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From the G-20 to a Global Economic Coordination Council

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Major governance concerns raised by the G-20

The rise of the Group of 20 as a Leaders' Forum was an important step in the coordination of a global response to the spreading and deepening of the recent global financial crisis. Its most important actions lay in the coordination of the macroeconomic responses to the crisis and reform of financial regulation. In the first case, it included the largest issue of Special Drawing Rights (SDRs) in history, increasing the resources of the International Monetary Fund (IMF) and partially revising the voting power in this institution. In the second case, it included the transformation of the Financial Stability Forum into the Financial Stability Board, which was given the task of coordinating the efforts in financial regulation of a series of specialized bodies. It also expanded the membership of both the Board and the Basle Committee on Banking Supervision to include all G-20 members, thus granting major emerging markets membership in the world regulatory bodies.

The initial meetings of the G-20, and in particular the April 2009 London Summit, are widely credited with helping stop the financial and economic collapse that ensued after the bankruptcy of Lehman Brothers in September 2008, especially through reinforcing commitments to undertake strong Keynesian expansionary policies. Nonetheless, although the meetings reinforced leaders' convictions of the need to take strong macroeconomic actions and commitments not to adopt protectionist policies, there is limited evidence that any country reshaped in a significant way the actions that were already undertaken in response to the G-20 agreements.

In addition, the large issue of SDRs helped particular countries and may have provided some confidence to the markets. Whether the G-20 had much impact on regulatory reform (beyond the institutional reform noted above) remains unsettled. With or without the G-20, there would have been demands for more bank capital and other regulatory reforms, along the lines of Basle III. The Group's efforts at closing off-shore tax havens had little to do with the crisis, and were widely perceived to be unbalanced, as on-shore tax havens, some within the G-20 members themselves, were not given the attention they deserved. Meanwhile, the U.S. and Europe squabbled about other crucial regulatory issues like bonuses and naked short sales. Recent experiences with financial market instability have left most with the distinct impression that many of the core regulatory problems have been at most only partially addressed, and that a comprehensive global regulatory system that responds to the demands of those who are most adversely affected by financial crises is nowhere in the offing.

Most importantly, the G-20 has at the end been unable to generate "strong, sustainable and balanced global growth", as the goal of the Group reads (G-20, 2009, par. 13). Furthermore, there is now a broad shared view that after its "crisis committee" phase, G-20 cooperation and effectiveness waned dramatically (see, for example, Woods, 2011). Certainly by the June 2010 Toronto Summit, the macroeconomic policy consensus that had initially prevailed at the London Summit had broken down. Part of this was because the circumstances of the countries were very different: some were quickly recovering, while others (Europe, Japan and the U.S.) faced the prospect of an extended period of slow growth; some faced relatively good fiscal positions, while others were beginning to worry about rising interest rates on government debts. But part of the divergence of views was that even similarly placed countries bought into different economic models, reflecting in many cases differences in interests. It is hard to develop concerted policies when perceptions differ so markedly, with some countries believing that the best way to recover is to cut spending, while others believing the best way is to increase spending. In short, the lack of agreement should not have come as a surprise, even if it is assumed that different countries' policies fully took into account how they affected others.

The most notable differences were: (a) between those who saw the need to stimulate the economy—with lack of global aggregate demand identified as the primary source of global weakness—and those who saw fiscal consolidation as the highest priority—given the risk of financial meltdown following a sovereign debt crisis; (b) between the U.S., which viewed global imbalances as arising from China's exchange rate, and China, which viewed global imbalances as arising from the U.S.'s macroeconomic framework—in which case adjustments of exchange rate would only have a minimal effect; (c) differences among European actors on the need for debt restructuring and on interventions to stabilize sovereign debt bond banks, with the European Central Bank adopting the most orthodox view in both cases; (d) between the developed countries, which pushed for global financial regulation, and emerging economies, which preferred a nationally differentiated approach; and (e) between the United States, which, after it passed its regulatory reform bill (Dodd-Frank) simply wanted the rest of the world to fall in place, and other countries who thought that the United States had not gone far enough.

There were also deep divisions regarding monetary decisions by the country issuing the major global reserve currency, which certainly did not take the global implications of its policy decisions into account. In particular, the U.S. refused to acknowledge the large externalities associated with the conduct of its monetary policy, assuming (incorrectly) that the onslaught of money into other countries reflected their misaligned exchange rates and would be corrected by allowing those exchange rates to appreciate. In fact, U.S. actions led to the fragmentation of global capital markets, as countries took actions to prevent excessive exchange rate appreciation. One part of the solution entailed reforming the global reserve system, and early in France's chairmanship of the G-20, that issue was put high on the agenda, with extensive discussions around the world.[1] But the U.S. put an end to those discussions. With the U.S. adamantly opposed to other initiatives that many G-20 countries would like to see pushed forward (and/or afraid that it could get nothing meaningful through Congress, notably a financial transactions tax or a carbon deal), the G-20 was destined at best to frustrate some members' high aspirations.

From the point of view of global governance, the major decision was that taken at the September 2009 Pittsburgh Summit to designate "the G-20 to be the premier forum for our international economic cooperation" (G-20, 2009, par. 19). Including the major emerging economies in the global dialogue on economic issues, by relying on the G-20 rather than the G-7/8, was obviously a step forward, and indeed a must given shifting global economic power relations and the greater strength of emerging economies during the current crisis. In turn, for emerging economies, coordinating actions with major industrial economies was also essential, given their vulnerability to adverse shocks from developed countries and their still limited capacity to replace the old engines of world economic growth.

The decision to position the G-20 at the center was also that of continuing the practice of industrial countries since the 1970s (and even before) of placing informal bodies rather than formal institutional structures at the top of global economic coordination efforts. The essential message of this paper is that this is a step in the wrong direction. Although the G-20 represents large shares of world population and GDP, such "elite multilateralism" (as one of us has called it—Ocampo, 2011) faces a major problem, as an *ad hoc* self-appointed body can never replace representative institutions in a well-structured international governance framework.

Interactions between formal and informal processes do play an important role in global governance (see, for example, Dervis, 2011), as they do in national politics or in regional agreements, but such interactions would be better conceived as elements of the consensus-building efforts that lead to decisions within formal international institutions. In this view, the basic purpose of any "G" must be to facilitate decision making within regular multilateral bodies. The Group of 77 performs this function in the United Nations, and the Group of 24 in the Bretton Woods Institutions. Powerful countries (say France and Germany) also exercise influence within the European Union, but have never aimed at replacing multilateral decision making within the euro area or the European Union. And the

[1] This included two meetings in China, one of academics, co-sponsored by Columbia University's Initiative for Policy Dialogue and the School of Finance at China's Central University of Finance and Economics, and a more official meeting sponsored by China and France. On the former, see http://policydialogue.org/events/meetings/reforming_the_global_monetary_system_beijing/

European Union also usually acts as a bloc within the United Nations and other international organizations. The dynamics of negotiations force countries to associate, and agreements must take these alliances into account. Informal dialogues are indeed very useful building blocks in formal institutional decision making. Furthermore, interactions between formal and informal processes facilitate a "variable geometry" of informal dialogues, as not all countries are equally relevant for specific international decisions.

Therefore, no matter how "representative" a given informal dialogue is, or how powerful its members are, it can never substitute for regular multilateral decision making within formally constituted international organizations. If they attempt to do so, the informal bodies end up generating serious problems of legitimacy, tend to amplify the inequalities in decision making power among constituent members, and can eviscerate existing more democratic—and more functional—governance structures. These, in our view, are the major problems with the architecture of global economic cooperation that has emerged over the past three years.

Therefore, in a well structured international economic governance architecture, informal dialogues ("Gs") should be subordinate to formal decision making, and not only in the sense that decisions would at the end be taken by treaty-based organizations but also fully respecting their decision-making processes. Indeed, as we will see in the following section, one of the major paradoxes of placing informal decision making at the helm of the architecture is that it may actually end up de-legitimizing formal institutional structures. In this sense, it could be argued that the G-20's primary task should be to strengthen existing international bodies, to which all members of the Group are a party, so they can take over functions the Group has been performing during the crisis in a way that should be considered temporary and exceptional. In other words, it should be to promote whatever improvements are needed in global governance structures to make the G-20 unnecessary. Needless to say, this has not been in its agenda.

Following the recommendations of the Commission of Experts Convened by the President of the UN General Assembly on Reforms of the International Monetary and Financial System (UN Stiglitz Commission), this paper thus argues in favor of creating a Global Economic Coordination Council that will play, in an enhanced way, the role that the G-20 has abrogated for itself (United Nations, 2009, ch. IV; Ocampo, 2010). This new institution would be analogous to the G-20, and would therefore inherit its virtues— particularly the capacity to focus on crucial issues at any moment in time, most of which require an exercise in leadership at the highest political level to reach consensus and cross institutional borders—, but it would be formal in character.

After this introductory review of the achievements and limitations of the G-20, the next section analyzes the legitimacy issues that the Group faces. After exploring in the following section some basic criteria that must be followed in relation to the design of global economic governance, we present the basis of the proposal to create a Global Economic Coordination Council. The paper ends with a proposal for a complementary framework for global action and brief conclusions.

The legitimacy of the G-20

The institutional issues that the G-20 generates can best be understood in terms of its relations with the IMF, the institution that it has helped to strengthen most but, at the same time, that with which it has the most significant crossover of competencies. This raises a number of paradoxes, which illustrate very well the problems of legitimacy of the Group.

The problems arise, first and most importantly, from limited membership and, in particular, the *ad hoc* method by which the Group has chosen its members. This implies the exclusion of some countries that fulfill the criteria of large population and GDP (the most important case being Nigeria), the fact that in given regions members are not necessarily those that meet the criteria (e.g., among Arab members) and, once again, the overrepresentation of Europe, which in addition to its formal members includes a permanent invitee (Spain) and three additional institutional participants (the European Commission, the European Central Bank and the rotating president of the European Union). It also excludes all least developed countries and the most committed international donors (the Scandinavian countries) and in general, all developed countries that meet the criteria of fulfilling the UN target of official development assistance (0.7% of the GNI), thus making it a paradoxical forum to discuss development issues.[2]

To these problems, which have been highlighted by several analysts, we must add a couple of problems which are generally ignored: the way the G-20 operates may ultimately delegitimize entities upon which the international community has conferred the same functions that the Group has been performing, as well as their governance structures. This is markedly visible in macroeconomic

[2] This was, of course, equally so, a problem of the G-7/8 One of the most interesting cases relates to the decision of the Gleneagles G-8 Summit in 2005 to write off the debt of the Highly-Indebted Poor Countries. Although agreeing with this step, the smaller European countries that did meet the UN ODA target of 0.7% of GNI complained in the IMFC and the Development Committee that it was not the G-8's business to adopt this decision (and capture the political benefits of doing so) since no individual member of the G-8 actually met the UN target.

cooperation, which has been the Group's central theme throughout the crisis, but also the central function that members have assigned to the IMF.

In this regard, it must be recalled that the first function that the Articles of Agreement confers to the Fund is: "To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems" (Article I(i) of the Articles of Agreement). Therefore, it can be said that all members of the G-20 must first guarantee that this principle is upheld by providing the Fund with everything it needs to fully perform this function, including their own support to the Fund-led "collaboration on international monetary problems", rather than setting itself up as an alternative decision-making body.

It is important to recall, in this regard, that in 2006 the IMF launched an initiative, with the support of the International Monetary and Financial Committee (IMFC), to hold a series of discussions about global macroeconomic imbalances among those members whose economies have systemic effects. The advantages of this mechanism was that it engaged a smaller set of countries, actually an improvement over the G-20's current Mutual Assessment Process (MAP), which involves members of the Group that are not systemically important. Most importantly, the 2006 initiative was explicitly designed within the IMF itself, and thus made the process ultimately accountable to the whole membership of the Fund. That initiative utterly failed because several members of the G-20 (which was already functioning at the level of economic policymakers) were not fully committed to it and thus turned it into an irrelevant exercise. It has now been replaced by the MAP, which the IMF supports, but the process is not fully accountable to the whole Fund membership. Therefore, it is not that the Fund is incapable of performing a function conferred upon it by it Articles of Agreement. It is, at the end, a reflection of the fact that some powerful members prefer to undertake those functions outside such formal institutional framework. In fact, if there is an institutional failing in the IMF, which makes in incapable of performing this critical role, the response should be to remedy the deficiency, not to create a parallel institution.

Another sense in which the problem of de-legitimization is relevant has to do with the IMF's governance structures. The G-20 made some progress, albeit incomplete, when it reached an agreement in Seoul in November 2010 to reform the Fund's quota and voting shares. However, beyond this achievement, which is widely recognized, the way this and other G-20 decisions were adopted by the Board may at the end be eroding the Fund's governance structures.

We must recall that the Fund's governance is based on a system of associations of countries, or *constituencies*. Its major decision making body, the Executive Board, represents those constituencies, except for a few powerful individual countries that are direct members of the Board. However, in the case of those decisions taken by the G-20, the Board has become merely a mechanism to stamp out those decisions. The other side of the coin is that the Board has ended up legitimizing the decisions of powerful members while escaping the institutional constraints of having to take into account the views of less powerful Fund members.[3] As a result, there is also an obvious tension between interests of individual nations which are members of the G-20 and their role as representatives of groups of countries in the Executive Board, with the first overriding the second. The (no doubt imperfect) mechanism of representation of *all* IMF members has thus been sidestepped and indeed effectively violated.

In this way, the G-20 has ended up replicating the basic responsibilities and disrupting the basic mechanism of governance of the institution it has most supported. This is why we have said that there is a great paradox in this regard: by the way it has supported the Fund, the G-20 has ended up eroding its legitimacy. As new summits continue to expand the purview of the initiatives of the G-20, should the G-20 prove to be effective in decision making, this problem will affect more and more institutions. The Group's mission creep is thus likely to erode the legitimacy of the institutional structures that the world has so painfully built up after the Second World War.

Principles of a good system of global economic governance

These considerations bring us to the principles that should underlie a good system of international governance. We should begin with the principle of *leadership*. The G-20 is a meeting of leaders, and there is always the hope that some decisive actions can be taken by the leaders that might not emerge (in relevant time) through the bureaucratic process or through decisions that do not fully incorporate the political perspectives that are inherent to decisions and actions by heads of government. On occasions, the G-7 and G-20 have demonstrated that kind of leadership. However, in a healthy multilateral system, leadership also involves delegating functions, including decision making, to the institutions charged with performing them, and indeed allowing leadership to be exercised by and through the multilateral bodies. Permanent appropriation of those functions is not an adequate form of leadership.

The second principle is *effectiveness*: cooperation should be so structured that it can arrive at results that are then carried out. Here again the G-20 initially showed positive results, particularly during the year and a half following the financial collapse of September 2008. As already indicated, its later record has been rather poor, though continuous push for global financial reform and the

[3] It may be said that this was even worse under G-7/8 leadership, which is correct but does not eliminate the problem. See, in this regard, the previous footnote.

partial reform of the voting power in the IMF should be included as part of its more recent positive outcomes.

One of the arguments against a larger body is that reaching understandings and consensus in such a body would be difficult. The major challenge, in this regard, and one the Group clearly does *not* achieve, is that of combining effectiveness with yet a third principle, *representation*, which is the basic source of *legitimacy* and which in the international system, as in all modern democracies, is derived from universality.

The basic challenge in this regard is overcoming the tension between representativeness and the legitimacy associated with it, on the one hand, and power structures, on the other. This issue is sometimes expressed as the trade-off between inclusiveness and effectiveness,[4] but this is clearly a wrong way to pose the tension, as national democracies have shown that inclusive representative institutions can be effective. It is, of course, true that some processes may require small decision-making bodies, but this is not inconsistent with the principle of representation, so long as those small bodies are embedded in larger representative institutions that elect their members according to agreed criteria. Therefore, combining effectiveness with representation does not mean excluding less powerful agents, but rather crafting a structure in which small decision-making bodies function within the framework and with the legitimacy that arises from their representation of *all* members. Otherwise, limited decision making bodies come to be identical to sheer government by the powerful, which may be effective but is certainly not legitimate.

Solving the tension between legitimacy and effectiveness therefore requires mixing the participation in decision making of systemically important countries with representation of *all* members of the international community. The way to solve this conundrum has already been invented by the IMF and the World Bank, namely, weighted votes that factor in the economic weight of countries but also give all countries a basic vote independently of size, and could eventually take into account countries' population. These factors serve to define the alliances in decision-making processes. We know that this system, as applied by the Fund and the World Bank, has a number of flaws that have been addressed through reforms that need further political negotiation. But this seems to be the only way of combining the systemic importance of some economies with the universal representation of members of the international community. Moreover, for many of the key issues, voting rights are less important than voice, a point that has been long underscored in the international arena by small and poor countries. This is, furthermore, essential, as the international community (as is also the case of

[4] See, for example, Bradford and Lim (2011, p 3), who pose this issue as a "trade-off between achieving legitimacy as a representative body and achieving legitimacy as an effective body".

national communities) seeks on many occasions enduring agreements, which should be based on broad consensus and therefore not decided merely by a majority of (weighted or unweighted) votes. The "variable geometry" also means that the voice of particular members of the international community should be central to decisions on certain issues, regardless of whether they are powerful or not.

This brings us to the fourth principle that should be found in a good system of global economic governance, namely, it must be *structured as a system*. The reason is clear: just as there are "spillovers" from one country's actions to others (that is the reason that there is need for international cooperation), there are spillovers from actions in the domains of some organizations to those of others. Although, again, a leaders' forum is particularly useful to manage these spillovers, the appropriate way of accomplishing this objective is to structure the global body for economic governance within the United Nations *system*, that includes not only the United Nations Organization in its most limited sense,[5] but also the specialized agencies of the UN system, which formally include the IMF and World Bank Group and should include the World Trade Organization (this would require a decision to convert WTO into a specialized agency of the UN system).

The fifth requirement is an *independent secretariat*. Such secretariat performs two essential functions: it provides neutral technical support, which is detached from the interests of the most powerful countries (or, if we prefer, of those countries that have larger resources to invest in information gathering and analysis), and it has the capacity to implement and independently monitor the approved decisions. Furthermore, ideally an independent secretariat might go beyond these functions to advance novel initiatives, help mediate disputes and identify the common ground on which global agreements might be forged. In doing so, the secretariat might draw upon either a standing body of experts, or *ad hoc* expert panels directed at particular global problems. (The UN Stiglitz Commission highlighted the role which such expert groups might play). The internal opposition that exists within the G-20 precludes the possibility of creating a secretariat of the Group, a fact that is in fact fortunate, given its *ad hoc* character.

The G-20 therefore fulfills only the first criterion (leadership) and partly the second (effectiveness) and fourth (capacity to coordinate different agencies). But it is not well endowed with the other characteristics that are essential to place

[5] By the UN *Organization* we refer to the UN Secretariat, Funds and Programs, in a sense those organizations that are under the direct mandate of the UN General Assembly. The UN *system* also includes the specialized agencies, including (formally more than in practice) the Bretton Woods Institutions.

it at the center of global economic governance. It is, therefore, poorly placed to become the "premier forum for international economic cooperation". For this, we have to turn to a new institution—which can in fact be viewed as an *evolution* of the G-20. Some in the G20 have already recognized the need for this evolution.

Most importantly, although the G-20 can play an important role in placing new issues on the agenda and facilitating consensus among major powers, and in general in steering changes that generate a consensus among the most influential countries, no structure of governance can generate legitimacy as long as decision-making processes are not inclusive. For this reason, the G-20 should be seen as a transition to a more representative, and thereby legitimate mechanism of international economic cooperation.

A Global Economic Coordination Council

The body that could exercise the central place in international economic cooperation must therefore be an Economic, Social and Environmental Council of the United Nations *system*. It must meet at the Heads-of-State level, like the current G-20, and it must enjoy the formal support of a subset of existing United Nations entities. A basic list would include the Secretariat of the UN Organization, in its more limited sense (the UN Secretariat, Funds and Programs, as defined in footnote 5), the International Labor Organization, the International Monetary Fund, the World Bank and the World Trade Organization. It must have the capacity to interact with and, in fact, direct all parts of the system. It must also mix small decision making bodies, which would include countries with systemic importance, with universal representation. This can only be guaranteed by a system of constituencies based on weighted votes, which would mix the three ingredients previously measured: basic votes, economic weight and, eventually, population.

This was the essence of the Global Economic Coordination Council (GECC) proposed by the UN Stiglitz Commission. This idea belongs, of course, to the long history of proposals to create an Economic Security Council and similar institutions, such as an L-27 that could evolve out the current UN Economic and Social Council, ECOSOC (Rosenthal, 2007; Dervis, 2005, ch. 3). But it has three essential differences: (i) its central focus would be to coordinate the UN system (broadly understood, to clearly include, as we have indicated, the World Bank Group, the IMF, and the WTO); (ii) it would be based on representation based on constituencies; and (iii) it would be a new Council at the leaders' level, and not an evolution of the existing ECOSOC, as such reform would not meet the previous two criteria.

The first of these features is, in a sense, the most obvious and essential to guarantee the coherence of the system of global economic cooperation, which should be understood as encompassing the economic, social and environmental areas. The Global Economic Coordination Council should therefore be able to direct and coordinate all institutions that are part of the UN system, as well as identify areas of cooperation among them. In this regard, it would have a special responsibility for identifying spillovers (for instance, environmental effects of trade policies, or social effects of budgetary policies) and proposing ways by which they might be addressed. It would also, and crucially, identify gaps in the current system of cooperation, and propose how they might be filled. An example, highlighted by the UN Stiglitz Commission, was the absence of a restructuring mechanism for sovereign debt—an issue which may be of increasing relevance in coming years—, but there are other topics mentioned below. It would, in any case, leave to the more specialized bodies the specific decisions in their area of work, but it could convene Ministerial meetings in some areas. For example, although some global monetary decisions could be left to the IMFC (which mixes Finance Ministers with Central Bank governors), some broader global economic decisions may require new (one time or recurrent) ministerial meetings or bodies, mixing finance ministers with those in charge of other aspects of economic affairs (e.g., those directly related to the issues of domestic production, such as industry ministries).[6]

The second feature, the weighted vote, would be difficult to accept by those countries that defend the UN principle of "one country, one vote". However, the truth of the matter is that no relevant system of global economic government can operate without the voice of the most important actors being given strong consideration and, furthermore, without their being seated at the table. Otherwise, they would tend to simply ignore the decisions of that body. Of course, the specific weighting mechanism would have to overcome the problems of representation that those institutions using constituencies (the Bretton Woods Institutions) currently face. The gain for smaller countries is, of course, that the powerful members of the international community would be coordinated by a representative universal body in which they have voice, rather than by one that the powerful countries appoint (or more accurately, self-appoint). Moreover, the precise weighting of votes will be less important if the GECC succeeds in developing consensus over key issues.

By its very nature, in terms of its governance structure (based on constituencies rather than the "one country, one vote" principle), and its capacity to coordinate all components of the UN system, this body would have to be

[6] See, in this regard, the remarks below on the Monterrey Conference on Financing for Development.

different from the ECOSOC,[7] which is in need of reform of its own anyway. This body could serve as the head of the economic, social and environmental system of the UN Organization in its most limited sense. As all specialized bodies, it would also be subject to the direction of the GECC. Furthermore, specific and highly important global functions could be conferred upon ECOSOC, reinforcing in some cases its current role. In particular, ECOSOC should head the system for cooperation with developing countries, the international humanitarian system and, most importantly, the follow-up of the various United Nations Summits and Conferences, which have developed the broadest agenda of global cooperation in economic, social and environmental affairs. In particular, it should have the task of monitoring and eventually managing accountability (possibly through peer review processes), or commitments made by countries in the UN Summits and Conferences.

Aside from this, ECOSOC, the UN General Assembly and the UN Secretariat would continue to play important roles in global economic governance. They have proven to be very effective mechanisms for consensus-building, and in the generation of new ideas and a framework for international cooperation (in particular, the Millennium Development Goals), though the effectiveness of the UN Organization has been limited by the tendency to limit its role in the implementation of these agreements. Interestingly, this has included global financial issues, in the case of the Monterrey Conference on Financing for Development, which was motivated, in part, by the belief that development and development finance was too important to be left just to finance ministers; the success of the conference justified taking these issues beyond the confines of the Bretton Woods Institutions. In retrospect, some of the analytical contributions of the UN Secretariat on global economic and financial issues—by the UN Department of Economic and Social Affairs (UN-DESA), the UN Conference on Trade and Development (UNCTAD), and the UN regional commissions, particularly the Economic Commission for Latin America and the Caribbean (ECLAC)—have been, if anything, sounder than those of the Bretton Woods Institutions, despite the much more limited amount of resources that these institutions manage. The UN has also made important contributions to these debates through the convening of high-level technical groups, such as in the area of global finance, the Zedillo and Stiglitz Commissions (United Nations 2001 and 2009, respectively).

[7] According to the UN Charter, ECOSOC has such coordination powers over specialized agencies, but it has never been able to exercise them, and particularly so vis-à-vis the Bretton Woods Institutions.

Final notes of caution and a complementary framework for global action

Major changes in the global economic order have been occurring for the past thirty years, and the pace of these transformations has increased in the aftermath of the Great Recession. Though in a sense the movement from the G-8 to the G-20 has reflected these new realities, *de facto* changes in global economic governance have not been commensurate with the changes that have occurred in the world economy. Whatever the institutional changes that are put into place, the coming years are likely to be a difficult period of transition, with those who have dominated global processes and decision making being reluctant to give up their place, and a certain lack of trust in traditional powers by those who were formerly dominated —in particular, the suspicion that certain proposals are intended, in practice, to reproduce existing power imbalances in global governance as long as possible.

The style of interchange will have to change. Countries have lectured each other too much. The United States, as the putatively most successful country, has lectured others about how they had to reform their economies if they were to have strong growth. The U.S. was the teacher, the emerging market the student. The United States would describe the reforms as helping emerging market countries—as being in those countries' best interest. And according to the U.S. lecture, it was just a coincidence that the reforms were also advantageous to the United States and other industrial countries. If growth was enhanced, the argument went, everyone benefitted. But countries do not like being lectured, and the creditability of the lecturers has been seriously damaged.

Given the large differences in circumstances and perspectives, it will be difficult to reach agreement on most of the issues that are of crucial important to the world. Agreements based on the least common denominator are likely to be viewed as disappointing, certainly not up to the tasks facing the world. Typically, they will be aspirational, and often platitudinous. Large parts of the world now believe that there should be a new global reserve system, a financial transactions tax, a climate change agreement with teeth and, as already pointed out, a multilateral framework for restructuring sovereign debts. Yet one (or a few) powerful countries have blocked meaningful progress in each of these areas.

The international community has made progress before on issues where there was widespread, but not universal consensus, even among the major countries. Until recently, Russia was not a member of the WTO. The Kyoto Protocol was never ratified by the U.S.

The G-20 framework, where all initiatives are agreed to unanimously, may not work. The Global Economic Coordination Council could, therefore, facilitate the creation of initiatives of "adhesion", where a large body of countries takes the leadership to undertake cooperative actions in some area of global or regional concern, and others are allowed to join in at some later date. A few such institutional arrangements already exist, and the GECC could facilitate their addressing new areas of concern. As an example, there is widespread recognition that the dollar based reserve system is an anachronism in the 21st century. But the United States has discouraged even the discussion of alternative reserve systems. Meanwhile, monetary arrangements have been developed in Asia and Latin America and, despite its current difficulties, notably in Europe. It might make sense for these arrangements to become more integrated and extended to other parts of the world. Even if the U.S. decides not to join in the new arrangements, what would emerge could be a global system that is more stable and efficient than the current one.

The GECC might perform one final role, noted briefly: in situations of conflict and conflicting perspectives, mediators often play an important role in exploring and developing areas of common interest and finding bases of agreement. The agreement is thus not the *least common denominator*, but rather something potentially much stronger. The exchange rate controversy between China and the U.S. has proven fruitless. Neither side has convinced the other of the correctness of its position. But it is possible that there could be consensus around a more inclusive growth agenda, as part of which (under the appropriate sequencing) adjustments to China's real exchange rate and U.S. fiscal policies would naturally occur.

Conclusions

In a globally integrated world, the actions of one country and one arena can affect other countries and other arenas. The need for global collective action—global coordination—is now almost universally recognized. The G-20 is a response to that need; but it is a response that will likely not be up to the task, for all the reasons that we have outlined in this paper. Worse, it may undermine the viability and effectiveness of more legitimate and more representative multilateral institutions that were created to respond, in one arena or another, to these needs. It is also clear that these institutions, by themselves, are not up to the needs of 21st century economic globalization. This paper has suggested an alternative institutional structure, a Global Economic Coordination Council, which holds the promise of meeting those needs.

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