



FORUM

Steering into the Great Uncertainty: The G20 as Global Governance

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Abstract: *The world needs an effective, functioning G20. The body was elevated to leaders' level in order to steer the apparatus of global governance through times of great uncertainty from 2008 onwards. Its record is not without achievement, but remains disappointing overall. The G20 needs substantial institutional reform to become what we all now need it to be.*

Keywords: Global Governance; Great Uncertainty; Growth; Austerity; Institutional Reform

The G20 summit was created amidst a grave global crisis. Indeed, it is important to remember that it was only created because of that crisis. As we know, a G20 of sorts had first been brought into being at the level of finance ministers and central bank governors in 1999 and operated conscientiously but without great impact from that year onwards on the basis of regular annual meetings. There had also been much discussion of and some writing about the merits of upgrading this structure to the level of leaders during the course of the first decade of the new century.¹ But nothing moved until US President George W. Bush unexpectedly reached out for something different amidst the collapse of Lehman Brothers and the emergence of genuine and escalating global financial crisis in the autumn of 2008. Fearing, as he was supposed to have observed colloquially, that 'this sucker could go down',² he reversed gears and decided that the global political economy not only needed some quick and smart steering after all, but that this could only be

accomplished by involving the leaders of all of the major countries of the world, not just the largely Western sub-set that met within the G7 and the G8. China, India, Brazil and others were revealed at last to be 'systemically important' and suddenly invited in from the outer margins of the G7/8 to become full members of a new G20 which met for the first time in Washington DC in the United States on 14-15 November 2008. To repeat, this move would not have been made, and perhaps could not have been made, outside of a moment of crisis marked by real fear for the survival and stability of the global economy as it was then constructed.

What this means, however, is that the way we choose to conceptualise this crisis becomes critical to how we subsequently assess the record of the G20 summit from 2008 onwards. On this key question, of course, it is possible to take different views. For example, it has been widely proclaimed in some quarters that all that was needed was to fix a few faults in the governance of the system, thereby enabling the neoliberal world order to get quickly back on the road and resume its position in the fast lane. In which case, we know, as it were, what the G20 was expected to do and can judge it accordingly. But it has also been argued that the crisis actually connoted an existential challenge for neoliberalism, as it had come to operate by late 2008, and therefore put on the table nothing less than the design of a new world order grounded in a new model, or models, of global capitalism. Needless to say, in this case the task that faced the G20 summit was of a completely different nature and scale, with associated implications for evaluation of its performance. This article sits within the latter perspective and turns now to a brief schematic overview of what sort of crisis we think that the world currently faces before returning to consider the record, so far, of the G20.

THE GREAT UNCERTAINTY

Labels matter in orienting our thinking about, characterising and constructing different eras in the global political economy. They are also invaluable shorthand and these days we all increasingly write, and possibly think, in shorthand. So how are we to frame the period of the crisis? At one level the answer is (or was) simple: we have been living – at least those of us in the West – amidst the 'Great Recession'. *The New York Times* journalist, Catherine Rampell, has recently provided a nice etymology of the use of this term.³ It has been accurate enough, but it does not catch the deeper

elements of our current conjuncture and, of course, even long-running recessions come to an end, with growth now resuming to varying degrees of intensity in a number of Western economies. However, the more honest answer to the question is that we do not really know – yet – where we are, not least because where we think we are will determine how we get out of this mess and we still seem a long way from that, notwithstanding many claims to the contrary. Many critics suggest, or maybe just hope, that neoliberalism is over. But the neoliberals do not think so and in any case new eras always take longer to emerge than people think. Thus far, neoliberal dispositions seem to have been reinforced by the crisis – for in a sense that is exactly what austerity is all about. It is important, though, to remind ourselves that getting from the Wall Street crash of 1929 to the Bretton Woods conference of 1944 took fifteen years. The other great recent period of shift – the ‘long 1970s’ – is even harder to date with precision. But, again, it took a lot of pounding by the neoliberal right to move us from the first signs of the crisis of ‘embedded liberalism’ in the late 1960s to the hey-day of Reaganism and Thatcherism in the early 1980s. So perhaps fifteen years is about standard for these sorts of transitions.

In these circumstances many analysts fall back on Gramsci, reaching for *The Prison Notebooks* and quoting that bit where he writes that ‘the crisis consists precisely in the fact that the old is dying and the new cannot be born’, adding that ‘in this interregnum a great variety of morbid symptoms appear’. However, we have opted to take up the challenge implicitly laid down here by Gramsci by trying to think through the key elements of the confusion and contradiction that dominate so many attempts to chart our position. We label the current era ‘the Great Uncertainty’ and suggest, by deliberate use of this term, that the present conjuncture is being shaped by a remarkable, and hugely challenging, coalescence of three major processes of structural change occurring simultaneously and interacting in all manner of complicated ways.⁴ They can be distinguished analytically as follows:

- **Financial crisis:** a largely Western crisis brought about by neoliberal excess and now rendering the confident resumption of economic growth a severe conundrum for the US, Japan and nearly all major European economies and a problem at least for the rest of the global economy;

- **Shifting economic power:** the recent intensification of longstanding movements in the locus of economic power in the world characterised by the rise of countries like China, India, Brazil and several others too; and
- **Environmental threat:** the eventual realisation that climate change is both real and accelerating and is now asking the most serious questions about the ongoing viability of traditional notions of economic growth and indeed the good society itself.

The key point, though – and the reason that this all adds up to the Great Uncertainty – is that these processes of change are all taking place in the contemporary period and arguably will come to a head at broadly the same time. They also feed off each other in extraordinary and unexpected ways, with the politics flowing both through and between them in highly complex fashion. Clearly, much more could be said to elaborate upon these key processes of change, but this is not the place. It is enough for the moment to note that in my reading of the situation this is the conjuncture that the G20 was formed to steer us through. Its enormous task is therefore not just to develop into an effective global steering committee (which would be difficult enough even in predictable times), but to do so in this current dense fog of uncertainty, charting somehow a workable route to the building of a more equitable, more sustainable mode of global capitalism. It is in every sense the tallest of orders.

THE G20 STORY (SO FAR)

Again, this is not the place to describe and review in detail the various announcements and decisions taken by the G20 since its inception as a summit of leaders. All of the many communiqués and declarations are available for all to see and other good analysts have already published thorough and informative accounts.⁵ However, a pattern has surely emerged that shows the record of the G20 to fall already into two distinct parts: an initial phase covering the first three summits (held in Washington DC in November 2008 as indicated, in London in April 2009 and in Pittsburgh in September 2009) and a subsequent phase covering the next four summits (in Toronto in June 2010, in Seoul in

November 2010, in Cannes in November 2011 and in Los Cabos, Mexico, in November 2011). Each of these phases possessed distinctive characteristics which will be briefly identified in a moment. Arguably, a third phase in the G20 story began with the failed St Petersburg summit of September 2013 and runs on now to the next meeting scheduled for Brisbane in November 2014. In this phase it is once more being asked what the G20 is really for and whether it can seriously contribute to the successful management, let alone resolution, of the global crisis it was set up to address.

The general view of Phase 1 is that the G20 hit the crisis running, as it were, and made a good fist of handling its most immediate and pressing aspects. Clearly, the first meeting in Washington was taken very seriously by virtue of its very existence, let alone because of the severity of the financial pressures that were still being felt strongly at the time of the meeting. It did reflect a strong assertion, albeit very late in the day, of renewed US leadership of the global political economy. The next meeting in London benefited hugely from the extraordinary amount of pre-diplomacy put into it by the British Prime Minister, Gordon Brown, who had a more acute grasp of the global nature of the financial crisis than most other political leaders. It was a fine hour for him personally. The third meeting gained in turn from the fact that it was hosted by the new US President, Barack Obama, who was convening a major international meeting for the first time, and seemed to many to mark the moment when the G20 graduated from being an *ad hoc* crisis response to becoming the self-proclaimed premier forum for international economic cooperation. The obvious lessons were that global crises do bring the globe together and that leadership matters and maybe still emanates most easily from familiar Anglo-American sources.

It is also notable that the G20 record in this phase had an apparently easily recognisable political economy. In the midst of economic crisis its members resorted to a set of policies that deployed the powers and resources of the state (actually, of course, states in the plural which served to make the responses all the more striking and effective) to bring about stability to the global economy. In particular, many G20 states, led by the US, made significant moves to deliver both a fiscal and monetary stimulus to their economies and thus directly support growth and counter recession. In addition, they deployed their ample rhetorical talents to oppose a formal turn towards protection and signal their continued adherence to liberal trading norms. On the whole, the

leaders of the so-called 'emerging economies' of China, India and Brazil were less immediately worried about the crisis, because it was not their financial systems that lay in peril, but they responded to the pressure of the Western countries and mostly joined in the stimulus party. Many analysts, often with some excitement, interpreted this set of responses as indicating a return to Keynesian political economy norms after the long night (about three decades) of dominant neoliberalism. There was accordingly much talk of the 'return of the master'.⁶ This was almost certainly a misreading of the intellectual and ideological motivations of those involved. The reality is that everybody was a neoliberal of one sort or another by late 2008 and it was too late for these political leaders to learn to think again in a different paradigm of political economy. Nor did they actually want or need to do so. Neoliberalism has often been wrongly understood as signifying a crude rejection of the state and a thorough-going endorsement of market mores and methods. In reality, it stands much more for creative use of state power to build liberal market orders.⁷ From this perspective the embrace of growth stimuli by the G20 leadership in Washington, London and Pittsburgh in the heat of the financial crisis in 2008-9 was exactly how one would expect neoliberal leaders to react to financial melt-down. In emergency circumstances they used their states to rescue the global market, not to reform it.

Phase 2 was different. By the time the G20 was preparing to gather as a summit of leaders for the fourth time in Toronto in June 2010, the politics of the crisis had changed in quite significant ways. For the bulk of the previous year the US (under Obama) and Britain (under Brown) had continued to press other G20 countries to maintain and even in some cases extend their commitments to stimulate their economies. Their main target was Germany which the two Anglo-American leaders felt was not delivering to the extent that its economic strength merited. Yet, as Mark Blyth has argued, 'rather than simply continue to accept the continuing [apparently] Keynesian counteroffensive, some of the neoliberal old guard, in both Europe and the United States, began to strike back'.⁸ He has shown how, initially in the columns of globally significant newspapers like the *Financial Times* and then in and around the network of G20 finance ministers themselves, a campaign began to bring stimulation to an end in favour of 'tightening up' again for fear of future inflation. It was led by the German finance minister, Wolfgang Schäuble, and the then chief of

the European Central Bank, Jean Claude Trichet and found ready support from the Canadian G20 host, Stephen Harper, and the new British Prime Minister, David Cameron, who had just replaced Brown in office and was already promising to bring in an immediate austerity budget. At Toronto the leaders of the 'emerging economies' largely sat on their hands, leaving Obama to cope with his new isolation within the traditional G7 Western countries. As a consequence, the final communiqué from Toronto no longer endorsed the maintenance of increased public spending and looser monetary policy until the recovery was firmly entrenched, but favoured instead the (oxymoronic) notion of 'growth friendly fiscal consolidation'. This was the preferred slogan of the moment of the neoliberal mainstream and captured tellingly the reality that a shift of significance in the neoliberal management of the global crisis had been pushed through the G20 at Toronto.

The next three summits that followed Toronto brought nothing to check the G20's broad austerity agenda. This unfolded painfully and yet hesitantly as various neoliberal leaders sought to ground it within varying domestic political conditions. The Seoul meeting was interesting in a way because it showed glimpses of what the G20 could perhaps begin to look like if the non-G8 members asserted themselves, their interests and their view of the global political economy more coherently and collectively. But, even though new issues were tabled and ostensibly adopted as part of the so-called Seoul Development Consensus, the meeting did not seek to tackle the notion of 'growth friendly fiscal consolidation' formally adopted in Toronto. Indeed, both the Cannes and the Los Cabos meetings (even though the latter was hosted by the government of Mexico) were completely overshadowed by the different stages of the unfolding Eurozone sovereign debt crisis and served in the main only to highlight the many grave weaknesses generated within the economy of the European Union (EU) by the intensity of the German-led deflation of the growth prospects of the EU's peripheral members. For his part, Obama was also completely trapped by that time into presiding over federal spending cuts demanded of his administration by those in the US Congress who were seeking to undermine it from an extremist neoliberal position. As a consequence, no G20 leader was able at either the French or Mexican summit to articulate a wider and more ambitious agenda for the global economy.

As indicated earlier, the most recent meeting, held in St Petersburg in September 2013, arguably initiates Phase 3 in the

history of G20 summitry. It constituted the biggest G20 failure yet in respect of demonstrating capacity to manage the global crisis - the Great Uncertainty - which brought the leaders G20 into being. It was not just that the meeting was completely hijacked by bitter disagreement amongst the leaders about the civil war in Syria which reached an especially dangerous stage just as the summit convened, but more the fact that the gathering gave up on its central purpose, indeed its foundational purpose, in order to manage, via headlines, what would have best been handled by conventional quiet diplomacy. This alone is a salutary lesson for the G20 and should be recalled every time there emerges a temptation to expand its agenda into 'political' or 'security' terrain. Syria dominated media coverage of the St Petersburg summit, highlighting the many divisions that existed amongst the leaders on this issue, and thereby inevitably embedded a public perception of the G20 as a hopelessly ineffective agency of global governance.

This is not to suggest that, as a consequence of Syria, the summit did not address global economic questions. In fact, it generated the longest and most detailed communiqué in the G20's five-year history, plus the St Petersburg Action Plan, the St Petersburg Development Outlook and the G20 Anti-Corruption Action Plan. But the communiqué was in the main a reiteration of previous commitments and the other documents rarely rose above the articulation of broad commitments. The general tone was more that of presenting a report card than a bold road map by which to chart a route out of global crisis. As Harold James put it in a brief post-summit commentary, 'it is difficult ... to think that much is left of the original vision, and of the success of the exercise in April 2009 at the London summit'.⁹ Official briefings drew particular attention to the agreement of the leaders to seek better administrative means to contain tax evasion, but it should be noted that this was at best only an agreement to negotiate and, although not unimportant, could hardly be considered an issue of the same global importance as the issues that the G20 was initially set up to address. Indeed, on the key matter of continuing fiscal consolidation, and again led by Canada in the person of Harper, the summit repeated its core Toronto commitment to firm medium-term strategies to bring fiscal deficits under control. Careful wording of the communiqué to allow some members some marginal leeway to promote growth was all that Obama and the US could secure.

After St Petersburg the G20 now heads off, as we know, to Australia. When this venue was first announced there had been some optimism expressed that once more a G20 leader, in the form this time of the then Australian Prime Minister, Kevin Rudd, could take charge of the organisation and shape its agenda in a more ambitious direction, much as Gordon Brown had succeeded in doing in April 2009. Rudd, after all, had been one of the leaders, along with Brown and the then French President, Nicolas Sarkozy, who had actively pressed Bush to make the historic move towards bringing into existence a G20 of leaders at the moment of greatest fear in the autumn of 2008. But, by one of those awful ironies of timing, the conclusion of the failed St Petersburg summit was followed literally a day later by the election of a new government in Australia, led by Tony Abbott, a leader who, unlike the defeated Rudd, had previously shown no interest at all in the capacity of global governance to serve as a tool for managing important and complex interconnected global issues. Thomas Bernes starkly expressed the options that lay ahead: the Australians, he said, 'face a huge challenge in trying to bring focus to the G20 work program and agenda, and reverse the sense of drift that exists today'. 'Their success', he went on, 'will hold out the possibility of important benefits for the global economy. Their failure will leave the G20 on a downward trajectory from which it may never escape'.¹⁰ Again, it seems, and remarkably early in its short history, the G20 faces an existential moment.

WHAT NEEDS TO BE DONE?

The G20 has been in existence long enough now for us to be able to see how and when it works, and also of course how and when it does not work, which is arguably an increasing proportion of the time. The truth is that it has become ever more apparent that the G20 suffers from a fundamental flaw in its structural design. This is not actually the matter of its membership and the implications that this has for its legitimacy. I have contributed to that line of argument myself in a previous publication and others continue to make that critique forcefully.¹¹ It is of course the case that G20 members were selected quickly and in highly political fashion back in 1999 as a result of a conversation between the US Treasury and the German finance ministry; that too many other states just seem to be allowed to turn up and join in; and that there are real questions to be asked about the relationship of the G20 to the

'G172', namely, all the other countries of the world, the 'marginal majority', as I have previously dubbed them. But in my view these points add up only to a case for a bit more thought about and some adjustment to operating procedures. A G20/21/22, however selected, is always going to be an elite club, or steering committee, for managing global affairs. That is, after all, its very *raison d'être*.

The deeper problem is that the G20, as presently set up, is at heart an empty vessel waiting to be filled up. Or, to adopt perhaps a more telling metaphor, it is in effect a parked-up car, sitting on the parking lot (between meetings) waiting for a new driver to come along and take over the steering wheel. President Vladimir Putin thus rents it out for a bit, then hands it back in (with nobody checking for and even less charging for damage....); whereupon it waits around on the lot until at some point Abbott presents himself, gets the keys and takes it back out on the road again. The analogy is no doubt exaggerated, but it does draw attention to the G20's fundamental lack of permanence, its 'occasionality', if you like. It was set up in a hurry amidst a crisis and was, naturally enough perhaps, modelled on the proclaimed informality and broad commonality of outlook of the member-states of the G7/8. The difficulty into which the organisation has now run is that this manifestly cannot be expected to work in the same way at the level of twenty (or more) member states, especially when the leaders, ministers and officials of these states are inevitably drawn from highly diverse cultural and ideological backgrounds. It is, as a consequence, in need of urgent institutional reform. In a nutshell, the G20 now needs to be given the tools to do the critically important steering job that has rightly been discerned as necessary in the context of global interconnectedness at a time of Great Uncertainty.

Such a process of reform would have to embrace the following four moves:

- a) the creation of a more effective G20 executive, composed of the previous, current and next heads of government convening the summits, plus (see below) a Secretary-General;
- b) the establishment of a modest, but permanent, secretariat headed by an experienced international civil servant or politician as Secretary-General;
- c) the elaboration of clearly understood lines of influence over the major global economic institutions – the International Monetary Fund, the World Bank, the World Trade

- Organization, the Financial Stability Board and a new fifth institution set up to manage the critically important task of responding to environmental deterioration (this is an argument that will have to await another article, but climate change in particular is at heart an issue of political economy, given its causation by the type of industrial growth that has been pursued all over the world over such a long period); and
- d) the development again of clearly understood lines of discussion with a very wide range of organisations and movements within global civil society.

In this way, the G20 would be reshaped from top to bottom and at last rendered fit for purpose in relation to the extraordinarily demanding tasks that it is supposed to be able to handle. It would have greater ongoing coherence at the highest leadership level; would be serviced properly in between summits and other ministerial meetings; would be better equipped to set the working agendas of the various major global bureaucracies; and would be required to keep its feet on the ground in respect of global public opinion.

Of course, what the G20 then did would still depend on politics – on the balance of ideological positions asserted and deliberated upon in relation to all of its activities. That is an inevitable limitation of what would remain in essence an inter-governmental, rather than supranational, institution. Accordingly, G20 leaders could still fail to chart a sensible way through the crisis of Great Uncertainty. There would be no guarantees. At times there would unquestionably be impasse. But it would be more likely that there would also be more phases of pragmatic ‘muddling through’ and conceivably some periods when creative leaders were able to set out and implement, at least to some degree, big programmes of global change and rescue. In the current context, the debate would still need to be about whether to back growth or austerity and how in either circumstance to bring in sustainability. The core global political economic issue would remain the future of neoliberalism. But, at the very least, the direction of this new reformed G20 would be worth fighting for politically, rather than just occasioning at intervals either good or bad headlines. The organisation would matter. As a planet we need urgently to argue through, test out and ultimately shape a global consensus that is both more appropriate to the changed balance of contemporary political power in the world and above all capable of addressing the great challenges

identified as generating the Great Uncertainty. The G20 needs to be properly harnessed to this need, or else it will be a big opportunity lost and the uncertainty (and danger) of our times will intensify.

NOTES ON CONTRIBUTOR

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