
How the G20 Has Escaped Diminishing Returns

John Kirton, G20 Research Group, University of Toronto

Paper prepared for a panel on “Can the G20 Escape Diminishing Returns?” at a conference on “International Co-operation in Times of Global Crisis: Views from G20 Countries’ Higher School of Economics, Moscow, Russia, October 18-19, 2012. I am grateful for the research assistance of Julia Kulik, as well as Zaria Shaw and Sarah Jane Vassallo. Version of October 20, 2012.

Introduction

At a time when the global community is still struggling to overcome the setbacks brought by the great economic crisis and depression that erupted in 2008 and when the new G20 summit has now had seven meetings to provide an effective global governance response, it is appropriate to ask “can the G20 escape diminishing returns?” Despite the doubts that dominate the conventional wisdom, the evidence offers an answer that is quite clear: yes it can, yes it has and yes it will again if some simple institutional reforms are made.

This answer arises by considering the evidence on three central points: first, the G20 summit’s pattern of performance on its six basic dimensions of global governance since its start at Washington in November 2008; second, the G20’s success in meeting the core mission that it was created and continued to fulfill, notably ensuring financial stability and making globalization work for the benefit of all; and third, the causes of G20 summit success that provide a foundation for recommending reforms to produce even better results.

Patterns of Performance, 2008–2012

First, as I argue in my forthcoming book, *G20 Governance for a Globalized World*, the performance of G20 summits as with other similar summits can be assessed according to the six dimensions of governance which such institutions provide (Kirton 2013) (see Appendix A).

Domestic Political Management

The first dimension is domestic political management — the way the leaders use their summit presence and performance for managing their politics and policy back home. It is measured initially by the leaders’ actual attendance at the summit. The G20 started strong with full attendance at Washington, London and Pittsburgh, but slipped in 2010 at Toronto when the leaders of Brazil and Australia stayed home. However, it then bounced back with almost full attendance at its last three summits in Seoul, Cannes and Los Cabos.

Another measure is the compliments given to a member country in the summit's collective communiqué. On these communiqué compliments, the G20's performance started slow but, since 2010, has become much stronger in both the overall number of compliments to its members and in the number of members it has complimented.

Deliberation

The second dimension of performance is deliberation, both privately among the leaders and publicly as reported in their collective summit communiqués. Their performance in private deliberation can be measured roughly by the length of time the leaders spend together. Here, although all G20 summits have been very short encounters spanning two days, there has been a slight increase in their time together at the last two summits in Cannes and Los Cabos.

The public deliberative performance can be measured by the number of documents the leaders collectively issue. Here performance rose to a peak at Toronto but has since had a slow slide back to where it was at the start in 2008. Measured more specifically by the number of words in these communiqués, the G20 got off to a slow start but has sustained a surge since Pittsburgh.

Direction Setting

The third dimension is the affirmation or invention of principles and norms. In its affirmation of the globally appealing principles of democracy and human rights, the G20 started slowly at Washington and London but then showed a strong sustained surge to a new peak of 34 affirmations at Los Cabos. As G20 hosts, the new democracies of Mexico and Seoul care as much or even more about democracy and human rights than the old democracies of the G8 did when they served as G20 hosts. The G20 is converging on the principles of democracy and human rights, even with the presence of China and Saudi Arabia in the group.

Decision Making

The fourth dimension is decision making — producing collective commitments with precision and obligation designed to bind the members. As measured by the number of commitments produced at each summit, there was a substantial start at the first four summits but then a surge at the last three. Cannes in 2011 produced almost three times as many as the first summit in Washington did in 2008.

Delivery

The fifth and perhaps the most important dimension is the delivery of the decisions, or the compliance of the members with the summit commitments their leaders make. Decisions made

mean little if they do not actually bind the members to adjust their behaviour to implement them after the summit is held. Here the available evidence, produced by the joint assessments of the Higher School of Economics and the University of Toronto, show that the G20 had a strong start at its first two summits, slipped at next two but has subsequently risen to reach a new peak of 77% for Cannes in 2011. Additional special studies conducted at the University of Toronto confirm these results.

Development of Global Governance

The sixth dimension is developing global governance in its institutional or architectural form, both within and outside the G20 system. Here there has been a general if not steady rise since Toronto in 2010, in the references the G20 summit communiqués have made in this regard. The G20 summit has increased its attention to its own institutional improvement. A sign of the G20's effort to serve as the centre of global governance is the fact that the number of outside international institutions it has referenced has doubled, from 11 at Washington to 22 at Los Cabos.

Conclusion

Taking these six dimensions and several indicators together, on none has there been a steady decline that suggests diminishing returns. Rather the dominant pattern is that of an overall increase in performance from the first to the seventh summit, although not an increase that has come in a steady way.

Meeting the Core Mission

Beyond this broad assessment lies the key question of how well the G20 has met the core mission it was created, crafted and continued to fulfill, since it was invented as a forum of finance ministers and central bank governors in 1999. Given the catalytic impact of global financial crises then, and at the time of its elevation to the leaders' level in 2008, its core mission was to preserve financial stability. But a consideration of the causes of the crises bred a second core mission — making globalization work for the benefit of all.

On the first mission of financial stability, the G20 summit has been a substantial success. Its focus on the global financial crisis, which dominated the first summit, has steadily receded, along with the severity of the global, as opposed to regional European financial crisis (see Appendix B). The G20's success as a crisis responder has allowed it to move on to other things.

Similarly the G20 summit's heavy initial influence on strengthening financial regulation to ensure stability has receded, but not in a unilinear way (see Appendix C). Indeed, as the Europeans increasingly appeared unable to ensure their own financial stability, G20 summit attention rose at Cannes and Los Cabos, back to the level last reached at London in 2009.

On its second core mission of making globalization work for all, the G20 summit has also shown some success. Its deliberation on development has generally risen to the Seoul Summit in November 2010 (see Appendix D). Here the subject commanded a majority of the communiqué, as the summit produced the new Seoul Development Consensus to guide its work in the years ahead. Moreover, an initial assessment of the compliance of the members with the 22 development commitments suggests that Seoul was a success in delivery, as well as decision making and deliberation in this domain.

A more specific focus on the summits' communiqué treatment of the now central global issue of economic inequality further suggests rising performance (see Appendix E). At the first summit, economic inequality received only two references, one to employment and the other to the poorest countries. At London in 2009 attention exploded, with eight passages referring to the poorest countries or people, two to the most vulnerable, two to social protection or support, and one to employment. Moreover, the principle of fairness was affirmed twice. At Pittsburgh in 2009 there was an expanded emphasis on these subjects, with unemployment, discrimination and social exclusion added to the list and the general principle of fairness replaced by the specific one that "the benefits of economic growth are broadly and equitably shared."

To be sure, on specific aspects of equality, such as youth employment and health there have been shortcomings (Kirton and Kulik 2012). But on key aspects, such as gender and women, the evidence suggests that the most recent Los Cabos Summit marked a new peak in the attention accorded by the G20 (Kulik 2012).

It is also appropriate to go beyond deliberation and direction setting, and the other dimensions of performance, to ask how effective G20 governance has been in generating the intended and desired results in the real world. To do so convincingly involves making powerful assumptions about the role of governments, intergovernmental institutions and the G20 in particular in generating targeted change in the real economic, social and political world, amidst all the other causally relevant forces at work.

Without specifying such a complex causal model, it can simply be observed that since G20 summit governance began, there has been no crisis or deep deterioration of global financial stability, akin to that from 1997–99 and 2007–08. Within the G20 member countries, not a single bank or financial institution of systemic relevance — of the same sort as Lehman Brothers or AIG — has gone bust since 2008. Some may wish to give credit to the work of the Financial Stability Board but that body was a creation of the G20 summit and been guided by it since its start.

In the case of globalization that works for the benefit of all, there are widely varying levels of citizens' inequality in income, wealth and employment across the countries of the G20. Moreover, there has been so long before G20 summit governance began, both in cases such as the United States, where inequality has been expanding since the 1970s and in Brazil where it has been decreasing since the start of the Lula years. More research is required before the G20 summit can be declared a success or a failure in ensuring that economic benefits are more equally shared among the citizens in its members or in the world beyond. What can be said with confidence at this stage is that there is much more the G20 summit can do, in its actions and in its institutionalization, to improve economic inequality, in accordance with the defining purpose that it has.

Causes and Cures of G20 Summit Governance

In order to predict if the G20 summit can escape diminishing returns in the future, it is important to understand what caused high performance in the past and whether these causes are structural features or accidental eruptions of the international system or instruments under the G20 leaders own control. Here it is to simple to accept the popular idea that international crisis is the only relevant causes, with a great global financial crisis in 2008–09 having caused great G20 summit performance then, and diminishing crisis producing diminishing returns ever since. For the most well developed and tested causal model of G20 performance — the systemic hub model — shows that crisis, in the particular form of shock-activated vulnerability, is but the first of six causes that count (Kirton 2013). Also important in driving G20 performance are: multilateral organizational failure; the globally predominant, internationally equalizing capability of G20 members; democratic convergence; leaders' political control, capital, continuity, competence, commitment and civil society support; and their attachment to their club as the hub of a global governance network.

It is the last of these causes that is most under the leaders' personal collective control. Its impact depends critically on the frequency and duration of their face-to-face encounters at the summit itself. This highlights the importance of the factor on which the G20 has suffered the greatest diminishing returns — the frequency of its meetings. At the start G20 summits took

place at intervals of about four and a half months. Now, the interval between Los Cabos on June 18–19, 2012, and St. Petersburg on September 5-6, 2013, is an unprecedentedly long 14 and a half months. The most important reform for increasing G20 summit performance is to have the leaders meet more often and for longer periods. They could usefully start with a summit in mid November 2012, the summit's normal meeting month, held just after the U.S. election ends and the serious discussion of the U.S. fiscal cliff starts.

To conclude, the evidence shows that G20 summits governance works, but only when and if its leaders show up for work.

References

Kirton, John (2013), *G20 Governance for a Globalized World* (Farnham: Ashgate).

Kirton, John and Julia Kulik (2012), "The Shortcomings of the G20 Los Cabos Summit," G20 Research Group, June 27, <http://www.g20.utoronto.ca/analysis/120627-kirton-kulik-shortcomings.html>.

Kulik, Julia (2102), "Where Are the Women at the Los Cabos Summit? They Have Finally Arrived," G20 research Group, June 20.

Appendix A: G20 Summit Performance

Julia Kulik, October 1, 2012

	Attendance	Domestic Political Management		Deliberation			Direction Setting		
		# compliments	% members complimented	# days	# documents	# words	Democracy	Liberty	Total
2008 Washington	100%	0	0%	2	2	3,567	10	2	12
2009 London	100%	1	5%	2	3	6,155	9	0	9
2009 Pittsburgh	100%	0	0%	2	2	9,257	28	1	29
2010 Toronto	90%	7	15%	2	5	11,078	11	1	12
2010 Seoul	95%	3	15%	2	5	15,776	18	4	22
2011 Cannes	95%	11	35%	2	3	14,107	22	0	22
2012 Los Cabos	95%	6	15%	2	2	12,682	31	3	34
Total	N/A	28	N/A	14	22	72,622	129	11	140
Average	96.42%	4	12.14%	2.00	3.14	10,375	18.43	1.57	20

	Decision Making	Delivery	Development of Global Governance			
			Internal		External	
	# commitments	Compliance score	# references	Spread	# references	Spread
2008 Washington	95	0.53	0	0	40	11
2009 London	88	0.42	12	4	116	27
2009 Pittsburgh	128	0.28	47	4	117	26
2010 Toronto	61	0.28	71	4	171	27
2010 Seoul	153	0.50	99	4	237	31
2011 Cannes	282	0.54	59	4	251	29

Kirton: How the G20 Has Escaped Diminishing Returns

2012 Los Cabos	180	N/A	65	4	143	22
Total	987	N/A	353	28	1075	173
Average	141	0.43	50.43	4	153.57	24.71

Notes:

N/A=Not Applicable

a. Domestic Political Management: 100% attendance includes all G20 members and at least one representative from the European Union, excludes those invited on a year-to-year basis. Number of compliments includes all explicit references by name to the full members of the Summit that specifically express the gratitude of the institution to that member. The % of members complimented indicates how many of the 20 full members received compliments within the official documents.

b. Direction Setting: includes the number of statements of fact, causation and rectitude relating directly to open democracy and individual liberty

c. Decision Making: indicated the number of commitments as identified from all official documents by members of the G20 Research Group in coordination with representatives from the Higher School of Economics in Moscow.

d. Delivery: Compliance scores are measured on a scale from -1 to +1, -1 indicating no compliance and +1 indicating full compliance. A commitment is fully complied with if a Summit member succeeds in achieving the specific goal set out in the commitment.

e. Development of Global Governance: the number of internal references includes the number of references made to G20 institutions within the official documents and the spread indicates how many different internal institutions were mentioned. The number of external references includes the number of references made to institutions outside the G20 and the spread indicates how many different institutions were mentioned.

Appendix B: G20 Leaders Conclusions on Financial Crises

Zaria Shaw and Sarah Jane Vassallo, G20 Research Group, January 3, 2012

	# of Words	% of Total Words	# of Paragraphs	% of Total Paragraphs	# of Documents	% of Total Documents	Total Dedicated Documents
2008 Washington	1865	50.9	25	35.2	1	100	1
2009 London	2135	34.1	30	32.6	3	100	3
2009 Pittsburgh	3118	33.4	33	30.2	1	100	1
2010 Toronto	3082	27.3	46	31.9	2	100	0
2010 Seoul	3536	22.3	42	19.2	5	100	0
2011 Cannes	1947	13.7	33	17	3	100	0
Average	2614	30.2	34.8	27.7	2.5	100	0.83

Notes:

Data are drawn from all official English-language documents released by the G8 leaders as a group. Charts are excluded.

“# of Words” is the number of financial crises-related subjects for the year specified, excluding document titles and references. Words are calculated by paragraph because the paragraph is the unit of analysis.

“% of Total Words” refers to the total number of words in all documents for the year specified.

“# of Paragraphs” is the number of paragraphs containing references to financial crises for the year specified. Each point is recorded as a separate paragraph.

“% of Total Paragraphs” refers to the total number of paragraphs in all documents for the year specified.

“# of Documents” is the number of documents that contain financial crises subjects and excludes dedicated documents.

“% of Total Documents” refers to the total number of documents for the year specified.

“# of Dedicated Documents” is the number of documents for the year that contain a financial crises-related subject in the title.

This analysis focuses on the global governance of systemic financial crises, defined as sudden, significant losses of confidence, liquidity and solvency in private financial institutions, financial markets or governments that national governments are unable to control or contain. These crises spread to other countries and endanger the broader global financial system. A crisis can come in different varieties, especially in the current era of intensifying or “third wave” globalization. This period has brought increased “hot money” flows, credit risk, transmission of shocks, increasingly sophisticated financial institutions, highly leveraged institutions, and regulatory arbitrage.

Inclusions: Banking systems, confidence, credit risk, crisis/crises (financial), crisis management, cross border crisis management, financial instruments, financial shocks, financial system, global crisis, hedge fund, hot money, leverage, liquidity, liquidity risk/facilities, regulatory arbitrage, regulation of financial institutions, restore stability, solvency, threats to market stability, vulnerability

Exclusions: Adaptation of standards and codes, currency exchange crises, exchange rate misalignments, financial architecture, Financial Stability Board (FSB), Financial Stability Forum (FSF), global imbalance, international financial institution architecture, International Monetary Fund reform

Coding Rules

The unit of analysis is the paragraph/sentence.

A direct reference to financial crises or a cognate term is required.

Cognate or extended terms can be used without a direct reference to financial crises if they have previously been directly associated together in summit communiqué history.

Appendix C: G20 Leaders Conclusions on Financial Regulation

Zaria Shaw and Sarah Jane Vassallo, G20 Research Group, September 25, 2012

Year	# of Words	% of Total Words	# of Paragraphs	% of Total Paragraphs	# of Documents	% of Total Documents	# of Dedicated Documents
2008 Washington	2877	78.6	59	83	1	100	0
2009 London	2948	47.1	38	41.3	2	66.6	1
2009 Pittsburgh	2022	21.6	19	17.4	1	100	0
2010 Toronto	3419	30.2	48	33.3	1	50	0
2010 Seoul	2005	12.6	26	11.8	2	40	0
2011 Cannes	2451	17.2	27	13.8	3	100	0
2012 Los Cabos	1708	47.0	15	37.5	2	100	0
Average	2490	36.3	33.1	34.0	1.7	79.5	0.1

Notes:

Data are drawn from all official English-language documents released by the G20 leaders as a group. Charts are excluded.

“# of Words” is the number of financial regulation-related subjects for the year specified, excluding document titles and references. Words are calculated by paragraph because the paragraph is the unit of analysis.

“% of Total Words” refers to the total number of words in all documents for the year specified.

“# of Paragraphs” is the number of paragraphs containing references to financial regulation for the year specified. Each point is recorded as a separate paragraph.

“% of Total Paragraphs” refers to the total number of paragraphs in all documents for the year specified.

“# of Documents” is the number of documents that contain financial regulation subjects and excludes dedicated documents.

“% of Total Documents” refers to the total number of documents for the year specified.

“# of Dedicated Documents” is the number of documents for the year that contain a financial regulation-related subject in the title.

In the context of the G20, financial regulation mostly refers to standards and codes. In general, financial regulations oblige domestic financial institutions to meet specific requirements, restrictions, principles and guidelines to maintain integrity of the financial system and conduct appropriate reporting, monitoring, inspection and enforcement of regulations. Regulations can be administered by the government or a non-governmental organization (such as an industry association or professional standards board). The issue area of financial regulation consists, in crisis and non-

Kirton: How the G20 Has Escaped Diminishing Returns

crisis situations, of the activities at the international, national, and sub-federal levels to shape through hard law regulation or soft law supervision the government and industry regimes (principles, norms, rules and decision-making procedures) for the activities of sectors of and firms in the financial services industry, including banking, securities, accounting, credit, rating agencies, hedge funds, private equity, other alternative investments, derivatives, exchanges, insurance, mutual funds, pension funds and sovereign wealth funds.

Inclusions: Accounting standards, authorities, banking regulation, banking standards, banking supervision, Basel II Capital Framework, Basel Committee on Banking Supervision (BCBS), bond regulation, capital standards, codes, corporate governance, corporate responsibility, credit rating agencies, derivatives, financial crime, financial disclosure, financial innovation, financial markets, financial markets reform, financial regulation, Financial Sector Assessment Program (FSAP), financial services industry, Financial Stability Board (FSB), Financial Stability Forum (FSF), financial supervision, hedge funds, illicit finance risks, international code of good practice, international organization of securities regulators, market regulation, prudential standards, reform, regulators, regulatory arbitrage, reserve ratios, reserve requirements, securities regulation, standard setting bodies, standards, stock regulation, stress tests, structural reform, supervisory colleges, tax havens, Washington Action Plan

Exclusions: Financial Action Task Force (FATF), money laundering, terrorist financing

Coding Rules

The unit of analysis is the sentence (if stand alone) or paragraph.

A direct reference to financial regulation or a cognate term is required.

Cognate or extended terms can be used without a direct reference to “financial regulation” if they have previously been directly associated together in summit document history.

Appendix D: G20 Leaders Conclusions on Development

Zaria Shaw and Sarah Jane Vassallo

Year	# of Words	% of Total Words	# of Paragraphs	% of Total Paragraphs	# of Documents	% of Total Documents	# of Dedicated Documents
2008 Washgtn	651	17.8	9	12.6	1	100	0
2009 London	1726	27.6	28	30.4	3	100	1
2009 Pittsburgh	2292	24.5	20	18.3	1	100	0
2010 Toronto	3899	34.5	61	42.3	2	100	1
2010 Seoul	9195	58.1	105	47.9	5	100	2
2011 Cannes	2545	17.9	33	16.9	3	100	0
2012 Los Cabos	4021	31.3	49	33.3	2	100	0
Average	3475.6	30.2	43.6	28.8	2.4	100	0.6

Notes:

Data are drawn from all official English-language documents released by the G20 leaders as a group. Charts are excluded.

“# of Words” is the number of development-related subjects for the year specified, excluding document titles and references. Words are calculated by paragraph because the paragraph is the unit of analysis.

“% of Total Words” refers to the total number of words in all documents for the year specified.

“# of Paragraphs” is the number of paragraphs containing references to development for the year specified. Each point is recorded as a separate paragraph.

“% of Total Paragraphs” refers to the total number of paragraphs in all documents for the year specified.

“# of Documents” is the number of documents that contain development subjects and excludes dedicated documents.

“% of Total Documents” refers to the total number of documents for the year specified.

“# of Dedicated Documents” is the number of documents for the year that contain a development-related subject in the title.

The G20 recognizes that each country has primary responsibility for its own economic and social development, and for this reason it is important to respect the development of country-owned strategies. With regard to the diversity of growth models and approaches, following the G8, the G20 is committed to strengthening the dialogue on varying development philosophies, strategies and policies from which all countries can benefit. The G20 has called upon developing countries to establish sound economic and social policies to attract more private capital flows, and for

Kirton: How the G20 Has Escaped Diminishing Returns

developed countries to support these actions through improved and more effective lending (through the IMF, World Bank and other multilateral development banks), an open trading system and increased development assistance. The G20 is committed to a shared vision for global development and continues to develop a global partnership among developed and developing countries.

Inclusions African Development Bank (AfDB), African Union (AU), debt relief, development aid, development assistance, Development Assistance Committee (DAC), developing countries, development financing, development gap, donor, emerging economies, European Bank for Reconstruction and Development (EBRD), global rebalancing, highly/heavily indebted poor countries (HIPC), InterAmerican Development Bank (IADB), International Bank for Reconstruction and Development (IBRD), international development assistance, International Development Association (IDA), International Finance Corporation (IFC), international financial institutions (IFIs), International Monetary Fund (IMF), least developed countries (LDCs), Millennium Development Goals (MDGs), multilateral development banks (MDBs), New Partnership for Africa's Development (NEPAD), North-South relations, Organisation for Economic Co-operation and Development (OECD), official development assistance (ODA), Paris Club, poorest of the poor, poverty reduction, sustainable development, World Bank, United Nations (UN)

Coding Rules

The unit of analysis is the paragraph/sentence.

A direct reference to development or a cognate term is required.

Cognate or extended terms can be used without a direct reference to development if they have previously been directly associated together in summit communiqué history.

Appendix E: G20 Summit Equality Affirmations by Number of References

Julia Kulik and John Kirton, October 14, 2012

Subject	2008 Washington	2009 London	2009 Pittsburgh	2010 Toronto	2010 Seoul	2011 Cannes	2012 Los Cabos
Principle							
Fair(ness)	-	2	-	-	-	-	-
Broadly Shared	-	-	1	-	-	-	-
Equitably Shared	-	-	1	-	-	-	-
Social Equity	-	-	-	-	1	-	-
Equal Partners	-	-	-	-	1	-	-
Gender Equality	-	-	-	-	1	-	1
Equal(ity)	-	-	-	-	-	1	-
Total Affirmations	0	2	2	0	3	1	1
Total Principles Affirmed	0	0	2	0	3	1	1
Problem							
(Un)Employment	1	2	12	10	6	11	18
Discrimination	-	-	1	-	-	-	-
Social Exclusion	-	-	1	-	-	-	-
Youth Unemployment	-	-	-	-	-	2	-
Total Affirmations	1	2	14	10	6	13	18
Total Problems Affirmed	1	1	3	1	1	2	1
Group							
Poorest	1	9	13	8	6	3	3
Most Vulnerable	-	2	2	5	3	6	2

Most at Risk	-	-	1	-	-	-	-
Unemployed	-	-	1	-	-	-	1
Total Affirmations	1	11	17	13	9	9	6
Total Groups Affirmed	1	2	4	2	2	2	3
Policy							
Social Protection	-	2	2	2	2	4	2
Social Support	-	1	-	-	-	-	-
Social Safety Net (Support)	-	-	1	-	-	1	-
Employment Insurance	-	-	-	-	-	-	1
Total Affirmations	0	3	3	2	2	5	3
Total Policies Affirmed	0	2	2	1	1	2	2

Notes:

Inclusions: Equity, inequity, equality, inequality, disparity, (Un)fairness, equal (opportunity vs. outcomes), poorest, least educated, distribution, redistribute, polarization, discrimination, minimum wage, youth unemployment, employment (insurance), homes/housing/slums/homeless, social protection, most vulnerable

Exclusions: Justice