

## Goodbye G7, hello G20

*A bit of good news after a big summit*

Judged by the hubristic promises that preceded it, the G20 meeting was bound to disappoint. The leaders of the world's 20 biggest rich and emerging economies, gathered in Washington, D c, on November 15th, did not remake global finance—as some of them had set out to do. Nor, as others had hoped, did they come up with a co-ordinated fiscal boost to counter the deepening global downturn (though they talked of using fiscal measures "to rapid effect").

And within days even some of their promises looked thin. The five-page communique included a solemn pledge that G20 countries would "refrain from raising new barriers" to trade and investment over the next twelve months. Two days later Russia's government said it would raise tariffs on imported cars. On November 18th India slapped a 5% duty on a number of iron and steel products.

So was it all a waste of time? There are some reasons to think not. For one, this was the first time the leaders of this group of rich and emerging economies— which between them represent almost 90% of global GDP—had gathered for an economic summit. They have already scheduled a follow-up session before April 30th, and the old, rich-only G7 looks increasingly anachronistic.

Fortunately, the G20'S attitude to global finance seems realistic. The communique was not a grand manifesto but a pragmatic acknowledgment of the tension between a globalising capital market and national regulation. From the creation of colleges of financial supervisors to oversee the biggest cross-border financial institutions to the development of a single global accounting standard, the G20 leaders set out incremental reforms to the rules of global finance.

They also made clear that the governance of global financial institutions must change. The membership of the Financial Stability Forum, a group of regulators and central bankers charged with the technicalities of financial supervision, is to be broadened. The IMF and World Bank are to be "comprehensively" reformed. It is easy to be cynical. Talk about reforming power within the IMF has gone on for years. But with emerging economies now firmly at the top table of international finance, such an overhaul has become much more likely. Not a new Bretton Woods—but a decisive shift in the old order.

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