | -1,8 |
| Italy | -3,3 | -1,5 | -2,7 | -5,3 | -4,5 | -4 |
| Japan | -4 | -2,4 | -4,2 | -10,3 | -9,2 | -10,3 |
| Korea | 1,1 | 2,3 | 1,6 | 0 | 1,7 | 2,1 |
| Mexico | -1 | -1,2 | -1,1 | -4,7 | -4,3 | -3,2 |
| Russia | 8,3 | 6,8 | 4,9 | -6,3 | -3,5 | -1,1 |
| Saudia Arabia | 24,6 | 15,8 | 34,4 | -4,6 | 6,7 | 9,4 |
| South Africa | 0,8 | 1,5 | -0,5 | -5,2 | -5,1 | -4,3 |
| Turkey | 0 | -1,6 | -2,4 | -5,6 | -2,9 | -0,9 |
| UK | -2,6 | -2,7 | -4,9 | -10,3 | -10,2 | -8,5 |
| USA | -2 | -2,7 | -6,5 | -12,8 | -10,3 | -9,6 |

Author's compilation from IMF data, (2011 September), at http://www.imf.org

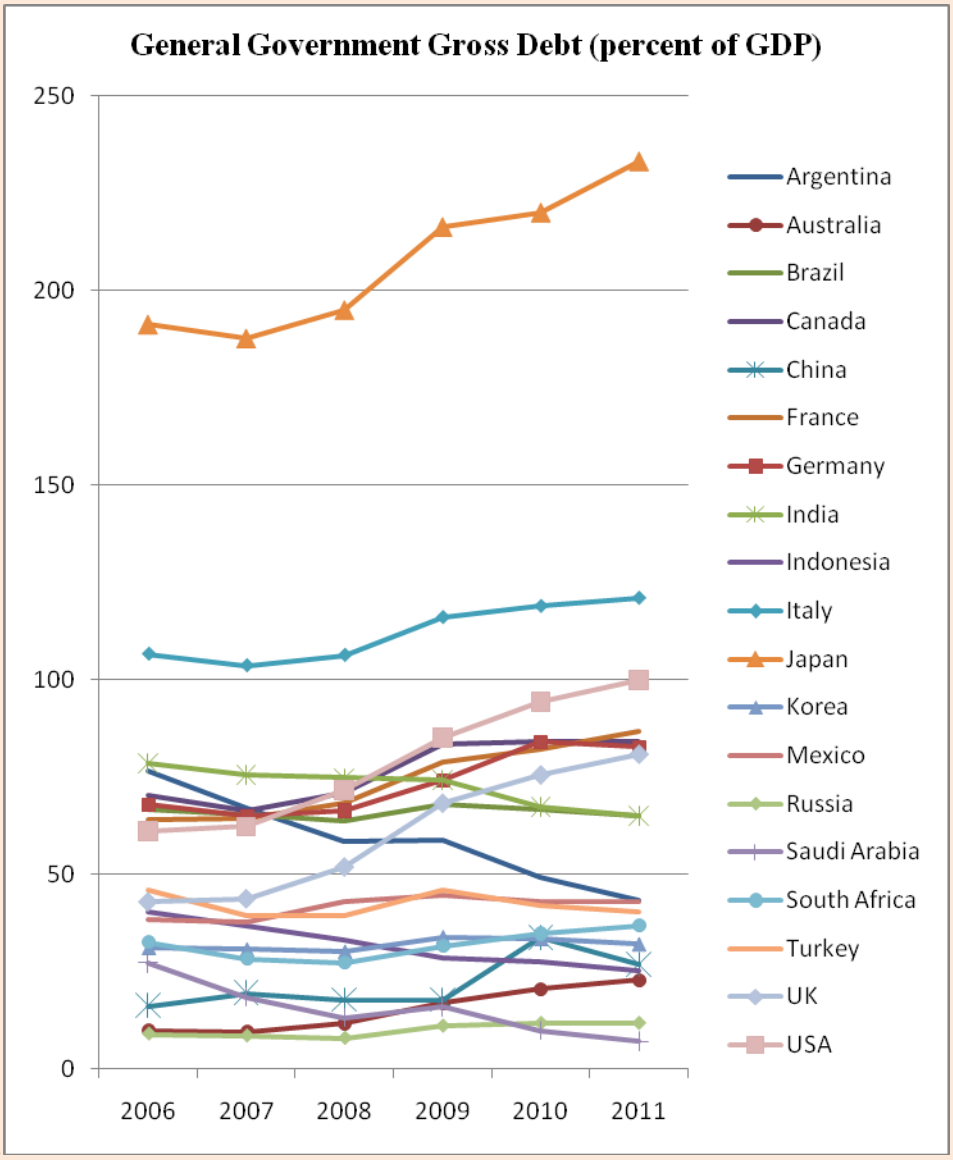
**6. Military Expenses (percent of GDP)**

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| USA | 4 | 4 | 4 | 4,3 | 4,8 | 4,8 |
| Canada | 1,2 | 1,2 | 1,2 | 1,3 | 1,5 | 1,4 |
| Japan | 1 | 1 | 0,9 | 0,9 | 1 | 1 |
| France | 2,5 | 2,4 | 2,3 | 2,3 | 2,5 | 2,3 |
| UK | 2,4 | 2,4 | 2,3 | 2,5 | 2,7 | 2,7 |
| Germany | 1,4 | 1,3 | 1,3 | 1,3 | 1,4 | 1,4 |
| Italy | 1,9 | 1,8 | 1,7 | 1,8 | 1,8 | 1,8 |
| Russia | 3,7 | 3,6 | 3,4 | 3,5 | 4,4 | 4 |
| Argentina | 0,9 | 0,9 | 0,9 | 0,8 | 1 | 0,9 |
| Brazil | 1,5 | 1,5 | 1,5 | 1,5 | 1,6 | 1,6 |
| Mexico | 0,4 | 0,4 | 0,5 | 0,5 | 0,5 | 0,5 |
| Turkey | 2,5 | 2,5 | 2,2 | 2,3 | 2,7 | 2,4 |
| South Africa | 1,7 | 1,4 | 1,3 | 1,3 | 1,3 | 1,2 |
| Saudi Arabia | 8 | 8,3 | 9,2 | 8 | 11,1 | 10,4 |
| India | 2,8 | 2,5 | 2,3 | 2,5 | 2,6 | 2,4 |
| Indonesia | 1,2 | 1,1 | 1,2 | 1 | 0,9 | 1 |
| China | 2 | 2,1 | 2,1 | 2 | 2,2 | 2 |
| Australia | 2 | 1,9 | 1,9 | 1,9 | 1,9 | 1,9 |
| Korea | 2,6 | 2,6 | 2,6 | 2,8 | 2,9 | 2,7 |

Author's compilation, from World Bank data (2011). World Development Indicators. Accessed August 2012.

**Graphs of section 4.**

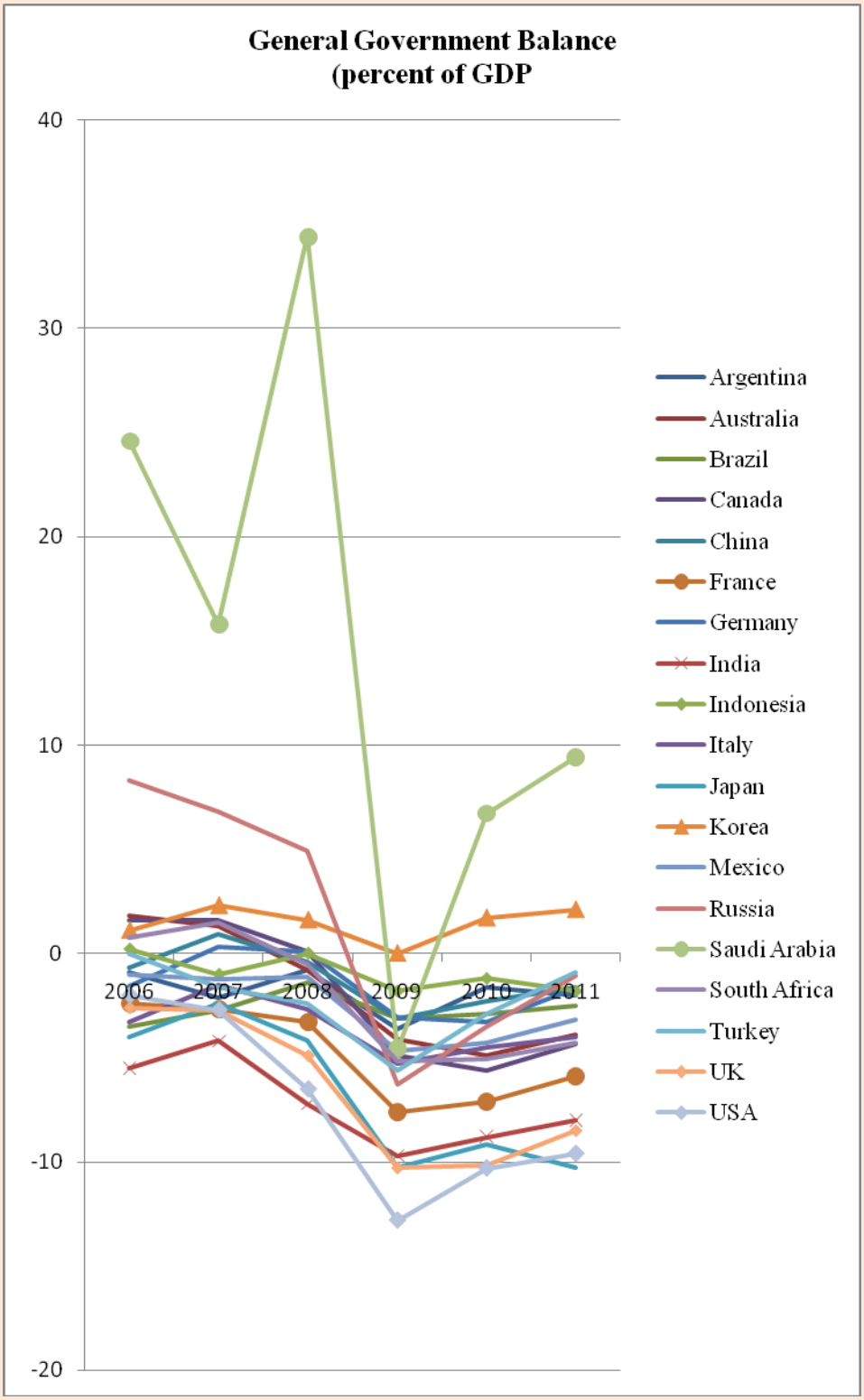
1.




1.

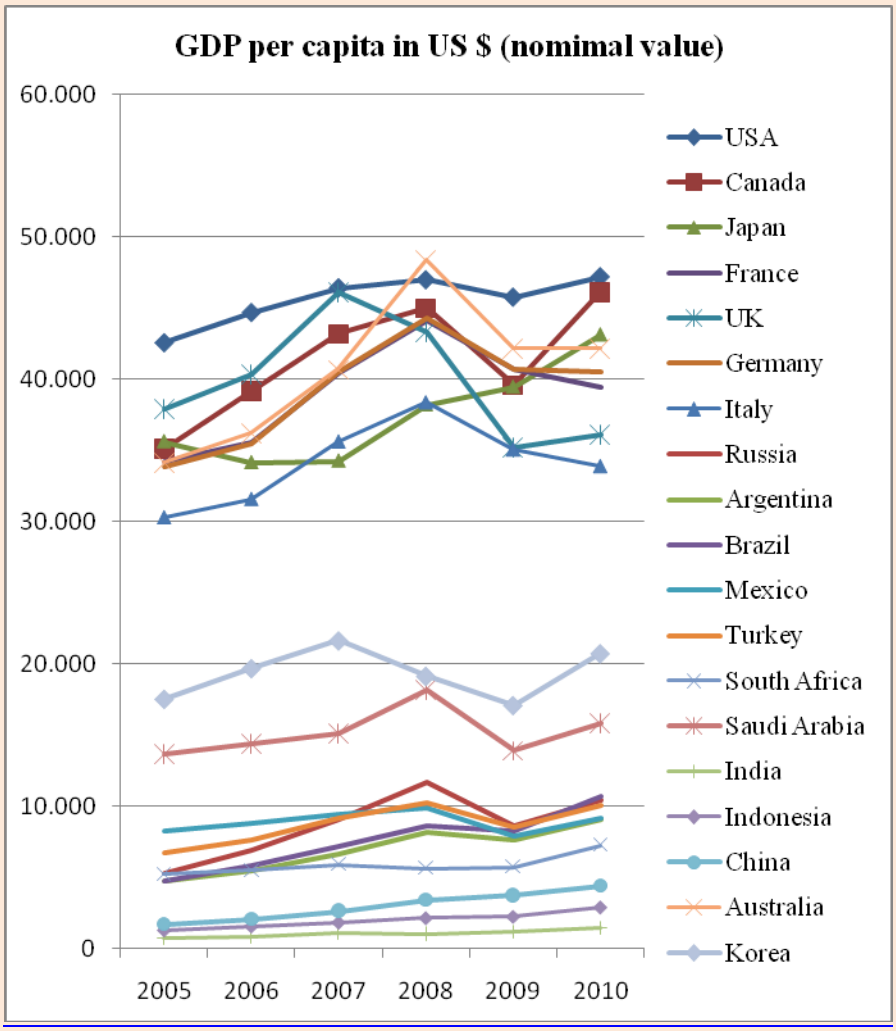
Author's compilation from IMF data, (2011 September), at http://www.imf.org

2.



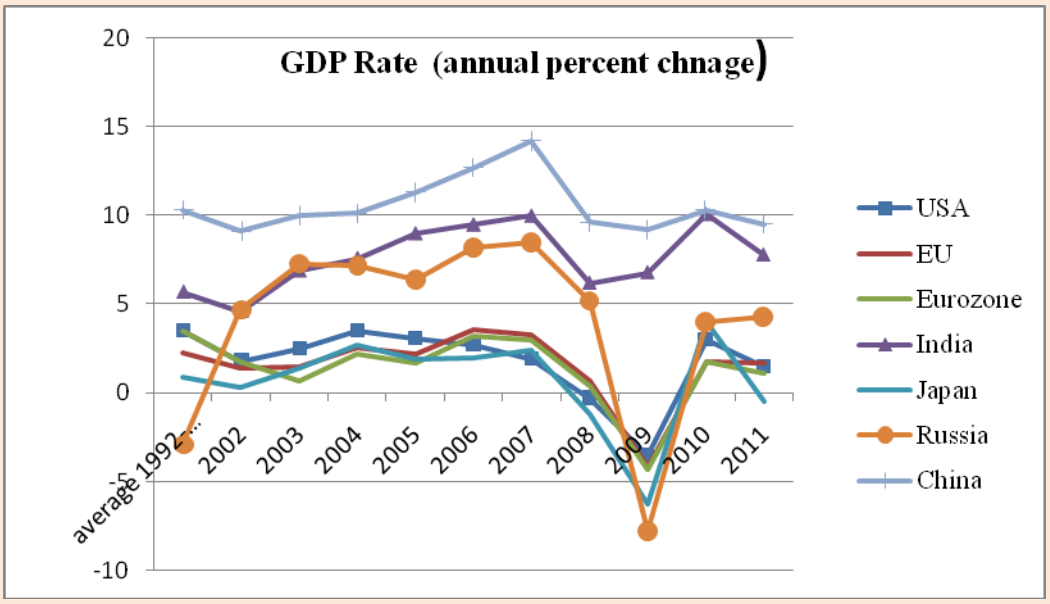

Author's compilation from IMF data, (2011 September), at http://www.imf.org

3.



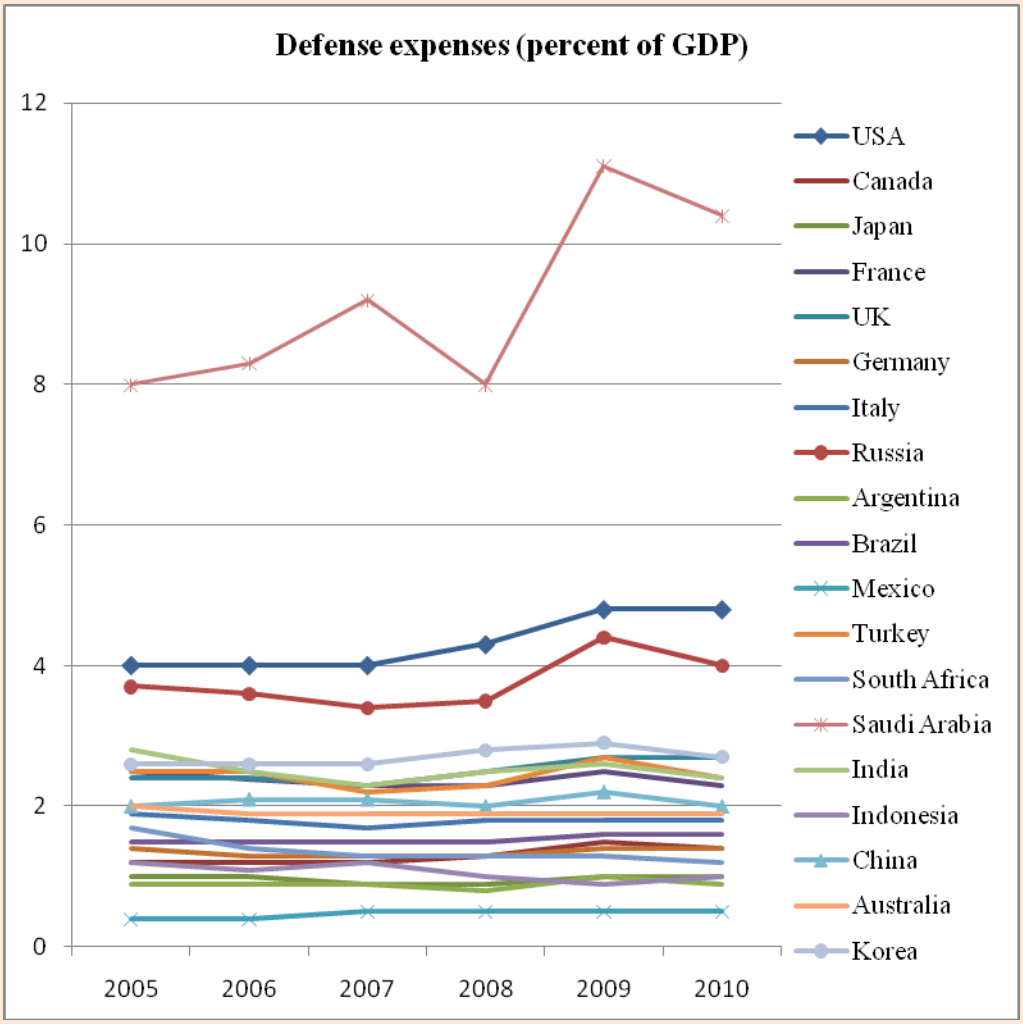

Author's compilation from World Bank. (2011). World Development Indicators http://data.worldbank.org

4.




Author's compilation from IMF (2011, October) at http://www.imf.org

5.



Author's compilation after World Development Indicators, World Bank (2011). http://data.worldbank.org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**Notes.**

1. As can be seen in the 2009 data from the Table 'SUPPORT FOR FINANCIAL AND OTHER SECTORS AND UPFRONT FINANCING NEED' (IMF. (November 3, 2009, p. 37). *The State of Public Finances Cross-Country Fiscal Monitor.* SPN/09/25. Retrieved 15/11/2009. http://www.imf.org/external/pubs/ft/spn/2009/spn0925.pdf ); and 2010 data from the Table. 'AMOUNTS PLEDGED OR UTILIZED FOR FINANCIAL SECTOR SUPPORT' (IMF. (May 14, 2010, p. 17). *FISCAL MONITOR: Navigating the Fiscal Challenges Ahead*. Retrieved 21/5/2010. http://www.imf.org/external/pubs/ft/fm/2010/fm1001.pdf )

2. The net cost of financial sector support after the recovery of outlays is as set out in the respective IMF Tables ('Recovery of outlays and net cost o f financial sector support, as of end-December 2009' in percent of 2009 GDP'. IMF. (May 14, 2010, p. 18). *Fiscal Monitor: Navigating the Fiscal Challenges Ahead*,. http://www.imf.org/external/pubs/ft/fm/2010/fm1001.pdf and 'Recovery of outlays and net cost o f financial sector support as of end-June 2010, in percent of GDP'. IMF. *Fiscal Monitor. November 2010*, p.22, http://www.imf.org/external/pubs/ft/fm/2010/fm1002.pdf )

3. World Bank. World Development Indicators 2011 and WTO: Trade Profiles 2011.

4. IMF, WEO October 2011, p.167; WEO October 2010, p. 170; WEO October 2009, p. 162; WEO Oct. 2008, p. 253.

5. IMF, *World Economic Outlook* (WEO), October 2011, pp.177-185. http://www.imf.org/external/pubs/ft/weo/2011/02/index.htm and WEO Update, (24/1/2012) http://www.imf.org/external/pubs/ft/weo/2012/update/01/index.htm

6. For further comparisons see IMF, WEO Sept. 2011, pp.196-201.

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