

G20 Performance on Economic Governance

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Alissa Wang, researcher with the G20 Research Group, assesses the G20's commitments on economic governance.

Economic governance has occupied the central place on the G20 agenda since its founding. In the first decade of G20 summitry, leaders of the world's systemically significant economies made a substantial number of commitments on economic governance. Argentina's presidency will build on the G20's foundational mission to pursue fair and sustainable economic growth, particularly through adapting to technological change and addressing the future of work.

Commitments

Since its first summit in 2008, the G20 has made a total of 457 commitments in the area of economic governance: 446 on macroeconomics and 11 on microeconomics. Together they account for 19.1% of the 2,398 commitments overall.

Macroeconomics as an individual issue ranks first in the total commitments made. This shows the importance of economic growth for the G20 and the amount of attention it has received since the start. At the 2008 Washington Summit, the G20 made six commitments on macroeconomics. This gradually increased until the 2011 Cannes Summit, when the number spiked to an all-time high of 91. Since then, the number decreased but remained substantial every year. Since 2014, G20 production has stabilised, making between 20 and 40 commitments on macroeconomics at each summit.

Compliance

Of the 457 commitments made, the G20 Research Group has assessed compliance with 26 commitments on macroeconomics and two on microeconomics. The overall average compliance for all 28 commitments is 80%.

Compliance with commitments on the global economy was mostly strong, with several exceptions. One commitment was assessed from each of the first three summits in Washington, London and Pittsburgh. They focused on fiscal measures and current accounts. Average compliance was 88% for the 2008 Washington Summit, 68% for the 2009 London Summit and 85% for the 2009 Pittsburgh Summit. For the 2010 Toronto Summit, the three assessments focused on fiscal plans, national savings of deficit countries, and reduced external demand of surplus economies. Average compliance was 88%. For the 2010 Seoul Summit, three commitments were assessed on exchange rates, fiscal consolidation and structural reforms. They averaged 85%. For Cannes in 2011, compliance dropped to 72% for three commitments on exchange rate flexibility, fiscal consolidation and macroeconomic policies of emerging economies. For the 2012 Los Cabos Summit, the four commitments assessed focused on exchange rates, fiscal consolidation, reforms in emerging markets and a supportive investment climate. They averaged 84%. For the 2013 St Petersburg Summit, the average of the four assessed commitments increased to 85%, focusing on the investment climate, credit access and job creation. Then, for Brisbane in 2014, the assessed commitments on fiscal strategies, financing and exchange rates averaged 71%. Compliance rose with the 2015 Antalya Summit to 85%, with commitments on fiscal policies and global value chains. The three assessed commitments from the 2016 Hangzhou focused on public-private partnerships, global values chains and

inclusive growth, and averaged 72%.

Causes and corrections

In the past decade, the global economy was disrupted by several crises, most notably the 2007–08 global financial crisis and the 2010 eurozone crisis. Multilateral organisations failed to respond adequately. At the hub of a network of global governance institutions, the G20 responded by pursuing macroeconomic measures to stabilise the global economy and, later, pursue balanced, sustainable growth to avoid another crisis.

Compliance was also helped by catalysts embedded in commitments. Eight of the 28 assessed commitments contained at least one catalyst, and averaged 82% compliance compared to 80% for the other 20 commitments. The two commitments with a multi-year timetable performed best with an average of 92%, compared to 79% in the remaining 26. The commitments with a one-year timetable and a reference to a country or region averaged 90%, compared to 79% otherwise. Two catalysts produced lower compliance: priority placement and reference to the private sector. Thus, leaders at Buenos Aires should design commitments with specific timetables and references to countries or regions.

The G20, representing the most significant economies from advanced and developing parts of the world, remains a valuable platform for global economic governance. The global economy has recovered in part thanks to the G20's strong performance. However, the G20's mission is far from finished, as new challenges and instabilities remain. The G20 needs to sustain its promising performance and increase accountability even further, in order to achieve the balanced, inclusive, sustainable economic growth it seeks.

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