

Whatever Happened to the G20?

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For a while, in the immediate aftermath of the Global Financial Crisis of late 2008, the G20 came into its own. This group of (self-styled) leaders of the global economy, representing governments in nations contributing more than half of global GDP, came together in April 2009 to pledge a co-ordinated response to unprecedented global economic threats. This not only had a role in staving off immediate disaster through the implementation of broadly Keynesian responses, but also promise more for the future. This was not just vainglorious self-importance on the part of these governments. There was a genuine absence of global institutions that were sufficiently small as to be coherent (something that was not as possible in the United Nations, given its size and structure) or even seen as generally reliable, flexible and aware (given how the IMF has discredited itself by awarding good marks to so many economies just before they imploded financially).

But since then, the drama in the world economy could even have been Hamlet without the Prince of Denmark, as Act 2 of the global financial crisis unfolds. In its subsequent meetings, the G20 has been much more about style than substance – and sometimes the style has also been lacking. At least, in its Seoul meeting in 2010, the G20 committed themselves to promoting inclusive and sustainable economic growth. They argued that 'for prosperity to be sustained it must be shared' and also endorsed 'green growth', which promised to decouple economic expansion from environmental degradation.

But by late 2011, when it was already clear that the global economy was still in a major mess and needed co-ordinated strategies for recovery, the G20 already seemed to be very much a spent force, unable even to agree amongst themselves, much less provide any clear direction for the global economy. This is very worrying. It is not just that G20 currently displays a lack of cohesion and imagination. More startling is the extent to which it displays the paucity of the most basic economic sense among those who currently control the world's destiny.

The extraordinary notion (currently of North European provenance) that fiscal austerity will help – and is even necessary for – economic recovery from the latest downswing seems to have been timidly accepted even by governments that really ought to know better. The even more wrongheaded idea that fiscal consolidation has to be achieved by cutting public spending and employment rather than raising tax revenues, also seems to have taken hold. One of the few good ideas to have been proposed by Sarkozy – the Financial Transactions Tax – found relatively few takers.

It seems bizarre that global leaders have to be reminded that all countries cannot use net export growth as the route to expansion. But clearly this message has still not yet struck home. How else can one explain the almost complete absence of any meaningful measures to enable sustained expansion of demand from low income countries, which is really the only sustainable and equitable way out of this global dilemma?

Perhaps that is not really so surprising, however, since most G20 countries do not seem to have gotten the message that recovery will require progressive changes in asset and income distribution, even in their own countries. A [new report from Oxfam](#) finds that only four G20 countries (Brazil, Argentina, Mexico and South Korea) have managed to reduce income inequalities within their countries since 1990. The very ability of these exceptions to improve distribution suggests that it can be done with sufficient political will, which is obviously therefore lacking in the other G20 countries.

The same report also finds that the current trajectory of natural resource use is deeply disturbing. Some middle income countries have managed to reduce the resource intensity of growth at the margin, but thus far no G20 country (or even non G20 country) has yet demonstrated that it is possible to combine high average incomes with sustainable natural resource use, and the high income countries among the G20 have performed worse in this regard, including in terms of reducing their carbon emissions.

Unfortunately, just when the world needs some kind of sane economic leadership the most, it is lacking, if not entirely absent. No real point, therefore, in looking towards G20 to be the next saviour of the global economy.

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