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John LIPSKY

Your concern is that that this could be disruptive at a macro-level, in terms of economic performance?

Jeffrey FRIEDEN

We are far too complacent, I think, not so much on the macroeconomic front as on what we might call the political economy front. John, I agree with everything that you said on the macro-level, but for my money, much of the discussion yesterday and today on the trade panel, with the exception of Marcus Noland's remarks, did not really take fully on board the situation we face in the US. On the macroeconomic front, things are going reasonably. However, there is concern about real wage growth, productivity growth and that for the middle 50%, net asset positions have actually deteriorated in the last 10 years, not improved, despite the improvement in the economy. That has important political implications as well.

What I want to try to get people who may not be focusing so much on it to understand, is that a very large segment of the American administration, including Donald Trump, does not believe in multilateralism, global governance, or trade agreements. They are of the view that the way to achieve American goals is by using American bargaining power unilaterally, rather than through international institutions. That may be of little importance in trade, because most trade is bilateral, and many trade negotiations are bilateral. However, it worries me when we begin to talk about the international monetary and financial system because, by its very nature, international monetary and financial relations are multilateral and global in some sense. Mine is a political-economic concern, which is that we do not know how the battles being fought out in the administration, between the administration and some members of congress, and between the administration and the business community, are going to turn out. However, it is not implausible that those who are inherently quite hostile to the current structure of international trade, investment and finance, will win out.

John LIPSKY

Your concern is that that could be disruptive at a macro-level, in terms of economic performance?

Jeffrey FRIEDEN

I think it could be disruptive should we hit difficulties, and perhaps we will come back to this. I think that one of the unheralded and perhaps unexpected successes of the last 10 years was the extent of multilateral cooperation in the aftermath of the September/October 2008 crisis. Although there are people in the Administration and in Washington who would like to carry that forward, there are also those who think that was a bridge too far.

John LIPSKY

I think that we have certainly seen that. That is another topic that we could take up later. Of course, global governance is the overarching topic of the event, and the creation of the G20 at the Leaders' level was the principal institutional response to the economic crisis. In its initial meeting in November 2008, the G20 designated itself to be the primary venue for discussion and direction on economic and financial issues. It set four goals: 1), the restoration of global growth; 2) the repair and reform of the financial system; 3) the prevention of new trade protection and the promotion of new trade liberalisation; 4) the reform of the IFIs. In each case, there was an organisational assignment for carrying those out.

The macroeconomic assignment for restoring macro-growth led to the Framework for Strong Sustainable and Balanced Growth (now renamed the Framework for Strong, Sustainable, Balanced and Inclusive Growth). The



Framework Working Group is organized at the Deputy Minister/Deputy Governor level, and the Group has done an enormous amount of technical work on macroeconomic and structural policies. Nonetheless, my guess is that you have never heard of it or paid any attention, even though a detailed document is released at every G20 Summit laying out what economic policy actions every country intends to take. However, the lack of political support for the Framework process means that no one, not even specialists, pays much attention.

For reform of the financial system they mandated the creation of the Financial Stability Board, which has done a lot of real work on financial sector reform, but their task remains incomplete. On trade, the original G20 goal was the completion of the Doha Development Round under auspices of the World Trade Organization, which has now been abandoned. For its part, IFI reform remains incomplete.

In summary, if the G20 Leaders process was the principal post-crisis initiative on global governance, I doubt that you would view it as a rousing success.