



Beyond Business as Usual

G-20 Leaders and Post-Crisis Reconstitution of the International Economic Order

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Executive Summary

Leaders taking part in the G-20, G-8+5, and G-8 summits over the past year have pledged in effect to reconstitute the international economic order to render global growth more inclusive, sustainable, and robust. The agenda for fundamental reform they have articulated in these communiqués is sound and can be summarized as follows:

- 1. Construct a new doctrine of global economic growth and integration that enables much more inclusive and sustainable outcomes.**
- 2. Rebalance and strengthen global aggregate demand for goods and services through deeper macroeconomic and structural economic cooperation.**
- 3. Elevate employment and social protection to a top priority of international economic policy and cooperation.**
- 4. Shift economies onto a low-carbon economic growth path.**
- 5. Make major progress in the both the coordination and resourcing of the fight against global poverty.**
- 6. Fundamentally reform and strengthen financial system regulation.**
- 7. Renovate the primary institutions of international economic cooperation as necessary to achieve the foregoing objectives.**

But for these objectives to be achieved—that is, for the world economy to avoid a return to business as usual after the crisis recedes—they will need to be translated into major structural improvements in the corresponding multilateral and national institutions. Every country today has a vital interest in creating a stronger positive feedback loop of more broadly shared participation in the benefits of global economic integration among and within countries. This common political imperative has made conditions ripe for an unprecedented exercise in international economic cooperation to strengthen the world economy's virtuous circle by upgrading its enabling institutions.

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Over the past generation, international economic policy has placed excessive emphasis on top-line growth in national income—promoting economic efficiency through deregulation, privatization, trade liberalization, and fiscal balance—and insufficient emphasis on the role of economic institutions in fulfilling the bottom-line objectives of markets (efficient and sustainable allocation of resources) and economies (sustained, broad-based progress in living standards). The essential lesson of both the current crisis and the recent legacy of globalization is that institutions deserve as much attention from policymakers as efficiency. They are crucial for optimizing both the rate and the inclusiveness and sustainability of economic growth.

Economic institution building along precisely these lines was crucial to many advanced countries' success in creating middle class prosperity and stronger, more stable growth as their economies integrated nationally in the 20th century. It also holds the key to strengthening the global economy's virtuous circle of parallel, broad-based advances in living standards in both developed and developing economies as they integrate.

This institution building will require the international community to go beyond the financial sector and temporary macroeconomic stimulus measures that have been the main result of the G-20 leaders process until now. Beginning at their meeting in Pittsburgh, G-20 leaders should assemble the procedural machinery necessary to produce a blueprint for comprehensive institutional renovation of the global economy by next autumn. They made a similar decision in Washington last year to assemble a set of intergovernmental working groups to develop proposals in line with the principles on financial system reform articulated in their communiqué. Now is the time for them to commission a broader team of architects—from finance, development, labor, energy, environmental, trade, and other relevant ministries—to collaborate over the next year to prepare detailed renovation plans in the main areas of fundamental reform covered by the London and L'Acquila communiqués.

By taking their pledge of fundamental reform seriously, leaders could create conditions favorable for a Big Bang of the sort of “new multilateralism” that has been much anticipated but not yet sighted since the change in U.S. administrations. The paper outlines a Global Deal of comprehensive reforms that would yield substantial net benefits for both developed and developing countries and amount to a populist approach to global economic integration in the best sense of the term—a concrete plan to make it work for more people.

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