Ideational shift within the Group of Twenty (G20) since the Global Financial Crisis (GFC)

Cambio de ideas en el Grupo de los Veinte (G20) a partir de la crisis financiera global

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Resumen
Enmarcado en un enfoque constructivista, este estudio pretende analizar el cambio ideacional en el G20 desde la crisis financiera global. En el contexto de la novedosa Cumbre de Líderes, el conocimiento consensuado entre las comunidades epistémicas evitó un colapso global. Aunque no totalmente completados, los Acuerdos de Basilea III reformularon la regulación financiera bajo el prisma de la visión macroprudencial. Algunas cuestiones, como los controles de capital y la tolerancia a mayores déficits fiscales en épocas malas, han mostrado avances, pero otras, como los desequilibrios globales, el valor de las divisas o el estatus del dólar en el sistema monetario internacional, siguen sin resolverse. Tras el éxito inicial, se esperaba un nuevo ímpetu al estilo del de Bretton Woods, pero los resultados han sido menos espectaculares en etapas posteriores. Ya sea por la dificultad de entender la naturaleza de los nuevos retos globales, la rivalidad académica entre economistas de dos escuelas de pensamiento diferentes y la conveniencia de adherirse a una de ellas, y/o la falta de colaboración entre los economistas en conjunto con los responsables políticos, el consenso entre las comunidades epistémicas fue capaz de generar un cambio ideacional en una gama circunscrita de temas, pero no en otros que los han mantenido divididos.
Palabras clave: gobernanza financiera global, constructivismo, relaciones internacionales.

Abstract
Framed in a constructivist approach, this study aims to analyze the ideational shift within the G20 since the Global Financial Crisis. In the context of the novel Leaders'

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Summit, consensual knowledge among epistemic communities prevented a global collapse. Though not fully completed, Basel III Accords reformulated financial regulation through the lens of the macroprudential view. Some issues such as capital controls and the tolerance for wider fiscal deficits in bad times have shown progress but others such as the global imbalances, the value of the currencies, or the status of the dollar in the international monetary system remain unsettled. After the initial success, a new Bretton Woods-style momentum was expected, but the results have been less spectacular in later stages. Whether because of the difficulty of understanding the nature of the new global challenges, the academic rivalry between economists of two different schools of thought and the convenience of adhering to one of them, and/or the lack of collaboration between economists *in tandem* with policymakers, consensus between the epistemic communities has been able to generate ideational shift on a circumscribed range of issues but not on others that have kept them divided.
Keywords: global financial governance, constructivism, international relations.

Introduction

In the current global era, in little more than three decades, the world has undergone a process of profound transformations. Economic globalization, understood as the integration of national economies into a single, international economy interconnected through binding ties, has reshaped the world landscape in a wide variety of areas.

The integration of capital markets has enabled economic growth and wealth creation in both developed and many developing economies. However, the international mobility of capital has also contributed to the generation of various financial crises. Indeed, "more capital flows, more trade, and more investment spell more opportunities (…) across the global economy. The flipside is more risk, more financial crises, and more dislocation within and across countries".[1] While in the 1990s a distinctive symptom of financial globalization was the explosion of currency and financial crises in emerging countries,[2] in the 2000s, events took a particularly complex course and severely hit developed countries. The ensuing crisis became an explosive spiral that affected the entire world, only comparable

[1] Ngaire Woods, *The Globalizers: The IMF, the World Bank, and their Borrowers*, Ithaca and Cornell University Press, United States, 2006, pp. 212-213.

[2] Richard E. Baldwin and Philippe Martin, *Two Waves of Globalization: Superficial Similarities, Fundamental Differences*, National Bureau of Economic Research, Cambridge, 1999, p. 11, available at https://www.nber.org/papers/w6904 consultation date: September 25, 2022.

to that of the Great Depression.[3] Under the leadership of the G20, governments around the world activated a gigantic effort of global cooperation with a battery of policies designed to respond to the challenges posed by the Global Financial Crisis (GFC).

Following the failure of the austerity policies orchestrated by the traditional bodies –the International Monetary Fund (IMF) and the G7– to deal with the East Asian financial crisis in 1997, the creation of the G20 in 1999 was intended to open spaces for dialogue and cooperation with countries at different levels of development to address the global challenges, while also reflecting the transformation of power relations in global governance.[4] According to Alexandroff,[5] today, the G20 has become the most relevant of all those that make up the Gx system.

Organized at the level of Finance ministers and Central Bank governors, it "operated conscientiously but without great impact" in its initial phase.[6] On the occasion of the GFC, the G20 replaced the then G8 as the main institution of global financial governance when it upgraded its status to the level of heads of State at the 2008 Washington Leader's Summit, defining a plan for future action. It gained prominence at the 2009 London Leader's Summit, when it called for restoring growth and jobs, strengthening financial regulation, reforming global financial institutions, and building a sustainable recovery,[7] while designated itself as "the premier forum for our international economic cooperation" at the 2009 Pittsburgh Leaders' Summit.[8]

The G20 has gone through different stages. At the outbreak of the crisis, the cooperative efforts of the international community played a decisive role in preventing the collapse of financial markets, thus allowing the world to recover from the then worst crisis since the 1930s. Although the actions undertaken in later

[3] Barry Eichengreen and Kevin O'Rourke, "A tale of two depressions redux", VOXEU-CEPR, London, March 6, 2012, available at https://voxeu.org/article/tale-two- depressions-redux consultation date: September 25, 2022.

[4] John Kirton, "The G20 system still works: Better than ever" in *Caribbean Journal of International Relations & Diplomacy*, vol. 2, nº 3, University of West Indies, Jamaica, September 2014, p. 2.

[5] Alan S. Alexandroff, "Liberal theory, liberal context and the G20" in Steven Slaughter (ed.), *The G20 and International Relations Theory*, Edward Elgar Publishing, Australia, 2019, p. 17.

[6] Anthony Payne, "Steering into the great uncertainty: The G20 as global governance" in *Caribbean Journal of International Relations & Diplomacy*, vol. 2, nº 3, University of West Indies, Jamaica, September 2014, p. 73.

[7] G20, *London Summit-Leaders' Statement*, G20, London, April 2, 2009, available at http://www.g20.utoronto.ca/2009/2009communique0402.pdf consultation date: September 25, 2022.

[8] G20, *G20 Leaders Statement: The Pittsburgh Summit*, G20, Pittsburgh, September 24-25, 2009, available at http://www.g20.utoronto.ca/2009/2009communique0925.html consultation date: September 25, 2022.

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stages have been less spectacular,[9] those deployed during the global pandemic of 2020 marked another moment of significant dynamism.[10] Inflationary pressures and uncertainty as result from the ongoing Russia-Ukraine war have complicated policymaking not only for the belligerent countries but for the whole world.[11]

In line with the constructivist approach to international relations, this study focuses on the role that ideas and epistemic communities within the G20 played since the GFC. As for ideas, it follows Ruggie's[12] concept according to which the constructivist approach focuses on "human consciousness and its role in international life", as well as Finnemore and Sikkink's[13] on "the role of ideas, norms, knowledge, (…) in politics" highlighting their "intersubjective" nature in social life.

As for epistemic communities, it follows Haas[14] in that they are networks of knowledge-based experts characterized by sharing "causal and principled (…) beliefs, a consensual knowledge base, and (…) common interests" whose authority helps states to identify their interests, set issues for joint debate, propose policies, and recognize relevant points for negotiation as well as Ruggie[15] in that they entail interrelation of roles that evolve around an episteme defining for their members, "the proper construction of social reality". Prevailing ideas may contribute to design policy choice,[16] thus producing a behavioral change in other actors.[17]

In the discipline of Economics, Keynes'[18] view that the ideas of the economists are governed by those of previous colleagues and that "the world is ruled by little else" reflects the importance of the constructivist approach. In the wake

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[9] Daniel W. Drezner, "The system worked. Global economic governance during the Great Recession" in *World Politics*, vol. 66, nº 1, United States, January 2014, p. 156.

[10] IMF, *Annual Report. A Year Like no Other*, IMF, United States, 2020, pp. 10-12.

[11] IMF, *World Economic Outlook: Countering the Cost-of-Living Crisis*, IMF, United States, 2022, p. 1.

[12] John G. Ruggie, "What makes the world hang together? Neo-utilitarianism and the social constructivist challenge" in *International Organization*, vol. 52, nº 4, United States, Autumn 1998, p. 856.

[13] Martha Finnemore and Kathryn Sikkink, "Taking stock: The constructivist research program in International Relations and Comparative Politics" in *Annual Review of Political Science*, vol. 4, United States, June 2001, pp. 392-393.

[14] Peter M. Haas, "Introduction: epistemic communities and international policy coordination" in *International Organization. Knowledge, Power, and International Policy Coordination*, vol. 46, nº 1, United States, Winter 1992, pp. 2 and 18.

[15] John G. Ruggie, "International responses to technology: concepts and trend" in *International Organization*, vol. 29, nº 3, United States, Summer 1975, pp. 569-570.

[16] Peter M. Haas, *op. cit.*, p. 15.

[17] Martha Finnemore and Kathryn Sikkink, "International norm dynamics and political change" in *International Organization*, vol. 52, nº 4, United States, Autumn 1998, p. 899.

[18] John M. Keynes, *The General Theory of Employment, Interest and Money*, A Project Gutenberg of Australia ebook, Sydney, 2003 [1936], available at https://gutenberg.net.au/ebooks03/0300071h/printall.html consultation date: September 25, 2022.

of the crisis, the G20 was a center of global governance that brought together professional networks of policy actors whose "ideational and normative shifts influenced the cognitive authority and perceived legitimacy of the forum" in areas such as global financial governance.[19] Its goal of global cooperation by the most systemically important economies provided a platform for them to engage in cooperation and elaborate on mutually agreed key priority issues.[20]

With the outbreak of the GFC, G20 leaders were able to arrive at shared views on how to avoid a new Great Depression, but whether because of intellectual confusion,[21] rivalry among economists of different schools of thought,[22] and/or lack of collaboration between economists *in tandem* with policymakers,[23] an agreement was not always reached on how to deal with the new and complex challenges in later stages of the crisis. The immediate response to the GFC was, in fact, a "Bretton Woods moment" which, while retaining some of its principles, was subsequently weakened[24] only to be taken up with the pandemic emergency measures.[25] In the wake of the ongoing war between Russia and Ukraine, the latter's North Atlantic Treaty Organization (NATO) allies have provided substantial assistance.[26] Given that most countries deplored the former's military operations, a few others did not or refrained from taking a position,[27] it remains to be seen how the

[19] Jonathan Luckhurst, "A constructivist approach to the G20" in Steven Slaughter (ed.), *The G20 and International Relations Theory*, Edward Elgar Publishing, Australia, 2019, p. 101.

[20] Ngaire Woods, "The G20 leaders and global governance" in *Global Economic Governance Working Paper*, nº 2010/59, University of Oxford, United Kingdom, 2010, pp. 11-12.

[21] Benjamin J. Cohen, "A grave case of myopia" in *International Interactions*, vol. 35, nº 4, United Kingdom, November 2009, p. 437.

[22] Paul Krugman, *End this Depression Now*, W.W. Norton, United States, 2012, pp. 52-58.

[23] Henry Farrell and John Quigguin, Consensus, dissensus, and economic ideas: economic crisis and the rise and fall of keynesianism" in *International Studies Quarterly*, vol. 61, nº 2, United Kingdom, June 2017, p. 271.

[24] Eric Helleiner, *The Status Quo Crisis: Global Financial Governance After the 2008 Meltdown*, Oxford University Press, Oxford, 2014, p. 2, available at https://books.google.com.ar/books?hl=es&1r=&id=nXKVAwAAQBAJ&oi=fnd&pg=PP1&dq=eric+helleiner&ots=9cz-v6qMk&sig=XPRkBJOOrIO4ImGIn2aTG9mtc&redir_esc=y≠v=onepage&q=transformative%20change&f=false consultation date: September 25, 2022.

[25] IMF, *Annual Report. A Year Like no Other*, *op. cit.*, pp. 10-12.

[26] North Atlantic Treaty Organization, "NATO's response to Russia's invasion of Ukraine" in *North Atlantic Treaty Organization*, Brussels, February 24, 2023, available at https://www.nato.int/cps/en/natohq/topics_192648.htm#:~:tex=Individual%NATO%20member%20countries%20are,of%20military%20to%20Ukraine consultation date: February 27, 2023.

[27] Niha Masih, "U.N. resolution to end Ukraine war: How countries voted and who abstained" en *The Washington Post*, Washington, D.C., February 24, 2023, available at https://www.washingtonpost.

interaction between the various countries will impact the future views and actions of the G20.

The consensus within the G20 enabled a shift of ideas and practices, as evidenced by the creation of the Leaders' Summit beyond the Meeting of Finance Ministers and Central Bank Governors, the introduction of the macroprudential financial regulation approach and, fundamentally, the avoidance of a global meltdown.[28] Other issues such as capital controls and tolerance for fiscal deficits, have also shown progress. Instead, lack of consensus led to a stalemate on other issues such as global imbalances,[29] the value of currencies,[30] or the status of the dollar in the international monetary system.[31] It is hoped that debates on debt management –highly topical due to the huge amount of funds channeled to cope with the war and the subsequent debt overhang– will avoid the mistakes made after World War I, as it was a key factor in the advent of chaotic developments in the years that followed.[32]

Research on the motivations for global cooperation in the realm of international financial architecture to address the current complex challenges is of utmost importance, not only to update the topic in terms of the state of the art, but also in terms of the toolkit for policy actions. Given the latest developments in the Russia-Ukraine conflict, this task is both relevant to revive the principle of multilateralism, as well as to reformulate the global governance system in the context of the existing unilateral trends in the international order.

In this framework, this study presents, first, an introduction to the topic to be addressed; second, the significance of the ideational approach within the G20; third, the role played by epistemic communities within this forum; fourth, the findings related to the ideational shift within the forum since the GFC; and finally, it will provide the conclusion.

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com/world/2023/02/24/un-ukraine-resolution-vote-countries/ consultation date: February 27, 2023.

[28] Stuart P.M. Mackintosh, *The Redesign of the Global Financial Architecture*, Routledge, United Kingdom, 2015, p. 184.

[29] Paola Subacchi and Stephen Pickford, "Legitimacy *vs* effectiveness for the G20: A dynamic approach to global economic governance" in *International Economics Briefing Paper nº 2011/01*, Chatham House, United Kingdom, 2011, p. 5.

[30] Jonathan Luckhurst, *G20 Since the Global Crisis*, Palgrave Macmillan, United States, 2016, p. 4.

[31] Eric Helleiner, *op. cit.*, p. 7.

[32] Barry Eichengreen, *Hall of Mirrors. The Great Depression, the Great Recession, and the Uses –and Misuses– of History*, Oxford University Press, United States, 2015, p. 37.

Significance of the ideational approach within the G20

Ideational factors are at the core of the constructivist approach to international relations. Unlike materialist theories, which place political behavior in the context of the physical world, and individualist theories, which regard collective understandings as a mere result of individual acts, constructivism is based on a systematical ontology[33] that regards ideas as the foundation of our understanding.[34] In contrast to positivist epistemology, according to which facts are there to be discovered, constructivism adheres to "hermeneutic" epistemology,[35] according to which the world is only known through the "cognitive powers" of human beings,[36] with the former referring to "brute facts" and the latter to "social facts".[37]

Ruggie[38] emphasizes that constructivism "is about human consciousness and its role in international life". Likewise, Finnemore and Sikkink[39] focus on "the role of ideas, norms, knowledge (…) in politics", emphasizing the role of "collectively held or "intersubjective" ideas in social life, implying that constructivism basically refers to a theory focused on "the nature of social life and social change". Kratochwil[40] argues that "the social world" is the result "of our making", while Abdelal[41] adds that "the world economy is full of all manner of fascinating, important social constructs, identities, norms, and collectively held beliefs".

[33] Alexander Wendt, "Anarchy is what States make of it: The social construction of power politics" in *International Organization*, vol. 4, nº 62, United States, Spring 1992, p. 397.

[34] Martha Finnemore and Kathryn Sikkink, "Taking stock: The constructivist research program in International Relations and Comparative Politics", *op. cit.*

[35] Emanuel Adler, "Constructivism in International Relations: sources, contributions, and debates" in Walter Carlsnaes, Thomas Risse and Beth A. Simmons (eds.), *Handbook of International* Relations, Sage, United States, 2013, p. 129.

[36] Nicholas G. Onuf, *Making Sense, Making Worlds. Constructivism in Social Theory and International Relations*, Routledge, United States, 2013, p. 54.

[37] Chris Brown and Kirsten Ainley, *Understanding International Relations*, Palgrave Macmillan, United States, 2005, p. 49.

[38] John G. Ruggie, "What makes the world hang together? Neo-utilitarianism and the social constructivist challenge", *op. cit.*

[39] Martha Finnemore and Kathryn Sikkink, "Taking stock: The constructivist research program in International Relations and Comparative Politics", *op. cit.*

[40] Friedrich Kratochwil, "Constructivism: what it is (not) and how it matters" in Donatella della Porta and Michael Keating (eds.), *Approaches and Methodologies in the Social Sciences. A Pluralist Perspective*, Cambridge University Press, United States, 2008, p. 97.

[41] Rawi Abdelal, "Constructivism as an approach to international political economy" in Mark Blyth (ed.), *Routledge Handbook of International Political Economy (IPE). IPE as a Global Conversation*, Routledge, United Kingdom, 2009, p. 76.

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Adler[42] explains that ideas, beliefs, and knowledge have "constitutive effects on social reality", in which change results more from "new constitutive rules" than the positional modification of material objects, with agency, process, and practices as drivers of change, and, among them those that prevail, may play a relevant role in policy choices.

In Economics, the Keynesian revolution of the last century was essentially based on the significance of the ideas. Indeed, the ideational approach has been emphasized by Keynes[43] in his famous reflection that "the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else". This approach certainly involves a constructivist reading of social values and cognitive world interpretations of the historical processes by re-signifying markets in national societies. Following the financial instability and social unrest that characterized the interwar years, the Keynesian revolution promoted a compromise between liberalism and domestic intervention framed in the concept of "embedded markets" by assuring societies with the welfare state. The ensuing deconstruction of embedded liberalism and the banners of activist macroeconomic management led to the emergence of a sort of monetarism amidst the neoliberal wave. The new winds of the financial orthodoxy that dismantled the post-war paradigm represented a huge change in social values. Global financial integration brought with it great advances but also great instability and a correlative crisis of legitimacy.[44]

In the context of the neoliberal wave of the 1990s, both traditional governing bodies of global finance –the IMF and the G7– showed their incapability to cope with the new global challenges being particularly criticized because of the failed management to deal with the East Asian financial crisis of 1997.[45] In line with the neoliberal interpretation of the crisis, the orthodox policies orchestrated by the IMF only added more problems to the tough reality of the affected countries. This crisis, as well as those of several emerging countries, generated strong controversy over this interpretation amidst a call to redesign the international financial architecture.

In the first decade of the 21st century, the outburst of the GFC, which meant a serious blow to the stability of global finance, represented an important opportunity to revisit the neoliberal paradigm. According to Nobel Laureate Paul Krugman,[46] the "power of ideas" is key to understanding the debate about the

[42] Emanuel Adler, *op. cit.*, p. 123.
[43] John M. Keynes, *op. cit.*
[44] Rawi Abdelal, pp. 65-70.
[45] John Kirton, *op. cit.*
[46] Paul Krugman, *The Return of Depression Economics and the Crisis of 2008*, W.W. Norton, United States, 2009, p. 190.

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origin of the GFC, which is nothing more than a replica of the Great Depression. Skidelsky[47] argues that this concept does not deny the importance of the interests of certain groups in the run-up to the GFC, but given that ideas predominate over interests, the origin of the GFC should go beyond blaming bankers, credit rating agencies, hedge funds, central bankers, regulators, and governments to instead point to the "failure of ideas".

At its inception, the G20 was able to impact the principles and norms of the conventional wisdom of the moment. The upgrade from the original forum to the novel Head of State Leaders' Summits, along with other meetings with ministers and working and engagement groups allowed to accumulate knowledge and cognitive authority, thus generating a normative shift capable of averting another Great Depression, while also moving from the microprudential to the macroprudential financial regulatory approach.[48] In recent years, the outbreak of the pandemic and the Russia-Ukraine war have complicated the global landscape, as the amounts of public debt to finance them and the escalation of prices have skyrocketed.[49] The crisis of multilateralism and global governance institutions deserves no less attention, particularly in a context of economic fragmentation and political polarization.[50]

While perceived as a resurgence of the Bretton Woods experience at the end of World War II, the cognitive authority of the subsequent phases achieved more relevant change on some specific issues, but more limited on others. Still, given the importance of the G20 in terms of its ideological and normative impact on its members and on international relations, the spectacular dynamism of its initial phase shows its potential in the field of international financial governance. Beyond this realm, the pursuit of peace should be understood by G20 leadership as an imperative in the contemporary global era.

The role of epistemic communities within the G20

Epistemic communities are essential elements of the ideational approach. Inspired by Foucault's[51] conception of the "epistemological field", and in the spirit of constructivism, Ruggie[52] defines episteme as "a dominant way of seeing social

[47] Robert Skidelsky, *Keynes: The Return of the Master*, Public Affairs, United States, 2009, p. 28.

[48] Stuart P.M. Mackintosh, *op. cit.*

[49] IMF, *World Economic Outlook: Countering the Cost-of-Living Crisis*, *op. cit.*, pp. 6-8.

[50] Ngaire Woods, "Multilateralism in the twenty-first century" in *Global Perspectives*, vol. 4, nº 1, United Kingdom, February 2023, p. 1.

[51] Michel Foucault, *The Order of Things*, Francis & Taylor e-library, London and New York, 2005 [1966], available at http://library.lol/main/7E7B758FA7AF38A8C0B5C476454681F4, consultation date: February 13, 2022.

[52] John G. Ruggie, "International responses to technology: concepts and trend", *op. cit.*

reality, a set of "shared symbols and references, mutual expectations and a mutual predictability of intention" and "epistemic communities" as the "interrelated roles which grow up around an episteme" that define, "for its members, their proper construction of social reality".

For his part, Haas[53] defines an epistemic community as "a network of professionals with recognized expertise and competence" in a particular field and "an authoritative claim to policy-relevant knowledge" within this field. Its members share a "set of normative and principled beliefs", "causal beliefs", "notions of validity" and "a common policy enterprise". Since "knowledge" is understood as "accepted belief, not correct belief," these communities are more concerned with the influence they can have on collective policymaking than with correctness, so their "consensual knowledge" does not necessarily generate truth. Epistemic communities are especially significant because of their political penetration into ruling institutions, with the causality of interaction going from technocracy to politics. Ikenberry[54] also stresses the need for policy ideas to resonate in the larger political environment, while emphasizing that the materialization of the technocratic consensus is strongly subordinated to politicians' decisions.

Adler and Haas[55] explain that steps in the policy process include innovation, diffusion, policy selection, policy persistence, and policy evolution as learning. Epistemic communities' influence through "communicative action" entails a process of interconnectedness between beliefs and actions whose impact depends in great part on the number and power of the nations included in its net. To perform well, nations must share values much more than uphold individual national interests. Interaction between epistemic communities is particularly relevant during systemic crises, which usually represent breaking points that call for a revision of ideas. Ban and Gallagher [56] add that this process, in turn, gives way to different ideological negotiators who try to gain influence in political institutions by using their "new economic ideas as weapons against their adversaries".

[53] Peter M. Haas, *op. cit.*, p. 3.

[54] G. John Ikenberry, "A world economy restored: expert consensus and the Anglo-American postwar settlement" in *International Organization Knowledge. Power, and International Policy Coordination*, vol. 46, nº 1, United States, Winter 1992, p. 318.

[55] Emanuel Adler and Peter M. Haas, "Conclusion: epistemic communities, world order, and the creation of a reflective research program" in *International Organization. Knowledge, Power, and International Policy Coordination*, vol. 46, nº 1, United States, Winter 1992, pp. 389-390.

[56] Cornel Ban and Kevin Gallagher, "Recalibrating policy orthodoxy: The IMF since the Great Recession" in *Governance: An International Journal of Policy, Administration, and Institutions*, vol. 28, nº 2, United States, April 2015, p. 132.

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Consistent with this theoretical framework that emphasizes the role of "ideational and normative shifts", consensus among community members involves "socialization processes" and the "development of new diplomatic and political practices" on global governance issues. These activities facilitate members understanding of how to enhance "normative convergence and consensus" with "communities of practice"[57] showing the capability to bring together diplomats, traders, lawyers, scientists, and academics through the joint development of a "shared practice".[58]

Institutional agreements are key factors to sustain the transmission of ideas, which in turn requires that policies be adopted and propelled by appropriate institutions.[59] The traditional Bretton Woods international institutions –IMF and World Bank– were highly successful in achieving cooperation to rebuild the world order in the post-World War II period,[60] but became discredited in the context of the diffusion of the neoliberal ideology of the Washington Consensus and the ensuing financial crises in emerging markets during the 1990s, particularly in East Asian countries.[61] Given the preponderant role played by the IMF in the resolution of these crises, critiques have stressed the inappropriate performance of the epistemic communities within existing multilateral organizations. In this context, the creation of the G20 in 1999 entailed a novel modality of cooperation among the major systemically significant countries, transcending its original view by including more actors and expanding the agenda of the global scene.[62]

The experience of epistemic communities in terms of their ability to reach a consensus capable of shattering the theoretical edifice of classical liberal theory prevailing in the Great Depression and the interwar years illustrates the importance of their role. Materialized in 1945, the Keynesian ideas embodied in that consensus to overcome the misfortunes of those years were adopted in the immediate post-World War II period, but the liberal theory subsequently returned in the form of neoliberalism. Since the 1970s, the Economics discipline has experienced the antagonism of two schools of thought, one that believes in the self-correcting forces of market dysfunctionalities and the other that believes in the need for public intervention to correct them.[63]

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[57] Jonathan Luckhurst, "A constructivist approach to the G20", *op. cit*., pp. 101 and 108.
[58] Adler Emanuel and Vincent Pouliot (eds.), "Practices in International Relations and social theory" in *International Practices*, Cambridge University Press, United States, 2011, p. 24.
[59] Peter M. Haas, *op. cit*., p. 27.
[60] Thomas Hale, David Held and Kevin Young, *Gridlock. Why Global Cooperation is Failing when We Need it Most*, Polity Press, United Kingdom, 2013, p. 17.
[61] Ngaire Woods, *The Globalizers: The IMF, the World Bank, and their Borrowers*, *op. cit*., p. 104.
[62] John Kirton, *op. cit.*
[63] Robert Skidelsky, *op. cit*., pp. 64-65.

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According to Krugman,[64] economists today generally agree that Keynesian ideas were right in arguing that the Great Depression was caused by a fall in aggregate demand and that, consequently, governments should have pursued expansionary policies. These ideas have been a compelling source of inspiration for economists and have become a centerpiece in the macroeconomic policy toolkit for dealing with crisis episodes, so it is reasonable to expect that governments inject large amounts of money, cut taxes, and increase spending to overcome recessions. And, if the subsequent level of economic activity does not recover sufficiently, government action should intensify spending until the private sector can stimulate growth.

Nevertheless, part of this discipline has been influenced by the monetarist "austerity myth" of the neoliberal framework that enshrines the idea of fiscal consolidation, that is, public deficit and debt accumulation reduction policies that can exert expansionary effects on aggregate demand by virtue of the "confidence channel"[65] or the "confidence fairy".[66] In this context, proactive monetary and fiscal policies in case of depressions were relegated. Blanchard's[67] assessment that the "state of macro is good" only a few days before Lehman's collapse and his acknowledgement five years later, during his tenure as director of the IMF Research Department, that "there is no agreed vision of what the future financial architecture should look like"[68] reflects the confusion that epistemic communities were experiencing at the time.

On the occasion of the GFC, the consensus among the epistemic communities within the G20 performed better on some issues than on others. The agreements to embed the world economy after the crisis succeeded in avoiding a global collapse, but were less comprehensive compared to those of Bretton Woods, which involved more wide-ranging principles and policy guidelines on the international financial architecture.[69]

[64] Paul Krugman, "The austerity delusion" in *The Guardian*, London, April 29, 2015, available at https://www.theguardian.com/business/ng-interactive/2015/apr/29/the-austerity-delusion consultation date: February 13, 2022.
[65] Roberto Perotti, "The "austerity myth": Gain without pain?" in *BIS Working Paper nº 362*, Bank for International Settlements, Basel, 2011, p. 4.
[66] Paul Krugman, *End this Depression Now*, *op. cit.*, p. 101.
[67] Olivier J. Blanchard, *The State of Macro*, National Bureau of Economic Research, Cambridge, August 2008, p. 2, available at https://www.nber.org/papers/w14259 consultation date: February 13, 2022.
[68] Olivier J. Blanchard, *Rethinking. Macroeconomic Policy*, VOXEU-CEPR, London, May 9, 2013, available at https://voxeu.org/article/rethinking-macroeconomic-policy consultation date: February 13, 2022.
[69] Eric Helleiner, "A Bretton Woods moment? The 2007-2008 crisis and the future of global finance" in *International Affairs*, vol. 86, nº 3, United Kingdom, May 2010, p. 636.

More recently, the pandemic and the ongoing war have further complicated the global outlook. Rising public debt burdens and escalating prices pose serious challenges for the G20. Debt burdens, enormously high around the world and of particular concern for low-income countries, continue to require more effective ways of resolution,[70] while the battle against inflation has sparked debates ranging from the traditional demand-side prescription[71] to a less traditional supply-side one.[72] But the biggest challenge –the war in the midst of intensifying geopolitical tensions– seem to be blocking the G20 Leaders' forum for finding global responses to them.[73]

By virtue of the role of epistemic communities in disseminating "policy advice transnationally through communication with their colleagues in scientific bodies and other international organizations",[74] both during conferences and other avenues of exchange, the ability to reach consensual knowledge among them has been a crucial factor in the possibility of proposing and materializing policy actions. Achieving consensus in the present global context of economic fragmentation and geopolitical polarization is a major challenge for the G20 leadership.

The ideational shift within the G20

The transition from the G7 to the G20 and the latter's move from a Finance Ministers and Central Bank Governors' forum to a Leaders' Summit forum has been, *prima facie*, a key ideational shift. As the main architect of the G20 Paul Martin[75] expressed, the challenges of the changing world cannot be solved by a single global leader, but by the joint effort of the most advanced countries and emerging

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[70] Jayati Ghosh, *How not to Deal with a Debt Crisis*, Social Europe, Brandenburg, January 16, 2023, available at https://www.socialeurope.eu/how-not-to-deal-with-a-debt- consultation date: February 13, 2023.

[71] Willem H. Buiter, *The Case Against Fed Gradualism*, Project Syndicate, New York, February 22, 2022, available at https://www.project-syndicate.org/onpoint/the-war-on-inflation consultation date: February 13, 2023.

[72] Joseph E. Stiglitz, "A balanced response to inflation" in *Project Syndicate*, New York, February 7, 2022, available at https://www.project-syndicate.org/onpoint/the-war-on-inflation consultation date: February 13, 2023.

[73] William R. Rhodes and Stuart P.M. Mackintosh, "Does the G20 have a future?" in *Project Syndicate*, New York, June 13, 2022, available at https://www.project-syndicate.org/commentary/does-g20-have-a-future-by-william-r-rhodes-and-stuart-p-m-mackintosh-2022-06?barrier=accesspay consultation date: February 13, 2023.

[74] Emanuel Adler and Peter M. Haas, *op. cit.*, pp. 378-379.

[75] Paul Martin, *Notes for Remarks*, *Notes for Remarks*, Centre for International Governance Innovation, Waterloo, Ontario, 2009, p. 4, available at https://www.cigionline.org/static/documents/paul_martin_cigi09_keynote_speech.pdf consultation date: February 13, 2023.

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economies, which requires moving away from "narrow nationalism" to, instead, strengthen multilateralism to make globalization function.

G20 cognitive and political authority sought to influence the decision-making of norms and practices at the domestic and international levels. In its role as the main forum of global governance, the G20 made it possible to mobilize vast resources through the collective capacity of its members by integrating actions of the chief international financial bodies, such as the Basel Committee on Banking Supervision (BCBS), Bank for International Settlements (BIS) or the IMF. Cooperation endeavors between the G20 and these bodies in turn strengthened their cognitive authority.[76]

Following the new format of the forum membership as a Heads of State Summit initiated at the 2008 Washington Summit, at the 2009 London Summit, G20 leaders reached a broad consensus to create the Financial Stability Board (FSB), the former Financial Stability Forum, and place it at the center of the new financial architecture to drive new ideas to strengthen financial stability-related rules and policies.[77] While the FSB also included the membership of all G20 members, compared to other traditional institutions such as the IMF, it can be considered "a black box", as its functioning and its procedures are opaque to outsiders".[78]

With the objective of strengthening the regulatory framework globally, the Basel III Accords, approved at the 2010 Toronto Leaders' Summit and implemented by the BCBS,[79] adopted a systemic macroprudential approach that goes beyond the traditional microprudential approach, which undoubtedly represented an improvement over the previous Basel II despite not having been fully implemented to date.[80] Still, financial markets remain vulnerable, as the changes in the new Accords do not cover the perimeter of financial regulation, thus not assuring that all systemically important financial institutions are properly regulated.[81] Although the regulatory framework has improved in the post-crisis years,[82] a significant portion

[76] Jonathan Luckhurst, "A constructivist approach to the G20", *op. cit.*, p. 103

[77] G20, *London Summit-Leaders' Statement*, *op. cit.*

[78] Stuart P.M. Mackintosh, *op. cit.*, p. 99.

[79] Bank for International Settlements, *Basel III: A Global Regulatory Framework for More Resilient Banks and Banking* Systems, BIS, Basel, June 2011, pp. 1-2, available at https://www.bis.org/publ/bcbs189.pdf consultation date: February 13, 2023.

[80] Jonathan Luckhurst, "A constructivist approach to the G20", *op. cit.*, p. 106.

[81] Anat R. Admati and Martin F. Hellwig, "The parade of the bankers' new clothes continues: 34 flawed claims debunked" in *Stanford Graduate School of Business Working Paper nº 3032*, Stanford University, United States, August 2019, pp. 20-22.

[82] IMF, *Global Financial Stability Report. A Decade after the Global Financial Crisis: Are We Safer?*, IMF, United States, 2018, p. 55.

of financial transactions remains nontransparent and subject to weak regulation.[83] In the United States, the present administration is focused on reversing the deregulation brought about by the dismantling of the Dodd Frank Act passed in the Trump era. The completion of this Act could represent an opportunity to address existing regulatory loopholes.[84]

In fact, the new regulatory framework has been able to coordinate standards, but many of its shortcomings are related to the fact that its establishment is a difficult procedure that can take time to materialize.[85] Moreover, it is not clear whether these failures are due to slow implementation or, instead, to the inability to know how to adequately regulate financial institutions.[86] The BIS has performed as *alma mater* in hosting key actors of the epistemic communities and providing knowledge to these networks. Its indicative guidelines are subsequently implemented by national authorities in different ways, while its contribution to financial stability remains contentious.[87] In general, global finance lacks an integrated model as evidenced by the fragmentation and lack of adequate coordination in global financial standards among different bodies, leading to divergent implementation in the two principal financial poles of the advanced world.[88] Overcoming the "gridlock" caused by this fragmentation[89] is one of the various complex challenges of the current global financial architecture.

Beyond macroprudential regulation, the ideological shift has shown a mixed picture, more relevant in some matters but more modest in some others. As for the IMF reform proposed by the G20 at the 2009 London Leaders' Summit, the expansion of the voting power of the most advanced emerging economies to

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[83] Bank for International Settlements, *Statistical Release: OTC Derivatives at End-December 2020*, Basel, May 2021, pp. 1-8, available at https://www.bis.org/publ/otc_hy2105.pdf consultation date: February 13, 2023.

[84] Dennis Kelleher, "A policy agenda for Wall Street's new sheriff" en *Financial Times*, London, April 29, 2019, available at https://www.ft.com/content/063acde7-a977-4d28-a3ae-27dedfd69a33 consultation date: February 13, 2023.

[85] Chris Brummer, *Networks In(-)Action? The Transgovernmental Origins of, and Responses to, the Financial Crisis*, Bank World Group eLibrary, Washington, D.C., October 2011, p. 332, available at https://elibrary.worldbank.org/doi/pdf/10.1596/9780821388631_CH12 consultation date: February 13, 2023.

[86] Jon Danielsson, *Not so Fast! There's no Reason to Regulate Everything*, VOXEU-CEPR, London, March 25, 2009, available at https://voxeu.org/article/not-so-fast-there-s-no-reason-regulate-everything consultation date: February 13, 2022.

[87] Carola Westermeyer, "The Bank for International Settlements as a think tank for financial policy-making" in *Policy and Society*, vol. 37, nº 2, Oxford, June 2018, pp. 183-184.

[88] Kevin Young, "Risk and progress" in Thomas Hale and David Held *et al.*, *Beyond Gridlock*, Polity Press, United Kingdom, 2017, p. 39.

[89] Thomas Hale, David Held and Kevin Young, *op. cit.*, p. 115.

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recognize the changing "distribution of economic power" initially appeared as a sign of a major ideational shift.[90] In fact, the IMF reform agreed upon by the G20 members in 2010 did not become reality until 2016 and raises questions about its actual scope. It entailed an improvement for emerging economies of only 5.7% of the IMF voting power, with China almost doubling its percentage and the United States retaining veto power in the institution's decision-making.[91] In all, these reforms have been assessed by the emerging countries as meager compared to their expectations, thus maintaining the image they have of the IMF as an institution mostly governed by that country.[92] Given the unchanged nature of its governance structure, the immediate response to the GFC can be interpreted "as a partial institutional success" as structural factors continue to affect its governance.[93] It is unlikely that the new quota formula scheduled for December 2023 will lead to substantial changes in IMF governance.

Regarding liquidity provision, at the 2009 London Leaders' Summit,[94] it was agreed to triple the resources to the IMF, whose issuance of Special Drawing Rights (SDR) and activation of various credit lines were by then the largest official financing ever made to cope with financial crises.[95] The extensive provision of liquidity by central banks of advanced economies in times of crisis, in line with Bagehot's[96] (1873) insights, was carried out on this occasion in combination with a huge decrease in interest rates.[97] However, global financial governance did not move towards the institutionalization of an international lender of last resort. This is not a trivial issue for emerging economies, as very few of them were eligible for the Fed's temporary bilateral swap arrangements, while only central banks in advanced economies were eligible for the permanent ones, and they were not provided with enough SDRs. Emerging economies have increasingly resorted to alternative modes

[90] Daniel W. Drezner, *op. cit.*, p. 144.

[91] Camila Villard Duran, "Making fragmentation work" in Thomas Hale and David Held *et al.*, *Beyond Gridlock*, Polity Press, United Kingdom, 2017, p. 53.

[92] Ngaire Woods, "Global governance after the financial crisis: A new multilateralism or the last gasp of the great powers?" in *Global Policy*, vol. 1, nº 1, United Kingdom, January 2010, p. 56.

[93] Thomas Hale, David Held and Kevin Young, *op. cit.*, pp. 35 and 167.

[94] G20, *London Summit-Leaders' Statement*, *op. cit.*

[95] José A. Ocampo, *Resetting the International Monetary (Non) System*, Oxford University Press, United States, 2017, p. 161.

[96] Walter Bagehot, *Lombard Street*, Henry S. King & Co., London, 1873, available at https://oll-resources.s3.us-east-2.amazonaws.com/oll3/store/titles/128/0184_Bk.pdf consultation date: February 27, 2023.

[97] IMF, *World Economic Outlook: Crisis and Recovery*, IMF, United States, 2009, p. 102.

of monetary cooperation, such as bilateral or regional arrangements.[98] Thus, the G20 failed to provide an alternative multilateral mechanism to the accumulation of international reserves implemented by individual countries.[99]

Other issues of IMF reform have evolved more favorably, as some of them have been subject to a break with the orthodox principles that dominated the body of the institution for about a quarter of a century.[100] Ideational change has been important in capital account liberalization, which involved a reformulation of capital controls and their inclusion in the toolkit for developing economies.[101] Both the IMF[102] and the G20[103] have increased acceptance and proposed a new regime for such a measure highlighting its contribution to global financial stability. Regarding sovereign debt restructurings, in the context of increased interaction between economists and relevant actors of the financial community in recent years, the IMF has endorsed the reform of collective action and *pari passu* clauses to address the weaknesses caused by free-riding behavior of the so-called "vulture funds" and thus contribute to improving these debt resolutions.[104] Regarding fiscal policy, IMF rehabilitation of Keynesian ideas in times of crisis has also been important as researchers at the institution have found that in advanced countries, the implementation of austerity policies has led to economic contraction and rising unemployment in the period between 1978 to 2009.[105]

For their part, the broadening of the G20 agenda beyond the crisis to address less pressing issues such as currency values,[106] the status of the dollar in

[98] Camila Villard Duran, "The international lender of last resort for emerging countries: A bilateral currency swap?" in *Global Economic Governance Working Paper nº 2015/108*, University of Oxford, United Kingdom, 2015, pp. 4, 10 and 15.

[99] Ngaire Woods, "Global governance after the financial crisis: A new multilateralism or the last gasp of the great powers?", *op. cit.*, p. 56.

[100] Cornel Ban and Kevin Gallagher, *op. cit.*, p. 132.

[101] Kevin Gallagher, "Regaining control? Capital controls and the global financial crisis" in *Political Economy Research Institute Working Paper*, Boston University, United States, February 2011.

[102] Jonathan D. Ostry, Atish R. Ghosh, Karl Habermeier, Marcos Chamon, Mahvash S. Qureshi and Dennis B.S. Reinhardt, "Capital inflows: The role of controls" in IMF Staff Position Note SPN/10/04, IMF, United States, February 2010, p. 15.

[103] G20, *Coherent Conclusions for the Management of Capital Flows Drawing on Country Experiences*, G20, Paris, October 15, 2011, available at http://www.g20.utoronto.ca/2011/2011-finance-capital-flows-111015-en.pdf consultation date: February 27, 2023.

[104] IMF, *Strengthening the Contractual Framework to Address Collective Action Problems in Sovereign Debt Restructuring*, IMF, Washington, D.C., October 2014, pp. 15-23, available at http://www.imf.org/external/np/pp/eng/2014/090214.pdf consultation date: February 27, 2023.

[105] IMF, *World Economic Outlook, Coping with High Debt and Sluggish Growth*, IMF, United States, 2012, p. 43.

[106] Jonathan Luckhurst, *G20 Since the Global Crisis*, *op. cit.*, p. 4.

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the international monetary system, or the global imbalances,[107] weakened since the 2010 Toronto Leaders' Summit.[108] Addressing these imbalances through the Mutual Assessment Program agreed upon at the 2009 Pittsburgh Leaders' Summit has reduced current account surpluses and deficits in the immediate aftermath of the GFC and although imbalances have remained relatively stable in recent years, they are high from a historical perspective.[109] Recent data show widening global imbalances as a result of the pandemic and commodity prices in the wake of Russia-Ukraine war, which resulted in a larger deficit in the United States correlated with a larger surplus in oil exporters, a smaller surplus in the Eurozone and an unchanged one in China.[110] The trajectories of the ongoing war, the lingering pandemic, and associated effects on commodity prices make the future path of global imbalances uncertain, with implications for exports, savings, and consumption patterns that go beyond short-term cyclical factors.

An analysis of the ideational shift on part of the epistemic communities within the G20 shows that after the initial phase of the crisis in which the G20 members shared ideas by implementing vast stimulus packages, many expected a permanent return of the Keynesian paradigm, but the implementation of these policies did not entail a fundamental departure from traditional views.[111] The unanimous agreement that emerged from the G20 at the London Leaders' Summit was key for the recovery of the crisis but weakened thereafter. With the outburst of the GFC in the advanced countries, almost all of them, including Germany, embraced Keynesian ideas by implementing some type of stimulus package, increasing spending and/or cutting taxes, but things took another course after the 2010 Toronto Leaders' Summit. While the severity of the events led governments to agree to inject large amounts of money that in turn increased public borrowing, once this phase was over, and until the outbreak of the global pandemic, tolerance for public deficits and sovereign debts diminished, with a much stricter Eurozone narrative than that of the United States.[112] In the United States, monetary policy remained expansionary with the implementation of the quantitative easing program, but fiscal policy started to tighten in the following years. At the same time,

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[107] Paola Subacchi and Stephen Pickford, *op. cit.*

[108] Eric Helleiner, *The Status Quo Crisis: Global Financial Governance After the 2008 Meltdown*, *op. cit.*, p. 7.

[109] IMF, *Global Imbalances*, IMF, Washington, D.C., 2019, p. 4, available at https://www.imf.org/external/np/g20/pdf/2019/060519b.pdf consultation date: February 27, 2023.

[110] IMF, *World Economic Outlook: Countering the Cost-of-Living Crisis*, *op. cit.*, pp. 15-16.

[111] Anthony Payne, *op. cit.*, pp. 77-78.

[112] Barry Eichengreen, *Hall of Mirrors. The Great Depression, the Great Recession, and the Uses –and Misuses of History*, *op. cit.*, pp. 6-7.

elites with authoritative knowledge have been preaching the virtues of the austerity approach even though production and employment had not fully recovered.[113]

In the Eurozone, the austerity school swept away the Keynesian paradigm, and policymakers considered tightening macroeconomic policies while firmly insisting on achieving price stability above any other objectives.[114] Former European Central Bank (ECB) Governor Trichet's opinion that "as regards the economy, the idea that austerity measures could trigger a stalemate is incorrect"[115] conveys the institution's ideology in line with the role played here by Germany, always affected by its memories of hyperinflation. Under Draghi's tenure, whose expression of "whatever it takes" has epitomized the goal of containing the crisis, the ECB changed direction with unconventional monetary policy.[116] However, support for expansive fiscal policy has remained rather restrictive in this area.[117]

The outbreak of the global pandemic pushed the G20 to renew its ideas on global crisis management. In the context of higher tolerance for public deficits, the fiscal activism that increased public debts reflects an important ideational shift on the part of the forum's leadership.[118] Monetary policy also became expansionary across the G20 economies,[119] while the colossal issuance of SDR surpassed that of the GFC.[120] Moreover, at the 2021 Rome Leaders' Summit, the G20 endorsed a global minimum tax on the largest digital and other companies that would be paid

[113] Paul Krugman, "The austerity delusion", *op. cit.*

[114] Athanasios Orphanides, "The fiscal-monetary policy mix in the euro area: challenges at the zero lower bound" in *European Commission Discussion Paper Nº 060*, European Union, Luxembourg, July 2017, p. 8.

[115] European Central Bank, *Interview with Jean-Claude Trichet, President of the ECB, and La Repubblica Conducted by Elena Polidori*, European Central Bank, Frankfurt, June 16, 2010, available at https://www.ecb.europa.eu/press/key/date/2010/html/sp100624.en.html consultation date: February 27, 2023.

[116] Sebastian Wanke, *Five Years of 'Whatever it Takes': Three Words that Saved the Euro*, KfW Research Economics in Brief, Frankfurt, July 17, 2017, available at https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-Volkswirtschaft-Kompakt/One-Pager-2017-EN/VK-No.-139-July-2017-Whatever-it-takes_EN.pdf consultation date: February 27, 2023.

[117] Athanasios Orphanides, *op. cit.*

[118] Barry Eichengreen, *Public Debt in Historical Perspective*, Central Bank of Argentina Conference on Money and Banking, Buenos Aires, November 3, 2021, available at https://www.youtube.com/watch?v=1b54Hjz6Zy0&abchannel=BancoCentraldelaRep%C3%BAblicaArgentina consultation date: February 27, 2023.

[119] IMF, *Annual Report. A Year Like no Other*, *op. cit.*, p. 8.

[120] IMF, *IMF Managing Director Announces the US$650 billion SDR Allocation Comes into Effect*, IMF, Washington, D.C., August 23, 2021, available at https://www.imf.org/en/News/Articles/2021/08/23/pr21248-imf-managing-director-announces-the-us-650-billion-sdr-allocation-comes-into-effect consultation date: February 27, 2023.

to the countries where they earned their profits.[121] Meanwhile, scholars have also contested IMF surcharges on highly indebted countries.[122]

At present, debt repayment in low-income countries is difficult, and in many cases impossible, due to the pandemic, rising prices since the outburst of the war and capital flows moving to the United States and the European Union due to the higher interest rates in these regions.[123] In addition, the turn towards a tighter monetary policy in developed countries has particularly restricted the room for maneuver of developing countries.[124] Given the significant increase in public debt levels, G20 experts have stressed that the current international financial architecture is not adequately equipped in the event of massive sovereign debt defaults, urging better coordination between the official and private sectors for an orderly restructuring.[125] It remains to be seen whether the G20 support for the Common Framework for Debt Treatment expressed at the 2022 Bali Leaders' Summit[126] will effectively contribute to resolving the repayment of these giant debts.

On analyzing the motivations driving the ideational shift on the part of epistemic communities within the G20 in the aftermath of the 2008 events, Cohen[127] argues that the outbreak of the GFC was the result of a "grave case of myopia" in epistemological terms, more specifically, a "disaster myopia", as scholars circumscribed themselves to a narrow understanding of the etiology of financial crises, who stayed aligned with the tenets of the Economics mainstream. In this context, international political economy scholars were unable to anticipate the crisis to come and its real causes.[128] The move from the market-friendly approach to the Keynesian paradigm shows that the G20 was able to overcome the forces of lack of understanding of the global problems at the time of the outbreak of the crisis.

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[121] G20, *G20 Rome Leaders' Declaration*, G20, Rome, October 31, 2021, available at http://www.g20.utoronto.ca/2021/211031-declaration.html consultation date: February 27, 2023.

[122] Joseph E. Stiglitz and Kevin P. Gallagher, "Understanding the consequences of IMF surcharges: The need for reform", Boston University Global Development Policy Center, United States, October 2021, p. 1.

[123] Jayati Ghosh, *op. cit.*

[124] IMF, *World Economic Outlook: Countering the Cost-of-Living Crisis*, *op. cit.*, p. 24.

[125] Patrick Bolton, Mitu Gulati and Ugo Panizza, *Policies for Managing a Wave of Sovereign Debt Crises*, G20, Rome, September 2021, available at https://www.t20italy.org/wp-content/uploads/2021/09/PB-TF9-11.pdf consultation date: February 27, 2023.

[126] G20, *G20 Bali Leaders' Declaration*, G20, Bali, November 16, 2022, available at http://www.g20.utoronto.ca/2022/221116-declaration.html consultation date: February 27, 2023.

[127] Benjamin J. Cohen, *op. cit.*

[128] Eric Helleiner, "Understanding the 2007-2008 global financial crisis: lessons for scholars of International Political Economy" in *Annual Review of Political Science*, vol. 14, United States, January 2011, p. 83.

The austerity model later returned and, although it has more recently been discredited again,[129] it continues to be praised by many followers.

Keynesian ideas promoting the virtues of public investment to stimulate aggregate spending to overcome depressions inspired economists and policymakers until the 1970s, but the "dark age" of Economics with the emergence of the "austerian" school gained prominence thereafter. Due to the antagonism between the advocates of monetarism –"freshwater economists" graduated from inland universities– and those of Keynesianism –"saltwater economists" graduated from coastal universities– the debate over the events of the 1930s was not clearly settled.[130] This unsettlement persisted for a long time, and even some ideas of the former even penetrated the minds of the latter. Economists found the new *laissez faire* fashion in finance not only very rewarding for their academic progress, but also for their economic progress.[131] However, the academic work of New Keynesians emphasizing the effectiveness of spending stimulus in the face of depression did not entirely disappear.

The initial consensus between Keynesian and orthodox economists can also be explained by the lack of prestige of the pre-crisis model, so that collaboration was considered intellectually appropriate for both sides, while politicians found it convenient to join them. The subsequent lack of consensus because of the combination of the Greek debt crisis and the politicians' interest in returning to a "normal" economic policy led them to support the orthodox economists thus causing a shift in their collaboration with Keynesian economists.[132]

The battle against inflation as a result of the price escalation triggered by the current war also reflects the lack of consensus among experts. Policymaking ranges from the traditional demand-side prescription, which insists on deepening interest rate increases, especially after several years of monetary easing,[133] to the less traditional supply-side prescription, which insists on deploying structural and fiscal policies to mitigate supply-side bottlenecks,[134] with traditional policy gaining momentum so far.

While the G2O leaders have agreed on the beliefs considered to be true and appropriate for reforming various financial issues, they have not yet agreed on those that will stabilize the whole international financial architecture. In turn, this leadership has a key role to play in bridging the growing gap between the need for

[129] Paul Krugman, "The austerity delusion", *op. cit.*

[130] Robert Skidelsky, *op. cit.*, pp. 29-30.

[131] Paul Krugman, *End this Depression Now*, *op. cit.*, pp. 54-57.

[132] Henry Farrell and John Quigguin, *op. cit.*

[133] Willem H. Buiter, *op. cit.*

[134] Joseph E. Stiglitz, "A balanced response to inflation", *op. cit.*

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global solutions and the ability of the multilateral institutions to meet this need in a context of declining multilateralism.[135] This pending task should be taken up not only by the more recently created G20, but also by the traditional Bretton Woods institutions which, as mentioned above, have long been proving ineffective in achieving global stability.

In principle, multilateral governance provides a basis for bringing countries to the table, thus enabling the pursuit of common projects and, at the same time, counteracting the "concentration of narrow interests".[136] As for the ongoing crisis between Russia and Ukraine, the G20 has so far not been able to act as a manager of global governance despite having expressed "deep concern" in the Bali Leaders' Declaration.[137] In order to avoid the "specter of Versailles",[138] referring to the Treaty that failed "to seal an enduring peace" and create an effective framework of global governance in economic and political terms in the aftermath of War World I by the then great powers, it is crucial that the G20 members abandon isolationist projects and contribute to global stability to overcome the current global chaos.

Undoubtedly, epistemic communities within the G20 achieved an overwhelming initiative of global cooperation to avert what with the outbreak of the GFC could have been a global collapse. When compared to the experience of the Great Depression, "the system worked" with a much stronger rebound in the 2008 crisis than in that of 1929; however, the rethinking of causal ideas has been "less radical" on the most recent occasion.[139]

There has not been a "Bretton Woods moment" in terms of shared innovative ideas to address issues such as the need for macroeconomic coordination or the status of the dollar in the international monetary system[140] and although G20 negotiations institutionalized "a new set of legitimizing principles (…) and procedures for multilateral management of the international economy (…), results have been more modest"[141] as a result of the lack of consensus on several issues. And

[135] Thomas Hale, David Held and Kevin Young, *op. cit.*, pp. 3 and 326.

[136] Ngaire Woods, "Multilateralism in the twenty-first century", *op. cit.*, p. 7.

[137] G20, *G20 Bali Leaders' Declaration*, *op. cit.*

[138] Barry Eichengreen, "The specter of Versailles" in *Finance and Development*, United States, June 2019, p. 35.

[139] Daniel W. Drezner, *op. cit.*, p. 155.

[140] Eric Helleiner, "A Bretton Woods moment? The 2007-2008 crisis and the future of global finance", *op. cit.*, p. 634.

[141] Jonathan Luckhurst, *G20 Since the Global Crisis*, *op. cit.*, pp. 89-90.

in the context of the Leaders' Summits, "the lack of a common narrative means no progress".[142]

All in all, since the GFC, G20 cognitive authority constituted "through practices, actor relations, and social construction"[143] has developed ideas, norms, and values with different degrees of achievement, not radically distant from the traditional ideational framework but powerful enough to avoid a new global depression. The ability to avoid repeating the misfortunes of the 1930s in 2008, and again in 2020, has undoubtedly been the most significant ideational shift in terms of global financial governance. Various aspects of the new macroprudential regulatory framework constitute a step forward and, although circumscribed to a limited aspect of the economy, their importance should not be minimized as having great potential for the future of global financial stability.[144] While the Leaders' Summits have also reflected the goal of broadening the lens under which the original forum examined global problems and subsequently designed actions to deal with them, the capacity of the newly included countries to impact on the agenda remains limited. Despite some unresolved issues, the discussions within the G20 epistemic communities, as a result of the Leaders' Summits along with other meetings with finance ministers and working and engagement groups have strengthened the socialization and learning processes, while continuing to provide new perspectives on the challenges faced by the global financial governance. At present, and particularly in the context of the confrontation between Russia and Ukraine, the need for global cooperation in the pursuit of peace has become critical for global sustainability. While in recent decades there has been an important globalization in financial terms, there has been no a parallel globalization in terms of cooperation, which is a fundamental international public good in the contemporary global era.

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Conclusion

The G20 has been created in search of enhancement of global governance through the joint action of the systemically most significant economies. Since the GFC, ideas and beliefs with different degrees of realization have sought to redesign the global financial architecture. Ideas have not radically diverged from the traditional mainstream on several issues but certainly have been powerful enough to avert a global collapse in 2008 and again in 2020.

[142] Stuart P.M. Mackintosh, *op. cit.*, p. 73.
[143] Jonathan Luckhurst, "A constructivist approach to the G20", *op. cit.*, p. 110.
[144] Stuart P.M. Mackintosh, *op. cit.*, pp. 13-14.

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The G20 cognitive authority of epistemic communities has played a role in generating ideational shift through the Leaders' Summit forum, which, as the main platform for global cooperation, was able to prevent a global collapse. The architecture of global governance has not undergone a spectacular change, but the inclusion of the developing countries at the table marked a new moment. The activation of monetary and fiscal policies during the crisis events demonstrates that the lessons of economic history have been appropriately internalized. Although incomplete, the implementation of financial regulatory reform has contributed to an improved view of the functioning of the financial system. Some issues, such as the acceptance of capital controls and the tolerance for wider fiscal deficits have shown progress, while other issues, such as global imbalances, the value of currencies, or the status of the dollar in the international monetary system, remain stagnant.

Whether because of the difficulty of understanding the nature of the new global challenges, the academic rivalry between economists of two different schools of thought and the convenience of adhering to one of them, and/or the lack of collaboration between economists *in tandem* with policymakers, consensus between the epistemic communities has been able to generate ideational shift on a circumscribed range of issues but not on others that have kept them divided. Still, the G20 has the potential to deepen the scope of its agenda and actions in future stages in its role as the premier multilateral forum for global cooperation. In the context of the present circumstances, international cooperation is needed more than ever before in order to redesign the architecture of international relations not only in financial terms but also in political ones. The international community still has a way to go.

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