From Overcoming Economic Crisis to Boosting Growth

Securing Stability and Inclusiveness: G20 Summit Success in Controlling Financial Crises[1]

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Abstract

The Group of 20 (G20) summit system has successfully controlled financial crises, restoring global financial stability after the shock from the United States in 2008 and preventing the global contagion of the third shock from Europe in 2010. After G20 finance ministers effectively responded to the Asian-turned-global financial crisis in 1999, they failed to prevent the greater American-turned-global financial crisis in 2008, yet their leaders together responded to it effectively, then prevented the escalating euro crisis from going global, and finally reduced the prospects for another global financial crisis coming from a systemically significant country. Since 2013, the G20 has also enhanced economic equality between rich and poor countries, but has not fully restored the lost economic growth and socioeconomic scarring created from 2008 to 2013.

This increasing success was driven by the changing conditions of the forces identified in the systemic hub model of G20 governance. The first was steadily escalating shocks in finance and economics and related fields, from 1997 to 2012, whose sources shifted from emerging Asia to a newly vulnerable United States, Europe and then China in a much reduced form. With such shocks exposing and equalizing the vulnerability of the major powers, the formal multilateral organizations created by the United States and its Atlantic allies in the 1940s and their subsequent informal supplements such as the Group of Seven could not cope. Among many international institutional competitors, the G20 alone contained, as full, equal members, the countries that increasingly possessed the collectively predominant and internally equalizing capabilities required to respond effectively. They increasingly, if unevenly, became more internationally and domestically open and interconnected financial systems, economies and societies, if with some setbacks after 2013. The often high domestic political cohesion of members further helped the G20 become a group its participants valued institutionally, operating at the hub of an expanding network of global summit governance for a now globalized world.

Key words: global governance; financial crisis; financial regulation; G20; International Monetary Fund

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Introduction

The Significance of G20 Financial Crisis Governance

As the 21st century approached, the world was afflicted by an unprecedented Asian-turned-global financial crisis [Kirton, 2013b; Fratianni, Savona and Kirton, 2002; Kaiser, Kirton and Daniels, 2000; Kirton and von Furstenberg, 2001; Savic, 2006]. It erupted in Thailand in June 1997, spread to Indonesia and Korea by the end of the year, and engulfed Russia, Brazil and the United States with the collapse of the Long-Term Capital Management (LTCM) hedge fund. With the clear failure of the old International Monetary Fund (IMF) and newer Group of Seven (G7) to provide financial stability for this globalizing world of contagious finance, a new, broader and permanent group of established and emerging systemically significant states arose. It was initiated by two finance ministers, Paul Martin of Canada and Lawrence Summers of the United States. Thus, on 15–16 December 1999 the finance ministers and central bank governors of the world's 19 systemically significant countries and the European Union assembled in Berlin, Germany, for the initial meeting of the Group of 20 (G20). There they focused on their first distinctive foundational mission of promoting financial stability, leaving for later their second one of making globalization work for all.

A decade later came an American-turned-global financial crisis spreading far more swiftly and severely in a now globalized world. A new summit-level group arose to provide financial stability in response. It was initiated by France's Nicolas Sarkozy and America's George W. Bush, with the energetic assistance of Britain's Gordon Brown and Australia's Kevin Rudd. On 14–15 November 2008 the leaders of the same 19 systemically significant countries and the European Union assembled in Washington DC for the first "G20 Leaders' Summit on Financial Markets and the World Economy" [Kirton, Larionova and Savona, 2010].

In the spring of 2010, a third destructive financial crisis threatened to spread across Europe, the largest and most highly integrated marketplace in the world, and then globally. The G20 summit, which had become the permanent premier forum for its members' international economic cooperation, responded at its fourth gathering in Toronto in June 2010 and at its next three summits. It contained, and eventually quelled, the escalating euro crisis within its regional home.

From 2013 to 2016 several smaller financial crises arose from individual countries such as Cyprus and Venezuela, and institutions such as Italian banks. G20 leaders easily coped with them, even as the G20 became a bigger, broader, bolder global steering committee increasingly focusing on its second mission of making globalization work for all.

Competing Assessments of G20 Contributions to Controlling Financial Crises

How and why the G20 contributed to controlling these financial crises was a subject of disagreement across several schools of thought.

The first school saw failure, because a redundant G20 was too large, diverse and informal, or because it revived the older Bretton Woods bodies, the United Nations and the G7 [Kirton, 2014, 1–12; Strauss-Kahn, 2013; Gilman, 2015]. Some highlighted the superior power of the International Monetary Fund (IMF) and G7, and the G20's lack of legitimacy and benefits for G7 members [Soederberg, 2010; Vestergaard and Wade, 2012].

The second school saw the G20 usefully reinforcing the G7 and similar groups, by providing financial stability, making globalization work for all, containing and preventing global economic crises, and becoming a broader global steering committee that could eventually replace the work of the G7, IMF and UN [Cooper, 2013; Cooper and Thakur, 2013; Vogt, 2010].

The third school claimed that the G20 crisis response system worked since 2008, due to the great severity and Anglo-American source of the crisis and the underlying Keynesian epistemic consensus guiding the common response [Drezner, 2015; Lannoo, 2014; Savic, 2010; Kirton, 2012b]. Daniel Drezner [2015, pp. 14–15, 24–56] argued that the G20-centred system of global economic governance worked first in its policy outcomes, because a crisis-induced plunge in growth, trade, investment and other key economic indicators was worse than the effects of the Great Depression in its first year from 1929 to 1930, but was quickly reversed to exceed or approach pre-crisis levels by 2010. It worked in providing the policy outputs of global public goods that classic and extended international political economy theory say it should. And it worked in policy operations, as the G20 and the international institutions it guided expanded their policy competencies and reformed their governance structures to give the leading emerging powers the enhanced place that their rising relative capabilities warranted. Although the shocks of financial crises served as the essential catalyst for these changes and gave international institutions greater policy autonomy in shaping them, they were also driven by domestic interests favouring international openness due to disaggregated production, a United States still able and willing to lead a response with support from a strong China and European Union, and the durable appeal of ideas of market-friendly policies and the inability of China or others to offer a credible alternative [Drezner, 2015, pp. 18–19].

The fourth school saw declining performance once the great financial crisis receded, power shifted from the G7 to the BRICS summit of Brazil, Russia, India, China and South Africa, and the G20 agenda expanded [Angeloni, 2011; Darling, 2011; Pickford, 2013; Callick, 2013; Tower, 2013; Kawai, 2013; Knaack and Katada, 2013; Harding, Aglionby, Strauss et al., 2014; Patrick, 2014; Wahl, 2012]. There was delayed delivery of G20 promises on financial regulation and banking capital, on reform of international financial institutions (IFIs), and on fiscal consolidation and economic growth, due to the absence of a great crisis as in 2008–09 [Bayne, 2011; Tower, 2013; Callaghan, 2015]. Some saw failure from the start, as the initial macroeconomic stimulus and financial support packages were too small, uncoordinated and undelivered to make a difference [Helleiner, 2013].

The fifth school saw the G20 as a sustained ideational success, as the 2008 crisis, creating relatively rising capabilities for the emerging powers, enabled them to normatively contest the prevailing G7 principles and construct new norms of macroprudential regulation and capital account controls [Luckhurst, 2016; Lombardi and Siklos, 2016; Baker and Dzhaha, forthcoming; Zuev and Nevskaya, forthcoming; Kirton and Larionova, forthcoming]. Some claimed that the G20 system worked more expansively, as it became a global steering committee on its broader, longer-term, more difficult and ambitious agenda, culminating in the Chinese-led Hangzhou Summit in September 2016 [Kirton, 2013b, 2016]. This was because shock-activated vulnerability led in turn to multilateral organizational failure, to the collectively predominant and internally equalizing capabilities of G20 countries, to their slowly converging financial and economic characteristics, and to their leaders' high domestic political cohesion and view of the G20 as an instrumentally valued group operating at the hub of a network of global summit governance.

Puzzles

From these different schools, several puzzles arise. Some initially treated the G20 in the context of the soft law plurilateral G7 and hard law, multilateral IMF and UN rather than focusing on the G20 alone. Most overlooked the G20's ministerial-level failure to prevent the global financial crisis of 2008 and how the G20 contributed to causing it as well curing it. Some overlooked the difference between crisis response and prevention and across global, regional and national scales. Most neglected the appropriate focus on the G20's two distinctive foundational missions and their inter-relationship, by concentrating on growth, stability or inclusiveness alone. And few offered a well-specified, logically coherent, multivariable model that connected the G20's changing contribution to controlling financial crises to the causes that lay behind. This study takes up this task.

Thesis

This study argues that the G20 summit successfully controlled global financial crises, by restoring stability after the 2008 shock and preventing from going global the 2010 shock from Europe. After G20 finance ministers' effective crisis response in 1999, and their subsequent failure to prevent the greater global crisis in 2008, G20 leaders successfully responded, then prevented an escalating euro crisis from going global, and finally reduced prospects for another global crisis from the United States, Europe, China or systemically significant countries beyond. They also increasingly acted to enhance economic equality between rich and poor countries, but did not fully restore the lost economic growth and socioeconomic scarring created from 2008 to 2013.

This increasing success was driven by the changing conditions of the forces identified in the systemic hub model of G20 governance [Kirton, 2013b]. The first was steadily escalating shocks in finance and economics, whose sources shifted from emerging Asia to a newly vulnerable United States, Europe and then, prospectively, China. With such shocks exposing and equalizing the vulnerability of the leading powers, the formal multilateral organizations created by the United States and its Atlantic allies in the 1940s, and their subsequent informal supplements such as the G7, could not cope. Among many international institutional competitors, the G20 alone contained, as full and institutionally equal members (in all respects save hosting and chairing), the countries increasingly possessing the collectively predominant and internally equalizing capabilities required to respond. They increasingly, if unevenly and with some setbacks, slowly converged as internationally and domestically open and interconnected financial systems, economies and societies, despite some setbacks since 2013. The often high domestic political cohesion of the G20 members further helped the group increasingly become, with growing causal salience, one its participants instrumentally valued, operating at the hub of an expanding network of global summit governance for a now globalized world.

Dimensions of G20 Summit Performance

The G20 summit's increasing success in controlling financial crises is first seen in a systematic quantified examination of the G20's performance across the seven basic dimensions of global governance [Kirton, 2013b, pp. 439–441] (Appendix A is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html).

Domestic Political Management through Communication

First, in its overall domestic political management, the G20 summit helped its leaders reduce domestic policy pressure and advance the changes and political support they sought at home [Drezner, 2015, p. 27]. The initial measure – leaders' attendance at the summit – shows a mid-course decline and then a rise. The perfect attendance record at the first three summits was lost at the fourth in Toronto in 2010, but followed by a rise. The second measure, compliments conferred on individual countries in the summit's concluding communiqué, shows a strong increase: Toronto and Seoul in 2010 were awarded eight and five compliments, respectively; Cannes in 2011, 11; Los Cabos 2012, six; St. Petersburg 2013, 15; Brisbane 2014, 10; Antalya 2015, none; and Hangzhou 2016, seven.

Deliberation through Conversation and Conclusions

Second, in its deliberation, the G20 summit allows leaders, in an unexcelled face-to-face format, to engender focal points for coordination, provide mutual reassurance, and facilitate monitoring and enforcement of collective direction-setting principles and norms and concrete commitments [Drezner, 2015, pp. 24–26]. In the public component of deliberation, measured by the leaders' conclusions on the financial crisis (as presented in the collective communiqués and official documents issued in their name at summits), there was a steady rise and then sharp drop (Appendix B is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html). It moved from 1,865 words at Washington in 2008 to 3,536 words at Seoul in 2010, then to only 328 words at Antalya in 2015, as the global demand for G20 leaders' attention to this issue declined. The private component, measured by the number of sessions devoted to the subject, and the spontaneity, openness and depths of the discussions there, shows a broadly similar trend.

Direction Setting through Consensus

Third, in its principled and normative direction setting, as measured by affirmations of democratic and human rights principles, including transparency, there is also a steady rise [Plattner, 2011]. There were 29 affirmations at Pittsburgh in 2009, rising to 34 at Los Cabos in 2012 and then rising to an all-time peak of 39 at Hangzhou in 2016 (Appendix A is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html). The specific principle of inclusiveness became a top thematic priority at Antalya in 2015 and remained so the following year at Hangzhou, whose leaders also directly affirmed the principle of full respect for human rights.

Decision Making through Commitments

Fourth, in its decision making through precise, obligatory, future-oriented commitments, performance rose, with a peak of 282 at Cannes in 2011 and high levels since (Appendix C is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html). They covered a broadening agenda, but with a continuing emphasis on the initial economic and finance core. In the first area critical for financial crises governance – financial regulation – there was a decline from the Washington peak of 59 in 2008 to 24 at Seoul in 2010, with a euro crisis catalyzed bounce back at Cannes to 38, to a low at Brisbane in 2014 of seven. In the second critical area – macroeconomic policy – commitments rose to a peak at Cannes of 91, then declined, along with the global demand for financial crisis response through this instrument, at Antalya in 2015 to 21.

Delivery through Compliance

Fifth, in its delivery of these decisions, overall compliance across all issue areas averaged 70% with a three-phase overall cadence (Appendix A is available at:https://iorj.hse.ru/en/2017-12-2/207898211.html). Compliance was high for Washington at 74%, then dropped to 59% for London, but rose to 67% for Pittsburgh and 69% for Toronto, 68% for Seoul, 76% for Cannes, 78% for Los Cabos, 70% for St. Petersburg, 71% for Brisbane and peaked again at 78% for Antalya. On the specific subject of financial regulation, compliance with the summits from 2008 to 2014 averaged a substantial 74%, making it one of the leading issue areas (Appendix D is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html).

Development of Global Governance through Institutional Construction

Sixth, in its development of global governance, the overall rise also appears. On the first component, institutional construction inside the G20, communiqué references steadily grew to a peak in St. Petersburg in 2013 (Appendix E is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html). On the second component, shaping institutions outside the G20, references similarly rose. At the top of the list of inside institutions were those focused on financial crisis and financial stability, led by the Financial Stability Board (FSB) and its precursor the Financial Stability Forum (FSF) (158+14). The same was true for outside organizations, led by the 267 references to the IMF. Outside bodies addressing globalization for all were also strongly and increasingly noted, notably the UN with 149 references and the World Bank with 122.

Distinctive Mission Done through Correction and Cures

Seventh, in following its distinctive mission, G20 summit performance also rose. Its first mission of providing financial stability was accomplished through its effective global financial crisis response in 2008–09 and effective global crisis prevention from 2010 to 2016. Its second mission of making globalization work for the benefit of all was also advanced, but with a lag and to a lesser degree. Since 2009 at Pittsburgh, the G20 gave increasing attention to education. For development it created the Development Working Group in 2010 at Toronto, adopted the Seoul Development Consensus at Seoul in the same year and added the post-2015 development agenda for St. Petersburg in 2013. On inclusion and the increasing economic inequality in most developed G20 members, it started acting directly at St. Petersburg [Civil 20 Task Force on Inequality, 2013]. At Antalya in 2015 inclusiveness became one of the three top summit themes. Daniel Drezner [2015, pp. 32–33, 36] detailed how the G20's poverty-reducing growth consciously targeted and successfully boosted economic outcomes for the poor. This continued at Hangzhou in 2016. Since G20 governance started in 1999, economic equality has increased between rich and poor countries, among citizens within most poor countries, but not within rich ones [Donnan, 2016; World Bank, 2016].

Critical Cases in G20 Financial Crisis Governance

This increasingly successful performance is confirmed by a detailed qualitative analysis of successive summits, which also point to the causes that lie behind [Kirton, 2013b; Cooper and Thakur, 2013; Postel-Vinay, 2011; Penttilä, 2009; Hajnal, 2013; Luckhurst, 2016].

Washington, November 2008

The G20 summit was created in the autumn of 2008, three years after the failed effort to produce one from 2004–05. It arose immediately after the American-turned-global financial crisis struck in full force with the collapse of investment bank Lehman

Brothers on 15 September 2008 [Kirton, 2013b, pp. 227–268; Eichengreen and Baldwin, 2008]. At the UN General Assembly eight days later, French president Nicolas Sarkozy suggested holding a special Group of Eight–centred summit to respond. But very quickly, the full G20 alternative won because its ministerial-level group already existed and because the departing U.S. Bush administration knew that that had worked for it, including during the traumatic, terrorist-shocked autumn of 2001 [Kirton, 2013b; Savona, Kirton and Oldani, 2011] (Appendices F-1–4 is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html).

The first G20 summit, held in Washington DC on 14–15 November 2008, was a strong success [Kirton, 2013b, pp. 227–268; Pickford, 2013]. This gathering of so many top world leaders to address economics and finance focused on financial stability through domestic financial regulation. Leaders easily agreed on key principles, notably that regulation must be strengthened and internationally harmonized and supervised. To do so they intruded deeply into the sovereignty of member states and the private sector, to deal with credit default swaps, over-the-counter (OTC) derivatives, credit ratings agencies, bankers' pay, accounting standards and tax havens. They created a process for financial reform with specific deadlines and deliverables in the short, medium and long term and called a second summit a mere four and a half months hence.

London, April 2009

The second summit, held in London on 1–2 April 2009, was a very strong success [Kirton, 2013b, pp. 269–296; Darling, 2011; Bradford, 2013]. Spurred by a global economy contracting faster than it had during the Great Depression in the 1930s and by speedily spreading financial shocks, British prime minister Gordon Brown, who was a determined, veteran G20 finance minister, and newly elected U.S. president Barack Obama relied on direct, frank, freewheeling discussions, decisions and communiqué writing among the leaders themselves. For financial regulation and supervision, they created the FSB with all G20 members included, to regulate all systemically important financial institutions and they launched the move to macroprudential regulation that proved to be largely successful by 2016 [Lombardi and Siklos, 2016; Baker and Dzhaha, forthcoming; Zuev and Nevskaya, forthcoming]. They more strongly endorsed action against tax havens. On IFI reform, they agreed to address IMF quotas and voting rights. On macroeconomic policy, converging quickly on a Keynesian consensus, they encouraged their central banks to provide massive monetary policy stimulus, and agreed on large-scale, simultaneous, discretionary fiscal stimulus. On development, for hard-hit poorer countries they produced $1.1 trillion in new financing through $250 billion in special drawing rights for the IMF, $500 billion for the New Arrangements to Borrow, $250 billion in trade finance and $100 billion for the World Bank.

Pittsburgh, September 2009

The third summit, held in Pittsburgh on 24–25 September 2009, was a strong success [Kirton, 2013b, pp. 297–320; Pickford, 2013]. With the American-turned-global financial crisis contained, leaders shifted from defence to offence. They declared that the G20 would be the permanent, premier forum for their international economic cooperation. On financial regulation they agreed on the need for new rules on banking capital, implementation of FSB standards and the completion of OTC derivative reforms. For macroeconomic policy they created the Framework for Strong, Sustainable and Balanced Growth and the Mutual Assessment Process to make it work. On IFI reform, for inter-country equalization they agreed to transfer at least 5% of the quota at the IMF from the established powers to the emerging ones and to create a flexible credit line there to strengthen its financial safety net. Obama as host also used the summit to show Iran that more sanctions on it and a possible financial crisis in it would come if its nuclear weapons programme continued.

Toronto, June 2010

The fourth summit, held in Toronto on 26–27 June 2010, was another strong success [Kirton, 2013b, pp. 321–372]. It moved from crisis response to crisis prevention by containing the new financial shock that erupted from Greece within its European regional home. It did so through confidence-creating macroeconomic policy, by shifting from the politically easy task of fiscal stimulus to the more difficult one of fiscal consolidation. America reluctantly adjusted so that all advanced country members other than Japan agreed to cut their fiscal deficits in half as a percentage of gross domestic product (GDP) by 2013 and stop the growth in their accumulated debt as a percentage of GDP by 2016. Turning directly to enhancing equality across the North-South divide, leaders established new financial safety nets for emerging and developing countries, increased by $350 billion the capital of the multilateral development banks, cancelled an earthquake-devastated Haiti's debts and pledged to meet the Millennium Development Goals (MDGs) by their due date of 2015. Institutionally, they added a labour and employment ministerial meeting in April 2010, created the Development Working Group, brought civil society in through a new Business 20 (B20), Young Entrepreneurs Summit and post-summit meeting of G20 parliamentarians, and defined the G20's relationship with the adjacent G8 summit, which successfully focused on reducing child mortality and improving maternal health in the developing world.

Seoul, November 2010

The fifth G20 summit, held in Seoul on 11–12 November 2010, was a substantial success [Kirton, 2013b, pp. 383–384; Bayne and Woolcock, 2011; Cooper, 2011]. Defensively, leaders delayed the escalation of the euro crisis now infecting Ireland and managed disagreements over current account imbalances and so-called currency wars. Offensively, they finally agreed on the second stage of reforming IMF quota shares and on a larger, more automatic redistribution a few years later. They also agreed on the long awaited Basel III regime of strong capital and liquidity ratios for financial institutions. At their first summit in Asia and their first hosted by an emerging country, at the host's initiative they created the Seoul Development Consensus, embedded in 26 commitments on development and employment, and established the precautionary credit line as another financial safety net.

Cannes, November 2011

The sixth G20 summit, held in Cannes on 3–4 November 2011, was a substantial success [Kirton, 2013b, 384–85]. Defensively, it contained the latest stage of the euro crisis by helping Greece decide to stay in the eurozone, Italy to accept stronger international financial supervision and Italy's leader Silvio Berlusconi to depart. Offensively, G20 leaders moved to augment IMF resources, strengthen the resources, role and status of the FSB, and appoint the highly respected Mark Carney as its new chair. They recommitted to medium-term fiscal consolidation, sought trade assistance for the poorest countries and rejected a proposed global financial transaction tax. They started work on calming volatile commodity markets for food and fuel.

Los Cabos, June 2012

The seventh summit, held in Los Cabos on 18–19 June 2012, was a strong success. [Kirton, 2013b, pp. 385–386; 2013c, a, d, 2012a, c, d; Kirton, Kulik and Bracht, 2013; Cooper, 2012]. Defensively on the euro crisis, as debt-ridden Spain and even France joined Greece and Italy on the critical list, G20 leaders helped induce the European members to take the decisive steps to create the necessary regional institutions and regimes, with the Europeans promising to take "all necessary policy measures to safeguard the integrity and stability of the area" [G20, 2012]. Preventively, virtually all G20 members contributed to a new IMF firewall fund to deter and defend the Europeans or others against assaults. The summit set a credible strategy that emphasized stimulus immediately and fiscal consolidation soon, and to this end mandated more discretionary and automatic fiscal stimulus, monetary policy and a broad array of structural reforms. It strengthened employment and social protection, the international financial architecture, financial regulation and inclusion, food security and commodity price volatility, development, green growth, corruption, and G20 governance. It addressed gender for the first time. Institutionally, it established a civil society Think 20, and institutionalized the chairing rotation between an advanced G8 member and an emerging non-G8 one.

St. Petersburg, September 2013

The eighth G20 summit, held in St. Petersburg on 5–6 September 2013, was a very strong success, acting as a global steering committee on bigger, broader, burning concerns [Kirton, 2014]. The summit spontaneously and flexibly took the critical step to pave the way to remove chemical weapons of mass destruction in Syria. It moved toward coherent growth strategies backed by credible medium-term fiscal consolidation and forwarded key financial regulatory reforms. It newly emphasized jobs, small- and medium-sized enterprises, young entrepreneurs and business start-ups. It seriously and directly addressed economic inclusiveness and inequality for the first time. On tax fairness, it moved to ensure that rich individuals and firms paid the taxes they owed in a globalized world, and that automatic information exchange, adherence to a multilateral convention and new rules on transfer pricing by multinational corporations would soon arrive. Institutionally, it added a joint meeting of finance and employment ministers and an independent accountability report on development, and integrated the B20, Labour 20, Youth 20 and Civil 20 as never before. The Civil 20 spearheaded the successful effort to have inclusiveness appear as a principle in the G20 leaders' communiqué for the first time.

Brisbane, November 2014

The ninth G20 summit, held in Brisbane on 15–16 November 2014, was a small, selective success. It focused on boosting rather than sharing growth, by agreeing to raise growth over the next five years more than 2% above the baseline set in October 2013. On financial regulation, leaders endorsed the recommendation already agreed at the FSB and the need to "strengthen the orderliness and predictability of the sovereign debt restructuring process" [G20, 2014]. They made similar moves on tax fairness and anticorruption, committing to improve the transparency of beneficial ownership but not adopting public registries by a fixed date. On development, they promised only to support UN efforts "to agree an ambitious post-2015 development agenda" without providing any guidance on how.

Yet the leaders also took several direct measures to improve intra-country inclusiveness and equality among individuals. They noted the need for inclusive growth and the need to reduce inequality, following new research from the IMF and the Organisation for Economic Co-operation and Development that confirmed these were a source of sustainable growth. They made important promises on youth unemployment, entrepreneurship, and workplace safety and health. Above all, they made an innovative, specific pledge to reduce the "gap in participation rates between men and women in our countries by 25 per cent by 2025 ... to bring more than 100 million women into the labour force, significantly increase global growth and reduce poverty and inequality" [G20, 2014].

Antalya, November 2015

At the tenth G20 summit, held in Antalya on 15–16 November 2015, G20 leaders produced a substantial success, in part through significant advances on their priority of economic inclusiveness and solid work on finance and tax. In its decision making, Antalya was a solid success, above all on development with 24 commitments and macroeconomic policy with 21. This reflected its Turkish host's pioneering thematic priority of inclusiveness, including the poorest countries and peoples of the world. Employment and labour had 10 commitments, continuing the substantial spike in this field since Los Cabos. Financial regulation was less prominent with eight commitments.

Hangzhou, September 2016

At the 11th G20 summit, held in Hangzhou on 4–5 September 2016, G20 leaders produced a significant success. They set out 29 major initiatives, action plans and other major agreements across a broad range of issues, with several breaking new ground. They strengthened G20 solidarity by articulating a core set of common values, led by the thematic priority of inclusiveness and shared by the global community as a whole.

In their communiqué section on "Strengthening Policy Coordination," the leaders promised to transform their economies "in a more innovative and sustainable manner and better reflect shared interests of both present and coming generations" [G20, 2016]. They thus began with the principle of intergenerational equity. They also recognized that they needed more public support and inclusiveness to make economic growth serve the needs of everyone, "in particular women, youth and disadvantaged groups." In their third section, "More Effective and Efficient Global Economic and Financial Governance," they advanced familiar issues, including significantly stronger actions on tax justice and especially corruption. Their fifth section, "Inclusive and Interconnected Development," accepted G20 responsibility for implementing the new 2030 Agenda for Sustainable Development. It welcomed the Hangzhou Comprehensive Accountability Report on G20 Development Commitments and launched the G20 initiative on the industrialization in Africa and least developed countries. The G20 summit's first foundational focus on ensuring financial stability had clearly been replaced by its second mission of making globalization benefit all.

Causes of G20 Performance: The Systemic Hub Model

The key causes of the G20's growing performance in ensuring financial stability and then making globalization benefit all are well captured by the model of systemic hub governance [Kirton, pp. 2014, 444–470].

Shock-Activated Vulnerability

The key cause was shock-activated vulnerability in the field of finance (Appendices F-1-4 is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html). The initial 1994 Mexican peso crisis made the Asian-turned-global financial crisis from 1997 to 2001 a second shock that, along with the collapse of LTCM (following Barings Bank), was central to the G20's creation in 1999 by the finance ministers of Canada and the United States and its early success. The much larger, faster, bigger American-turned-global financial crisis from 2008 to 2009 was similarly essential for the G20's rapid upgrade to the leaders' level in 2008, following the failure of Paul Martin's campaign to do so in the financial crisis-free period from 2004 to 2005. The continuing succession of escalating euro crises, starting in early 2010 in Greece, and continuing in Ireland, Portugal, Spain and Cyprus by March 2013, fuelled the global crisis prevention success from 2010 to 2013 and since, for the G20 was now sensitive to such similar if smaller shocks and the global damage their rapid contagion and escalation could produce in an interconnected world. Moreover, the sources of these financial shocks changed, from an emerging Asia to a once hegemonic but now highly vulnerable America and Europe by 2007, giving G20 governors the accumulating confidence that they could cope with such crises and risks anywhere in the world.

Multilateral Organizational Failure

The second cause was the failure of the old formal multilateral organizations from the 1940s and the more informal, plurilateral institutions since 1975 to respond adequately to such shocks. This failure was first in their competence in performing their legally embedded responsibilities such as generating economic growth, second in collaborating with other multilateral organizations to address interconnected issues such as terrorist finance and third in dealing with new issues such as domestic financial regulation.

The failure of the European-dominated IMF to preserve financial stability during the Asian-turned-global financial crisis, especially in the eyes of rising Asian powers, spurred the creation of the G20 and its ascendance over the less powerful FSF and IMF's International Financial and Monetary Committee (IMFC), both created at the same time (Appendix G is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html). The September 2001 terrorist shock on America dramatically showed that only the fledgling G20 forum could function. The inadequacies of the IMF and G8 Plus Five led U.S. president George Bush to select the G20 over his initial instinct for a G8-centric summit-level response to the great financial shock in 2008. Only with the advent of G20 summitry did the IMF abandon its longstanding strategy of eliminating its G20 rival, in favour of making itself indispensable to the G20's work. The IMF and the World Bank thus gave the G20 a critical, formal "G192" supporter alongside the G20's informal G7 ally. The G20 created the FSB in its image to provide the missing international organization to supply much stronger domestic financial regulation. And the failure of the EU to control its escalating regional crisis from 2010 to 2013 led the G20 increasingly to step in and succeed.

Predominant Equalizing Capability

The third cause was the G20's persistent globally predominant and increasingly internally equalizing capabilities and connectivity, compared to the available plurilateral summit institution alternatives. The criterion of both relative capability and global connectivity, or "systemic significance" for selecting G20 members was highly appropriate for a globalized world defined by the death of distance and delay. It was also highly prescient because the major consumers of financial security from 1997 to 2002 –

Indonesia, Korea, Russia, Brazil, Argentina and Turkey – rationally and responsibly became providers of financial security from 2008 to 2013, while the U.S. and European members moved to the other side. The Asian powers of China, Japan and India, now joined as equals in the top-tier group, were the continuing great stabilizers, serving as producers of global financial security since the start of the 1997 crisis. These fundamental changes reinforced the relatively minor changes in the reduced power of the United States and rising emerging economies created by the 2008 financial crisis itself [Drezner, 2015, p. 18].

Converging Characteristics

The fourth cause was G20 members' convergence on their desire for recognition as satisfied top-tier powers and, more slowly, on the domestic principles and practices of financial, economic and social openness needed to sustain this position and to be accepted as legitimate members [Kirton, 2013b; Plattner, 2011]. The two most non-democratic members, Saudi Arabia and China, shared with their G20 colleagues the core conviction about the central importance of political stability, based on underlying social stability from economic growth and financial stability through international engagement. They slowly if slightly became more financially economically and socially open after 1998. However, after 2013, the trend in Russia, China, and Turkey reversed or stalled, potentially making the G20 less effective in dealing with embryonic financial crises in Greece again and possibly in China for the first time. To be sure, as Anthony Payne [2010] correctly emphasizes, the very politically and culturally diverse G20 members lack the full common commitment to and characteristics of market-based liberal democracies that the G7 members share, but the desire for top-tier recognition, domestic financial, social and thus political stability, and hence more economic openness, provide the same basic common bond, even if its causal salience is considerably weaker than the other five causes at work.

Domestic Political Cohesion

The fifth cause was G20 members' domestic political cohesion, specifically its participants' political capital, control, continuity, financial-economic competence, personal commitment to the G20 forum and popular support for governing through the G20. The ministerial G20 was initiated by Paul Martin, who was a CEO before entering politics, becoming Canada's finance minister from 1993 to 2002 and its leader from 2003 to 2006. Martin was accompanied by Larry Summers as the U.S. treasury secretary from 1999 to 2001 and economic advisor to Barack Obama in 2009/10. They were aided by Gordon Brown, who was Britain's chancellor of the exchequer from 1997 to 2007 and leader from 2007 to 2010; George Bush as U.S. president from 2001 to 2008; Manmohan Singh, who had served as India's finance minister three times and had been the prime minister since 2004; and Hu Jintao, president of China from 2003 to 2012. Overall domestic cohesion remained very high in China, Russia and Turkey through 2016.

The Group at the Hub

Above all, and of increasingly causal salience as financial shock-activated vulnerabilities abated, the G20 became a group with the unchanging membership and constricted participation that reduced transaction costs, fostered learning, promoted socialization among the established and emerging country members, and conferred on them the status, identification and new conceptions of systemic interests that came with membership in this increasingly central top-tier group [Drezner, 2015, p. 26; Luckhurst, 2016]. This process was reinforced by the increasing intensity of interaction among leaders, ministers, officials and non-governmental communities from business, labour, young entrepreneurs, youth, think tanks, women, civil society in general and several self-organizing informal engagement groups. The G20 also became the hub of a growing global network in which combinations of its established and emerging country members connected in overlapping combinations in the many other plurilateral institutions of global relevance and reach that joined the G20 at the centre with the rest of the world all around (Appendix H is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html).

These dynamics fostered the global sensitivity and collegiality that facilitated members' search amid acute uncertainty for common solutions to complex new problems, to align in flexible, issue-specific combinations of advanced and emerging members, and to lead, adjust and govern for their own and the world's greater public good. In doing so participants began to bond together as individuals, fully but temporarily in 2001 and then very slowly since 2008, moving the G20 toward becoming an interpersonal group that key participants might come to care about as part of their personal sense of interest and even identity in some respects. It also extended its reach through invitations to leaders of other countries and regional intergovernmental organizations to participate (Appendix I is available at: https://iorj.hse.ru/en/2017-12-2/207898211.html).

Conclusion

The G20 summit has generated global governance that has been good enough thus far in controlling global financial crises, in ways that have ensured financial stability and increasing inclusiveness and equality for many of the world's poor. These trends are likely to continue in 2017, given the current and coming financial risks and crises and the many shortcomings of G20 governance to meet great global demand in other policy areas such as cyber-security and climate change control [Kirton and Kokotsis, 2015; Drezner, 2015, p. 15]. The risks range from those in banks in Italy and Germany; exchange-traded funds in the United States; property markets in China, Canada and Australia; indebted state-owned enterprises in China; and heavily indebted countries led by Greece, Venezuela and Nigeria.

The G20 summit has governed best in regulating the financial firms, markets and instruments within its members and the country risks that lie outside the G20's systemically significant states. The G20 thus can and will in the future focus more fully on bringing inclusiveness and inequality from innovative G20 governance of globalization to all individuals inside and outside the group.

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Обеспечение стабильности и инклюзивности: успех «Группы двадцати» в сдерживании финансовых кризисов[1]

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Министры финансов «Группы двадцати» сумели принять адекватные меры по борьбе с последствиями азиатского финансового кризиса в 1999 г., однако им не удалось предотвратить более крупный американский кризис, который быстро распространился на всю мировую экономику. Тем не менее «двадцатка» на уровне лидеров смогла сдержать кризисные явления в мировой экономике, обеспечив финансовую стабильность после шока глобального финансового кризиса, начавшегося в США в 2008 г., и предотвратив эскалацию европейского кризиса в 2010 г. Наконец, лидерам удалось снизить вероятность возникновения нового глобального кризиса в системно значимом государстве. С 2013 г. «Группа двадцати» также внесла значительный вклад в решение проблем экономического неравенства между богатыми и бедными странами. В то же время «двадцатке» не удалось полностью восстановить потенциал экономического роста после событий 2008–2013 гг.

Успех «Группы двадцати» был обусловлен изменяющимися параметрами факторов в рамках модели глобального управления «Группы двадцати» как системного хаба [Kirton, 2013b]. Первым фактором стали нарастающие шоковые явления на мировом финансовом рынке, эпицентр которых смещается от Азии к США, Европе и, в перспективе, к Китаю. Формальные многосторонние организации, созданные США и их союзниками в 1940-е годы, а также более поздние неформальные институты, поддерживающие их, например «Группа семи», не могли справиться с уязвимостью ведущих стран, вызванной экономическими шоками. Среди множества международных институциональных конкурентов данного формата лишь «Группа двадцати» характеризовалась наличием равноправного членства (во всех аспектах, помимо переходящего председательства), а также составом государств, обладающих коллективным превосходством и приблизительно равными относительными возможностями, достаточными для принятия адекватных ответных мер. Начиная с 2013 г. они все больше, хоть и не в равной степени и при определенных трудностях, медленно приходят к конвергенции в качестве взаимосвязанных на международном и национальном уровнях финансовых систем, экономик и обществ. Зачастую высокая степень национального политического единства, присущая многим странам «двадцатки», повысила инструментальную значимость форума как ядра расширяющейся сети глобального управления в глобализованном мире.

Ключевые слова: глобальное управление; финансовый кризис; финансовое регулирование; «Группа двадцати»; Международный валютный фонд

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