PUBLISHED BY
VOPROSY
EKONOMIKI
N. P.

Russian Journal of Economics 5 (2019) 412–440
DOI 10.32609/j.ruje.5.49435
Publication date: 20 December 2019

Russian
Journal of
Economics

www.rujec.org

Twenty years of the G20: Has it changed global economic governance?

Suman Bery [a,*], Filippo Biondi [b], Sybrand Brekelmans [a]

[a] *Bruegel, Brussels, Belgium*
[b] *KU Leuven, Belgium*

Abstract

The G20 has become the preeminent forum for international economic coordination. Twenty years after its creation, the paper reviews its performance with respect to the coordination of macroeconomic policies. The retrospective assessment focuses on two main questions: (i) Have the G20 summits succeeded in promoting macroeconomic policies with positive cross-border consequences, while preventing the opposite? (ii) To what extent has expanding the G7 to a diverse group of emerging and developing economies significantly changed the discourse and affected substantive outcomes? We argue that the G20 played a key role during the crisis of 2008, but policy coordination has been problematic since. Our review suggests that the G20 Presidencies of the emerging economies have made considerable efforts to shape the agenda toward issues of their interest, but have not always prevailed, notably on issues of global financial governance.

Keywords: G20, macroeconomic coordination, global economic governance, emerging economies, developing economies.
JEL classification: F02, F42, N10.

1. Introduction

The Asian and Russian financial crises of the late 1990s created awareness in the large advanced economies (the Group of 7 — the G7) that emerging markets were becoming systemically important in the world economy. A wider forum was needed for informal country consultation over and above formal institutions such as the IMF, and some members of the G7 took the initiative to enlarge the country composition of those invited. Meetings of this expanded group (the Group of 20 — the G20) first took place in 1999

* Corresponding author, E-mail address: suman.bery@bruegel.org

Fig. 1. Membership of the G7 and the G20.

even as the G7 has continued to meet separately.[1] Fig. 1 shows the members of both groups.

For the first decade, the G20 met only at the level of finance ministers, with relatively low visibility. As the regional crises eased, they were followed by a global economic boom. This boom coincided with a much more intense external engagement by China after its accession to the WTO. The global boom was also accompanied by rising current account imbalances, which created apprehension but remained largely unaddressed.

Boom was followed by financial bust. The epicenter was Wall Street, but the stress was immediately felt in Europe, creating, among other things, a massive stress test for the still young eurozone. The bust led key G7 leaders to elevate G20 representation to the head of government level, echoing the evolution of the G7 which first met at the leader level in 1975. The first G20 meeting at the leaders' level took place in Washington DC in 2008 at a moment of deep economic crisis.[2] With this elevation, the ambition of the G20 also rose and while it has been active in many areas, the G20 in 2009 declared that it saw itself as the preeminent forum for international economic coordination. This assertion has been repeated on several occasions since.

In this article we review the performance of this self-appointed, evolving and influential institution so as to judge how it needs to evolve to address the challenges of its third decade. The core of the paper is an assessment of the performance of the G20 as a forum for international policy coordination over

[1] The selection process of the "Emerging and Developing Economies" (EDE) G20 members was rather arbitrary. According to Wade (2009), they were selected in 1999 by Timothy Geithner at the US Treasury in a transatlantic telephone call with his counterpart at the German Finance Ministry, Caio Koch-Weser. The main criterion was that the countries had to be representative of their continent, and contrary to the G7 there was no insistence on countries being democratic.

[2] The convening of the G20 finance ministers in 1999 and the elevation to the head of government level in 2008 were responses by the G7 to cross-border financial crises, in which the emerging markets were revealed as important links in global finance. This shared vulnerability was underscored by the collapse in 1998 of the Long-Term Capital Management hedge fund (following the East Asian crisis a year earlier) and in 2008 by the decision of the US Fed to extend exceptional swap lines to Brazil, South Korea, Mexico and Singapore (Chey, 2012; Truman, 2019).

the last 20 years. In particular, we are interested in two main questions: (i) have the G20 summits succeeded in promoting macroeconomic policies with positive cross-border consequences, while preventing the opposite? (ii) to what extent has expanding the G7 to include a more diverse group of countries significantly changed the discourse and affected substantive outcomes? Looking ahead, we also discuss how the G20 needs to change to remain influential in today's more politically polarized global environment.

Anticipating our conclusions, we argue that the G20 played a key role during the crisis of 2008, and probably saved the world from depression. Policy coordination has been problematic thereafter. This is despite the expenditure of significant resources at both country and international levels. We argue that, outside crises, formal coordination of sovereign policies remains extremely hard, but the peer pressure of G20 membership has probably averted a race to the bottom. Our review suggests that the G20 Presidencies of the emerging economies have made considerable efforts to shape the agenda toward issues of their interest, but have not always prevailed, notably on issues of global financial governance.

The paper proceeds as follows. In Section 2, we depict the recent political developments that further motivate our review and then define more precisely its scope. Section 3 provides an overview of the G20 members and their economic performance over the last decades. In Section 4 we introduce our assessment criteria. Based on them, in Section 5 we review the G20's achievements and failures. Concluding remarks and reflections on what lies ahead for the G20 are in Sections 6 and 7.

2. Motivation and focus of our review

More than a decade after the first leaders' summit the economic and political context differs in several important ways. A broad, synchronized, though still unbalanced recovery, mainly led by the US economy, provides an opportunity for the G20 to move beyond firefighting to deeper structural reform. Equally, the political context has evolved in each of the "big three" G20 economies (the US, the EU and China) and increasingly in the dynamics between them.

Under President Trump, the US has been engaged in a radical shift in the goals and style of its international economic and strategic engagement, with a clear preference for bilateral negotiations over multilateral approaches. Recent US economic initiatives, particularly on trade and climate change mitigation, have created deep divisions within both the G7 and the G20. In Europe the political impact of negotiations on Brexit, the results of German and French elections in 2017 and continued political uncertainty in Italy, all independent country members of the G20, provide an increasingly challenging context for addressing international economic issues. The third big global player, China, has also become more forthright in its own aspirations for shaping the global economic order, most obviously through its Belt and Road Initiative (BRI). Over the past decade, China has also become by far the dominant member of the BRICS grouping in the G20 (Brazil, Russia, India, China and South Africa), a group whose cohesion and relevance has been severely strained by weak economic performance in Brazil, South Africa and Russia. Relations between China and India (the world's largest and third largest economies in real terms) have faced both economic and political strain given China's overwhelming bilateral trade surplus with India and competition between the two in the countries of South Asia.

For all these reasons, it is useful to take a fresh look at the G20's effectiveness as the preeminent forum for global economic coordination. While we acknowledge that international economic coordination has multiple dimensions, the focus of our review on the role of the G20 is limited to macroeconomic policies: primarily monetary, exchange rate and fiscal policies, but also policies in the areas of financial stability and trade.[3] This is because macroeconomic policy has been one of the most pervasive policy areas since the creation of the G20 and with the highest compliance among its members (see Appendix A). It is also consistent with the formal title of the meetings: "Summit on Financial Markets and the World Economy."

We follow the IMF in classifying G20 member countries into two groups: "Advanced Economies" (AEs) and "Emerging and Developing Economies" (EDEs), even though all G20 members participate in their own right, not as members of blocs. The current country composition has remained stable since it first met at the Finance Minister level in 1999. Despite considerable shifts in real per capita income over the last twenty years, the IMF's country classification has also remained unchanged. Saudi Arabia is part of the EDE group, notwithstanding its relatively high real per capita income.

Since it is the addition of the EDE countries that differentiates the G20 from the G7, the paper examines the achievements of the G20 seen from their perspective to supplement the more copious commentary from the AEs. Since the first G20 leaders' summit in 2008, five EDE members have held the Presidency of the G20: Mexico, Russia, Turkey, China and Argentina. Their choice of agenda, and commentary by their scholars allow us to understand the priorities and performance of the G20 as seen by these countries (Appendix C).

3. The G20 countries: A profile

In this section, we review how EDEs have become systemically important in the world economy. Since 1999 G20 membership has included nineteen sovereign states and the European Union. Of the nineteen sovereigns, over half (ten) are EDEs.[4] Fig. 2 charts the historic and projected shares of world real output of the two G20 sub-groups over a thirty-year span starting in 1992, while Table 1 provides historic data at two points in time: 1992 and 2018. While the starting point is arbitrary, it broadly reflects an era of accelerated real and financial global integration.

Fig. 2 shows that the AEs' share of global output has declined from around a half to a third over this period. The share of the G20 EDEs has, correspondingly, risen, largely but not wholly because of the sustained growth of China. Fig. 3 tracks the performance of the G20 EDEs as a share of merchandise trade of all G20 countries over an even longer period. It corroborates the view that something

[3] Our assessment draws on an extensive literature on G20 summits, and on background conversations with observers and participants. Of immense value is the work of the G20 center at the University of Toronto, which tracks the G20's evolving priorities: http://www.g20.utoronto.ca/

[4] In addition, Spain is a permanent invitee to all summits.

Table 1
Macroeconomic indicators of G20 members, 1992 and 2018.

Country	1992			Country	2018		
	GDP, int. USD (bn)	Pop. (m)	GDP per capita, int. USD (000's)		GDP, int. USD (bn)	Pop. (m)	GDP per capita, int. USD (000's)
Saudi Arabia	568.8	17.3	32.9	United States	20,494.1	327.2	62.6
United States	6520.3	256.5	25.4	*Saudi Arabia*	1857.5	33.7	55.1
Germany	1747.7	80.6	21.7	Germany	4505.2	82.9	54.3
Japan	2664.9	124.2	21.5	Australia	1288.2	25.0	51.5
Canada	583.2	28.4	20.6	Canada	1774.0	37.1	47.9
Italy	1138.9	56.8	20.1	United Kingdom	3074.4	66.5	46.2
France	1114.2	58.9	18.9	France	3073.2	67.0	45.9
Australia	318.2	17.5	18.2	European Union	22,732.0	513.2	44.3
United Kingdom	1003.5	57.6	17.4	Japan	5485.0	126.5	43.3
European Union	7735.9	480.5	16.1	Italy	2543.0	60.4	42.1
European Union (excl.)	2731.6	226.7	12.0	Korea, Rep.	2090.2	51.6	40.5
Korea, Rep.	439.4	43.7	10.0	European Union (excl.)	9536.2	236.4	40.3
Argentina	299.8	33.5	8.9	*Turkey*	2372.1	82.3	28.8
Mexico	625.7	87.1	7.2	*Russia*	3986.1	144.5	27.6
Brazil	1068.3	154.3	6.9	*Argentina*	915.1	44.5	20.6
Russia	1019.3	148.7	6.9	*Mexico*	2520.0	126.2	20.0
Turkey	374.7	55.7	6.7	*China*	25,361.7	1392.7	18.2
South Africa	242.2	38.7	6.3	*Brazil*	3365.8	209.5	16.1
Indonesia	655.6	187.7	3.5	*South Africa*	789.3	57.8	13.7
India	1217.3	909.3	1.3	*Indonesia*	3494.8	267.7	13.1
China	1479.9	1165.0	1.3	*India*	10498.5	1352.6	7.8

Note: GDP in current international USD at current PPP exchange rates. European Union (excl.) refers to the member states of the European Union (EU-28) that are not part of the G20 in their own right. In this latter group, Bulgaria, Croatia and Romania have real per capita incomes similar to those in Turkey and Russia. EDE members of the G20 (IMF classification) are in italics. Countries are ordered by PPP GDP per capita in 1992 and 2018.
Source: World Bank (2019).

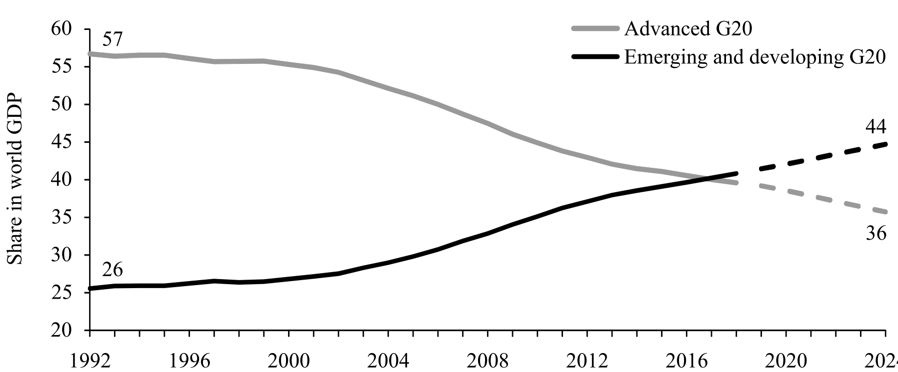

Fig. 2. G20 emerging economies (EDEs) will soon exceed G20 advanced economies (AEs) in their contribution to real global output.
Shares of AE and EDE G20 economies in world real GDP (%).

Note: GDP in current international USD at PPP exchange rates. Dotted lines (2019–2024) are forecasts. "Advanced" economies here include: Australia, Canada, France, Germany, Italy, Japan, Korea, United Kingdom, United States and the member states of the European Union (EU-28) that are not part of the G20 in their own right. "Emerging and developing" economies include: Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa and Turkey.
Source: Bruegel based on IMF (2019b) country estimates and classifications.

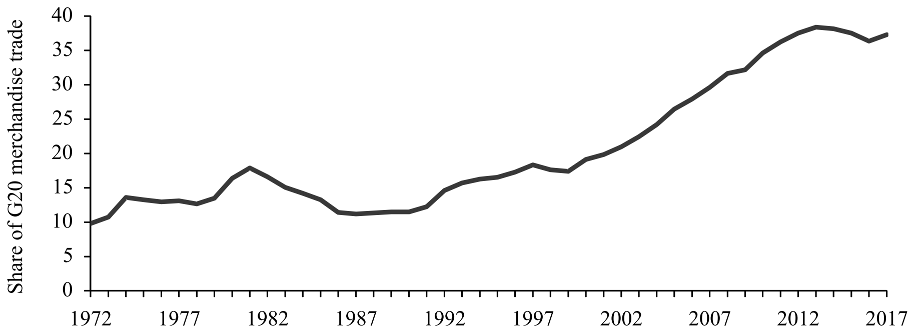

Fig. 3. Emerging economies, steady convergence in merchandise (goods) trade. Merchandise trade in emerging and developing G20 economies as a share of merchandise trade in all G20 economies (%).

Note: Merchandise trade is the sum of exports and imports. Emerging economies group composition as in Fig. 2. Data for Russia from 1992.
Source: Bruegel based on WTO (2019).

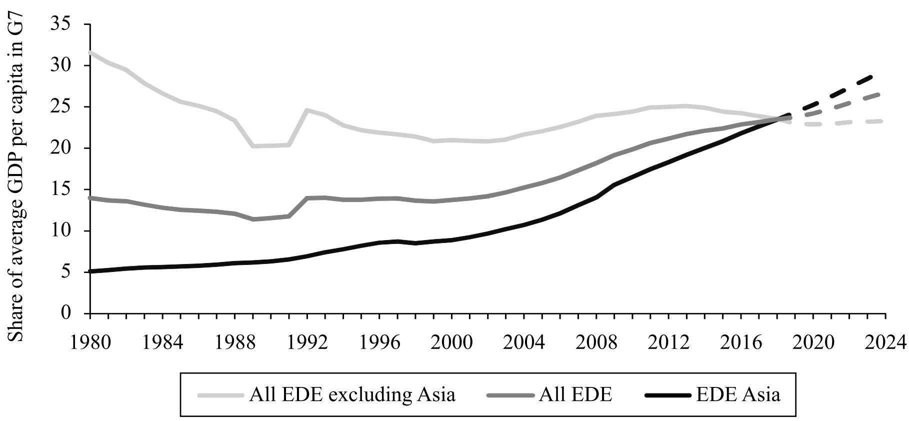

Fig. 4. Asia stands out in real income convergence. Average GDP per capita in emerging and developing economies (EDE) as a share of average GDP per capita in the G7 economies (%).

Note: GDP per capita in current international USD at PPP exchange rates. Dotted lines (2019–2024) are forecasts. Country groups as defined in IMF (2019b). Emerging and developing economies (EDE) is a universe wider than members of the G20.
Source: Bruegel based on IMF (2019b) country estimates and classifications.

decisive and sustained happened in the integration of G20 EDEs in the early 1990s, although this shift has been substantially driven by the growth of Chinese trade. EDEs have also increased their relevance in service trade, as their share of service exports in the G20 has increased by about one third between 2005 and 2018, reaching 16% of the G20 total in 2018 (WTO, 2019).

Fig. 4 supplements Table 1 in examining real income convergence of EDEs over the last four decades. The reference group is the average GDP per capita of the G7 economies (excluding East Germany at the beginning of the period). This chart once again suggests a break in the trend in the early 1990s, following which there has been a mild but continued convergence by the EDEs as a group toward the real income levels of the G7. The most powerful and sustained trend over the past forty years has been in developing Asia which has moved from 5 percent of G7 real per capita income in 1992 to almost 22 percent in 2016, projected to increase to 28 percent by 2022. Important progress for sure, but as Table 1 demonstrates, the gap remains enormous.

Figs. 2–4 are consistent with the established narrative that trade integration by the EDEs as a group has been associated with both fast output growth and real income convergence over the long haul, particularly for developing Asia. Cross-border financial integration is somewhat different, and the picture varies for flows and stocks. As discussed in detail below, in the post-war period current account imbalances have repeatedly been the trigger for policy disputes. These were initially within the G7 but in the new century have spilled over into the G20. At a global level *ex-post* deficits and surpluses must balance, and it is a matter of judgment and analysis to determine what is autonomous and what is induced (Bernanke, 2005).[5] Bernanke's 2005 speech, suggesting that the US current account deficit was an induced response to an Asian "savings glut" following the East Asia financial crisis of 1997 was additional recognition of the systemic importance of the EDEs in the global economy. On account of its sheer scale, the Chinese case is of global significance: while its peak investment rate was astonishing, its domestic saving rate was even higher leading to the paradox of a relatively poor country exporting capital on a significant scale to countries vastly more developed.

Fig. 5 shows the evolution of current account surpluses and deficits by countries and regions as contributions to total global imbalances, expressed as shares of global GDP. The most consistent trend is the rising contribution of the US to the aggregate global deficit. The story is more varied and fluid among surplus countries and regions. Bernanke (2015) summarized the important developments in the decade since his 2005 speech as follows: the US current account was roughly halved in dollar terms and the current account surpluses of EDEs fell significantly, primarily because of adjustment in China. These trends were, however, offset by rising surpluses in the euro area. As Bernanke (2015) observes, "in particular, Germany, with population and GDP each less than a quarter that of the United States, has become the world's largest net exporter of both goods and financial capital. In a world that is short aggregate demand, the persistence of a large German current account surplus is troubling."

We quote Bernanke here not to endorse his criticism of Germany, which doubtless has equally harsh points to make on the persistence of US deficits. Instead it is to argue that, despite a shared public commitment to balanced growth, both countries believe that in their pursuit of an agenda that responds to their domestic imperatives they are also acting in the best interest of the world economy. As we discuss more fully below, the most that the existence of the G20 does is to add an element of peer review and pressure to these domestic decisions. These are unlikely to be decisive and they will always reflect power imbalances but they help to create a climate of global accountability whose existence is valuable.

Fig. 6 deals with cross-border stocks of assets and liabilities of the whole IMF universe of AEs and EDEs, starting from the early 1990s.[6] The figure illustrates

[5] The Trump administration's concern with bilateral trade deficits is comparatively unusual, although not wholly unprecedented. Similar concerns animated the US posture towards Japan in the 1980s.

[6] Assets and liabilities are defined to include both financial claims (portfolio investment) and ownership claims on overseas assets foreign direct investment (FDI).

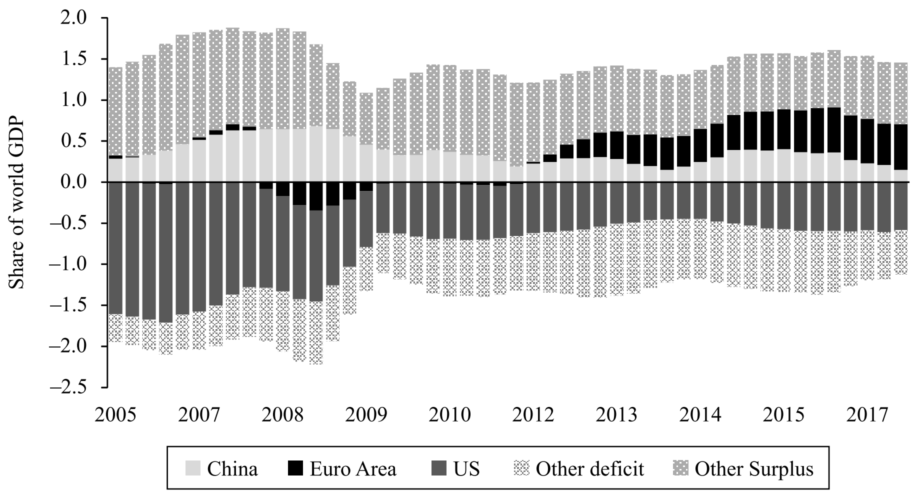

Fig. 5. Global current account imbalances: narrower since crisis; surpluses have shifted but deficits largely remain in the US.

Note: Fig. 5 shows 4-quarter moving average of quarterly gross current account balance as percentage of yearly world GDP at market prices and current exchange rates. In principle gross surpluses and deficits should equal each other; the imbalance reflects exclusion of smaller economies, reporting errors and omissions.
Source: Bruegel based on IMF (International Financial Statistics and WEO).

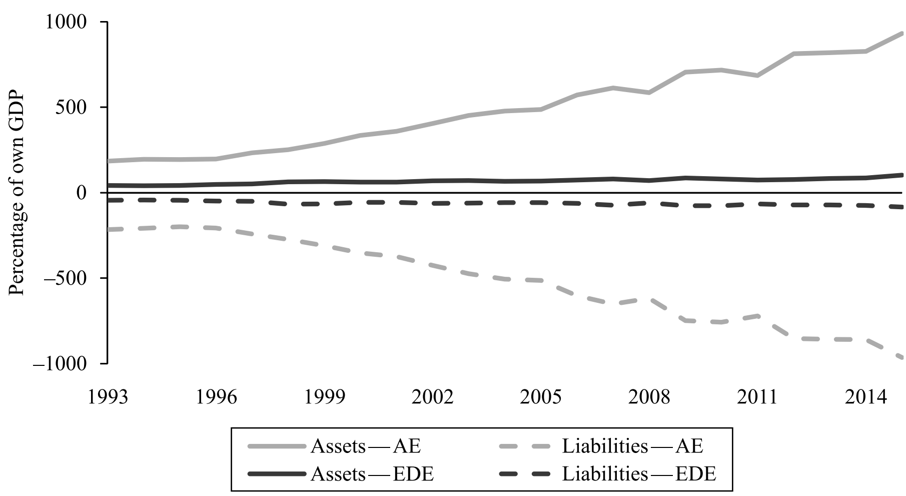

Fig. 6. Cross-border financial exposure: gap has widened.
Cross-border assets and liabilities held by G20 advanced (AE) and G20 emerging and developing (EDE) economies as a percentage of these groups' own GDP.

Source: Bruegel based on data from Lane and Milesi-Ferretti (2017).

the stark difference between the two groups in the evolution of the gross value of assets and liabilities as shares of each group's nominal GDP. For many reasons (including deregulation, developments in information technology and financial innovation) cross-border holdings of foreign assets and liabilities of the AEs have risen far more quickly than those of the EDEs. This represents both an existing asymmetry between the two groups and an indication of what might follow if the EDEs go down the same path as the AEs. (See Appendix B on the trajec-

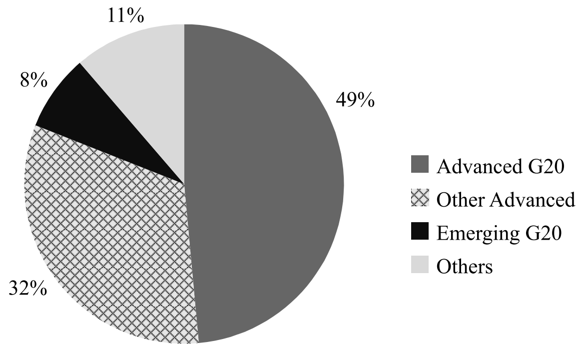

Fig. 7. Advanced economies dominate cross-border finance.
Distribution of sum of cross-border assets and liabilities by country grouping as at the end of 2015.
Source: Lane and Milesi-Ferretti (2017).

tory of capital account liberalization of the AEs.) Fig. 7 provides a more detailed decomposition for a recent year of the aggregate assets and liabilities for selected groups. It confirms that outstanding gross cross-border holdings are dominated by the advanced countries.

In sum, the decision to invite the large emerging economies (and others like Australia and Korea) to join the G7, first in 1999 and then in 2008, arose because of crisis management but has been vindicated by the shifts in economic activity since then. This is particularly the case in terms of output and merchandise trade. However, large gaps remain in real per-capita income and in financial depth and openness, even as the EDEs, individually and as a group, have increasingly become systemically important.[7] These remaining divergences have implications for the future agenda and functioning of the G20, which will be discussed later in the paper.

4. Assessment criteria

To assess the effectiveness of the G20 leaders we need a yardstick. We have followed established practice in using the G20 leaders' own early statement of aspiration (at the Pittsburgh Summit in 2009) of restoring "strong, sustainable and balanced growth."[8] This raises three contentious matters: what such high-quality global growth would look like; what range of actions (and carried out by whom) is required to bring about such growth; and what would be an alternative (counter-factual) trajectory for global growth in the absence of the G20's direction. These economic issues largely fall under what is called the "finance track" of the G20 leaders process. The finance track is the new incarnation of the G20 as it was between 1999 and 2008, when meetings were held at the level of finance ministers and central bank heads. As these individuals are typically their country's governors at treaty-based international financial institutions (IFIs), notably the IMF, the World Bank and the regional development banks, the direction that

[7] The shortcomings of the global monetary and financial system led the G20 Finance Ministers in 2017 to establish an Eminent Persons Group (EPG) on global financial governance. This group reported to the Ministers at their meeting in Bali in October 2018 (G20 EPG, 2018).

[8] See for example Butler (2012) and Lavigne and Sarker (2012).

emerges from their G20 discussions carries weight in designing the work programme of these institutions.

By contrast, in their meetings since 2008, the G20 leaders have been primarily driven by the so-called "Sherpa" track. This second track integrates the important economic, but fundamentally technocratic, concerns of the finance track into the broader political context of each G20 member country.[9] The leaders' communiqué that follows each summit is produced by negotiation among the country Sherpas in the months and weeks before each summit. While finance track ministerial meetings are held more than once in the year, leaders' meetings are now held annually.

Assessing G20 performance along the "Sherpa track" is more complex than the finance track. While the deliverables are less tangible, this "soft" contribution is of considerable importance not just for domestic constituencies but also for steering the world economy. A broad variety of issues have come before the leaders (see Fig. A.1).[10] While concerns about mission creep and loss of focus are not unfounded,[11] our conclusion from background interviews undertaken in preparation of this study[12] is that the G20 leaders' meetings provide an important, informal political forum at a time of massive upheavals in global production, distribution and technology. At a minimum these meetings help to bring to the surface the resulting national and global tensions. The communiqués are sufficiently significant to be an effective tool for exerting peer pressure. Despite intense time pressure and multiple political differences, the G20 leaders have found it worthwhile to meet annually and to deliberate on critical global issues as these have evolved. Indeed, comparing recent G7 Summits (Italy 2017; Canada 2018; and France 2019) with recent G20 summits (Germany 2017; Argentina 2018; Japan 2019) one might argue that the G20 summits have been the more substantive.

In addition to the formal communiqués released, bilateral conversations that occur are of equal importance to the formal sessions. The refreshing of the agenda under successive country chairs both enables a broad range of cross-border issues to be brought to the attention of the leaders and encourages a sense of "ownership" by the rotating presidency. Appendix C describes the priorities of the five emerging markets which have held the G20 presidency at the leader level. While they may not have always prevailed, their perspectives have been different from those of the rich countries, not necessarily in an adversarial sense.

One think-tank interviewee with long-standing G20 experience observed that recent debates among the leaders have reflected the shared challenge of preserving

[9] For clarity we refer to G20 members as "member countries," and countries of the European Union as "member states." In this regard the EU is one "member country" of the G20.

[10] "The G20 exists, but its mission and role in the world economy are not well defined. For the moment, its focus evolves over time, driven by successive presidencies" (Angeloni and Pisani-Ferry, 2012).

[11] G20 EPG (2018) (Proposal 17) notes the actions of the Argentine Presidency in sharpening the focus of issues brought to the leaders for their consideration.

[12] Between August 2017 and October 2018 one of the co-authors conducted background interviews with a wide range of officials and other close observers of the G20 process. By design these conversations were open-ended rather than structured and were explicitly not for attribution. They were also almost wholly at the official and not the ministerial or political level. The goal of the interviews was to get a sense, particularly from practitioners, of how they perceived the G20 process assisting in their larger economic diplomacy, as well as to develop a sense of the group dynamics, particularly as between the G7 and other members of the G20. Interlocutors were both from the advanced economies and from the emerging markets, with the former group being better represented.

the legitimacy of the market economy in a world still adjusting to the aftershocks from the 2008 financial crisis. These aftershocks include a deep crisis of elite legitimacy, unpalatable distributional outcomes at the national level and unbridled, disruptive technological change with less impact on productivity than might be expected. A potent symbol of such concerns was the inclusion of the "future of work" as a priority for the Argentine G20 presidency and the focus on aging under the Japanese presidency. Despite these undoubted intangible benefits, the issue of G20 accountability cannot be avoided, particularly given the increasing scale of bureaucratic and financial resources that the leaders' process now consumes[13] and we discuss this next.

5. G20 achievements and accountability

5.1. Global growth

The trajectory of real global growth[14] following the 2008 crisis has been exhaustively documented in successive editions of the IMF's World Economic Outlook (WEO). We present in Fig. 8 the IMF's 5-year forecasts for future years in various editions of the WEO after the crisis. Two points are clear: first, that the IMF's original expectations of recovery were much too optimistic; second, that projected real global growth has been steadily lowered over the past decade. On this reckoning the global economic recovery after 2008 has been disappointing, although the IMF's institutional bias toward optimism might partly be responsible. Historical precedents suggest that it takes as much as nine years for the effects of a widespread "balance sheet" crisis to be reversed (Reinhart and Rogoff, 2009). Even so, policy could have done more to shape the trajectory of the recovery.

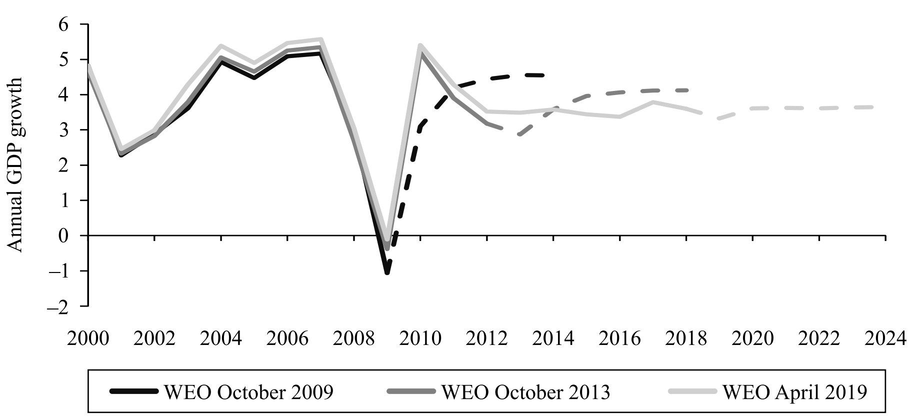

Fig. 8. The global recovery has been slower than expected.
World GDP growth (%), PPP weighted — actual (full line) and projections (dashed line).

Note: Annual GDP growth.
Source: IMF (2009, 2013, 2019a).

[13] As at 21 August 2018, the Argentine Presidency website reported 84 working group meetings as well as the leaders' Summit. Also see Table 1 in G20 EPG (2018).

[14] Measured in the World Economic Outlook as individual country growth weighted by national output at current purchasing power parity (PPP).

5.2. Avoiding depression

An important claim made for the G20 leaders is that they prevented the financial crisis of 2008 from descending into depression.[15] If substantiated, this achievement would by itself demonstrate the value of the G20. Figs. 9 and 10 examine this claim with reference to the Great Depression of the 1930s, pulling together growth in real global output and international trade. While in both episodes industrial production dropped sharply compared to pre-crisis levels, the bottom was far shallower this time round. Equally noteworthy, though, is the much more rapid recovery in the 1930s: note that this was in a period before the mobilization for the second world war. While there has been much hand-wringing on the slowing of global trade after the 2008 crisis, Fig. 10 is more reassuring on the comparison with the 1930s.

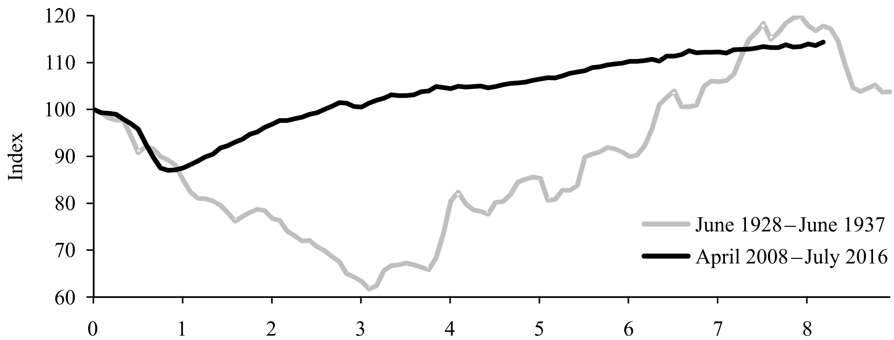

Fig. 9. Depression averted 1.
Volume of world industrial production, indexed to the beginning of each period.

Note: Volumes in June 1928 and April 2008 normalized to 100. X-axis shows years since the start of the recession.
Source: Eichengreen–O'Rourke Great Depression Dataset (2016 update).

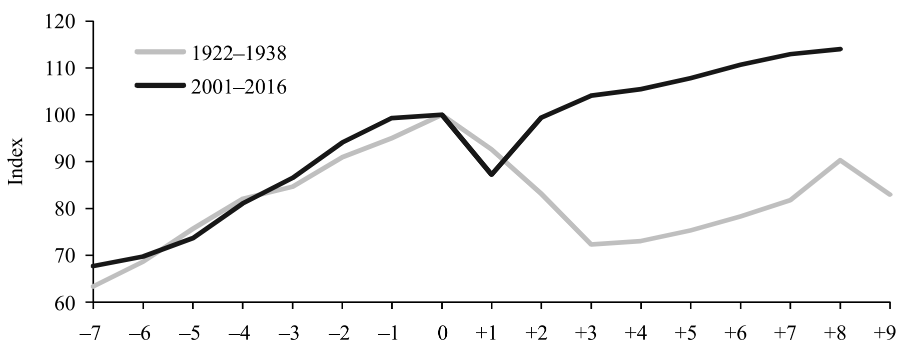

Fig. 10. Depression averted 2.
Volume of world trade in goods, indexed to the start of recession.

Note: Volumes in 1929 and 2008 normalized to 100. X-axis shows number of years before and since the start of the recession. Historical 1922–1938 data built using current country borders.
Source: Federico and Tena-Junguito (2016), and CPB Trade Monitor.

[15] Relevant alternatives are unilateral action by G20 member countries, each pursuing its own interest (though mindful of the behaviour and reaction of its peers); and the added value of wider membership of the G20 compared with the G7.

The G20 has been given credit for its contribution to this more benign outcome (see for example Angeloni and Pisani-Ferry, 2012; Véron, 2014; Buti, 2017; Triggs, 2018), primarily for its forceful action in the leaders' first three summits (in Washington DC, London and Pittsburgh). National actions were of course paramount, notably the Troubled Asset Relief Programme (TARP) in the US as well as China's enormous local government infrastructure investment initiative. Also important was the contribution of automatic stabilizers in other AEs. It must be acknowledged that at a time of panic in global financial markets, the repeated meetings of the leaders acted also to generate confidence, in addition to the concrete measures that were approved.[16]

Writing in the *Financial Times* a decade after the crisis, Martin Wolf (2018) undertakes a similar exercise for a much smaller group of AEs. Examining the data on post-crisis growth, deflation and unemployment at the individual country (not aggregate) level, he argues that "this recovery has not been a triumph." On the positive side, for the US, the UK, France and Germany, real output was much more volatile in the 1930s than in the past decade.[17] Deflation was avoided by both the US and the UK this time round, unlike the situation in the 1930s[18] and in both these countries peak unemployment rates were half those experienced eighty years ago. By contrast the countries in the euro-area periphery endured peak unemployment rates not very different from those suffered by the core countries in the Great Depression.[19]

5.3. The supply side: potential growth

Fig. 8 noted that the IMF's forecasts for global growth have been progressively reduced in successive editions of the World Economic Outlook. Fig. 11 provides estimates of growth of potential output for the entire G20 group, and

[16] Buti (2017) cites four key contributions of the G20 in this initial phase: coordinated fiscal stimulus (needed to avoid free-rider concerns at a time when all major economies were under fiscal stress); tripling of the financial resources of the IMF to strengthen global firewalls and support countries under financial stress; the creation of the Financial Stability Board to strengthen regulatory and supervisory regimes to reassure populations and markets and to avoid future crises; and a pledge to refrain from protectionism and roll back restrictive trade and investment measures. This last was complemented by official support to trade finance, which was in danger of drying up in the crisis. Truman (2019) reaches a similar judgement on the response to the crisis and credits the EDEs for maintaining pressure on the no-protection pledge.

[17] Given our focus on non-G7 members, it is of some interest to compare these before the current crisis with the core countries (France, Germany, the UK and the US) immediately prior to the depression. Using data from the Maddison project at the University of Groningen, we note that China's per capita output in 2008 was just a little lower than that of the US in 1929, while that of Indonesia in 2008 lies somewhere between that of France and Germany in 1929. Turkey and Russia are considerably more affluent; their per capita output in 2008 was roughly that of the UK in 1960. Of the G20 members, it is India that brings up the rear, with output per head in 2008 only two-thirds that of Indonesia, and about the same as the US in 1880. The countries today at the periphery of the world economy are where the core countries were 90 years ago, but engaging with a core that is immensely wealthier than they are.

[18] The euro area and Japan were less successful in avoiding deflation, although both successfully used unorthodox, modern tools to limit its impact. However, neither jurisdiction has been as successful in returning to nominal market interest rates at levels that would have been considered "normal" in their own past, for reasons that lie outside the scope of this paper.

[19] Wolf (2018) argues that swift action on fiscal, monetary and banking policies in the US and the UK explains their superior performance. To quote, "the contrast between the swifter US recovery and the dreadful delays in the eurozone gives striking support for this view. Essentially, the latter lost five years before the recovery began."

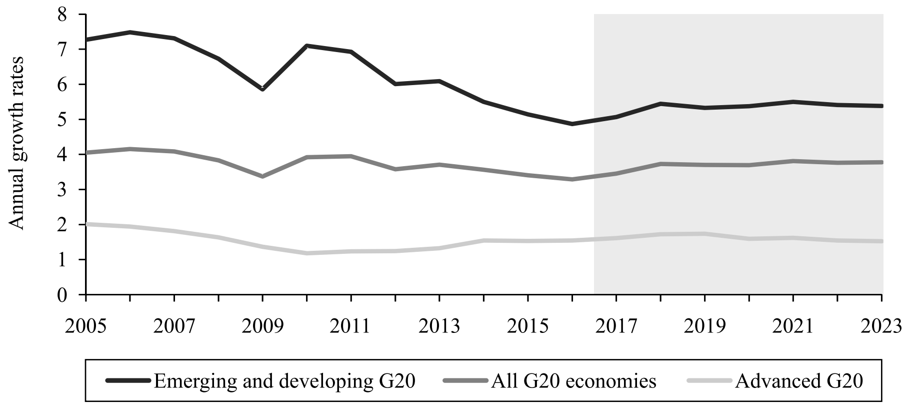

Fig. 11. Growth prospects. Estimated growth of potential output.

Note: Potential output is a measure reported by the IMF for each economy. Averages created weighting economies by PPP. Group composition as in Fig. 2 except: Saudi Arabia and EU member states that are not G20 members in their own right are missing.
Source: Bruegel based on data from IMF (2018).

separately for the AEs and the EDEs. From Fig. 11 it appears that the post-2008 period has been associated with a much sharper slowing of potential growth in the EDEs than the AEs, though for both groups the post-crisis period marks a decline. There is considerable uncertainty attached to these estimates of potential growth, but they raise two questions for global policy management. First, whether a "new normal" is both inevitable and desirable. Second, whether country-level structural policies could do more to lift potential growth in a more sustainable fashion than before the crisis and, perhaps even more important, whether coordinated structural (and fiscal) actions would generate positive spill-overs, economic and geopolitical.[20]

Each economic sub-group is dominated by one giant: in the case of the G20 AEs this is the US (38 percent of aggregate sub-group GDP in 2017) while for the G20 EDEs this is China (45 percent in 2017). China's relative weight in its sub-group is both overwhelming and has increased by 20 percentage points over the last two decades. In both of these giant economies idiosyncratic factors underlie the slowdown in potential growth. In the case of the US, Stock and Watson (2016) (among many others) have identified several secular factors behind the growth slowdown, which predate the financial crisis. In China, even before the 2008 crisis, the country's senior political leadership had noted the unsustainable nature of its growth model, reflected in rising debt and a declining return to a stupendously high investment rate.

Despite the increasing controversy around measurement of potential growth, it does seem that the aftermath of the financial crisis will make it more difficult for emerging markets as a group to restore their earlier momentum. What role can the G20 play in that sense? To stimulate potential growth, EDE countries might need to start with local supply side reforms, but global policy coordination may be supportive of local efforts through spill-overs and by increasing the credibility of supply side policies.

[20] This is the task that the G20 set itself at the Brisbane Summit of November 2014.

5.4. Policy coordination

The Pittsburgh Summit of November 2009 established the "Framework for strong, sustainable and balanced growth." This was intended to maintain the momentum of the London summit which had taken place earlier that year.[21] The Framework was described by the leaders as "a compact that commits us to work together to assess how our policies fit together, to evaluate whether they are collectively consistent with more sustainable and balanced growth, and to act as necessary to meet our common objectives." The Framework was widely regarded then "as the most important agenda item for the G20" and the "mechanism through which the G20 sought to deliver on its commitment to be the premier forum for international cooperation" (Butler, 2012). To deliver on this commitment the Framework Working Group of the G20 was established, co-chaired by Canada and India. The FWG has continued to meet since then. At the time the Framework was established, G20 leaders were particularly concerned to reduce global current account imbalances without putting a fragile global recovery at risk. They were also concerned to avoid the export of deflation through predatory trade and exchange rate policies, as happened in the 1930s.

Since the Pittsburgh summit, sustained efforts have been made by successive summit chairs and by G20 country officials, supported by the IMF and the OECD, to implement this mandate from the leaders.[22] This Mutual Assessment Process (MAP) has evolved analytically, both in procedure and in transparency. Since the 2012 Los Cabos summit, the Framework Working Group has published an annual accountability report which provides a useful glimpse of the continuity and evolution of the coordination process (G20 Framework Working Group, 2017). In addition to this, there are the spill-over reports prepared by the IMF in advance of the G20 meetings and its monitoring of multi-year commitments to boost growth which were made at the Brisbane summit of November 2014 (IMF, 2017a). These sources have been supplemented by our interviews to help us understand the complex mechanics of policy coordination among the 20 parties.

The disappointing path of the global recovery led to the attempt at the Brisbane Summit of 2014 to evolve a multi-year programme of commitments by member countries to stimulate global growth by 2 percent over the next five years — the so-called 2-in-5 programme (IMF, 2017a). The goal was also to lay the foundation for balanced growth in the longer run, based on fiscal and financial consolidation and including structural measures. As at July 2017, the overall impact of committed actions implemented since 2014 was estimated by the IMF to have raised the G20's collective GDP by 1.23 percent (by 2018), rather than the anticipated 2 percent over the baseline. More than half (55 percent) of key commitments have been implemented since the Brisbane meeting, while 40 percent are still in progress, and the remaining 5 percent have not commenced.

While the political commitment to policy coordination has been sustained, it remains work in progress. Given its importance (to the G20 and for the world

[21] To begin with the leaders met twice annually. As the financial crisis began to ease, in 2011 this moved to the current annual cycle.

[22] In its turn, the EU engages in a structured exercise with all member states to coordinate positions ahead of G20 finance track meetings (Bertoldi et al., 2016).

economy) it is worth probing the conceptual, technical, institutional and political difficulties that have arisen in the sustained attempt to deliver on this mandate. Following Angeloni and Pisani-Ferry (2012), our focus is on coordination of country monetary and exchange rate policies, although we acknowledge that the G20's efforts have since evolved to include fiscal, financial and structural policies (see Fig. A.1 in the Appendix). Triggs (2018) has undertaken a detailed analysis of policy coordination in the fiscal area, with a focus on debt sustainability.

Assessing the experience of the AEs, Angeloni and Pisani-Ferry (2012) provided a succinct account of the evolution of the international monetary order since the creation of the IMF in 1945, the shift from the par value system to floating exchange rates, and the subsequent effort in the 1980s to coordinate exchange rate policies. The debates of that era are important to understand the coordination challenges faced by the G20 since 2009, as also to understand where the interests of the EDEs may diverge from that of the AEs.

In its pure form the Bretton Woods par-value system survived for just a decade and a half. The key tension was between the domestic and international roles of the dollar, with the international role essentially a side-show to domestic policy and political imperatives (Triffin, 1960; Eichengreen, 2010).[23] President Nixon suspended gold convertibility in August 1971. By March 1973 the "adjustable-peg" exchange rate system was replaced by floating rates among the major industrial economies, in part to facilitate a real trade-weighted depreciation of the dollar (Hetzel, 2013). The rules-based adjustment of the Bretton Woods system was replaced by informal consultation among the major economies, later to become the G7.

The high-water mark of advanced economy policy coordination in the era of floating exchange rates was the Plaza Accord of September 1985. In a reprise of the Nixon era, the US, France, Britain, Germany and Japan announced a package of measures designed to depreciate the US dollar against the currencies of its major trading partners. In a detailed analysis of that episode, Bergsten and Green (2016) conclude that the Accord represented "the most successful example of international economic cooperation since the Bretton Woods agreement." The Accord was negotiated in complete secrecy and was a response to sustained large US current account deficits (which transformed the US from the world's largest creditor to its biggest debtor in less than a decade).

Bergsten and Green (2016) indicate how complex it is to assess the impact of the September 1985 intervention, let alone its longer-term impact. The visibility of the Accord, and the fact that the dollar maintained its relative depreciation, achieved the greater purpose of quelling protectionist sentiment in the US Congress. While successful in this limited sense (what they call the "Narrow Plaza"), the broader effort to coordinate macroeconomic policies to support and validate the desired realignment was unsuccessful. Bergsten and Green conclude that "altering domestic policies to suit external objectives is rarely successful" even though the five countries involved (the G5) tried very hard to do so at the G7 Tokyo Summit of 1986.

The G7 experience of the 1980s has influenced the debates on the potential gains (and the appropriate methods) of policy coordination across the G20 countries.

[23] As Eichengreen (2006) notes, Western Europe in the late 1960s constituted the financial periphery in the way that China and the emerging markets are today. Then, as now, the periphery was vexed by the freedom of monetary action available to the United States given its dominant role in the global monetary order.

A British official closely connected with the G20 from its early days, wrote that the Plaza Accord (and the Louvre meeting that followed) left G7 capitals disenchanted with the benefits of economic policy coordination (Butler, 2012). The renewed mandate for policy coordination at Pittsburgh therefore represented something of a *volte-face* for the AEs.[24] This reversal of earlier scepticism could reflect the need to engage with a wider variety of economic players with different income levels and economic systems. The fragility of the financial and regulatory structure of many of the Atlantic economies that was revealed by the crash, and the loss of confidence in the self-correcting power of market discipline, no doubt provided additional impetus. With the EDEs more integrated into global finance, they too perhaps were interested in a forum to express their dissatisfaction with the international monetary system, in a fashion reminiscent of disputes between Western Europe and the US a half-century earlier but in a world transformed by the spread of cross-border finance (Eichengreen, 2010; G20 EPG, 2018).

In support of sceptics on the benefits of policy coordination, Angeloni and Pisani-Ferry (2012) noted that "theory and evidence in the recent decades have tended to support the view that, under plausible circumstances concerning the working of the international economy, the most efficient and effective arrangement for policymaking corresponds to each country acting in isolation, pursuing national objectives." However, they recognized that the 2008 crisis revealed that "the world economy has evolved, in recent years, in a way that makes the benefits from policy coordination at G20 level more likely and more substantial."[25]

In practice, irrespective of the analytic case for positive spill-over effects from coordination and the sustained efforts of the Framework Working Group, there have been deep disagreements between G20 member countries on the stance of policy, and these disagreements have affected the shape and speed of the recovery. The political consensus at the London summit in 2008 proved to be short-lived. Soon after, the G7 countries became divided over the case for stimulative fiscal policy, even for countries with external surpluses and fiscal space.

According to several interlocutors in our interviews these disagreements, together with differences of view on the appropriate response to the euro crisis, may jointly have slowed the global recovery to the detriment of all G20 members. A further consequence of lack of consensus among the AEs on fiscal instruments has been over-reliance on monetary policy. The sustained use of unconventional monetary policy by major AE central banks, its (desired) effects on asset prices and its (collateral) effects on exchange rates also generated concern among EDE G20 members, in terms of both the way such policies were put in place and the difficulties of exit (Rajan, 2014).

[24] In 2006 the IMF embarked on an exercise called the "Multilateral consultation on global imbalances." Our interviewees suggested that this was initiated by the US, which, as on several earlier occasions, was worried about the domestic political impact of its burgeoning current account deficit. The consultation was to comprehend five systemically important jurisdictions: China, the euro area, Japan, Saudi Arabia and the United States. Had it been pursued, it would have implied a first attempt at policy coordination among major AE and EDE economies. It did not proceed beyond the initial round of consultations.

[25] A technical paper by IMF staff (Benes et al., 2013) notes that the term "international policy coordination" in the theoretical literature describes a situation in which "due to well-designed incentives or penalties, a group of countries manages to move away from individual Nash policies to a set of policies that internalises some cross-border externalities, and that is therefore Pareto superior." The IMF staff's more recent views on the benefits of policy coordination can be found in Gaspar et al. (2016).

Frankel (2015) and Eichengreen (2013) are illuminating on the practical limits to cross-national policy coordination. Frankel noted that different models of how the economy works can lead to very different conclusions on what constitutes good policy. These doctrinal differences primarily apply to the domestic policy mix, but also get in the way of coordinating global burden-sharing. Eichengreen noted that coordination is easier on technical issues among a narrow group of specialists (such as regulators operating under the auspices of the Financial Stability Board), but much harder on wider issues of political economy and country strategy, except under conditions of extreme stress. Taken together, these two observations suggest that the constraints on politicians compromising their economic sovereignty for a greater global good are near insurmountable, except in cases of extreme crisis. Progress will be slow and fitful if peer pressure is the only sanction available. The EU's own experience shows that even when a wide range of penalties and sanctions are available, domestic political considerations remain paramount. Our conclusion is that the effort remains worthwhile even if, till now, the payoff has been limited.

While the dominant search is for positive global externalities, Rajan (2014) comments on the importance also of an impartial global assessment of possible negative cross-border effects of policy innovations. He cites work from within the IMF which raises concerns about an optimism bias in the IMF's own judgements; that work notes that "it is implausible that welfare gains at the national and global levels should always be positively correlated" (Ostry and Ghosh, 2013). In a financially interconnected world, Rajan (2014) further notes significant dangers if the authorities in the AEs choose to remain silent on the implications of their actions for other, weaker players: "Market participants conclude that recipient countries, especially those that do not belong to large reserve currency blocks, are on their own, and crowd devastatingly through the exit. Indeed, the lesson some emerging markets will take away… is (i) don't expand domestic demand and run large deficits (ii) maintain a competitive exchange rate (iii) build large reserves, because when trouble comes, you are on your own. In a world with deficient aggregate demand, is this the message the international community wants to send?"

Rajan's comments lead us back to the earlier discussion of the monetary order. The 2008 crisis once again drew attention to the unresolved tensions between the domestic and international role of the dollar. In our judgement these tensions today matter most to the EDEs with their less sophisticated financial systems, and their greater vulnerability to herd behaviour in private capital flows. There was a flurry of commentary and analysis in the immediate aftermath of the crisis, notably, but not only, from countries on the periphery of global finance (see, for example Cho, 2012, but the same sentiments have been voiced by Chinese and Brazilian officials). Ahluwalia (2018), who was the Indian sherpa at the London Summit, reminds us that "when the crisis broke, UK Prime Minister Gordon Brown talked about the need for a "new Bretton Woods," implying that we needed a new international financial architecture with a restructured IMF." However, there has been little or no follow-up by the G20 on this agenda. Another notable voice, this time from the AEs, is that of Padoa-Schioppa (2010): "The deep causes of this crisis include the dollar policy and, in a broader sense, the monetary regime that has been in force in the world for almost 40 years. Like the Bretton Woods system, it is incapable of imparting an acceptable macro-economic discipline to the world's economy because, being devoid of collectively accepted anchors, it encourages the persistence of unsustainable dynamics which spawn increasingly serious crises."

Padoa-Schioppa further admitted he did not have a preferred solution, saying rather that "the issue of international monetary order is not being afforded due attention and it needs to be addressed…it is urgent for the academic and scientific communities, and indeed for all of those who harbor concern for the future of the global economy, to explore them" (Padoa-Schioppa, 2010). Other important global critiques were offered by the Stiglitz commission under UN auspices (Stiglitz et al., 2009) and the Palais-Royal initiative (Camdessus and Lamfalussy, 2011). Angeloni et al. (2011) also explored possible future monetary orders and their implications for Europe.

The sluggish response of the G20 to monetary reform issues of importance to the EDEs in our view reflects powerful interests with a stake in the current order, but also the inability of the EDEs to join forces to articulate a positive agenda for reform. A contrast can be seen with the massive attention given since the crisis to prudential regulation of banks and other financial institutions, driven often by the desire to protect the public finances (and the politics) of the rich countries against the need for future bank bail-outs.

Meanwhile despite the inclusion of the Chinese renminbi in the basket of currencies that makes up the IMF's Special Drawing Rights, the international role of the dollar has, if anything, been enhanced by the crisis, while its centrality is increasingly being used by the US administration as a powerful source of diplomatic leverage. Within the G20, these issues appear to have been overtaken by the discussion of representation and voice in the international financial institutions, including the IMF (Mohan and Kapur, 2013), on which progress has been slow. Ahluwalia (2018) notes that some reforms have taken place: European seats on the IMF board were reduced by two, to give greater representation to EDEs. While these are steps in the right direction, the US is still able to veto structural changes, which under the IMF's articles, require a super majority of 85 percent. A real reform would be to reduce the super majority required for structural change to say 75 percent, to which the US would have to agree.

6. Looking back: some conclusions

We now return to the two questions posed at the beginning of this paper. Have the G20 leaders' summits (and all that accompanies them) succeeded in promoting, supporting and sustaining economic policies with positive cross-border consequences, while preventing the opposite?

According to our review, the answer differs between times of mutually acknowledged crisis and times where country experiences are more idiosyncratic. As examined in the previous sections, macroeconomic coordination within the G20 played a key role in preventing the financial crisis of 2008 from descending into a second Great Depression. The G20 leaders created a supportive political environment for strong national and global actions soon after their first meeting. Apart from generating confidence in financial markets, these early measures were supportive of the EDEs in such areas as trade finance, enhanced resources for the IMF and provision of swap lines to key EDEs financial centers. Major EDEs accordingly had the freedom to deploy counter-cyclical policies, protecting their own economies and adding to global demand. Avoidance of trade protection was another achievement.

However, the picture is quite different outside an acknowledged and generalized crisis period. Policy coordination retreats from the headlines when there is no crisis. Despite unease with rising current account imbalances and the best analytic and diplomatic efforts of the IMF, major players were unwilling to submit themselves to external discipline (under the multilateral consultation on global imbalances) till the crisis struck. Similarly, once the worst of the crisis had passed, G7 members adopted fiscal and monetary policies that largely reflected their domestic imperatives. Only gradually has the US Fed become more alert to the external implications of its decisions. Effective coordination requires a common narrative and diagnosis, both of which have contentious in the aftermath of the crisis, within and between countries.

Our second question asked to what extent expanding the G7 to a larger group, in particular through the inclusions of large but much poorer countries, has significantly changed the discourse and affected substantive outcomes. Moving beyond the G7 to include the BRICS, particularly China, and other influential global players such as Australia, South Korea and Saudi Arabia, has been of great symbolic importance. While the G20 leaders process is only a decade old, cooperation at the finance minister level has now lasted twenty years. This is a reasonable period of time to forge habits of cooperation, given sufficient will. However, both our interviews and review of commitments (more details available in Appendix A) indicate that the policy coordination agenda regarding macroeconomic policies has been dominated by the post-crisis priorities of the G7 and less by the concerns and interests of the EDEs.

After the initial consensus at the London summit in 2009, diagnostic and policy disputes have also largely been dominated by the G7, particularly on financial regulations reforms and the appropriate role of national fiscal policy (Triggs, 2018). EDEs concerns over negative spillovers, particularly those arising from unconventional monetary policy, have not been sufficiently taken into account (Sobel, 2019). Moreover, EDEs have been surprisingly muted at the time of leadership changes at both the World Bank and the IMF over the course of 2019. The practice of an American heading the Bank and a European heading the Fund remained unbroken, despite EDEs growing dissension. In Appendix C we examine in more details whether emerging country hosts were successful in achieving priorities that they set during their presidencies. Our review suggests that the emerging market chairs have made considerable efforts to shape the agenda of their presidencies toward issues of interest to EDEs, but have not always prevailed, notably on issues of global financial governance. The experience of the Argentine G20 presidency suggests that the difficulty of reaching agreement on a joint declaration reduce the level of ambition on the most contentious issues.

Given past disappointments with policy coordination within the more homogeneous setting of the G7, we acknowledge the ambition of the task set by the G20 leaders and the persistence of effort. For the same reason, it is probably more realistic to have relatively low expectations of either efficient decision-making or of successful substantive outcomes, particularly once the white-heat of crisis had passed. Policy coordination is intrinsically hard, yet a pure "my way" strategy is also untenable in a highly interconnected world, tempting though that might be for the economically powerful.

7. Looking ahead: some reflections

Our findings from the past help us to address our forward-looking question: who can and will lead within the G20?

The Trump administration has clearly and repeatedly signaled its skepticism of the value of multilateral discussion, agreements and institutions. Pisani-Ferry (2018) notes that the erosion of support for multilateral institutions intended to manage global governance has been underway for some time now. He attributes this decline (at least within the advanced democracies) to several structural factors that are unlikely to be quickly reversed. He identifies five current domains (trade and investment; finance; competition; climate change; data handling and privacy) where present realities have run beyond the structures and institutions that, in principle, are expected to provide rules of the road.[26] One could add migration and taxation to this list.

If action is now reverting to nation-states rather than discredited supra-national bodies, the importance of the G20 as a forum could well increase in the future. Our review suggests a miscellany of themes that might engage the G20's attention in the years ahead. We have made a case that the finance agenda needs to go beyond the prudential agenda of the FSB to revisit the issue of international monetary reform. G20 EPG (2018) provides important and concrete reinforcement of this point.

In addition, we have noted the reticence and lack of cohesion of the EDEs at the G20. Although attempts have been made, especially through the use of the rotating presidencies, to drive the discussion towards EDE interests, large divergences in these interests and in the economic dynamics of EDEs have prevented effective coordination. Divisions within the EDEs could well widen as China's trading and technology practices become the dominant focus of disputes between China and the G7, even as the EDEs have other issues with the AEs (and indeed with China) on which they have shared interests which are so far poorly articulated. The long habits of cooperation that developed over the last half-century within the G7 need to be replicated by the EDEs so that they can reach a common agenda, particularly on trade and finance.

Given its dominance of membership in the G20 and their continuing commitment to multilateralism, the countries of Europe and the organs of the European Union have a special responsibility to influence the direction of the G20. Buti (2016, 2017; Buti et al., 2016) provided a clear indication of the issues that matter to the EU, although the writings predate the more forthright US rejection of multilateralism under President Trump. Our earlier comments on monetary reform apply, although a more immediate and urgent challenge will be reform of the global trade order, and of the WTO as part of that. We believe that the EU, under the new commission, will have a stronger voice on those matters, making it also a more important interlocutor within the G20.

[26] Pisani-Ferry (2018) notes the rigidity and sluggishness of the formal institutions designed to manage globalization (the World Trade Organization, the IMF, the International Labour Organization) even though these institutions possess both capacity and wider legitimacy than the self-appointed G20. In the case of the IMF, we have noted the blocking vote of the United States in reforming the Articles, and despite rhetoric to the contrary the US and the EU have not shown themselves willing to surrender the right to leadership of the World Bank and the IMF.

Acknowledgments

We would like to thank the editor, Marek Dabrowski, and an anonymous reviewer for careful reading and constructive suggestions for our manuscript.

For helpful discussions and comments, Suman Bery is grateful to Timothy Adams, Montek Singh Ahluwalia, Surjit Bhalla, Amar Bhattacharya, Lael Brainard, Marco Buti, Creon Butler, Shaktikanta Das, Maria Demertzis, Joshua Felman, Arminio Fraga, Jeffrey Frankel, Jacob Frenkel, Michael Froman, David Gruen, Homi Kharas, John Lipsky, Akshay Mathur, Saumya Mitra, Rakesh Mohan, Arvind Panagariya, Jean Pisani-Ferry, Raghuram G. Rajan, Sanjeev Sanyal, André Sapir, Mark Sobel, Anoop Singh, Jean-Claude Trichet, Edwin Truman, Nicolas Véron, Arvind Virmani and Guntram Wolff.

Excellent research support was provided at different stages also by Michael Baltensperger, Enrico Nano and Francesco Chiacchio. Remaining errors are ours.

References

Ahluwalia, M. S. (2018). *Opinion: A look back at the Lehman Brothers' collapse*. Retrieved from https://www.livemint.com/Opinion/whHDPFUKY5JkJ5UpvQOVQJ/Opinion--A-look-back-at-the-Lehman-Brothers-collapse.html

Angeloni, I., & Pisani-Ferry, J. (2011). Wanted: A stronger and better G20 for the global economy. *Bruegel Policy Contribution*, No. 2011/15.

Angeloni, I., & Pisani-Ferry, J. (2012). The G20: Characters in search of an author. *Bruegel Working Paper*, No. 2012/04.

Angeloni, I., Bénassy-Quéré, A., Carton, B., Destais, C., Darvas, Z., Pisani-Ferry, J., & Sapir, A. (2011). *Global currencies for tomorrow: A European perspective. Bruegel Blueprint Series, 13*.

Benes, J., Kumhof, M. M., Laxton, M. D., Muir, D., & Mursula, S. (2013). The benefits of international policy coordination revisited. *IMF Working Paper*, No. 13/262.

Bergsten, C. F., & Green, R. A. (Eds.). (2016). *International monetary cooperation: Lessons from the Plaza Accord after thirty years*. Peterson Institute for International Economics.

Bernanke, B. S. (2005). *The global saving glut and the U.S. current account deficit*. Speech 77, Board of Governors of the Federal Reserve System (U.S.). Available at https://www.federalreserve.gov/boarddocs/speeches/2005/200503102

Bernanke, B. S. (2015). Why are interest rates so low, part 3: The global savings glut. Brookings, April 1. Available at https://www.brookings.edu/blog/ben-bernanke/2015/04/01/why-are-interest-rates-so-low-part-3-the-global-savings-glut/

Bertoldi, M., Scherrer, H., & Stanoeva, G. (2016). The G20 and the EU: A win-win game. *ECFIN Economic Brief*, *9*.

Bery, S. (2018). *The G20 turns ten: What's past is prologue*. *Bruegel Policy Contribution*, No. 2018/20.

Buti, M. (2016). Europe in the new global economic governance: can we still make a difference?. *Economia Politica, 33* (2), 117–119. https://doi.org/10.1007/s40888-016-0033-3

Buti, M. (2017). The new global economic governance: Can Europe help win the peace?. In *Reform of the International Monetary System and new global economic governance: How the EU may contribute* (International Monetary Issues, No. 3, pp. 23–39). Robert Triffin International Association.

Buti, M., & Bohn-Jespersen, H. (2016). "Winning the peace": The challenge for the G20. *VOX, CEPR Policy Portal*, November 25. https://voxeu.org/article/winning-peace-challenge-g20

Butler, C. (2012). The G–20 framework for strong, sustainable, and balanced growth: Glass half empty or half full?. *Oxford Review of Economic Policy*, *28* (3), 469–492. https://doi.org/10.1093/oxrep/grs039

Camdessus, M., & Lamfalussy, A. (2011). Introduction. In J. T. Boorman, & A. Icard (Eds.), *Reform of the International Monetary System. The Palais Royal Initiative* (pp 3–6). Sage Publications.

Chey, H. K. (2012). Why did the US Federal Reserve unprecedentedly offer swap lines to emerging market economies during the global financial crisis? Can we expect them again in the future?. *GRIPS Discussion Papers*, No. 11-18.

Chinn, M. D., & Ito, H. (2008). A new measure of financial openness. *Journal of Comparative Policy Analysis*, *10* (3), 309–322. https://doi.org/10.1080/13876980802231123

Cho, Y. J. (2012). Global economic governance reform and the role of Asia: Opportunities offered by the G20. *Journal of East Asian Economic Integration*, *16* (1), 3–23. https://doi.org/10.11644/KIEP.JEAI.2012.16.1.241

Diaz-Alejandro, C. (1985). Good-bye financial repression, hello financial crash. *Journal of Development Economics*, *19* (1–2), 1–24. https://doi.org/10.1016/0304-3878(85)90036-7

Eichengreen, B. (2001). Capital account liberalization: What do cross-country studies tell us?. *The World Bank Economic Review*, *15* (3), 341–365. https://doi.org/10.1093/wber/15.3.341

Eichengreen, B. (2010). *Global imbalances and the lessons of Bretton Woods*. Cambridge, MA: MIT Press.

Eichengreen, B. (2013). International policy coordination: The long view. In R. C. Feenstra, & A. M. Taylor (Eds.), *Globalization in an age of crisis: Multilateral economic cooperation in the twenty-first century* (pp. 43–82). Chicago: University of Chicago Press.

Frankel, J. (2015). International Coordination. In R. Glick, & M. M. Spiegel (Eds.), *Policy challenges in a diverging global economy* (pp. 149–185). Asia Economic Policy Conference, Federal Reserve Bank of San Francisco.

Federico, G., & Tena-Junguito, A. (2019). World trade, 1800–1938: A new synthesis. *Revista de Historia Económica-Journal of Iberian and Latin American Economic History,* 37 (1). https://doi.org/10.1017/S0212610918000216

G20 EPG (2018). *Making the global financial system work for all*. G20 Eminent Persons Group. Available at https://www.globalfinancialgovernance.org/assets/pdf/G20EPG-Full%20Report.pdf

G20 Framework Working Group (2017). *Hamburg accountability assessment*. G20 Working Group Documents. Available at https://www.bundesfinanzministerium.de/Content/DE/Downloads/G20-Dokumente/Hamburg_Genannte_Berichte/Hamburg-Accountability-Assessment.pdf?__blob=publicationFile&v=2

Gaspar, V. et al. (2016). *Macroeconomic management when policy space is constrained: a comprehensive, consistent and coordinated approach to economic policy*. *IMF Staff Discussion Notes*, No. 16/09.

Hetzel, R. L. (2013). Launch of the Bretton Woods System. *Federal Reserve History*, November 22. https://www.federalreservehistory.org/essays/bretton_woods_launched

IMF (2009). *World economic outlook, October 2009: Sustaining the recovery*. Washington, DC: International Monetary Fund.

IMF (2014). *World economic outlook, October 2013: Transition and tensions*. Washington, DC: International Monetary Fund.

IMF (2017a). *G-20 report on strong, sustainable, and balanced growth*. Washington, DC: International Monetary Fund. https://www.imf.org/external/np/g20/pdf/2017/100617.pdf

IMF (2017b). *World economic outlook, October 2017: Seeking sustainable growth: Short-term recovery, long-term challenges*. Washington, DC: International Monetary Fund.

IMF (2018). *World economic outlook, April 2018: Cyclical upswing, structural change*. Washington DC: International Monetary Fund.

IMF (2019a). *World economic outlook, April 2019: Growth slowdown, precarious recovery*. Washington, DC: International Monetary Fund.

IMF (2019b). *World economic outlook, October 2019: Global manufacturing downturn, rising trade barriers.* Washington DC: International Monetary Fund.

Jokela, J. (2011). Europe's declining role in the G20: What Role for the EU in the Club of the most important powers?. *FIIA Briefing Paper*, No. 96.

Kose, M. A., & Prasad, E. (2018). Capital accounts: Liberalize or not? *IMF Finance and Development*, Updated December 18. Available at https://www.imf.org/external/pubs/ft/fandd/basics/capital.htm

Lane, M. P. R., & Milesi-Ferretti, M. G. M. (2017). *International financial integration in the aftermath of the global financial crisis*. Washington, DC: International Monetary Fund.

Lavigne, R., & Sarker, S. (2012). The G-20 framework for strong, sustainable and balanced growth: Macroeconomic coordination since the crisis. *Bank of Canada Review, 2012–2013* (Winter), 1–12.

Lins, M. A. D., & Silva, L. P. (2011). Brazil and the G20: Recent development strategy and strength among “new” emerging economies. In W, Hofmeister, & S. Vogt (Eds.), *G20: Perceptions and perspectives for global governance* (pp. 21–30). Singapore: Konrad-Adenauer-Stiftung.

Martinez-Diaz, L. (2007). The G20 after eight years: How effective a vehicle for developing-country influence?. *Brookings Global Economy and Development Working Paper*, No. 2007/12.

Mohan, R., & Kapur, M. (2015). Emerging powers and global governance: Whither the IMF?. *IMF Working Paper*, No. 15/219.

OECD (2002). *Forty years' experience with the OECD Code of liberalization of capital movements*. Paris: OECD Publications Service.

O'Neill, J., & Terzi, A. (2014). *The twenty-first century needs a better G20 and a new G7+*. *Bruegel Policy Contribution*, No. 2014/13.

Ostry, M. J. D., & Ghosh, M. A. R. (2013). *Obstacles to international policy coordination, and how to overcome them*. *IMF Staff Discussion Note*, No. 13/11.

Padoa-Schioppa, T. (2010). *The ghost of Bancor: The economic crisis and global monetary disorder*. Triffin International Foundation.

Pisani-Ferry, J. (2018). Is global governance passé?. Unpublished manuscript, The European University Institute. Available at https://tgg.eui.eu/wp-content/uploads/sites/39/2018/09/Is-Global-Governance-Pass%C3%A9-Pisani-Ferry-1-September-2018.pdf

Rajan, R. (2014). Competitive monetary easing: is it yesterday once more?. *Macroeconomics and Finance in Emerging Market Economies*, *8* (1–2), 5–16. https://doi.org/10.1080/17520843.2014.992451

Reinhart, C. M., & Rogoff, K. S. (2009). *This time is different: Eight centuries of financial folly*. Princeton: Princeton University Press.

Rodrik, D. (1997). *Has globalization gone too far?* Washington, DC: Peterson Institute for International Economics.

Schaeffer, R. K., & Dickinson, T. D. (2003). *Understanding globalization: The social consequences of political, economic, and environmental change*. Rowman & Littlefield.

Sobel, M. (2019). *US International financial diplomacy—past, present, future.* Speech at an OMFIF round table in London, January 30. Available at https://www.omfif.org/wp-content/uploads/2019/10/US-3-FINANCIAL-DIPLOMACY-REVISED-SPEECH_-220119-B.pdf

Stiglitz, J., Bougrov, A., Boutros-Ghali, Y., Fitoussi, J. P., Goodhart, C. A., & Johnson, R. (2009). *Report of the Commission of Experts of the President of the United Nations General Assembly on reforms of the international monetary and financial system.* UN Conference on the World Financial and Economic Crisis and its Impact, United Nations, New York, September.

Stock, J. H., & Watson, M. W. (2016). *Why has GDP growth been so slow to recover?*. Paper prepared for the Federal Reserve Bank of Boston 60th Economic Conference “The elusive ‘great' recovery: Causes and implications for future business cycle dynamics”. Available at https://www.bostonfed.org/-/media/Documents/economic/conf/great-recovery-2016/james-h-stock.pdf

Triffin, R. (1960). *Gold and the dollar crisis: The future of convertibility.* New Haven, CT: Yale University Press.

Triggs, A. (2018). Macroeconomic policy cooperation and the G20. *The World Economy*, *41* (5), 1309–1341. https://doi.org/10.1111/twec.12607

Truman, E. M. (2019). International coordination of economic policies in the global financial crisis: Successes, failures, and consequences. *PIIE Working Paper*, No. 19-11.

University of Toronto G20 Research Group (2018). *2018 G20 Buenos Aires Summit final compliance report*. Available at http://www.g20.utoronto.ca/compliance/2018buenosaires-final/2018-g20-compliance.pdf

Véron, N. (2014). *The G20 financial reform agenda after five years*. *Bruegel Policy Contribution*, No. 2014/11.

Wade, R. (2009). From global imbalances to global reorganisations. *Cambridge Journal of Economics*, *33* (4), 539–562. https://doi.org/10.1093/cje/bep032

Wolf, M. (2018). Economics Failed Us Before the Global Crisis. *Financial Times*, March 20.

World Bank (2018). *World development indicators*. Washington, DC.

World Bank (2019). *World development indicators*. Washington, DC.

WTO (2019). *Statistics database*. Geneva: World Trade Organization.

Appendix A. Compliance analysis

Following each G20 summit, the G20 Information Centre at the University of Toronto selects a list of "priority commitments," and then monitors compliance for each commitment by each member, within a specified time frame. This exercise is separate, and broader than the peer-led monitoring of economic commitments under the Mutual Assessment Process and the Brisbane Action Plan discussed in the text. Compliance is measured by a score that takes value –1 if no action was taken, 1 in case of full compliance, and 0 in case of partial compliance or impossibility to act. Scores are averaged by topic and/or meetings.

More than 2300 commitments were classified by the Toronto researchers in categories ranging from macroeconomic policy to crime and corruption. As Fig. A.1 indicates, by 2017 the largest number of commitments lie in the category of macroeconomic policy, followed by financial regulation, and economic development. Fig. A.2, indicates that the general trend has been for the number of commitments to increase: the 2017 Hamburg Summit generated 527 enumerated commitments.

Table A.1 shows that compliance scores are overall positive. The highest scores are found for the meetings in Washington, Hangzhou, and Antalya, whereas the lowest scores are observed in case of the London, Pittsburgh, and Seoul Summits. These results stand in a slight contradiction to the common perception regarding the summits' outcomes. For instance, the G20 Summit in London in 2009 was announced as a huge success (Jokela, 2011), while the analysis presented here questions this common perception.

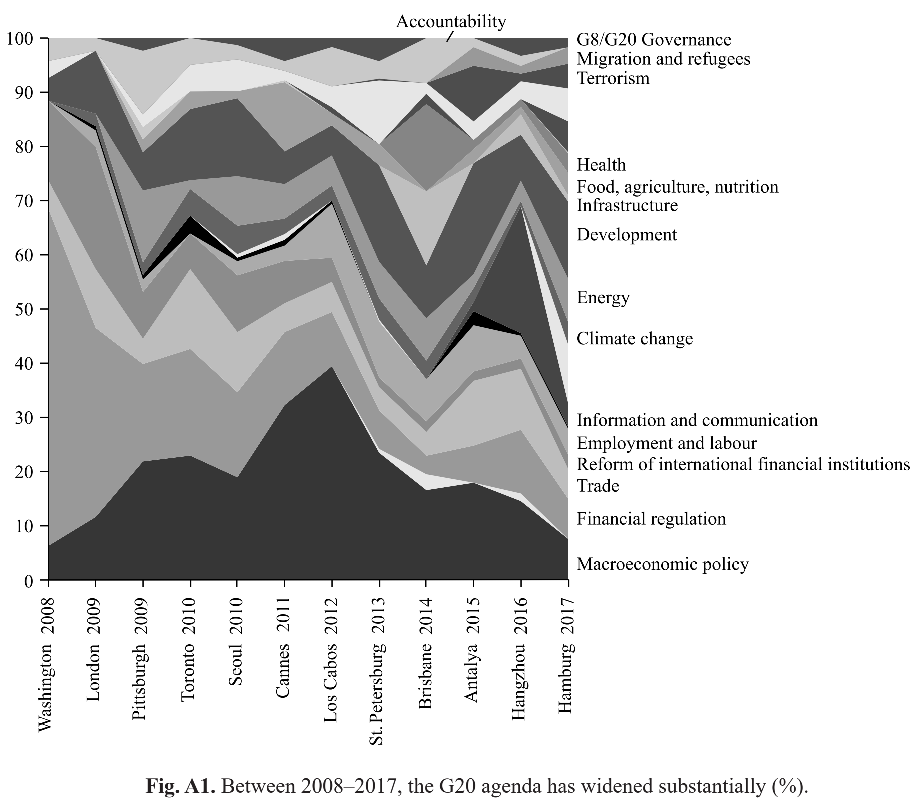

Fig. A1. Between 2008–2017, the G20 agenda has widened substantially (%).

Source: Bruegel based on University of Toronto G20 Research Group (2018).

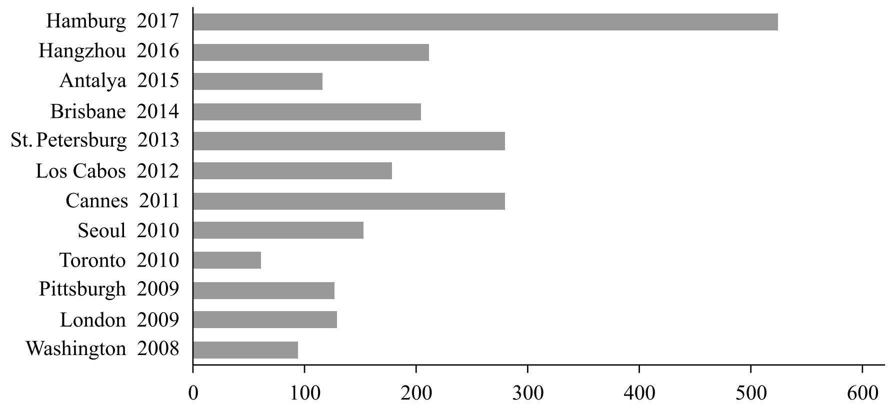

Fig. A2. Number of G20 commitments has increased (units).

Source: Bruegel based on University of Toronto G20 Research Group (2018).

Table A.1
GDP-weighted G20 compliance scores by summit.

Summit	G20	G20 Advanced	G20 Emerging	G7	EU4	European Union	Standard deviation
Washington 2008	0.66	0.82	0.50	0.84	0.88	1.00	
London 2009	0.17	0.43	–0.10	0.46	0.54	0.67	
Pittsburgh 2009	0.33	0.57	0.10	0.59	0.59	0.38	
Toronto 2010	0.38	0.61	0.14	0.61	0.63	0.73	
Seoul 2010	0.36	0.54	0.19	0.54	0.59	0.63	
Cannes 2011	0.52	0.64	0.40	0.63	0.66	0.79	
Los Cabos 2012	0.52	0.60	0.44	0.55	0.49	0.65	
St Petersburg 2013	0.47	0.60	0.34	0.61	0.64	0.63	
Brisbane 2014	0.59	0.68	0.43	0.68	0.57	0.75	0.26
Antalya 2015	0.63	0.65	0.53	0.66	0.71	0.81	0.17
Hangzhou 2016	0.64	0.54	0.64	0.53	0.58	0.84	0.16
Average	0.48	0.61	0.33	0.61	0.63	0.72	0.20

Note: Aggregation by GDP in constant 2011 international dollars. Standard deviations across all members.
Source: G20 Research Group data and World Bank.

There is also noticeable difference in compliance between the AEs and EDEs of G20, and especially so for the initial meetings, where the AEs' score is consistently higher than that of EDEs. The difference narrows towards more recent meetings, and eventually reverses for the Hangzhou Summit. This difference might be driven by the more prominent role of advanced members in setting the agenda, partly because of the crisis. For example, for financial regulation reforms, commitments were primarily directed at G7's members, which in turn show a very high compliance. The switch in 2016 appears to be mainly driven by the lower score of the US, which accounts for a large share of G20 advanced countries. The EU is only included in the broadest G20 category, otherwise the advanced economy score would have been higher.

"Macroeconomic policy" and "energy" are the policy areas with the highest compliance, while the lowest scores were recorded for "corruption" and "trade." Moreover, by comparing compliance scores with the ones of the G7, what stands out is the average lower score for the G20, which is mostly driven by EDEs. This may signal higher difficulty in creating consensus across more members, or possibly because of the more G7-like agenda of the first summits, as mentioned above.

Appendix B. Capital account liberalization in advanced and emerging economies

While the US embraced an open capital account soon after WWII, the process of capital opening was much more gradual in both Europe and Japan. Official flows dominated in the 1950s, the era of the Marshall Plan and the World Bank. These helped to ease the severe dollar shortage experienced after the war. At this time the US ran a surplus on current account. Cross-border private finance began to pick up in the 1960s with the creation of the eurodollar market based in London, a response to interest rate controls in the US (the so-called Regulation Q) as also the need for dollar financing by both European and American multinationals.

The IMF requires countries to report capital controls in place. Chinn and Ito (2006) have developed an index (KAOPEN) which tabulates these restrictions by country, over time. This is an index of so-called de jure restrictions on capital movements (both direct investment and portfolio). De facto, capital mobility may differ as there are many informal ways of bypassing formal capital controls. However, since our interest here is in the policy stance of countries toward freedom of capital movements, the use of a de jure measure is appropriate.

Fig. B.1 uses the Chinn-Ito index to date periods of significant capital account opening in three European members of the G7 and in Japan and compares their real per capita income at the time of their opening. The per capita incomes of Brazil, South Africa and China in 2016 are provided for comparison. The figure indicates that the AEs considered were much more affluent when they liberalized their capital accounts than their (selected) EDEs peers are today.

According to various sources (for example, Eichengreen 2001), a crucial step in capital account convertibility in Europe were the Single Market Programme of 1985 and the Single European Act of 1987, which aimed at implementing a de facto single market by 1992. Abolition of capital controls is finally stated in the Directive 88/361 of 1988. From the Maastricht Treaty onwards, financial

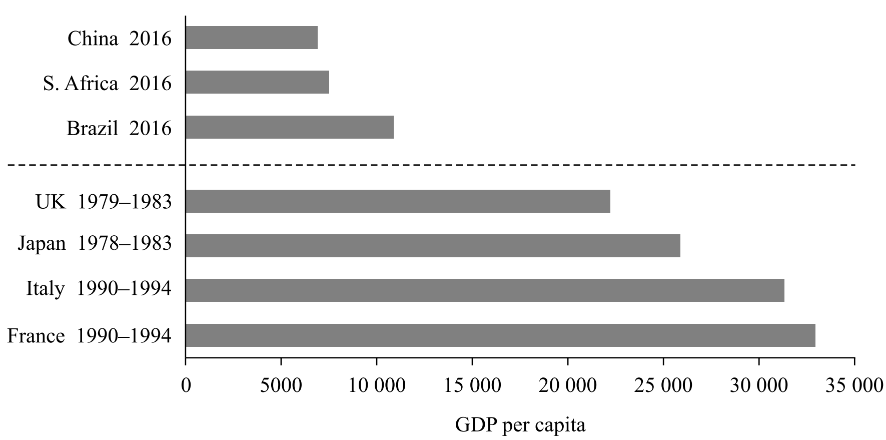

Fig. B1. Advanced economies were rich when they liberalized their capital accounts (2010 average per capita USD).

Note: Periods of capital account liberalization identified detecting upward spikes to the frontier of the Chinn–Ito index.
Sources: IMF; World Bank.

integration has constantly been addressed in regulation/reports. Currently, one of the conditions for accession to the EU is free movement of capital (Chapter 4). In the OECD, open financial markets have been promoted through the Code of Liberalisation of Capital Movements and the Code of Liberalisation of Invisible Operations (which covers cross-border services). Of these two, the Capital Movements Code remains the only multilateral instrument in existence promoting the liberalization of capital movements.

As noted in the text, capital account openness is a sovereign choice and there is a great variety of experience within (and outside) the G20. The issue is less with the steady state than with managing the transition. Drawing upon the experience of Latin America, Diaz-Alejandro (1985) argued that countries with a relatively immature financial system should be cautious in opening their capital account. More recently, Kose and Prasad (2018) note that capital account liberalization can in principle bring benefits to developing economies (through a more efficient global allocation of capital, as well as higher compliance to good policies) but also risks (in terms of "amplifying swings in the domestic macroeconomy" during periods of crisis).

Appendix C. G20 presidencies of the emerging economies

Since 2008, the G20 presidency has been held by 5 EDEs countries: Mexico, Russia, Turkey, China and Argentina. Given the prominence of the G7 in the G20 and coordination capacity developed over many years, it has been argued that the emerging countries have had only a secondary role in agenda setting (Martinez-Diaz, 2007). In addition to the discussion in the body of the paper, here we examine whether emerging country hosts were successful in achieving priorities that they set during their presidencies. To do this we compare the initial priorities of the host with the final declaration issued on behalf of all participants.

The first EDE presidency was in 2012 under Mexico with the summit held in Los Cabos. The leaders' declaration agreed to take actions on all five priorities outlined by Mexico, including ones oriented towards the interests of the emerging markets (such as reforming the IMF governance structure and quotas and addressing commodity price volatility). A Jobs Action Plan was created to address unemployment, one of the main concerns of the Mexican presidency. In the final declaration, a few topics were added reflecting concerns of other G20 members (such as the euro area crisis, trade) and the order of some topics was changed as well.

During Russia's presidency, at the St. Petersburg summit of 2013 the leaders' final declaration was broadly reflective of the Russian presidency's goals. Core topics such as jobs, employment and financing for investment were upheld and commitments were made in line with Russian objectives. However, the topic of international financial architecture reform was relegated from 3rd to 5th place in the final declaration and the wording somewhat toned down. Nonetheless, the G20 leaders reiterated support for the IMF governance and quota reform. Also, other leaders were able to put the topic of climate change on the final declaration whereas this item was initially not a priority for Russia.

Turkey hosted the 2015 summit in Antalya. Turkey intended to put at the core of the discussion the challenges faced by low-income developing countries (LIDCs) and flagged this item as "one of the defining aspects of the Turkish presidency."[27] Notably, with regards to climate change financing, Turkey intended to push for further attention on needs of the LIDCs by the developed countries. However, in the leaders' final statement this item was watered down and the issue was shifted to the negotiations for the Paris COP21, reflecting a lack of political will. Nevertheless, on other topics important to the emerging markets such as the IMF governance reform, the final statement expressed the G20's "deep disappointment" in the delay the process had taken and called on the United States to ratify the planned reforms. Finally, the G20 leaders' commitment to develop an action plan to further align the G20's actions with the 2030 Agenda for Sustainable Development marked a positive step for the developing countries" cause at the G20.

Under the Chinese presidency, the G20 Hangzhou summit in 2016 showed the increasingly important position of emerging markets in shaping the agenda. By inviting more developing countries to the summit, China intended to give a stronger voice to these countries, notably in fields such as development and climate policy. This effort resulted in mixed outcomes as the final declaration by the leaders of the G20 included references to developing countries across the board. Important elements were included such as financial support by developed countries to assist developing countries with respect to migration and their green transition and the group's endorsement of the G20 Agenda for Sustainable Development. On the other hand, China faced drawbacks in the field of trade, notably where the leaders called for reining in excess capacity in certain industries (such as steel) and recognized that government support for certain industries could have distortionary effects on trade.

In 2018 the Buenos Aires G20 Summit was held. The Argentinian presidency's strategy to reach consensus was to focus on issues of common interest and so to take little risk when formulating the priorities of the Summit. Overall the topics suggested by Argentina were upheld but were rather unreflective of the specific needs of Argentina itself. It is striking that, whilst Argentina suffered a major external payments crisis in 2018, it did not put financial stability as one of the priorities of its presidency. It remains that the priorities of the Argentinian presidency were in line with the interests of developing countries especially regarding infrastructure and food security.

This quick review suggests that the emerging market chairs have made considerable efforts to shape the agenda of their presidencies toward issues of interest to poorer countries, but have not always prevailed, notably on issues of global financial governance. The most recent experience, that of Argentina, suggests that the difficulty of reaching agreement on a joint declaration is having the effect of reducing the level of ambition on the most contentious issues. This is increasingly the experience of the G7 presidencies as well.

[27] Turkish G20 presidency priorities for 2015, http://www.g20.utoronto.ca/2015/141201-turkish-priorities.pdf