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DO GLOBAL FORUMS INFLUENCE DOMESTIC MACROECONOMIC POLICIES ANYMORE?

RESULTS FROM IN-DEPTH INTERVIEWS WITH THE WORLD'S LEADERS, CENTRAL BANK GOVERNORS, FINANCE MINISTERS, AND OFFICIALS

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ABSTRACT

The G-20 has emerged as the premier forum for macroeconomic cooperation since 2008. It coordinated fiscal and monetary stimulus, strengthened the global financial safety net, pledged to resist protectionism and competitive devaluations, pledged to make exchange rates more market-determined and coordinated structural reforms to reduce global current account imbalances and achieve a collective growth goal. But was this coordination rhetoric or reality? Did countries change their policies because of these global agreements or was it business-as-usual masquerading as coordination? The paper reports the results from in-depth interviews with 61 leaders, central bank governors, finance ministers and officials from across all G-20 countries, including Janet Yellen, Kevin Rudd, Ben Bernanke, Haruhiko Kuroda, Jack Lew, Mark Carney, and 55 others. The paper shows that the G-20 does indeed influence domestic macroeconomic policies, but the strength of this influence varies by policy area, whether the economy is advanced or emerging, whether the economy is large or small, and several other factors. The paper presents a new framework for thinking about what forms cooperation can take, how different countries use the G-20, the transmission mechanisms through which global forums influence macroeconomic policies, and the factors that determine the strength of that influence.

Keywords: G-20, macroeconomics, international coordination, fiscal policy, monetary policy, central banking, global imbalances, structural reform.

JEL Codes: E50, E52, E58, E61, E62, E65, F02, F32, F42.

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I. INTRODUCTION

"This year's G-20 must be more than just a talkfest," said Tony Abbott, Australia's then Prime Minister (Abbott, 2014). Speaking at Davos in 2014, this was the central benchmark that Tony Abbott set for measuring the success of Australia's G-20 host year. It is a benchmark few would consider unreasonable. But it is also a benchmark which implies that previous G-20 meetings have delivered little in terms of meaningful policy change.

Although young by institutional standards, the G-20 has had a significant focus on macroeconomic cooperation. Its focus has ranged from coordinated fiscal and monetary stimulus to avoiding competitive exchange rate devaluations, resisting protectionism, moving toward market determined exchange rates, strengthening the global financial safety net, creating common standards for financial regulation and taxation, and coordinating structural reforms to achieve a collective growth target and reduce global imbalances in trade and current accounts. [1]

But was this coordination rhetoric or reality? Does the G-20 influence the domestic policies of its members? Or are Mr. Abbott's concerns correct: that claims of coordination are merely for show and countries tend to do what they would have done anyway?

There are reasons to be skeptical. Global crises, like that in 2008, tend to produce common incentives. When G-20 countries are hit by a common shock, they often have a prima facie incentive to undertake fiscal and monetary stimulus regardless of what other countries do. The domestic mandates of central banks, and the domestic incentives of politicians, may similarly suggest little room for global influence.

> Fundamentally, policy in the United States won't be pulled by international consensus, it will be driven by domestic policy considerations and domestic politics. There can be a backlash in the United States if you make the argument that you are doing something to comply with international rules. I faced an enormous challenge from Congress with regards to the FSB. I mean, for goodness sake, we created the FSB! It was trying to extend our policies as best practices!—*Jacob Lew, former Treasury Secretary, United States, interviewed September 7, 2017.*

Some areas of the G-20's agenda may also be poorly suited to coordination. During Australia's host year in 2014, the G-20 sought to coordinate the implementation of 1,000 structural reforms with the goal of lifting G-20 GDP by 2 percent by 2018. But structural reforms are often very country-specific, making cross-country comparisons difficult. Such reforms often entail ill-defined, long-run processes that challenge vested interests and require substantial political capital. Did G-20 countries really do anything different? Or did they merely repackage the reforms they were already undertaking?

The G-20 might also be taking credit for things it did not do. The G-20 has had a strong focus on reducing global imbalances in trade and current accounts, for example. But much of the post-crisis reduction in these imbalances may have been due to weak demand rather than anything the G-20 did.[2] Similarly, while the G-20 has been successful in moving toward more market-determined exchange rates, countries may have been moving in this direction already.[3]

[1] Triggs (2018) explores how successful the G-20 has been in each of these areas.

[2] Ibid

[3] Ibid

The G-20 also exists in a world where global economic cooperation may be less necessary in some areas than it was in the past. Global agreements to realign currencies, such as the Plaza Accord in 1985 and the Louvre Accord in 1987, for example, are unnecessary in a global system of predominantly floating exchange rates and independent central banks. Perhaps it is natural, therefore, for global forums and agreements to have less influence today than they have previously.

Or is this skepticism too cynical? The G-20 has, after all, set new standards for financial regulation and bank capitalization. It reformed global institutions and created new ones to monitor the domestic policies of its members. G-20 countries surrendered fiscal and monetary space to international institutions like the IMF and through bilateral currency swap lines. It is implementing an ambitious global agenda on multinational tax avoidance and did well in avoiding competitive exchange rate devaluations and resisting a 1930s' style rise in protectionism.[4] A theoretical framework in which the G-20 has no influence over domestic macroeconomic policies would struggle to explain these achievements.

> I'm not convinced that, without the G-20 framework, countries would have had the political purchasing power within their national systems of governments to deliver the policy responses that were necessary during the crisis—*Kevin Rudd, 26th Prime Minister of Australia, interviewed September 8, 2017.*

While many papers have developed theoretical explanations of how global agreements influence domestic policies,[5] few have sought to assess this influence empirically, at least in modern times. For good reason. The era when policymakers would meet in Long Island and agree on the values of exchange rates are gone.[6] "Coordination" has been largely replaced with "cooperation"—a subtler, longer-run process which can be harder to measure and harder to see in the data.[7]

> The G-20 is a useful forum for central banks for understanding the broader policy context in other economies. It is also a useful forum in which central banks can explain the reasons for their policy decisions—*Mark Carney, Governor of the Bank of England and Cahir of the Financial Stability Board, interviewed February 16, 2018.*

Given these challenges, how can the G-20's influence on domestic policies be measured in this new era of cooperation?

There is only one *ex ante* transmission mechanism between the G-20 and the domestic policies of its members, and that is the policymakers themselves. If policies are directly influenced by the G-20, it is because the politicians and officials who attended those meetings changed the domestic policies of their country because of what was agreed and discussed. As the old saying goes: if you want answers, go to the source.

This paper has done exactly that. It reports the results from in-depth interviews with 61 leaders, central bank governors, ministers and officials from across all G-20 countries. These are the individuals who make up the G-20 and are responsible for shaping the policies in their countries. The findings are testament to the generosity and openness of these policymakers in discussing their experiences in global economic cooperation. Participants included Kevin Rudd, Janet

[4] See Triggs (2018) for a discussion of whether the G-20 achieved its goals in macroeconomic cooperation.
[5] See Schirm (2013); Schirm (2016); Jones (2016); Frieden (2016) and Simmons (2000)
[6] This is referring to 1927 when, after the sterling came under strain, the Governors of the Federal Reserve Bank of New York, the Bank of England, the German Reichsbank and the Bank of France met secretly on Long Island and agreed to alter their respective monetary policies to ease pressure on the sterling (see Eichengreen, 2013).
[7] See Bayoumi (2014) on the distinction between cooperation and coordination.

Yellen, Haruhiko Kuroda, Ben Bernanke, Jack Lew, Mark Carney and 55 other politicians and officials to whom I am deeply grateful.

The goal of these interviews was to explore five critical issues: What forms does global macroeconomic cooperation take? What are the ways in which the G-20 influences domestic policies? How strong is the G-20's influence? How does this differ depending on the policy area, the size of the country and its level of development? And why does cooperation influence domestic policies in some areas more than others?

The critical finding of this paper is that global cooperation can influence, and has influenced, domestic macroeconomic policies. For example, the paper finds that 11 of the G-20 economies undertook more fiscal stimulus from 2008 to 2010 because of the G-20 than they otherwise would have done. It finds that the G-20 has prevented countries from depreciating their currencies, spurred them to resist protectionism, and helped them to improve communication and defuse tensions around monetary policy spillovers. It finds that discussions on monetary policy influences the thinking of central bankers and, through this, their policies. Although less common, the paper finds that some countries undertook more fiscal consolidation because of the G-20. Several countries implemented new, or more ambitious structural reforms because of the G-20 and some altered their policies to reduce their external imbalances.

Using the results from these interviews, the paper presents a new framework for thinking about how global agreements influence domestic policies. It categorizes the different ways in which global cooperation can take place, the transmission mechanisms for influence, and the variables which determine the strength of that influence.

The paper is structured as follows. Section 2 outlines the methodology for collecting and reporting the data used to build this framework. Section 3 looks at how policymakers use the G-20 and what they perceive to be its key value. Section 4 explores whether countries did anything different because of the G-20, and how the G-20 influenced domestic policies, in five areas: fiscal stimulus, reducing debt and deficits, monetary policy, reducing global imbalances and structural reform. Section 5 presents the new framework for thinking about macroeconomic cooperation and Section 6 concludes. It summarizes the main findings and explores what they mean for the G-20 in the future.

II. METHODOLOGY

Historically, it has been relatively easy for researchers to document the influence of global agreements over domestic macroeconomic policies. Eichengreen (2011, 2013, 2015), for example, has documented how the Louvre Accord, Plaza Accord and multiple other coordination agreements profoundly shaped the domestic macroeconomic policies of the countries involved. He used event analysis to compare a country's macroeconomic policies before an event—such as an international conference where policymakers agreed on exchange rate values—to after that event.

However, given changes in the nature of global cooperation, those attempting to deploy such research methodologies now struggle to explain the influence of global forums and agreements. Exchange rates, for example, are no longer determined by agreements between officials. Eighteen of the G-20's economies have market-determined exchange rates.[8] An event analysis before and after a global meeting of central bank governors would now struggle to find as much

[8] See Triggs (2018) which uses the IMF's external balance methodology to classify the exchange rate regimes of all G20 countries. The two G-20 countries classified as having non-market determined exchange rates are Saudi Arabia (which maintains a peg with the U.S. dollar) and China (which maintains a managed exchange rate against a basket of currencies).

influence. Similarly, for fiscal policy, Helleiner (2014) used an event analysis to explore whether the G-20's agreement on coordinated fiscal stimulus influenced the domestic policies of some of its members. He noted that China's fiscal stimulus package was announced before the leaders G-20 meeting in 2008 and therefore concluded that the G-20 did not have an effect (see also Wade, 2011 for a similar approach).

But are these findings correct? On monetary policy, few central bank governors interviewed for this research suggested the G-20 has zero influence, contrary to what an event analysis may conclude. Similarly, fiscal stimulus was not a one-year event—it was a process that persisted from 2008 to 2010 (and sometimes longer). Many countries, including China, had multiple stimulus packages and the majority of the G-20's agenda is agreed and delivered during the dozens of meetings of ministers and officials held before the leaders meeting. The G-20 also represents a "repeat game" where policymakers will often slowly chip away at an issue until a consensus is reached.

> Nothing of substance is settled at most international meetings; all important issues are usually settled beforehand—*Raghuram Rajan, former Governor of the Reserve Bank of India.*[9]

This new and more subtle form of global cooperation, which has evolved over time, means that data analysis and quantitative, ex post research methodologies struggle to explain the influence of global agreements on domestic policies.

This paper therefore adopts a different approach. Discussed in the introduction, there is only one *ex ante* transmission mechanism between the G-20 and domestic policies, and that is policymakers themselves. If domestic policies are directly influenced by the G-20, it is because the politicians and officials involved in that process altered their policies as a result. This paper uses in-depth interviews to collect this information from the most senior policymakers in each G-20 economy. In-depth interviews are a qualitative research technique that involves intensive individual interviews to explore their perspectives on a particular policy proposal, program or situation (Boyce and Neale, 2006). In-depth interviewing is used extensively across social sciences, including economics, anthropology, history, sociology, criminology, political science and urban studies (Neale, 2008).

In-depth interviewing has strengths and weaknesses (Table 1). Despite its increased use, the extent to which an interview can ever give a researcher straightforward access to experience is a contested issue (see Neale, 2008). Neale (2008) notes that there is a debate about whether the knowledge acquired from an in-depth interview is pre-existing and therefore simply 'exposed' by the interviewer (like a miner uncovering minerals, see Kvale, 1996), or whether knowledge is constructed during the interview process itself. If it is the latter, there is a greater risk that the information is biased through the influences of the interviewer.

[9] Rajan, R. (2010).

Table 1: The strengths and weaknesses of in-depth interviews as a research method

Strengths	Weaknesses
Provides detailed contextual information and helps the researcher to understand the full meaning of the interviewee's response and enhances the validity of findings.	The subjective nature of in-depth interviewing makes it susceptible to bias.
Participants have direct and unique experience or knowledge of the topic being researched and can give an insiders perspective.	In-depth interviewing can be extremely time-consuming to undertake and it can be difficult to obtain access to the right people.
In-depth interviews are suited to investigating topics about which relatively little is known publicly.	It is easy for the inexperienced and unskilled researcher to conduct a poor in-depth interview.
In-depth interviews are valuable when researching sensitive and complex issues.	Researchers can struggle to know how to analyses the large quantities of unstructured narrative data which can result in an academically dishonest "anything goes" mentality.

Source: Neale (2008)

2.1 The sample used for this research

The population for this research—referring to the group that the research intends to generalize its findings across—is summarized in Table 2. It can be organized by G-20 stream (left to right) and by seniority (top to bottom), multiplied by 20 countries. The objective was to interview the most senior policymakers possible in each G-20 stream from each G-20 country. This implies a total sample of 60 individuals. This minimizes bias by ensuring representation across all countries and streams of the G-20 given different streams often have different areas of responsibility and expertise.

Table 2: The theoretical population for the research

Leaders stream	Finance ministers stream	Central bank governors stream
Leaders	Finance ministers	Central bank governors
Sherpas (advisors to leaders)	Finance deputies	Central bank deputies
Sous-Sherpas	Finance deputy deputies	Central bank deputy deputies
Other officials	Other officials	Other officials

In total, 61 policymakers were interviewed. Table 3 shows the size of the sample and how it is distributed across countries and work streams. The identities of the policymakers who participated in this research are confidential, except for where they have been directly quoted. All quotes have been approved by those to whom they are attributed.

There are debates in the literature on the appropriate sample size when undertaking in-depth interviews, but a sample of 61 is likely more than adequate given the specialized nature of this research and the unique position of the policymakers.[10]

[10] As summarised by Dorkin (2012), the concept of 'saturation' is the most important guide in determining the appropriate sample size (see also Mason, 2010). Saturation is defined as the point at which the data collection process

Although interviewing multiple policymakers within a country is vital to reducing potential bias (see Baxter and Eyles, 2010, on the importance of "triangulation") the downside is that some countries are overrepresented in the sample (e.g., Australia). To address this, the accounts of policymakers are aggregated by country. Aggregation, however, requires that there be no significant disagreement between the policymakers within a country, a phenomenon that largely prevailed in this study. It was only in rare circumstances that the accounts of policymakers differed within the same country. Where inconsistencies arose, they were addressed through follow-up conversations and through a weighting system based on the policymaker's area of expertise (e.g., monetary policy), the time in which they served in the G-20, and their seniority.[11]

Table 3: Sample distribution for the interviews of G-20 politicians and officials

		G-20 work stream		
Country	Total	Leader	Finance	Central bank
Argentina	2	2		
Australia	9	4	3	2
Brazil	1			1
Canada	3	1	1	1
China	2	1		1
European Union	3	1	1	1
France	2	1		1
Germany	3	1	1	1
India	3	1	1	1
Indonesia	2	1	1	
Italy	4	1	1	2
Japan	2			2
Mexico	1	1		
Korea	2		1	1
Russia	3	1	1	1
Saudi Arabia	1	1		
South Africa	3	1	1	1
Turkey	2	1		1
United Kingdom	7	2	2	3
United States	6	2	2	2
Total	61	23	16	22

no longer offers any new or relevant data or "when gathering fresh data no longer sparks new theoretical insights, nor reveals new properties of your core theoretical categories" (Charmaz, 2006, p. 113). Many factors are important in determining the appropriate size of a sample, including the quality of data, the scope of the study, the nature of the topic, the nature of the individuals being interviewed, the amount of useful information obtained from each participant and the qualitative method and study designed used (Morse, 2000).

[11] First, the accounts of policymakers who worked within the relevant G-20 work-stream were given preference over the accounts of policymakers who did not work in that policy stream. The accounts of central bank governors, for example, were given greater weight on the topic of monetary policy than the accounts of Sherpas. Second, the accounts of policymakers who worked on the G-20 at the time that an issue was discussed were given preference over the accounts of policymakers who did not work on the G-20 at that time. For example, the accounts of finance ministers who were present for the fiscal stimulus discussions in 2009 were given preference over the accounts of finance ministers who worked on the G-20 at a later date. Third, the accounts of more senior policymakers were given preference over the accounts of less senior policymakers. The view of a central bank governor, for example, was given preference over the view of a central bank deputy.

Finally, a challenge of any qualitative research is in standardizing the data so that it can be reported in a way that is accurate but also digestible. This paper uses the commonly used technique, detailed by Dicicco-Bloom and Crabtree (2006), referred to as an "editing approach." This is where the investigator reviews and identifies themes and text segments much as an editor does in organizing text.[12] This allows the results, reported in the sections that follow, to be partially standardized, complemented with direct quotes to flesh out what policymakers meant by their responses.

III. THE VALUE AND USEFULNESS OF THE G-20

The G-20 is often characterized in the media as being a forum that achieves little and whose usefulness and relevance is in decline (see Foley, 2009; Ivanovitch, 2016; ILO, 2014).

> Any discussion of the global economy is necessarily a complex one. Inevitably journalists find the going tough. I was not at all surprised when many chose to put more time into reporting that the statues of leaders the Koreans had erected for the G-20 had me in an Austrian outfit—*Julia Gillard, former Prime Minister of Australia (not Austria).*[13]

However, this view was not shared by the policymakers involved in the G-20 process. Policymakers identified a range of ways that the G-20 is useful to their countries, which typically go beyond what is perhaps a short-term focus in the media. Policymakers felt it was misleading to describe the G-20 as a forum in decline, arguing that such a characterization ignores that the G-20's objectives have changed over time.

> A key thing about the G-20 is to ask what the world would be like without it. Without the ability to have these discussions on a regular basis there could be a lot more anger and yelling at each other from capitals. The world could be a more dangerous place—*Phil Lowe, Governor of the Reserve Bank of Australia, Australia, interviewed April 29, 2017.*

3.1 Do policymakers find the G-20 useful?

Figure 1 summarizes what policymakers believed to be useful about the G-20. The G-20 stands ready to respond should a crisis occur. Policymakers cited many examples of this. The global financial crisis and the European debt crisis were the most common, but policymakers also cited the G-20's handling of the taper tantrum, the consequences flowing from Brexit and the rise of populist politicians.

> As a body, it is certainly something you would want to have in place if there were another crisis and countries were required to respond to an emergency—*Janet Yellen, Chair of the Federal Reserve, United States, interviewed September 30, 2017.*

> One of the most important things about these meetings is that people get to know each other and, when there is a crisis, you can pick up the phone and call someone you know. It is important that you understand your counterparts and they understand you. We had several moments where these relationships proved to be very useful. Our planning

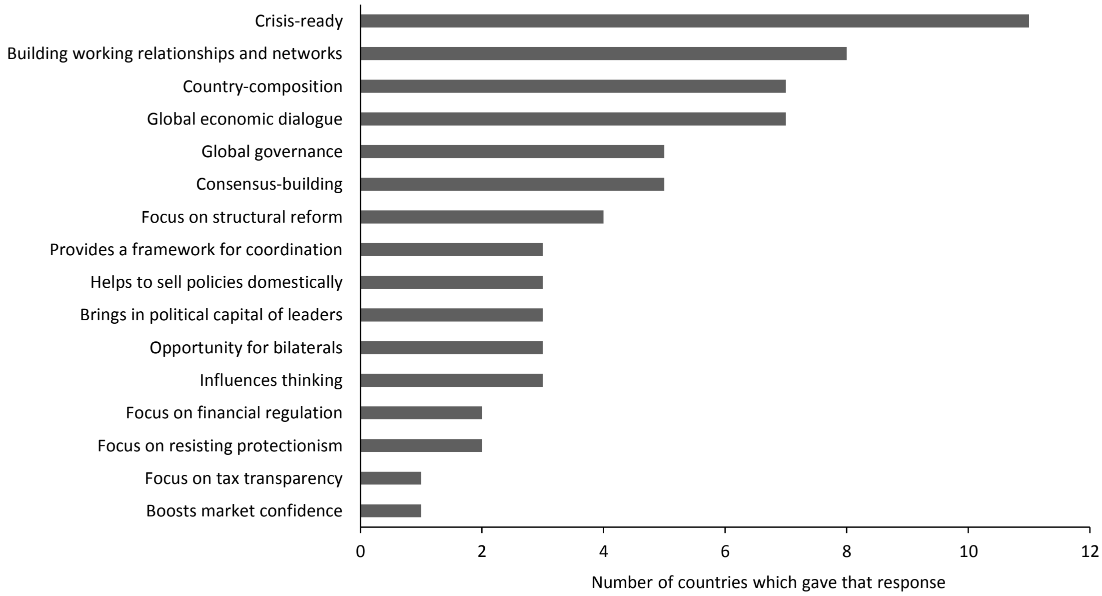
[12] A team from Ontario, Canada used this strategy to apply more than 100 codes in a study to understand the smoking experience and cessation process (see Dicicco-Bloom and Crabtree, 2006).
[13] Gillard (2014).

> around Brexit and our response after the Brexit vote is one example—*Jacob Lew, former Treasury Secretary, United States, interviewed September 7, 2017.*
>
> The G-20 is of fundamental value in those comparatively rare moments when there is an overwhelming imperative and coincidence of interest where you can get better outcomes when you make them together, as was the case in 2009—*Former senior official, United States, interviewed September 12, 2017.*
>
> If the G-20 didn't exist today then we would have to invent it. And if we didn't have the G-20 today then the world would be a much more challenging place. That seems enough for me to justify the institution—*Heather Smith, former Sherpa, Australia, interviewed June 2, 2017.*
>
> In a crisis you need a decisive response. Outside of a crisis it is harder—*Haruhiko Karuda, Governor of the Bank of Japan, Japan, interviewed June 21, 2017.*
>
> You could say the G-20 is kind of like a swat team. Just because you haven't got a crisis now doesn't mean you get rid of your swat team—*Montek Ahluwalia, former Sherpa, India, interviewed June 10, 2017.*

Policymakers felt that the G-20 was particularly useful because of its composition. The G-20 includes advanced, emerging and developing economies from Europe, Asia, Africa, the Middle-East and central and Latin America. Policymakers felt that the G-20 was more representative than smaller groups, like the G-7, but still of a manageable size. Some, however, were still concerned that the G-20 lacked legitimacy.

> In 2008, the world was transitioning to the G-20, recognizing that the emerging markets made up about half the world's GDP. It became increasing important to engage the emerging markets and the G-7 receded in relative importance—*Ben Bernanke, former Chair of the Federal Reserve, United States, interviewed August 7, 2017.*
>
> The G-20 was very important in widening the conversation about global issues from the traditional focus of the G-7 and smaller groups of advanced countries to include important emerging markets in discussions of global issues—*Janet Yellen, Chair of the Federal Reserve, United States, interviewed September 30, 2017.*
>
> We have always participated in the G-20 in our national capacity but have also sought to bring in an African perspective as well. We don't purport to represent all of Africa, but we try to give that perspective, often reinforced by having other African countries participating as observers in the forum—*Sheldon Moulton, former member of the Sherpa's team, South Africa, interviewed May 31, 2017.*

Figure 1. In what ways is the G-20 useful?



The G-20 helps build important working relationships and networks across countries. Policymakers said that these relationships have proved vital, particularly during crises. Policymakers would know who to call and have established, trusting relationships with their counterparts. This trust, they suggest, proves to be invaluable when tensions escalate.

> An important function of these meetings is to establish personal relationships among the principals. Through a whole variety of international meetings—the G-20, IMF, BIS, G-7 and so on—I developed close relationships with the other central bank governors as well as finance ministers. During the crisis it was very useful to be able to call someone on a bilateral basis. Those relationships proved to be very useful—*Ben Bernanke, former Chair of the Federal Reserve, United States, interviewed August 7, 2017.*

> As a former OECD Chief Economist, I can only confirm that having relevant policymakers getting to know each other well, exchanging views and agreeing on fundamental policy objectives is a significant value in and of itself. This is certainly what is achieved at the highest level within the G-20—*Ignazio Visco, Governor of the Bank of Italy, interviewed April 13, 2017.*

> There is a huge value in the G-20 in terms of trust building, networking and establishing relationships. This is a benefit of the G-20 which is always harder to measure—*Former senior official, United States, interviewed September 12, 2017.*

> Outside of a crisis, the G-20's best value is very much in maintaining contact: making sure that emerging stress points are articulated and communicated in the group—*Subir Gokarn, Executive Director, International Monetary Fund and former Deputy Governor of the Reserve Bank of India, India, interviewed November 9, 2017.*

More generally, the G-20 opens a dialogue and provides a forum for discussion of critical global issues, allowing countries to agree on the root causes of challenges, agree on the best policy responses and explain the motivations for their policy actions. As explained in Section 4, policymakers have found this to be critically important in defusing tensions on issues around interest rates, quantitative easing, and exchange rate policies.

> The G-20 allows you to understand your global partners better. You stake your positions very clearly and there is less confusion about what is happening in the rapidly changing global economic scenario. Hence your responses in a globalized world becomes more cogent and rational—*Arvind Mayaram, former finance deputy, India, interviewed June 7, 2017.*

> A primary purpose of the G-20 is to serve as a place of discourse. It serves that role very effectively. Some people have loftier ambitions for the G-20 and they are likely to be disappointed—*Phil Lowe, Governor of the Reserve Bank of Australia, Australia, interviewed April 29, 2017.*

> The G-20 provides an official and regular platform that allows policymakers to discuss various issues, which helps enhance policy coordination among major economies. There are significant economic and political benefits—*Chang Yong Rhee, former Secretary General and Sherpa of the Presidential Committee for the 2010 G-20 Seoul Summit, Republic of Korea, interviewed August 17, 2017.*

> The G-20 eliminates many risks that cannot be measured. The possibility of miscalculation of what another countries' intentions are, for example, is taken away. This is because they go to the table and explain to the other countries what their difficulties are. Then there is the possibility of managing the issue before it becomes a major problem—*Hugo Gobbi, former sous sherpa, Argentina, interviewed May 12, 2017.*

The G-20 has also helped policymakers to build consensus on important issues, such as the merits of market-determined exchange rates (see Triggs, 2018). The G-20 also helps policymakers to sell policies domestically by being able to point to a global consensus. This, however, was more common among relatively smaller economies and the emerging market economies (see Section 4).

> The consensus the G-20 has achieved on a range of issues is probably one of its greatest achievements—*Bruno Cabrillac, central bank deputy, France, interviewed April 11, 2017.*

> The G-20 is a forum where you can build consensus and work on the establishment and the evolution of norms. You need collective actions to achieve that - *Former senior official, United States, interviewed September 12, 2017.*

> The G-20 recommends some useful ways of thinking and is a useful way to push ideas inside the system on domestic policy—*Svetlana Lukash, Sherpa, Russia, interviewed March 28, 2017.*

> The G-20 provides countries with political cover to implement tough reforms when growth is weak—*Joe Hockey, former Treasurer, Australia, interviewed August 18, 2017.*

> The G-20 provided political support to some countries in implementing domestic structural reforms—*Heenam Choi, former finance deputy, Korea, interviewed August 21, 2017.*

> It is easier for the politicians to embrace an outside message but also easier for the public to absorb that message if it is something they can see is shared across the global

> community—*Senior Central Bank official, advanced economy, interviewed August 17, 2017.*

Policymakers also felt that, over time, the G-20 influences their thinking on key issues. The more they meet and discuss issues, the more there is a gradual convergence in their thinking. The G-20 helps reach consensus on risks, appropriate policy responses and what the correct economic model for policymaking should be. Although not strictly related to the G-20's agenda, some policymakers noted that the G-20 also provides useful opportunities for bilateral meetings that are less formal than state-visits.

> The more you collaborate and cooperate the more you tend to work on common models. To that extent, discussions do tend to influence your domestic policies—*Montek Ahluwalia, former Sherpa, India, interviewed June 10, 2017.*

> There is a lot of discussion at these meetings—a framing of the issues and a discussion of the issues. It can lead to a meeting of the minds which is important—*Catherine Mann, Former Chief Economist of the OECD, interviewed April 11, 2017.*

> The G-20 leaders meeting itself is an opportunity for "speed dating" between the leaders. It is an opportunity for informal bilaterals that can be organized with ease—*David Gruen, Sherpa, Australia, interviewed March 7, 2017.*

Finally, several policymakers cited topics that are currently on the G-20's agenda for which they consider the G-20 to be particularly useful. These include the G-20's agendas on structural reform, financial regulation, resisting protectionism, and tax transparency. These specific policy areas are considered in Section 4.

> Without the G-20, there would almost certainly have been a substantial rise in protectionism after the global financial crisis—*Matthieu Peyraud, former deputy Sherpa, France, interviewed February 17, 2017.*

> I know for a fact that when we first put the commitment to resist all forms of protectionism in the communique in 2008, there was already resistance to it. Countries were already looking to the easiest mechanism to get the recovery going which is through the export channel. My argument was that if we pursue protectionism and close national markets then what starts as a financial crisis becomes a trade crisis, becomes an economic crisis, becomes an employment crisis, becomes a social crisis, which becomes a political crisis—*Kevin Rudd, 26th Prime Minister of Australia, interviewed September 8, 2017.*

> I think the G-20 was a fresh pair of eyes looking into the issue of voice and representation and governance of the major international financial institutions. The G-20 was very important in getting the 2010 IMF governance reforms through and it should continue to play a very important role for the current review of quotas—*Alexandre Tombini, former Governor of the Central Bank of Brazil, interviewed September 19, 2017.*

3.2 But is the G-20 becoming less useful over time?

Policymakers overwhelmingly rejected the assertion that the G-20 was becoming less useful over time. They argued that this assertion ignores the fact that the G-20's objectives have changed: shifting from crisis response to more difficult, longer-term reforms.

> At the Seoul summit in 2010 the G-20 shifted gears from acute crisis management to dealing with what caused the crisis in the first place—*Julia Gillard, former Prime Minister of Australia*[14]

> It is a really illuminating view when people say the G-20 has become less useful over time. It tells you that the people who have that perspective are not really involved in core policymaking. They tend to be people who are commentators. They have a linear view of the way things operate—*Martin Parkinson, Secretary of the Department of the Prime Minister and Cabinet, Australia, interviewed May 30, 2017.*

This shift in objectives is seen across the G-20's macroeconomic agenda. On fiscal policy, its focus shifted from coordinated stimulus to promoting medium-term fiscal sustainability. On monetary policy, its focus shifted from coordinated monetary expansions to unwinding unconventional policies and deep structural reforms of exchange rate and monetary policy frameworks. Regarding the global financial safety net, its focus shifted from injecting capital into institutions like the IMF to then reforming the governance of these institutions themselves. On global imbalances and structural reform, its focus shifted from announcing frameworks and reform commitments to then implementing them (see Triggs (2018) for a discussion of each).

> The key question is: if not the G-20, then what? I think it is the laziest piece of analysis around to suggest that the G-20 has passed its used-by date. It is just a subjective throw-away line that does not deal with the substance of the issues that are in contention—*Kevin Rudd, 26th Prime Minister of Australia, interviewed September 8, 2017.*

> Overall the geopolitical and economic background has changed. You cannot save the world all the time—*Senior EU official, interviewed April 10, 2017.*

> The G-20 was born out of crisis which allowed it to have a win right away in terms of having a problem, reaching a consensus, and moving forward. That's a tough act to follow—*Catherine Mann, Former Chief Economist of the OECD, interviewed April 11, 2017.*

> The G-20 moved through rolling dimensions. In 2008, it was about how to stabilize the financial system. In 2009, it was about preventing damage to the real economy through stimulus. In 2010, it was about withdrawing stimulus. In 2011 and beyond it has been about chipping away at deeper and more challenging structural issues to ensure the global system worked effectively—*Gordon de Brouwer, former Sherpa, Australia, interviewed February 23, 2017.*

> There is now this perception in the media that the G-20 is no longer useful. I think this is not correct. What we have done in the past few years is shift from crisis mode to building the architecture for the global economy, for example in the area of international taxation or financial regulation—so I would like people to see it as building a global economic order—*Holger Fabig, senior G-20 official, Germany, interviewed April 7, 2017.*

> As the crisis waned, I think the worst fear was over and politically for some countries there was political gridlock over how to fundamentally address the structural issues that caused the crisis, including labour reforms, pension reforms, addressing fiscal problems and so on—*Jianxiong He, Central Bank Deputy, China, interviewed June 13, 2017.*

[14] Ibid, p196.

But many policymakers felt that there were more opportunities for cooperation during a crisis when incentives are more aligned than in the absence of a crisis. Many also felt that the expectations that the media and public have of the G-20 are simply too high.

> After the immediate crisis, the recovery took place in an uneven fashion. Europe was still trouble, the U.S. the recovery was slow, but countries like Indonesia and Australia were relatively able to manage their situation. Since we didn't have a common problem anymore, the discussion in the G-20 became more difficult and each country therefore had its own agenda—*Muhamad Basri, former Finance Minister, Indonesia, interviewed November 6, 2017.*

> Cooperation is very different from coordination. Cooperation means the exchange of information and knowing about someone else's way of thinking about the world, and that is very helpful. There was coordination in monetary policies during the global financial crisis, but in normal times the heterogeneity of economic circumstances means coordination is less practical—*Alexandre Tombini, former Governor of the Central Bank of Brazil, interviewed September 19, 2017.*

> When countries are aligned, it's easy to move in the same direction, for example on tackling tax avoidance. But with countries' economic contexts differing more than ever, moving together in lockstep is becoming more challenging—*Gabriela Ramos, Chief of Staff and OECD Sherpa, interviewed April 11, 2017.*

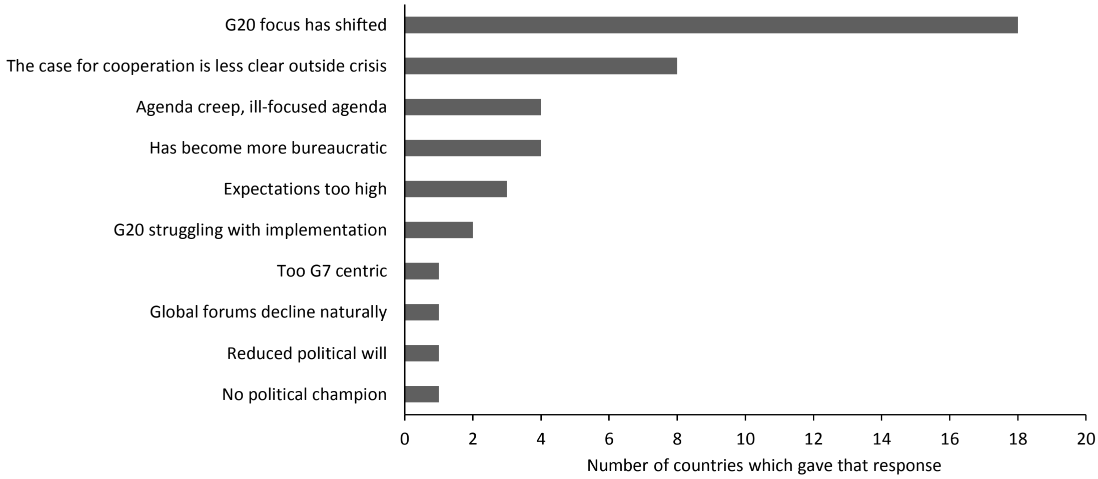
> G-20 coordination is often inversely correlated to what happens in the global economy. If the global economy is weak, then there tends to be more cooperation than when the global economy is strong—*Heenam Choi, former finance deputy, Korea, interviewed August 21, 2017.*

> During the first several years, the G-20 worked as a firefighter to combat crises, such as the global financial crisis and the European debt crisis. In the second half of its history, the G-20 has been searching for ways to tap mid-to-long-term growth potential for the global economy, with the Comprehensive Growth Strategies from the Brisbane Summit and the Blueprint on Innovative Growth from the Hangzhou Summit at its core—*Lyu Jin, Counsellor, Deputy Chief of Policy Section, Embassy of China in the U.S., interviewed November 13, 2017.*

Policymakers were not starry-eyed about the G-20, either (Figure 2). While the majority recognized the G-20's focus has shifted and that cooperation was politically and economically easier during a crisis, they also recognized that the G-20 faces a number of challenges.

Policymakers warned that the G-20's agenda has expanded significantly, making it less focused and harder to manage. They warned that the G-20 has become more bureaucratic, less leader-led and has struggled with implementation. Many emerging market economies felt that the G-20 was too focused on advanced economy issues rather than the issues most important to the emerging markets, such as development. Others said that political will for action among G-20 countries is waning and that there have been no politicians willing to champion the G-20 cause. Finally, some remarked that it is natural for international forums to become less useful over time. To this extent, they felt that the G-20's experience was following a familiar pattern.

Figure 2. The challenges facing the G-20



I would not say it is less useful. Its usefulness has grown, but it is becoming less efficient. This is partly because we have passed the crisis. But at the same time, it is becoming a more political organization and is being more over-burdened with work and bureaucracy—*Svetlana Lukash, Sherpa, Russia, interviewed March 28, 2017.*

The G-20's effectiveness is clearly more biased toward issues that affect the G-7 countries when compared with issues that concern other member countries. Because of this, the interest of other countries in the G-20 has waned a bit—even though they want to sit at the high table and be heard, they don't expect very much from the G-20 in terms of outcomes—*Arvind Mayaram, former finance deputy, India, interviewed June 7, 2017.*

I remember Sherpas joking that the G-20's communique had multiplied in size from one summit to the next. The further away we went from the crisis it is probably true that we became less focused—*Simon Kennedy, former Sherpa, Canada, interviewed August 3, 2017.*

The worst the G-20 becomes is when countries and negotiators just want to repeat what has been done before, when the world is changing. Sometimes the G-20 is running behind transformations, failing to anticipate and see things coming—*Cecilia Nahón, Former Sherpa, Argentina, interviewed October 2, 2017.*

I make the distinction between the peace time and war time roles. I was very positive about the war time role, but am somewhat guarded about its peace time role. Outside of the crisis context, it is a structure that perhaps needs to explicitly articulate its mission—*Subir Gokarn, Executive Director, International Monetary Fund and former Deputy Governor of the Reserve Bank of India, India, interviewed November 9, 2017.*

The critical question is not what is wrong with the institution, it is what is wrong with the member countries who have lost the sense of urgency in restoring strong, sustainable and balanced growth. Ain't nothing wrong with the institution. Ain't nothing wrong with its mandate. The critique lies in the lack of urgency among member countries in the non-crisis period—*Kevin Rudd, 26th Prime Minister of Australia, interviewed September 8, 2017.*

> It worked as a great crisis mechanism, but largely because leaders were energetic about making it do things and making it work—*Wayne Swan, former Treasurer, Australia, interviewed March 21, 2017.*

> It is always a threat to international groupings that they become slower and heavier over time. The G-20 is no exception to this—*Matthieu Peyraud, former deputy Sherpa, France, interviewed February 17, 2017.*

IV. DOES THE G-20 INFLUENCE DOMESTIC POLICIES?

The critical question for this paper is whether the G-20 influences domestic macroeconomic policies. There are often two views expressed on this question, at either extreme. One view is that macroeconomic policies are determined entirely domestically and any claims of coordination are just for show (see Helleiner, 2014; Wade, 2011, for example). The other view is that, particularly in the wake of the global financial crisis, leaders come together in the G-20, negotiated a collective set of policies, and then return to their capitals to implement them (see Fernholz, 2014; Drezner, 2014 for example).

> I think people have this idea that we all get around the table together and agree to do something and then we all go home and do it. It just doesn't work like that—*Phil Lowe, Governor of the Reserve Bank of Australia, Australia, interviewed April 29, 2017.*

The findings below suggest that neither view is correct. While it is wrong to say that countries' macroeconomic policies are determined by the G-20, it is also wrong to say that the G-20 has no influence over the domestic macroeconomic policies of its member countries. But this influence is not uniform. As this section shows, it varies across policy areas, objectives, countries and economic contexts. This is evident in exploring five policy areas which effectively summaries the G-20's agenda and history on macroeconomic cooperation: fiscal stimulus, fiscal consolidation, monetary policy, global imbalances, and structural reform.[15]

4.1 Fiscal stimulus

The G-20 is perhaps most famous for its coordinated fiscal stimulus from 2008 to 2010. Countries increased spending, recapitalized banks, cut taxes and let automatic stabilizers support the recovery in what the G-20 called "the largest coordinated fiscal expansion in history" (G-20, 2009). In total, G-20 countries implemented a $6.4 trillion fiscal expansion over the three years.[16]

But did countries implement more stimulus because of the G-20? Or would countries have acted in the same way regardless? This question was put to policymakers.

In total, 11 of the G-20 economies reported undertaking more fiscal stimulus from 2008 to 2010 because of the G-20 than they otherwise would have (Figures 3 and 4). For some countries, the increase in stimulus in 2008 was substantial—up to half a percent of GDP—while for others it was significant, but marginal.

> The G-20 played a positive role in the quantum of Australia's fiscal stimulus. We could deploy the argument in domestic politics that the world was undertaking a similar approach. The discussion also reinforced for many countries the enormity of the crisis facing the global economy. I know from private conversations that a number of

[15] See Triggs (2018) for a detailed discussion of the G-20's history in these areas.

[16] See Triggs (2018) for a discussion on the size of stimulus, its breakdown by country and the G-20's success in achieving its objectives.

> countries undertook more stimulus because of discussions and agreements at the G-20—*Kevin Rudd, 26th Prime Minister of Australia, interviewed September 8, 2017.*

> The G-20 collective action and the IMF statements made it easier for Australia to do 2 percent of GDP worth of stimulus—*Gordon de Brouwer, former Sherpa, Australia, interviewed February 23, 2017.*

> The fact we had international consensus made it much easier for governments to undertake deficit spending—*Simon Kennedy, former Sherpa, Canada, interviewed August 3, 2017.*

> We probably would have undertaken the same measures, but the level of urgency, confidence and quality would be lower—*Mahendra Siregar, former Sherpa, Indonesia, interviewed May 22, 2017.*

> For stimulus, yes. Absolutely we did more, as did others. Leaders understood the degree of uncertainty better because they were sharing notes more than if they sat at home in their countries. They were a lot more aware of the spillovers between each other so they were more willing to do more as a consequence—*Martin Parkinson, Secretary of the Department of the Prime Minister and Cabinet, Australia, interviewed May 30, 2017.*

> There was a lot of urging on us by our international partners for us to do more given our sound fiscal position—to use that space—and we listen to our international partners. We have also provided a lot of funding through the IMF and through capital increases for the MDBs. That for sure would not have happened without the G-20. It also went almost unnoticed in the wider public that the MDBs created several dedicated facilities, for infrastructure financing for example, and this funding would not have been made available without the G-20, or was at least significantly increased because of the G-20—*Holger Fabig, senior G-20 official, Germany, interviewed April 7, 2017.*

The relative size of economies appears to make a difference (Figure 3). Divided between large and small,[17] 70 percent of smaller economies said their fiscal expansions were larger because of the G-20 compared to just 40 percent of larger economies. Emerging market economies were also slightly more likely to have been influenced by the G-20 than advanced economies: 60 percent compared to 40 percent (Figure 4).

> Stimulus was not really coordinated, at least not from the U.S. perspective. Countries may have changed their behavior because of the G-20 a little bit, there was a shared imperative and coincidence of interest. I think the forum was less important than the imperative—*Former senior official, United States, interviewed September 12, 2017.*

> No coordination was required, as every country wants to pump up its economy to the extent possible: the G-20 leaders were pushing on an open door when they called for coordinated stimulus—*Raghuram Rajan, former Central Bank Governor, India.*

[17] Ranked by GDP (PPP), large countries are classified as China, the EU, the United States, India, Japan, Germany, Russia, Indonesia, Brazil and the United Kingdom.

Figure 3. The G-20's influence on fiscal stimulus: large and small economies

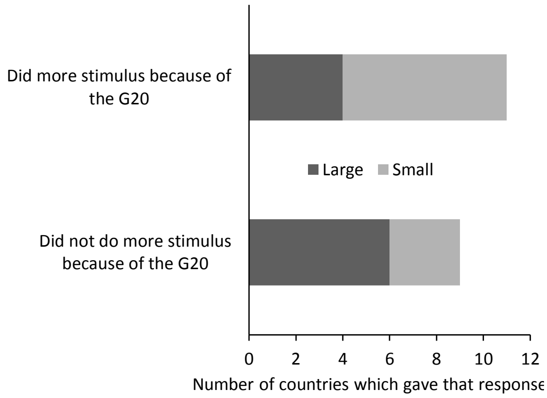
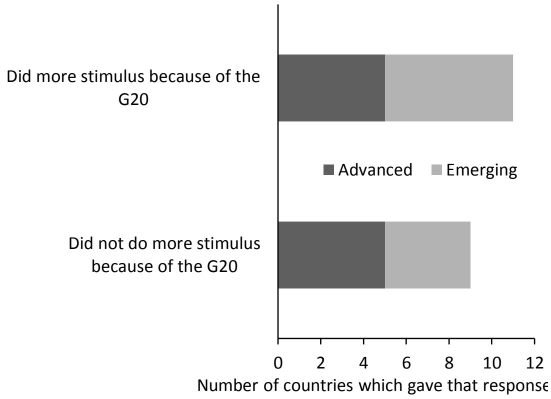


Figure 4. The G-20's influence on fiscal stimulus: advanced and emerging economies



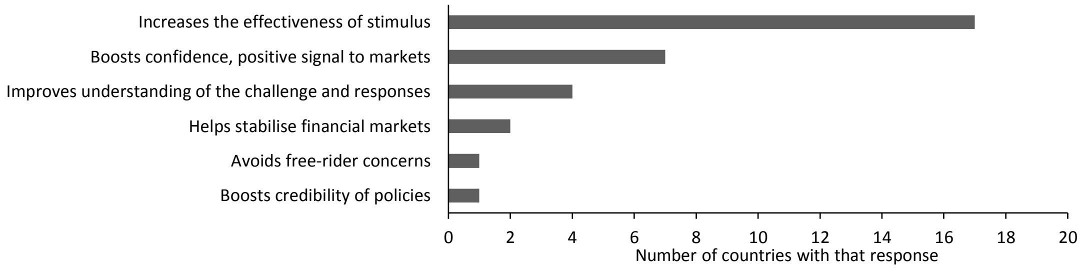
Perhaps unsurprisingly, the G-20 appears to have more influence over domestic fiscal policy settings during a crisis than outside of a crisis and when economies are facing a symmetric, common challenge. This was highlighted by comparing two periods in which the G-20 pushed for expansive fiscal policies: in 2008 (as part of crisis-response) and from 2013 to 2017 (as part of a move, led by the United States, for more "growth friendly" fiscal policies). Policymakers suggest the G-20's influence over fiscal expansions was much weaker outside of a crisis.

> It was coordinated from 2008 to 2010 because everyone was in the mess together. Whether in a more complex set of circumstances you could get a coordinated outcome like that I don't know—*Wayne Swan, former Treasurer, Australia, interviewed March 21, 2017.*
>
> The opposition to fiscal stimulus during a crisis is much weaker than outside of a crisis—*Senior G-20 official, Italy, interviewed February 18, 2017.*
>
> During the crisis, fiscal policy coordination delivered a desirable outcome. Although such coordination has been less observed since then, it is not because the G-20's influence has weakened but because it is less clear nowadays whether such degree of policy coordination is needed as we are out of the crisis and cyclical positions of each country are less synchronized—*Chang Yong Rhee, former Secretary General and Sherpa of the Presidential Committee for the 2010 G-20 Seoul Summit, Republic of Korea, interviewed August 17, 2017.*
>
> The idea of coordinated stimulus has become more contentious because fiscal positions have deteriorated and debt is high. If you had a repeat GFC today you might get other countries not agreeing to coordinated stimulus—*Senior central bank official, advanced economy, interviewed August 17, 2017.*

The G-20 can therefore play a positive role in influencing fiscal expansions in many countries, under certain circumstances. The issue that remains is why this influence exists. Policymakers identified a range of interrelated economic and political benefits which they perceived to come from coordinated fiscal expansion. These benefits ultimately underpinned the decision-making in their countries.

When asked about the economic benefits from participating in coordinated stimulus (Figure 5), the most common response was that fiscal stimulus results in positive spillovers between countries. Having more countries undertaking fiscal stimulus resulted in a whole which was greater than the sum of its parts.

Figure 5. What policymakers perceive to be the economic benefits of coordinated fiscal stimulus



Policymakers said that coordination was important because it boosted market confidence or sent a positive signal to the markets, helped them to better understand the nature of the problem, and allowed them to better gauge how other countries were going to react. It boosted the credibility of their commitments to markets and helped prevent other countries from free-riding on their fiscal expansions.

> Coordination was crucial to avoiding beggar-thy-neighbor policies—*Senior G-20 official, Italy, interviewed February 18, 2017.*

> The collective action and its size and timing were very important to shift market sentiment. It is often not only the size of fiscal stimulus but the effect of political awareness and identification of the right measures which have a significant impact on boosting confidence—*Senior central bank official, emerging market economy, interviewed May 17, 2017.*

> A real benefit of having that stimulus was that we learned from the lessons of other countries and the importance of keeping stimulus measures prudent—not to create unnecessary future fiscal risk. That was very important. We were able to learn from what other countries were doing in the G-20—*Mahendra Siregar, former Sherpa, Indonesia, interviewed May 22, 2017.*

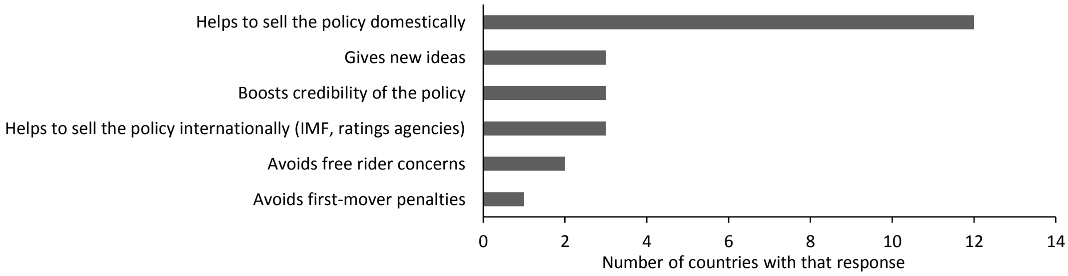
> It was a strong signal of international cooperation which boosted confidence and reassured businesses and the public that governments were able to act. Put quite simply, but it is true—I think the world needs to see pictures of world leaders coming together in difficult times, to see that these people do actually come together, they do talk to each other and they do reach significant conclusions. That in itself is a very powerful message for the global economy. This is vital for confidence—*Holger Fabig, senior G-20 official, Germany, interviewed April 7, 2017.*

Fifteen of the 20 countries felt that there were also political benefits to their country from having fiscal stimulus coordinated, although many noted that the political and economic benefits can be difficult to disentangle:

> Political and economic advantages can go hand-in-hand. Boosting the credibility of a policy is good for politics, but also makes the policy more effective through increased business and household confidence—*Gordon de Brouwer, former Sherpa, Australia, interviewed February 23, 2017.*

The primary political benefit (Figure 6) was that it helped sell the policy domestically and bolster the credibility of their policy to a domestic audience. It also helped calm concerns among the public that other countries might be free riding on their country's efforts, it gave them ideas and support around political messaging, it helped them to avoid international political pressure from credit rating agencies and international organizations which might otherwise disapprove of expansive fiscal policy (particularly for emerging economies) and it helped them avoid political pressure from being a global "first mover."

Figure 6. How the G-20 influences domestic fiscal stimulus



> To be honest, it helped sell the stimulus domestically but also to explain to the luddites in the Opposition that we weren't being Robinson Crusoe on this. Making the case for stimulus was aided by the magnitude of the collective actions from other countries, embraced in the London communique—*Kevin Rudd, 26th Prime Minister of Australia, interviewed September 8, 2017.*
>
> It was definitely easier to do stimulus in Indonesia because of the G-20. This was the opposite of the situation in 1998 when the IMF's recommendations were to pursue tighter fiscal policy during a crisis. We focused on tax cuts and increased spending on social assistance—*Muhamad Basri, former Finance Minister, Indonesia, interviewed November 6, 2017.*
>
> In Argentina, the G-20 helped with the politics of stimulus. We could say that "what we are doing is also supported by the G-20" which showed that we were not alone putting in place fiscal stimulus policies—*Cecilia Nahón, Former Sherpa, Argentina, interviewed October 2, 2017.*
>
> Korea undertook fiscal stimulus in 2008 and 2009, and the supplementary budget was relatively smoothly passed in the Parliament as the other G-20 members committed to such stimulus as well—*Chang Yong Rhee, former Secretary General and Sherpa of the Presidential Committee for the 2010 G-20 Seoul Summit, Republic of Korea, interviewed August 17, 2017.*
>
> The G-20's coordinated actions provided vital political cover for some governments who might have otherwise had domestic constituency concerns—*Wayne Swan, former Treasurer, Australia, interviewed March 21, 2017.*
>
> It helped sell the policy globally. It allowed fiscal stimulus without attracting negative attention from the credit rating agencies, the IMF and other similar bodies. Coordination made fiscal stimulus more respectable—*Arvind Mayaram, former finance deputy, India, interviewed June 7, 2017.*
>
> Coordinated stimulus was used politically by all countries. The coordination legitimised their domestic stimulus—*Hugo Gobbi, former sous sherpa, Argentina, interviewed May 12, 2017.*

> The concern of fiscal leakages to other countries certainly played out in Australia. If people spent their stimulus checks on plasma TVs, well, we don't make plasma TVs in this country—*Gordon de Brouwer, former Sherpa, Australia, interviewed February 23, 2017.*

The countries that found there were no political benefits, again, tended to be larger economies. The most common reasons were that domestic considerations trumped any international considerations, there was weak domestic opposition to stimulus in the first place or, for several EU countries, that fiscal discussions in the EU dominated any influence from the G-20. Fiscal rules also played a critical role.

> The G-20's actions on stimulus didn't really help us politically. But the U.S. has complicated politics. Most Americans, and many in Congress, are proudly indifferent to what the rest of the world thinks—*Former senior official, United States, interviewed September 12, 2017.*

> I tried as best I could to use the G-20 as an additional reason for domestic action in the U.S. But the American system is hard to drive that way, and you need to be careful in how you make the case. In the United States, there can be a backlash if you make the argument that you're doing something to comply with international rules rather than as a domestic choice. But the consensus from the G-20 was not unwelcome—it certainly helped in getting action from other countries—*Jacob Lew, former Treasury Secretary, United States, interviewed September 7, 2017.*

> For whatever reason, India rarely uses international agreements to leverage or justify changes in domestic policy. Partly, I think, this is a long shadow from the history of imperial colonization in India—*Montek Ahluwalia, former Sherpa, India, interviewed 10 June 2017.*

> The G-20's focus on fiscal stimulus and consolidation had limited impact domestically because of Indonesia's fiscal rule: the deficit cannot exceed 3 percent—otherwise the President can be impeached - *Muhamad Basri, former Finance Minister, Indonesia, interviewed 6 November 2017.*

The above results suggest the G-20 can influence fiscal policy expansions, but this influence varies from country to country depending on the relative size of the economy, its level of development and the state of its economy. The question for the next section is whether this is true in the opposite direction: for fiscal consolidation.

4.2 Fiscal consolidation

In 2010, most G-20 advanced economies committed to halve their deficits by 2013 and stabilize debt-to-GDP ratios by 2016. These commitments were quietly abandoned in 2013 at which stage all countries, including the emerging market economies, prepared St Petersburg Fiscal Strategies—more qualitative documents detailing how they would promote fiscal sustainability in a growth-friendly way (see Triggs, 2018).

Unlike for fiscal stimulus, the G-20's focus on fiscal consolidation appears to have had little effect on the policies of its members. The results below suggest that most countries came to the G-20 with the fiscal consolidation policies that they were already undertaking. Those that wanted to undertake consolidation, did. Those that did not, did not.

Policymakers from only two G-20 countries said they altered their domestic policies because of the G-20 and, even then, reported only a marginal influence. All other economies said the G-20 had no effect on their policy settings.

> There were political advantages for Australia in the sense that we had already put down a set of fiscal rules irrespective of what they came up with at Toronto. We always accepted that you'd bring the Budget back to balance over the cycle and we were clearly in a growth cycle over that period—*Wayne Swan, former Treasurer, Australia, interviewed March 21, 2017.*

> The fiscal commitments we made in 2014 reflected what we were trying to do anyway. In terms of outcomes, we eased up on some tax provisions, and reached a short-term agreement on annual appropriations—but I don't think it was principally because of the G-20. Those things had their own domestic momentum—*Jacob Lew, former Treasury Secretary, United States, interviewed September 7, 2017.*

> Many countries were already moving in the direction of fiscal consolidation. Toronto read the mood—*Gordon de Brouwer, former Sherpa, Australia, interviewed February 23, 2017.*

> Do we ever think about G-20 commitments when setting fiscal policy? No, we don't. Fiscal policy is hard enough without another factor to consider. It's the other way around—we set fiscal policy and then we go off to the G-20 and try to make sure that the G-20 describes whatever it is that we've already done—that's what every country does—*Tom Scholar, former Sherpa, United Kingdom, interviewed March 29, 2017.*

Many European policymakers said that the EU's rules under the Stability and Growth Pact leave little room for G-20 influence. Complying with the EU's Stability and Growth Pact meant complying with the G-20's commitments anyway.

> For fiscal consolidation, most of the pressure was coming from the markets and the EU rather than the G-20—*Giuseppe Parigi, Head of International Relations and Economic Directorate, Bank of Italy, interviewed April 12, 2017.*

Two of the 10 emerging market economies said that they altered their policies because of the G-20, albeit marginally. They said they did more to reduce debt and deficits because the G-20 helped their ministers and leaders to sell the policy domestically. The remaining eight said the G-20 had no effect and their policies were determined purely domestically.

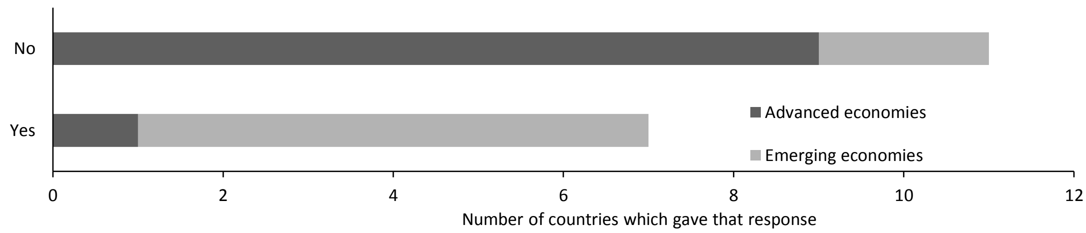
> The momentum from the G-20 was used to support fiscal sustainability measures in Indonesia, particularly the President's focus on phasing out fossil fuel subsidies. This linked well with the priorities of Indonesia—*Mahendra Siregar, former Sherpa, Indonesia, interviewed May 22, 2017.*

> At any given time, there are hundreds of things at play in fiscal policy decisions. It would never have been an advantage to do something that is otherwise resented by the public and try to justify it by saying we are doing it as part of an international agreement. I don't think the G-20 had much effect on fiscal consolation in India at the time—*Montek Ahluwalia, former Sherpa, India, interviewed June 10, 2017.*

To explore the reasons for why the G-20 did, or did not, influence policies, policymakers were asked about the benefits that flowed from the G-20's focus on coordinating consolidation, both economic and political.

Policymakers from 15 countries considered the economic benefits of coordinated consolidation to be zero or negative (Figure 7). The advanced and emerging market economies took opposing positions. All advanced economies, except one, considered there to be no economic benefits from coordinated fiscal consolidation while all emerging market economies, except two, considered that there were economic benefits.

Figure 7. G-20 countries which perceived there to be economic benefits from coordinated consolidation



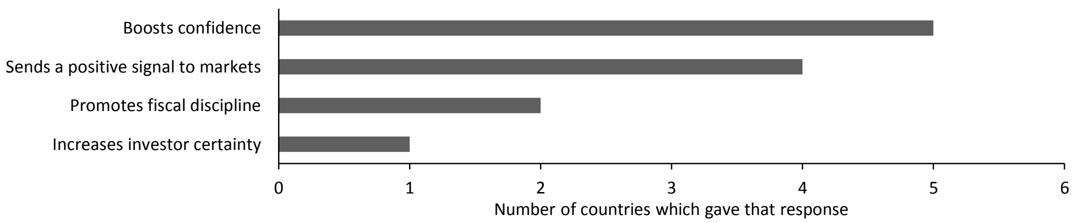
Policymakers in countries which considered there to be economic benefits gave several reasons for this (Figure 8). The two most common reasons were that it promoted confidence and sent an important signal to the markets that deficits and debt were recognized as a problem. Other reasons were that a coordinated commitment puts greater discipline upon governments and that it improves investor certainty.

> Sound public finances boost confidence so we would see a strong counterweight to this pure macroeconomic accounting approach that only considers the drop in demand. The confidence channel is also very important, as highlighted, inter alia, by the Bank for International Settlements—*Holger Fabig, senior G-20 official, Germany, interviewed April 7, 2017.*

> For the private market participants and investors—they need to have certainty. You need to reduce the uncertainty around a country's fiscal prospects fiscal prospects. If they do not know how deep into debt the government will go, they cannot calculate the risks or returns for their investments—*Jianxiong He, Central Bank Deputy, China, interviewed June 13, 2017.*

> Why did they do it? There were lots of countries who were very concerned about financial market responses to large budget positions. A confidence concern. If you are worried about financial markets' negative response to fiscal action, then you don't want to be the one country standing out and no undertaking consolidation—*Catherine Mann, Former Chief Economist of the OECD, interviewed April 11, 2017.*

Figure 8. The perceived economic benefits of coordinated consolidation

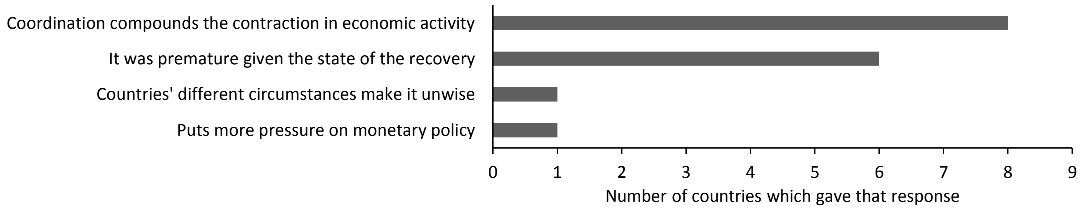


The countries that saw no economic benefits from coordinated consolidation (Figure 9) argued that coordination compounds the negative effects of consolidation. Less common responses were that it puts excessive pressure on monetary policy and that the different economic contexts of countries meant coordination was not appropriate.

The shift toward fiscal consolidation was a major mistake of the G-20—*Senior G-20 official, Italy, interviewed February 18, 2017.*

With a coordinated expansion, you get more stimulus than if a country does it on its own. The same is true in the other direction. So the coordinated nature of the consolidation meant that its effects were worse—*David Gruen, Sherpa, Australia, interviewed March 7, 2017.*

Figure 9. The perceived economic costs of coordinated consolidation



If most policymakers were not changing their policies and, furthermore, perceived little economic benefit in coordinated consolidation, the natural question that follows is why the G-20 pursued this agenda in the first place. The answer, it appears, is that policymakers were primarily pursuing political objectives.

There were no economic advantages of coordinated fiscal consolidation. The commitment was for political purposes—*Bruno Cabrillac, central bank deputy, France, interviewed April 11, 2017.*

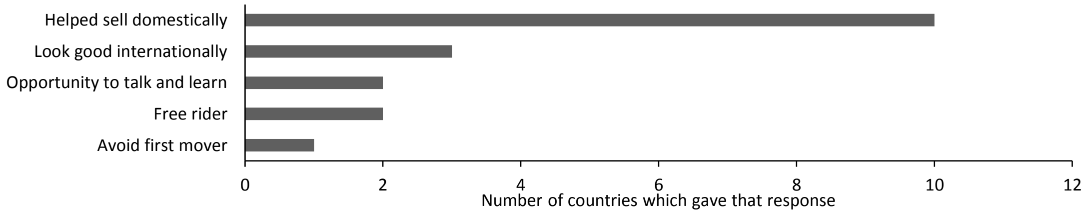
Policymakers from 12 economies, predominantly advanced economies, said that the G-20's message of coordinated consolidation had a variety of political benefits. They that said the G-20 commitment helped them to sell the policy domestically and look fiscally responsible internationally. Those that saw no political benefits said that domestic or EU pressures dominated any G-20 influence.

Of course it made it politically easier. This is why countries struggled so much to get it in the declaration. They wanted to legitimize their policies—*Hugo Gobbi, former sous sherpa, Argentina, interviewed May 12, 2017.*

In Germany there is a strong constituency and strong public support for fiscal consolidation. So this makes our arguments stronger in the G-20 and it helps us domestically because the public can see us doing this domestically and internationally—*Holger Fabig, senior G-20 official, Germany, interviewed April 7, 2017.*

Policymakers from emerging market economies were split. Half said there were political benefits and half said there were not. The benefits (Figure 10) were that it helped to sell fiscal consolidation domestically, but also that it helped avoid free-rider concerns. Those that saw no benefit said that domestic political issues dominated any G-20 influence. Across advanced and emerging economies alike, it was the smaller economies which were more likely to yield political benefits from the G-20. Larger economies were more likely to report that the G-20 provided fewer political benefits.

Figure 10. The perceived political benefits of coordinated consolidation



> It would be hard for a politician to say to someone "we have to cut your benefits because the G-20 says so." I suspect the response would be "Who? What? I thought you were the government of this country?"—*Tom Scholar, former Sherpa, United Kingdom, interviewed March 29, 2017.*

> The political impact of the G-20 was not significant. There are lots of economists in Japan who are already pressuring the government to reduce debt so we don't need outside voices—we have enough voices already—*Kazou Momma, former central bank deputy, Japan, interviewed June 19, 2017.*

> The biggest advantage of coordinated consolidation is political. Countries may be able to defend tightening their belt if they could argue that others that should expand are expanding. Thus being part of a coordinated international action can be helpful but you have to do a lot of domestic advocacy to be sure the action is properly understood. People have to understand that they will benefit from the action of others as part of a coordinated international action plan that raises growth. It is not easy—*Montek Ahluwalia, former Sherpa, India, interviewed June 10, 2017.*

> If you undertake consolidation in a non-coordinated way there is a free-rider problem. If it is not done collectively then the risk is that it is not done at all—*Ksenia Yudaeva, Deputy Governor of the Bank of Russia, interviewed March 27, 2017.*

In sum, while the G-20's work on fiscal stimulus appeared to influence domestic fiscal policies, the G-20's work on fiscal consolidation did not. Why was this? The key difference between coordinated stimulus and coordination consolidation is that policymakers, on the whole, perceived there to be economic benefits in the former and not the latter. While all policymakers perceived there to be economic benefits from coordinating stimulus from 2008 to 2010, few perceived there to be economic benefits from coordinating consolidation after 2010. Policymakers also noted that the global challenge was more asymmetric—debt was more of an issue for some countries than others—and was occurring outside of an immediate crisis (with the exception of euro area countries).

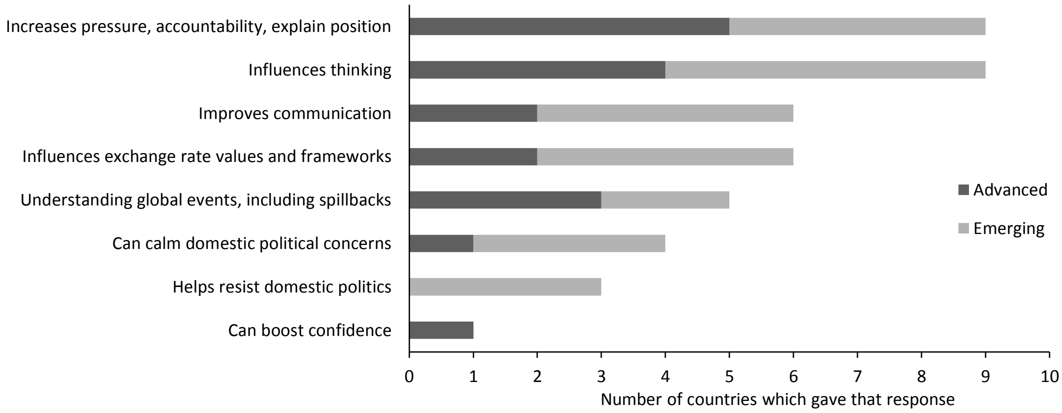
Policymakers did, however, perceive there to be political benefits from having the G-20 announce an agenda of coordinated fiscal consolidation. This helped policymakers to sell and implement their existing domestic consolidation priorities. Overall, it appears that the G-20 'read the mood' of fiscal consolidation rather than catalyzed action, but nevertheless provided important political benefits.

4.3 Monetary policy

> The G-20's primary purpose is as a place of discourse and it serves that role very effectively. If they weren't having those discussions around the table, they might be yelling at each other from their capitals. If the G-20 or a similar organization hadn't been formed, many economies left out of other international forums might have behaved in ways that are not as constructive—*Phil Lowe, Governor of the Reserve Bank of Australia, Australia, interviewed April 29, 2017.*

Policymakers suggested several ways in which the G-20 can influence the domestic monetary policies of its members, some of which are overlapping (Figure 11).

Figure 11. How the G-20 influences the monetary policies of its members



First, they suggest that the G-20 puts consistent pressure on countries to explain the rationale for their monetary policy decisions and makes policymakers more accountable for spillovers. This, they argue, can influence policies at the margin—particularly for exchange rates. Many policymakers confirmed specific incidents where pressure and discussions in the G-20 resulted in countries either not undertaking a policy which would have depreciated their currency or limited the extent to which that policy was implemented.

> There is frank conversation in the G-20 which allows you to help communicate to others what you are doing and why. These explanations and this clarity are a very important part of the G-20. This conversation informs policy formulation and I think the G-20 has been working well in this regard—*Kazou Momma, former central bank deputy, Japan, interviewed June 19, 2017.*

Second, policymakers reported that, over the medium-term, discussions in the G-20 and other forums can gradually influence their thinking. The more they meet and discuss issues, the more there is a convergence in thinking and agreement on risks, appropriate policy responses and what the 'correct model' for policymaking should be.

An example frequently given was on the merits of market-determined exchange rates. Early in the G-20's existence as a finance ministers' forum, there were substantially different views on the merits of market-determined exchange rates which, over time, have coalesced around a more favorable view. This is evident in the changing language in the G-20's communiques over time (see Triggs, 2018).

> There is a lot of exchange of views in the G-20 which I think is influential. I hear from my colleagues what their concerns are, what they are seeing in their economies, what they are seeing in their markets, how things are interacting. It's not that I agreed to do anything different or that I was persuaded or pressured to do anything different. But the conversation, exchange of ideas and exchange of views is part of the overall picture that policymakers have in their heads as they recommend policies domestically. It was helpful for me in thinking about policy independently to have heard the concerns of others and to have better understood what they were worried about—*Ben Bernanke, former Chair of the Federal Reserve, United States, interviewed August 7, 2017.*

> In terms of communication, the G-20 has been very useful because policymakers sit together and at least know what was in the mind of their counterparts. But whether your

> counterpart's decisions are influenced by that will depend on the policymaker—*Jianxiong He, Central Bank Deputy, China, interviewed June 13, 2017.*

The third and related way in which the G-20 can influence monetary policies is by providing policymakers with additional information, such as new analysis, insights and models. Analysis on spillovers and spillbacks was the most commonly cited example of how additional information and analysis had influenced domestic policies.

> My measure of whether a meeting was worthwhile is to ask: did I learn anything new? *—Phil Lowe, Governor of the Reserve Bank of Australia, Australia, interviewed April 29, 2017.*

> The G-20 provides a useful platform to exchange views and ideas. It is hard to say that the G-20 does not influence domestic policies—*Heenam Choi, former finance deputy, Korea, interviewed August 21, 2017.*

> The G-20 helps a lot as a medium of exchange of views. After Yellen took over the Fed, the communication was greatly improved. Of course, she couldn't tell us what the Fed's interest rates would be, but she gave us the trajectory and the possibilities around the options available. For a country like Indonesia, this allowed us to prepare accordingly—*Muhamad Basri, former Finance Minister, Indonesia, interviewed November 6, 2017.*

> For monetary policy, it is about exchanging ideas and experiences—it is not necessarily 'coordination' per se. The benefit is the ability to learn from each other. It might be defined as coordination or not, it doesn't matter, it is very useful—*Ksenia Yudaeva, Deputy Governor of the Bank of Russia, interviewed March 27, 2017.*

> Another benefit of the G-20's discussions on monetary policy is that they have helped the people in finance ministries to understand where monetary policy fits into the broader policy mix—*Senior central bank official, advanced economy, interviewed August 17, 2017.*

> Does the G-20 influence domestic policies? Directly, no, but indirectly, yes. Discussions in the G-20 have made the major central banks more aware and encouraged them to pay more attention to spillbacks from their economies—*Bruno Cabrillac, central bank deputy, France, interviewed April 11, 2017.*

> The focus cannot be just on monetary policy. The focus must be on overall economic policies, including fiscal and monetary. You can't tinker piecemeal with parts of the economy. You need close cooperation between all stakeholders, including the finance ministries and the central banks. This is a key value the G-20 can add because it brings together central banks and finance ministries of all member countries to think and act in a concerted manner—*Arvind Mayaram, former finance deputy, India, interviewed June 7, 2017.*

> It is not as though central bankers know exactly what do and then don't do it for some reason. This is not how the world works. In many areas, including monetary policy, many understand what the problem is but are not clear on what the best solution would be. So the focus is about the search for the solution—a process which is often faster and most effective because of information exchange within the G-20. This is something you get from the G-20 more than other platforms—*Ksenia Yudaeva, Deputy Governor of the Bank of Russia, interviewed March 27, 2017.*

Fourth, some policymakers in the emerging markets said that G-20 agreements and objectives on monetary policy can be used domestically to help policymakers resist domestic political pressures to shift monetary policies in a particular direction. The presence of a G-20 agreement, and the threat of a negative response by the G-20, can be used as leverage by policymakers as a justification for avoiding monetary policies that may influence exchange rates and capital flows.

> If the monetary authority or banking regulator is being pressured domestically to follow political decisions or political-based positions, then the G-20's commitments and exchanges have uses as a buffer or justification for resisting poor policy directions—*Mahendra Siregar, former Sherpa, Indonesia, interviewed May 22, 2017.*

Related to this, policymakers said that G-20 meetings and the media conferences around them can be an effective way of defusing domestic political tensions. The taper tantrum was the most common example given. The G-20 provided a forum for finance ministers and governors to voice their country's complaints about the policies of others, and to be seen publicly doing so. This, policymakers reported, helped alleviate domestic tensions that may have otherwise resulted in retaliation through monetary policy or trade restrictions.

> In the month before we undertook our second round of quantitative easing, there was a lot of concern among the emerging markets about the potential spillover effects of QE on their economies. The G-20 allows for a useful discussion and, from the perspective of the emerging markets, it was one of the few opportunities they had to express their concerns and hear my reactions to their concerns. I think it was a useful experience for everybody—*Ben Bernanke, former Chair of the Federal Reserve, United States, interviewed August 7, 2017.*

Finally, although less common, policymakers suggested that coordinated action in the G-20, or the mere perception of coordinated action, can boost market confidence. The desire to achieve this boost in confidence could result, to a marginal extent, in countries altering their policies to be able to strengthen the public messaging around coordination.

> One of the rare examples of direct coordination was the October 2008 coordinated interest rate cut between the Fed and five other central banks. The idea was that, by doing it simultaneously, we would have more of an impact. It was a difficult thing to arrange—it took a lot of phone calls and it was very complicated because you had to get agreement from all the different policy committees in each country and then to announce simultaneously—that was hard, and involved genuine coordination—*Ben Bernanke, former Chair of the Federal Reserve, United States, interviewed August 7, 2017.*

However, the G-20 plays a more influential role in some areas of monetary policy than others. The interview results suggest the G-20's influence is strongest in influencing exchange rate policies and settings. Policymakers in half of G-20 countries reported that the G-20 can have a significant influence in preventing competitive exchange rate devaluations and in promoting more market-determined exchange rates. This influence was stronger for emerging market economies which tend to have less market-determined exchange rates. But this pressure to avoid currency devaluations was also strong for some advanced economies, too.

The G-20 is also influential in central bank communication. Many policymakers reported a significant G-20 influence in both the frequency and the level of detail in how central banks communicate with each other and with the markets, particularly after the taper tantrum.

> The concerns around spillovers from the taper tantrum was something I genuinely took to heart. I recognize there are spillovers and we worked hard to improve our

> communication. But there is no formal way that the FOMC can take such spillovers into consideration in our policy decisions—*Janet Yellen, Chair of the Federal Reserve, United States, interviewed September 30, 2017.*

> I think cooperation has improved a lot in the sense that we have seen communication of central banks being very careful—*Alexandre Tombini, former Governor of the Central Bank of Brazil, interviewed September 19, 2017.*

> It is clear that, after the taper tantrum, major monetary policy decisions are taken and communicated in a much more responsive and careful manner and careful manner. The G-20 played an important role—*Senior central bank official, emerging market economy, interviewed May 17, 2017.*

> Most recently, monetary policy cooperation has come in the sense that there was an improvement in communication—*Giuseppe Parigi, Head of International Relations and Economic Directorate, Bank of Italy, interviewed April 12, 2017.*

The results from interviews, however, suggest the G-20's influence over policy interest rates, at least in the near-term, is negligible. While half of the G-20 countries suggested that their thinking can be marginally shaped over the medium-term by discussions in the G-20 which can then flow into their decision-making, in the short-term the G-20 has no significant influence.

Finally, and perhaps unsurprisingly, policymakers suggest that cooperation in the G-20 is stronger during a crisis than outside of a crisis, particularly when the crisis is widespread and affecting countries symmetrically.

> You don't need 100 percent coordination all the time. When it was the joint response to the crisis, coordination was needed. Now we are more in the situation where depending on the circumstances in each country, different responses are needed—*Ksenia Yudeava, Deputy Governor of the Bank of Russia, interviewed March 27, 2017.*

> The benefits of these meetings are most striking during periods of crisis where you need clear actions. In normal circumstances, even though there's not any direct coordination, there is lots of conversation and exchange of ideas and exchange of views, which is part of the overall picture that policymakers have in their heads as they recommend policies domestically—*Ben Bernanke, former Chair of the Federal Reserve, United States, interviewed August 7, 2017.*

It should also be noted that, in each of these areas, policymakers said it can be difficult to isolate the influence of the G-20 over and above other forums. Central bank governors meet three or four times a year for the G-20. Their deputies have a similar number of meetings with their G-20 counterparts. But the G-20 is by no means the only forum in which they meet. Policymakers meet several times a year through the Bank for International Settlements, the IMF, the World Bank, through regional forums, bilateral meetings, and so on. Many policymakers consider meetings in Basel for the Bank for International Settlements to be more influential and more useful than the G-20. But the key benefit of the G-20, they suggest, is that it brings together more advanced and emerging market economies than do other global forums.

> The G-20 is not standalone, it is part of a broader process of collaboration among countries within other global and regional forums, and bilaterally, too—*Ben Bernanke, former Chair of the Federal Reserve, United States, interviewed August 7, 2017.*

When central banks are just having discussions by themselves in Basel it is a completely different experience—*Phil Lowe, Governor of the Reserve Bank of Australia, Australia, interviewed April 29, 2017.*

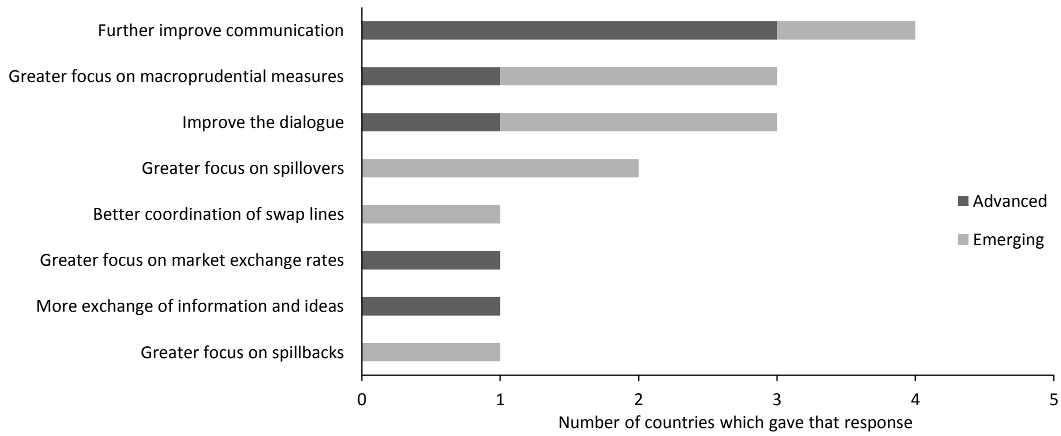
Central bankers talk to one another regularly. Among central bankers there is less of a focus on the G-20 meetings and more on Basel which are more frequent and more intimate meetings. This is where the major central banks tend to talk to each other—*Senior central bank official, advanced economy, August 17, 2017.*

Central bankers tend to gather more regularly and freely and exchange ideas. In some sense it is easier to coordinate and cooperate on monetary policy than fiscal policy—*Heenam Choi, former finance deputy, Korea, interviewed August 21, 2017.*

Finally, policymakers were asked whether, and how, monetary policy cooperation could be improved in the G-20 (Figure 12).

Overall, few countries perceived there to be much scope for improved monetary policy cooperation due to the domestic mandates of central banks, a perception that the economic case for deeper cooperation in some areas is not clear and what emerged as a general preference for monetary policy discussions in Basel rather than in the G-20, particularly among advanced economies. Emerging market and developing countries were more likely than advanced economies to suggest room for improvement.

Figure 12. How policymakers would like to see monetary policy cooperation improved



The most common suggestion for greater cooperation was for the communication among central banks to be further improved (Figure 12). Several countries highlighted macro-prudential measures as another area for further cooperation through information sharing and improved transparency on what policies are being pursued and what policies should be pursued. Countries suggested there could be greater and an improved dialogue within the G-20, although most countries felt the current level of international engagement between central banks was already adequate or excessive.

4.4 Global imbalances

Since 2010, the G-20 has had a particular focus on reducing global imbalances, primarily in trade and current accounts, but also in private and public debt and savings (Triggs, 2018, quantifies these imbalances and details the G-20's history).

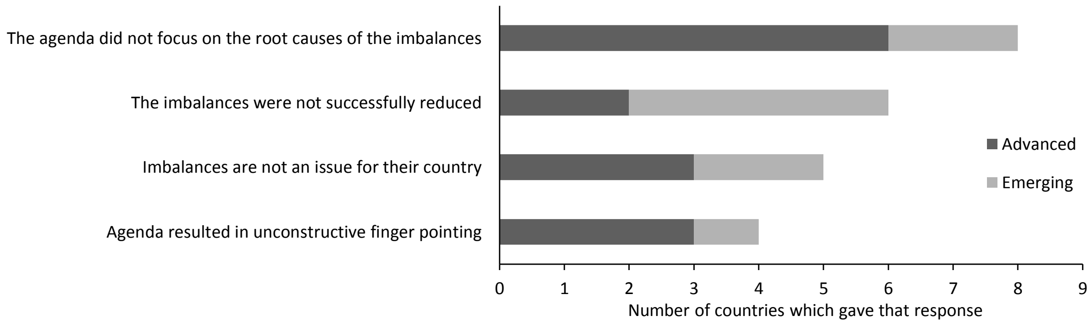
The G-20 was split in terms of whether it has been successful or not. The policymakers from nine economies felt that it had been successful (an even mix of advanced and emerging economies), while 11 felt it had not been successful.

Those who judged the G-20 successful felt that way because the grouping brought attention to an important issue (eight economies gave this response) and because it helped shift the policies of particular countries, discussed below (seven economies gave this response).

> International discussions on global imbalances are helpful to policymakers in understanding the overall effects of their policies, how others view their policies, how policies affect one another and so on. So I think those discussions were useful—*Ben Bernanke, former Chair of the Federal Reserve, United States, interviewed August 7, 2017.*

Those which felt it had been unsuccessful (Figure 13) felt that way because the agenda did not focus on the root causes of the imbalances, the imbalances themselves were not successfully reduced (Triggs, 2018, suggests this is accurate), because imbalances were not an issue for their economy (the key countries of focus were the United States, China and Germany), and because the agenda resulted in unconstructive finger-pointing.

Figure 13. The perceived challenges in the G-20's focus on global imbalances



But did the G-20 result in countries altering their policies? Policymakers in fifteen countries said the G-20 had no influence. Five countries said it had a marginal impact (Figures 14 and 15).

Policymakers cited several reasons for the G-20's lack of influence. The critical reason was that the G-20 failed to explore the root-causes of these imbalances, focusing instead only on the imbalances themselves. Many smaller economies felt that the issue of global imbalances was one for the larger economies and did not apply to them. Some euro area economies said that the influence of the EU on their policies crowded-out any G-20 influence.

> For the G-20 to have maximum impact it has to lead to changes in domestic policy. I don't think the G-20 has influenced domestic policies as much as it could have because the G-20's discussions on global imbalances haven't really gone to the heart of what those issues are, except perhaps for the domestic tax treatment of multinational firms. So, on macro coordination and cooperation: a good result. On other more domestic, more micro-oriented policies, still a work in progress—*Martin Parkinson, Secretary of the Department of the Prime Minister and Cabinet, Australia, interviewed May 30, 2017.*

> The G-20's discussion on global imbalances did not change our policies. We knew our fiscal deficit was too high and that it needed to come down. We were not in any intellectual dispute with anyone on this issue. Since there was a global lack of demand,

no one was going to object if we did not contract as much as we were expected to—*Montek Ahluwalia, former Sherpa, India, interviewed June 10, 2017.*

The debate on global imbalances continues and the G-20 has tried many ways to solve this problem. It was a good forum to talk about it, but there was often no common ground—*Bruno Cabrillac, central bank deputy, France, interviewed April 11, 2017.*

In Germany, our surplus is also strongly influenced by another policy which others have advocated: the strongly expansionary monetary policy of the ECB. The ECB has been urged consistently from many quarters to loosen its monetary policy. This pushed the euro down and makes euro zone products more competitive and results, ceteris paribus, in a higher surplus. Little wonder the German surplus remains high—*Holger Fabig, senior G-20 official, Germany, interviewed April 7, 2017.*

For Italy, the problem is debt. This is a complex domestic issue which is also heavily influenced by the EU—*Giuseppe Parigi, Head of International Relations and Economic Directorate, Bank of Italy, interviewed April 12, 2017.*

A critical difficulty in getting traction on the issue of global imbalances is that economies can always put up some argument, either plausible or not, to justify their surplus or deficit—*Logan Rangasamy, central bank deputy, South African Reserve Bank, interviewed June 27, 2017.*

Part of the problem was that at some point the U.S. and Europe, and the G-7 more generally, were trying to shift the responsibility for the crisis from themselves to China and emerging economies. This was shameful, incorrect and counterproductive—*Cecilia Nahón, Former Sherpa, Argentina, interviewed October 2, 2017.*

The policymakers who did cite a G-20 influence (Figure 15) suggested there was some marginal pressure emanating from G-20 discussions to alter their policies. The discussion was also informative on the scale of the problem, how policies fit together, and the experiences of other countries. Although rare, some suggested the G-20 encouraged them to 'do their part' in the global agreement. Some also suggested the G-20's discussions helped them to sell policies domestically.

Figure 14: Countries which reported no influence from the G-20

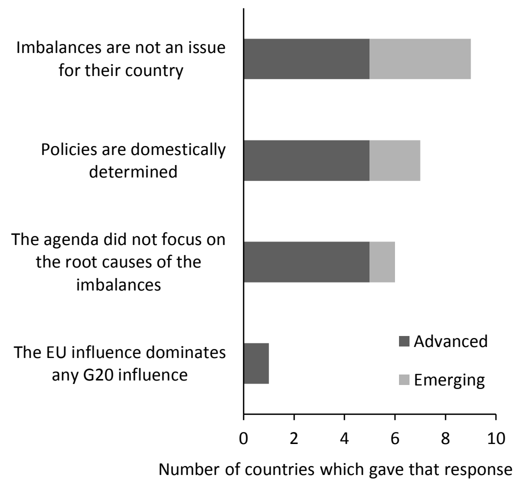
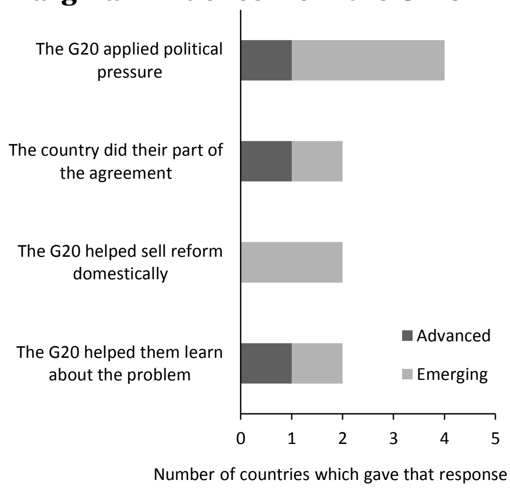


Figure 15: Countries which reported a marginal influence from the G-20



> I think going over the issue of global imbalances 50 times over many years made a difference. Ultimately countries make decisions based on what is in their best interest, but on the margin, it makes a difference to clear up any issues that are causing international tensions—*Jacob Lew, former Treasury Secretary, United States, interviewed September 7, 2017.*

> We are taking measures to do our part on reducing our internal imbalances and thereby global imbalances. The concerted international efforts on this front add to the arsenal of our policies—*Senior central bank official, emerging market economy, interviewed May 17, 2017.*

> The G-20 discussion has had a notable impact in China, we no longer export as much as possible and have focused on rebalancing the Chinese economy. The G-20 played a role in this—*Lyu Jin, Counsellor, Deputy Chief of Policy Section, Embassy of China in the U.S., interviewed November 13, 2017.*

As was often the case in these interviews, policymakers considered the G-20 to have a more substantial impact on the policies of other countries compared to their own. The 'others' in the context of global imbalances were typically China and Germany. Interviews with policymakers in Germany and China suggest that, to some extent, this was correct.

> Germany is a sovereign country like all others, but we are also listening to what our partners are saying. What you see now is a boost in public investment in Germany. This is at least partly the result of discussions in the G-20 where our partners have asked us to use at least a little of our fiscal space to boost growth—*Holger Fabig, senior G-20 official, Germany, interviewed April 7, 2017.*

> Global imbalances are a very old discussion. Though whether global balance ever exist or not is still in doubt, G-20 discussion has had a notable impact and China has been addressing the issue of global imbalances seriously. In response to both the international concerns and the domestic need to shift the growth model, we no longer pursue trade surplus and have focused on rebalancing the Chinese economy. The G-20 played a role in this—*Lyu Jin, Counsellor, Deputy Chief of Policy Section, Embassy of China in the U.S., interviewed November 13, 2017.*

> Our primary focus was on having the Chinese let the exchange rate appreciate, which they ultimately did. They did it because they perceived, correctly, that it was in their interests to do that—artificially holding it down was preventing the rebalancing of their economy. We put a lot of pressure on them for that but ultimately they did it because they thought it was necessary for them to do it. Was the G-20 important? Yes, at the margin. Was that important for addressing imbalances globally? Absolutely—*Former senior official, United States, interviewed September 12, 2017.*

In sum, for most countries, the G-20's focus on global imbalances has not influenced domestic policies. The primary reason for this appears to be that the G-20 failed to delve into the root causes of the imbalances. This weakened the G-20's ability to make progress on these discussions and meant it lacked tangible policy recommendations that could be agreed upon by the membership.

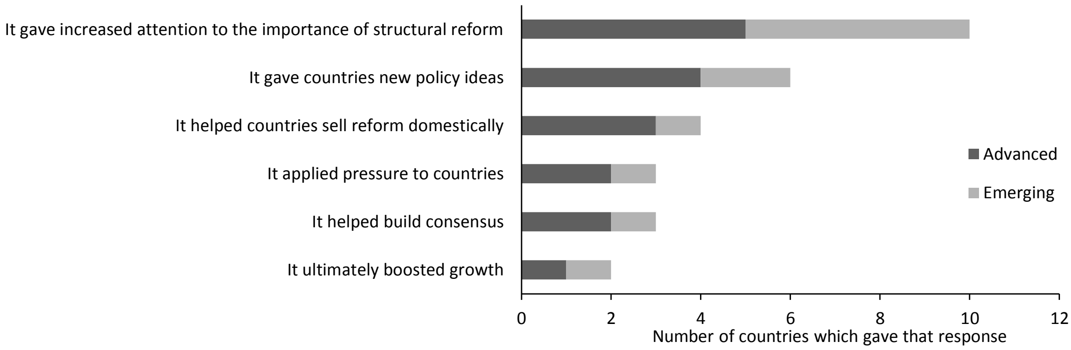
4.5 Structural reform

Fifteen of the G-20 economies considered that the G-20's (continuing) structural reform agenda was "successful" (Figure 16). This was primarily because it gave increased attention to an important issue. However, for several countries, it also meant giving them new ideas for policy reform to be implemented domestically.

The quotes below show that the G-20's focus on female workforce participation, for example, was a catalyst for domestic reform in Russia. It also generated accountability pressure in the Australian parliament. The G-20's focus on financial literacy and financial education was a catalyst for a greater focus on measuring and addressing these problems in Germany. The G-20's focus on innovative new ways to fund infrastructure investment saw the United States draw on the experiences from other G-20 countries.

Other than learning new ideas, the G-20's focus on structural reform also helps countries to sell policy reform domestically by pointing to an international consensus and highlighting the experiences that other countries have had with similar measures. Policymakers suggest that the G-20 can also help apply pressure to countries to abide by their commitments. It helps to build consensus on the impacts and necessity of different reforms and, when implemented, can boost global GDP. Advanced and emerging market economies did not significantly differ in their responses on this issue.

Figure 16: Why the structural reform agenda was seen to be successful by most countries



> The Australian G-20 presidency in 2014 had the idea of lifting female workforce participation, which turned into the adoption of a strategy on female employment here in Russia. This was something we did because of G-20. It was not a huge issue before this in Russia. The G-20 made our policymakers think of the issue more seriously—*Svetlana Lukash, Sherpa, Russia, interviewed March 28, 2017.*

> China views innovation and structural reform as the most critical contributors to growth. The G-20 has been successful in bringing more attention to this issue—*Lyu Jin, Conselor, Deputy Chief of Policy Section, Embassy of China in the U.S., interviewed November 13, 2017.*

> It has always been my view that the G-20 played an important role in giving China the idea for One Belt One Road. Through their G-20 engagement, they could see a global infrastructure revolution in the developing world was necessary to achieve what China had already achieved. They could see this as being the next key driver of growth—*Kevin Rudd, 26th Prime Minister of Australia, interviewed September 8, 2017.*

> The G-20 structural reform agenda was very influential for many countries as it helped to gain political support for such reforms domestically—*Chang Yong Rhee, former Secretary General and Sherpa of the Presidential Committee for the 2010 G-20 Seoul Summit, Republic of Korea, interviewed August 17, 2017.*

> The G-20 growth strategy process resulted in countries doing things differently, particularly by learning from one another. The United States, for example, is now considering an asset recycling initiative– they have said publicly that they learned about this initiative from Australia through the G-20 process—*Joe Hockey, former Treasurer, Australia, interviewed August 18, 2017.*

> It does have an effect. On female participation, for example, there was a debate in Australia about what we would do to meet the G-20's target of closing the gap between male and female workforce participation. These commitments can start domestic political discussions—*Heather Smith, former Sherpa, Australia, interviewed June 2, 2017.*

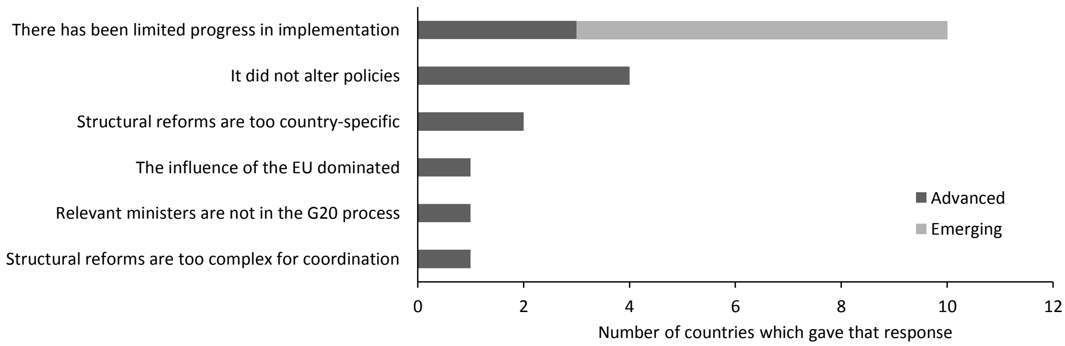
> What I found in the conversations in Australia was that the growth strategy process saw the overall level of understanding on structural reforms and the issues surrounding them improved significantly. There was a lot myth busting, too, which was particularly useful—*Simon Kennedy, former Sherpa, Canada, interviewed August 3, 2017.*

> The growth strategies and peer reviews allowed us to learn from each other and be accountable both to our citizens and to our global partners—*Central Bank official, emerging market economy, interviewed May 16, 2017.*

> In bringing countries together in their thinking, in disseminating standards and in the comparability of reforms, I believe the G-20 has been very successful—*Bruno Cabrillac, Deputy Governor of the Bank of France, interviewed April 11, 2017.*

However, policymakers also cited several areas and several ways in which the G-20 has not been successful (Figure 17). The dominant reason was that the G-20 had not made substantial progress in implementing its commitments (see Triggs, 2018). Other reasons, albeit less common, were that structural reforms were overwhelmingly driven by domestic considerations such that the G-20's influence was marginal, that structural reforms were too country-specific and too complex for G-20 coordination, that the G-20 did not result in countries doing anything different, that the influence of the EU (for those in the EU) was more significant than the influence of the G-20 and that the ministers responsible for key areas of structural reform were not necessarily present at G-20 meetings (since the G-20 is primarily attended by finance ministers and only occasionally by ministers in other portfolios).

Figure 17: Unsuccessful aspects of the G-20's agenda



The emerging market economies appeared to be most concerned by the G-20's lack of progress on implementation rather than advanced economies. Advanced economies were also concerned by the lack of progress but were more likely to feel that structural reform was driven by domestic considerations and were too country-specific to warrant coordination in the G-20.

> Structural reform is an issue which all of us speak a lot about, but at the end of the day, it is difficult to assess progress in. It is hard for countries to identify what structural reforms are critical for them to undertake at each point in time—often countries will lump a whole bunch of things together and call it structural reform—*Alexandre Tombini, former Governor of the Central Bank of Brazil, interviewed September 19, 2017.*

> It is very hard to put pressure on the emerging market economies to implement structural reforms when you can't get other countries, like those in Europe, to undertake their own structural reforms—*Montek Ahluwalia, former Sherpa, India, interviewed June 10, 2017.*

> The circumstances have changed in many countries since the crisis so the element of coordination and peer support is more limited. Having Canada liberalize its telecommunications sector because Japan is increasing female participation—the message is not as compelling or as easy to explain to the public as might be the case for coordinated fiscal stimulus, for example—*Senior Central Bank official, advanced economy, interviewed August 17, 2017.*

> The G-20 is good at identifying problems and the need for structural reforms, but there are shortcomings in implementation. To improve its effectiveness, the G-20 needs to look at how it can create a mechanism or arrangement to encourage members to improve their deliverables—*Mahendra Siregar, former Sherpa, Indonesia, interviewed May 22, 2017.*

But while policymakers see clear value in the G-20's focus on structural reform, the critical questions are whether the G-20 results in countries doing anything different and what role the G-20 plays in encouraging structural reform.

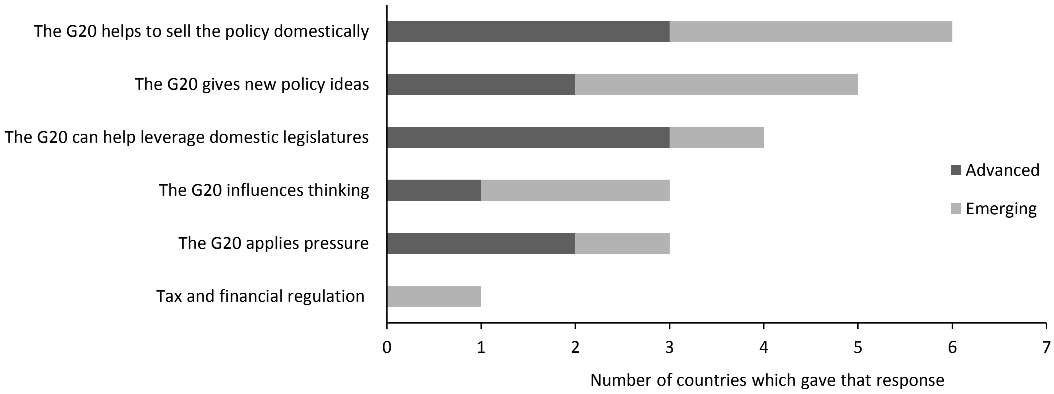
Given some of the quotes above, it is perhaps unsurprising that countries were split in terms of whether they did anything different or not because of the G-20. Half said they altered their policies because of the G-20. Half said they did not.

As was often the case, the emerging market economies reported being more influenced by the G-20—particularly through learning new policy ideas—than the advanced economies. Six emerging market economies altered their policies because of the G-20 compared to just two advanced economies.

As the quotes below illustrate, the G-20's influence on policies (for those which cited an influence) ranged from encouraging countries to push a reform a little bit further or implement it a little bit faster to encouraging a country to implement a whole new policy for the first time.

The primary way in which the G-20 influenced domestic policies (Figure 18) was by helping policymakers to sell structural reforms domestically. Several countries reported learning new policy ideas from the G-20 that they then took back to their domestic systems. Others reported that there was political pressure from the G-20 to implement commitments, that G-20 commitments can be used to leverage domestic legislatures, and that the G-20 influences how policymakers think.

Figure 18: Why the G-20 influences structural policies in some countries



> Announcing reforms, outlining implementation timelines and regularly reporting on progress adds to countries' motivation and effort—*Senior central bank official, emerging market economy, interviewed May 17, 2017.*

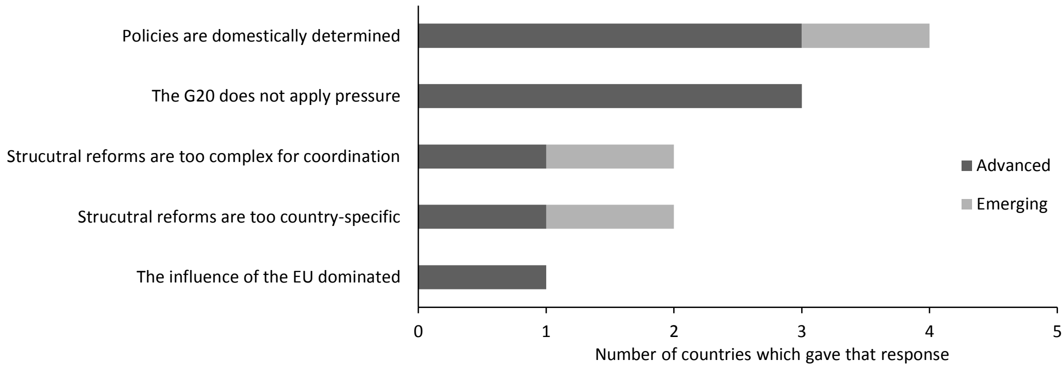
> In preparing the growth strategy, Argentina highlighted certain programs—particularly in infrastructure. It was already there, but it was strengthened because of the G-20—*Cecilia Nahón, Former Sherpa, Argentina, interviewed October 2, 2017.*

> Every country has made commitments. Nobody put things they didn't want to do. But I believe they have done things differently in being more ambitious or timely. The dialogue permeated into government structures, this is true in Argentina. Sometimes it is an intellectual agreement—allowing domestic systems to arrive at a consensus position intellectually—and it also has a legitimizing effect on your policies. This is what the G-20 brings—*Hugo Gobbi, former sous sherpa, Argentina, interviewed May 12, 2017.*

> Financial education has been a particular focus 2017. Measuring financial literacy and including German data in a comprehensive dataset of G-20 member countries has been helpful as a starting point to analyze instruments and programs to increase financial education among citizens of member states. Since financial literacy is a topic of interest for advanced as well as for emerging countries, the level of financial education may be support by peer exchange and learning from each other—*Jalena Stapf, G-20 representative, Head of G-20 presidency coordination team, Bundesbank, Germany, interviewed October 11, 2017.*

For the economies which reported no G-20 influence (Figure 19), the overwhelming reason given for this lack of influence was simply that the domestic pressures on structural policies overwhelmed any G-20 influence. Several said that the G-20 does not create any real peer pressure, because the peer review process was weak, and the poor rate of implementation meant countries struggled to pressure one another. Others said, as above, that the processes of the EU dominated any G-20 influence or that structural reforms were inherently not conducive to coordinated action and, as such, did not alter their policies because they perceived little economic benefit from doing so.

Figure 19. Why the G-20 does not influence structural policies in some countries



Structural reform is hard, unpopular, and very difficult. Is it a mode of cooperation? In some countries it has worked to say "we have to do X because the European Commission says so"—but this has always been a terrible political argument in this country—*Tom Scholar, former Sherpa, United Kingdom, interviewed March 29, 2017.*

The G-20 will always struggle with structural reform because the reforms are detailed, country specific and politically difficult—*Frank Moss, Acting G-20 central bank deputy, European Central Bank, interviewed February 20, 2017.*

I think the G-20's agenda on structural reform is a little underwhelming. But, nevertheless, the focus opened the comparability of reforms across countries, which is useful—*Ksenia Yudaeva, Deputy Governor of the Bank of Russia, interviewed March 27, 2017.*

Italy is a peculiar case because we are in the EU, too, so we have pressure coming from the EU's processes. The pressure from the EU is often more powerful than the pressure coming from the G-20 because there is a treaty and more stringent rules—*Giuseppe Parigi, Head of International Relations and Economic Directorate, Bank of Italy, interviewed April 12, 2017.*

Structural reform is easier said than done. Policymakers agree to implement policy reform, but in the end the implementation process depends on the domestic political economy—*Muhamad Basri, former Finance Minister, Indonesia, interviewed November 6, 2017.*

I don't think the G-20 ever agreed on what constitutes a structural reform. Each country understood it to mean what they wanted it to mean. We never bought the structural reform term because this term in Argentina is very much associated with the structural adjustment concept of the 1990s—the Washington Consensus—*Cecilia Nahón, Former Sherpa, Argentina, interviewed October 2, 2017.*

In India, saying we are using the G-20 to learn from other countries experiences can help. Saying that the G-20 thinks this is a good idea is unlikely to have much effect—*Subir Gokarn, Executive Director, International Monetary Fund and former Deputy Governor of the Reserve Bank of India, India, interviewed November 9, 2017.*

4.6 Conclusion across policy areas

It follows from this analysis that the G-20 can indeed influence domestic macroeconomic policies. Yet the ways in which it does so, and the extent of that influence, varies considerably depending on the policy area, the characteristics of the economy, whether there is a crisis or not, and the level of asymmetry in the policy challenge. The following section pulls these results together by developing a new framework for thinking about global macroeconomic cooperation and how it influences domestic policies.

V. A new framework for thinking about macroeconomic cooperation

The preceding analysis showed that it is difficult to generalize when it comes to the influence of global agreements over domestic macroeconomic policies. The level of influence depends on the policy area. It depends on the country in question. It depends on whether policymakers are convinced there are economic merits for cooperation, whether there is a crisis, the level of asymmetry in the policy challenge, and whether there are institutional mandates which inhibit cooperation in the first place.

This section draws the preceding analysis together into a new framework for thinking about macroeconomic cooperation. It is not intended to be the final word on the topic. Rather, it is intended to be a contribution in thinking about macroeconomic cooperation, using the G-20 as a case study. The framework looks at three key issues: the different forms that macroeconomic cooperation can take, the transmission mechanisms of influence between global forums and domestic policies and the variables that help determine how strong that influence will be.

5.1 The forms of international cooperation

Bayoumi (2014) defined cooperation as “the process of working together to the same end.” He distinguished this from “coordination” which, he argued, implies something more integrated: “the organization of the different elements of a complex activity to enable them to work together effectively.” Bayoumi argued that few institutions would be willing to accept the constraints implied by the definition of coordination. The in-depth interviews undertaken for this research suggests that Bayoumi is generally correct.

Other authors, such as Begg (2003), distinguish “hard” coordination and “soft” coordination. This relates primarily to whether the coordination is binding or not. Another common distinction is between ex-ante coordination and ex-post coordination. Ex-ante coordination involves obligations on future conduct, while ex-post coordination is about the current state of affairs given the actions countries have already undertaken (Beetsma et al, 2001).

Putnam and Henning (1989) distinguished rules based-systems, such as the IMF or the World Trade Organization, and discretionary systems, such as the G-7 and G-20. Discretionary systems range from systems of unilateral adjustment (where countries will share information with each other, but set their policies unilaterally) to supranational integration (where policies are set through a formal process, which may include weighted voting by governments, with an outcome which is binding on governments).

The G-20’s history, informed by the in-depth interviews with policymakers, suggests that global macroeconomic cooperation can range across a five-pronged spectrum (Table 4).

The most basic level of cooperation is where countries share information, share experiences and discuss best-practice policies. This involves countries setting their policies and objectives unilaterally, but talking to each other about what is happening in their economies, what policies have worked and what policies have not worked. A G-20 example is the cooperation between central banks on interest rate policies and on unconventional monetary policies. Policymakers suggest that the domestic mandates of many central banks prevent much cooperation beyond sharing information and experiences. The G-20’s focus on the composition of fiscal spending and utilizing public-private partnerships are other examples of cooperation by sharing information.

The second level of cooperation is where countries agree to common aspirations. Countries continue to set their policies unilaterally, but agree among themselves on what the general objective of those policies should be. This agreement, however, is aspirational in the sense that the commitment does not involve quantitative goals or firm targets and often involves more subjectivity. An example is the G-20's commitment to ensure fiscal policies are 'growth friendly'—a commitment which countries have interpreted differently.[18]

The third level of cooperation involves countries setting common, measurable targets, and benchmarks. Examples include the G-20's 2009 commitment to implement a $5 trillion fiscal expansion to lift world output by 4 percent, its 2010 commitment to halve deficits by 2013 and stabilize debt-to-GDP ratios by 2016, and its 2014 commitment to implement structural reforms to increase G-20 GDP by 2 percent by 2018. In each instance, countries have agreed on firm, measurable targets to be achieved, but are still responsible for determining the policies to achieve them.

Table 4. The spectrum of ex ante macroeconomic cooperation

Form of cooperation	**Description**
Sharing information, experiences and best practice policies	Countries set their own policies and set their own objectives but will talk to each other about what's happening in their economies, what policies have worked, and what policies have not worked.
Agreeing to common aspirations	Countries set their own policies but have agreed, at a general level, on what those policies should be seeking to do.
Setting common, measurable targets	Countries set their own policies but set common, measurable targets and benchmarks to them to achieve collectively.
Setting binding standards	Countries not only set goals but actively constrain how they will use their policies by setting common standards.
Policy integration	Countries fully integrate their policies and surrender control over macroeconomic policies.

The fourth level of cooperation moves closer to what Bayoumi (2014) would describe as "coordination": where countries adopt common standards. The G-20's financial regulation agenda, including the Basel III framework, has requirements, among other things, on how much capital certain banks are required to hold. This constrains a tool of monetary policy since countries can reduce or increase capital requirements to alter the supply of credit. The G-20's agenda therefore involves countries agreeing to partially constrain these policy tools to achieve agreed global objectives on financial stability. The G-20's tax agenda similarly involves countries aligning domestic regulations and policies to achieve global objectives.

The fifth, and most integrated, level of cooperation is where countries fully integrate their policies. Outside of the G-20, the most significant example is the formation of the euro area where countries have adopted a single currency, a single monetary policy and are progressing further integration in banking, financial stability, fiscal policy, and so on. This level of cooperation involves countries not only agreeing to common goals and targets, but surrendering independent macroeconomic policies.

The closest example to this in the context of the G-20, albeit far from the level of integration of the euro area, is the global financial safety net. For the IMF, countries surrender a fixed amount of their fiscal space which can then be automatically accessed by the IMF in the event of a crisis. Regionally, many countries in Asia have surrendered (some) control over their foreign exchange reserves for coordination through the Chiang Mai Initiative Multilateralization arrangement. European countries and countries across the world have similarly surrendered fiscal space in

[18] While both could be correct given different economic circumstances, some countries have interpreted this as supporting an increase in deficit spending while others have interpreted this as supporting an effort to reduce debt.

underwriting the lending of the European Stability Mechanism, the World Bank, and a host of other regional financing mechanisms and development banks. Bilaterally, currency swap lines also represent central banks surrendering a portion of their monetary policy space which can be automatically accessed by other countries during shortfalls of liquidity and/or balance of payments crises (see Sterland, 2017 for a discussion on the distinction).

In sum, global cooperation can be characterized across a five-pronged spectrum, ranging from light-touch cooperation to the full integration of policies. The question is: how do the transmission mechanisms of influence differ between these types of cooperation?

5.2 The transmission mechanisms of influence

Sharing information, experiences and best practice policies

The power of information sharing should not be discounted as an important instrument of policy influence. As the analysis in Section 4 showed, this form of cooperation can influence domestic policies in two key ways.

First, it can give policymakers new ideas. This appears to be more common for the emerging market economies and smaller economies, although it was noted for some larger economies, too. Across the policy areas explored in Section 4, information sharing was influential for structural reform, fiscal stimulus and, over the medium-term, monetary policy.

Second, the sharing of information, experience and best practice policies can influence the way policymakers think, including through a convergence of views over time. It allows central bankers to agree on the most appropriate economic model for policymaking and appreciate the spillovers of their policies on others. It helped finance ministers to comprehend the scale and seriousness of the global financial crisis, leading to larger stimulus packages in some countries. It led to a convergence of views on the merits of market determined exchange rates and the need for structural reform. Furthermore, many areas of the G-20's more integrated cooperative processes started with sharing information. The G-20's focus on structural reform, for example, began with information sharing and ended with a quantitative growth target (see Triggs (2018) for this history).

Agreeing to common aspirations

As with sharing information, agreeing to common aspirations can influence domestic policies by giving policymakers new ideas and by influencing their thinking. But Section 4 highlighted additional ways in which macroeconomic policies can be influenced by agreeing to common aspirations.

The first is in helping policymakers to sell a reform domestically by pointing to a global economic consensus. The second is through peer pressure. The above analysis suggests that the threat of 'naming and shaming' and the pressure brought to bear through the G-20 can be significant, even when commitments are technically non-binding.

> I grew up as an international law person and was surprised at how a legally and non-binding institution like the G-20 could influence and pressure the behavior of countries. A number of countries fought hard to strip-out the pledge against protectionism, for example. Even though it was a non-binding commitment, these countries nevertheless clearly felt bound by it—*Ambassador Michael Froman, former Sherpa, United States, interviewed September 29, 2017.*

Third, common aspirations influence policies by helping countries resist domestic pressures to pursue counterproductive policies, such as through resisting protectionism and avoiding competitive currency devaluations. Finally, common aspirations appear to help countries to resist pressure internationally. It can allow them to point to a collective consensus to prevent backlash from international organizations and ratings agencies. In each of these areas, the influence of common aspirations appears to be stronger for smaller economies and for emerging market economies. This contrasts with sharing information which seems to have a more uniform influence across countries.

Setting common, measurable targets

Setting common, measurable targets appears to influence domestic policies through all the same channels as setting aspirational targets. But policymakers suggest the strength of this influence is stronger when the targets are more measurable. Policymakers suggest that having a firm, measurable target makes it easier for countries to sell a policy domestically, makes accountability and peer pressure stronger, makes it easier to resist domestic political pressures and makes it easier to fend off pressure from the IMF and ratings agencies. G-20 discussions on how to achieve these targets also allows for information sharing which gives new ideas and can influence policymakers' thinking.

But the analysis from Section 4 suggests that setting common, measurable targets opens three additional channels of influence.

First, policymakers felt that measurable targets did more to boost market confidence than aspirational goals, which could be seen to provide countries with too much wiggle-room. Second, policymakers felt that the firmer the target, the harder it was to free-ride, given that the ambiguity and wiggle-room in the commitment was reduced. And finally, policymakers felt that a firmer target made it easier to avoid some of the first-mover penalties that can come from ratings agencies and international organizations.

Setting common standards and policy integration

When it comes to setting common standards and policy integration, the mechanisms for influence appear to be broadly the same as above, but with some key qualifications.

Policymakers felt that setting common standards and integrating policies makes peer pressure substantially stronger, because it is much easier to identify non-compliance. Policymakers felt they were also more effective in boosting confidence because harmonization of regulations across borders, for example, improves the ease of doing business and boosts flows of trade and investment. This, policymakers argued, incentivizes countries to alter their policies to adopt such standards or integrate policies. Policymakers felt that standardization also helps sell the policy domestically since countries are adopting the exact same policy. It also helps defeat free-rider attempts and avoid first-mover costs.

5.3 What determines the strength of the G-20's influence over domestic policies?

Finally, the analysis in Section 4 highlighted several variables which help determine the strength of the influence of global agreements over domestic policies.

The perceived economic merits of cooperation

Across the policy areas in Section 4, G-20 cooperation tends to have limited influence over domestic policies if policymakers perceive there to be little economic benefit from cooperation in the first place. This is a logical finding given policymakers are themselves the sole ex ante transmission mechanisms between the G-20 and domestic policies. If policymakers are not convinced of the benefits of changing their policies, then they are unlikely to do so.

This can be seen in many areas of the G-20's history. On monetary policy, the areas where policymakers perceived there to be the greatest gains from cooperation were also the areas where the G-20 had the greatest influence: avoiding competitive currency devaluations and moving toward market-determined exchange rates. The areas where policymakers perceived there to be little gains from cooperation were the areas where the G-20 had the least influence: such as interest rate policy.

On fiscal policy, policymakers perceived significant benefits from coordinating fiscal stimulus and reported that they altered their policies because of the G-20. When it came to fiscal consolidation, policymakers saw little benefit in coordination and subsequently reported little to no G-20 influence over domestic policies. For structural reform and global imbalances, policymakers were often skeptical about the economic merits of coordination and similarly reported that the G-20's influence tended to be more marginal.

The level of asymmetry in a policy challenge

Related to the above, the G-20 appeared to be less successful at influencing domestic policies when the policy challenge is more asymmetric across countries. Policymakers suggested that the level of asymmetry was a critical reason for the G-20's marginally smaller influence for fiscal consolidation, global imbalances and some areas of monetary policy. Conversely, the G-20's efforts at coordinated fiscal stimulus took place at a time where countries faced a common symmetric shock. The challenges of fiscal consolidation, reducing global imbalances and spillovers from monetary policies, however, all involved countries facing a variety of different economic circumstances.

The presence of a crisis

A critical factor that influences the level of cooperation is whether cooperation takes place inside or outside of a crisis. Policymakers suggested economic, political, and legal reasons for this.

Economically, policymakers felt that a widespread crisis can produce a stronger economic case for cooperation than during "peace time" by removing the above-mentioned asymmetry. Politically, policymakers suggested that political constraints tend to be less binding in a crisis, making cooperation comparatively easier. Legally, policymakers also noted that particular tools can become available during a crisis that may not have otherwise been available (such as the activation of the "crisis clause" in the European Union's Stability and Growth Pact—see EC, 2015).

The presence of institutional rigidities

There were examples throughout Section 4 of institutional rigidities that constrained the G-20's influence over domestic policies. The most notable was the domestic mandates of central banks which limit the factors that central banks can consider when setting monetary policies. The same was true in some instances of fiscal policy. The fiscal rule in Indonesia, for example, constrains the extent to which the government can undertake deficit spending as part of a global agreement (see Lledó et al, 2017, p. 38).

Country characteristics

Across most policy areas discussed in Section 4, relatively smaller economies were more likely to report a higher level of G-20 influence over domestic policies than large economies. Emerging market economies were similarly more likely to report a higher level of influence than advanced economies. This was most pronounced for fiscal stimulus and structural reform. It was also the case for moving toward market determined exchange rates and resisting political pressures to shift monetary policy settings. When it came to other areas of macroeconomic policies, such as global imbalances and fiscal consolidation, these country characteristics seemed to be less relevant.

Standard setting: whether there are sufficient economies of scale

A factor that relates specifically to standard setting is whether there are sufficient economies of scale to warrant the creation of a global standard. While related to the level of asymmetry in the policy context, standards can only be established when it is supported by a critical number of countries. Explored by Barret (2007), this requires substantial economies of scale in having all countries acting the same way and, conversely, that the benefits of variety and discretion be minimal.

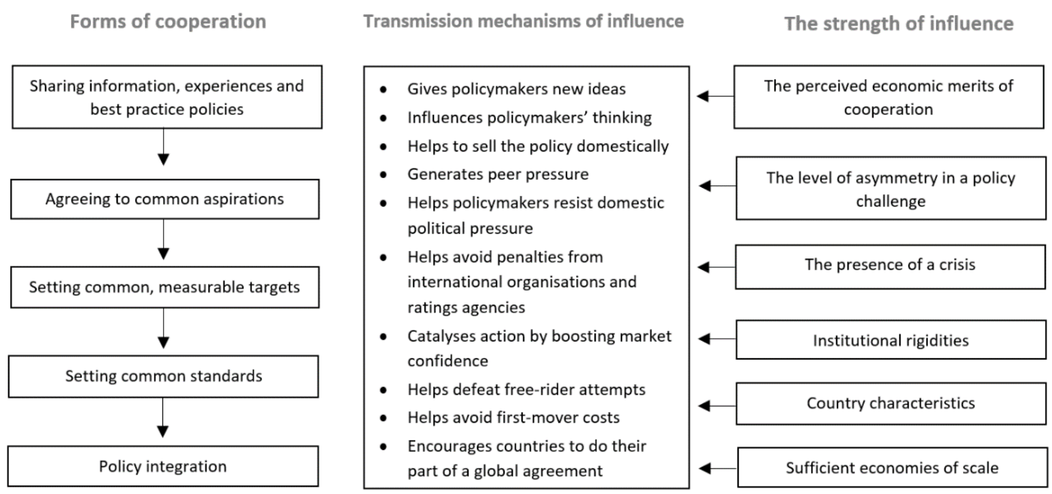
Macroeconomic policies do not typically lend themselves to standard setting. There are often significant benefits from allowing fiscal, monetary and structural policies to differ between countries and act as a mechanism for adjustment, given different economic circumstances, challenges, and stages of the business cycle. Areas where economic standard setting have been effective in the G-20 context include in financial regulation (such as capital requirements on banks) and on multinational tax avoidance.

5.4 Conclusion: A new framework for thinking about global cooperation

Figure 20 summarizes the new framework described above for thinking about macroeconomic cooperation, using the G-20 as a case study.

The framework reports the different forms that macroeconomic cooperation can take—ranging from sharing information, experiences and best practice policies to full policy integration. The framework summarizes the transmission mechanisms of influence—the ways in which global agreements can influence domestic macroeconomic policies. Finally, it summarizes some of the variables uncovered in Section 4 that determine the strength of this influence—including the perceptions of policymakers on the economic merits of cooperation, the economic characteristics of the country, the level of asymmetry in a policy challenge, and the important role that crises can play in catalyzing action.

Figure 20. A new framework for thinking about modern macroeconomic cooperation



The final question is what this framework means for making the G-20 more influential. The following section summarizes the key findings of this paper and explores how the G-20 could be made more influential in the pursuit of its objectives.

VI. CONCLUSION: MAKING THE G-20 MORE INFLUENTIAL

The critical finding of this paper is that global cooperation can influence, and has influenced, domestic macroeconomic policies. The results from in-depth interviews with 61 leaders, ministers, central bank governors and officials from across G-20 countries illustrated this varying level of influence in fiscal stimulus, fiscal consolidation, monetary policy, global imbalances and structural reform.

The paper found that 11 of the G-20 economies undertook more fiscal stimulus actions from 2008 to 2010 because of the G-20 than they otherwise would have done. It found that the G-20 has prevented countries from depreciating their currencies and has helped to improve communication and defuse tensions around monetary policy spill overs. It found that discussions on monetary policy influences the thinking of central bankers and, through this, their policies. Although less common, the paper found that some countries undertook more fiscal consolidation and more ambitious structural reforms because of the G-20 and some altered their policies to reduce their external imbalances.

The paper identified a range of ways in which the G-20 is useful to policymakers, which typically go beyond what is perhaps a short-term focus in the media. It stands ready to respond should a crisis occur. It helps build networks and relationships across countries. It generates a global dialogue on critical issues and helps build consensus on how to address them. The G-20 helps policymakers to sell important reforms domestically. It helps defeat concerns that other countries might be free-riding and helps to boost the credibility of policies.

Policymakers argued it was misleading to describe the G-20 as a forum in decline. Such a characterization ignores the fact that the G-20's objectives have changed over time: from crisis response to dealing with difficult structural issues. But policymakers were not starry-eyed about the G-20, either. Many warned that the G-20's agenda was becoming too large, too bureaucratic, less focused, less leader-led and was struggling with implementation. Emerging markets felt the G-20 was still too focused on advanced economy issues.

Using these findings, the paper presented a new framework for thinking about macroeconomic policy cooperation. It showed that the intensity of cooperation can vary from sharing information (such as in some monetary policy discussions) to full-integration of policies (such as the global financial safety net). It showed the different transmission mechanisms through which global forums can influence domestic policies, including giving policymakers new ideas, influencing their thinking, helping them to sell policies domestically and resist domestic populist pressures, and helping them defeat free-rider concerns.

The framework highlighted the variables which help determine the strength of this influence. Emerging market and smaller economies appear to be more influenced by global discussions than larger and advanced economies. Other factors include the perceived economic merits of cooperation by policymakers, the level of asymmetry in a policy challenge, institutional rigidities, and the state of the business cycle.

The critical value of this framework is that it suggests some practical ways in which the G-20 could be strengthened as a forum.

First, the mechanisms through which the G-20 influences domestic policies could be strengthened to make it more effective in implementing its agenda. Strengthening the G-20's peer review process and accountability mechanisms could improve its ability to generate peer pressure, something policymakers suggested was not strong.[19] Utilizing and better targeting information and policy ideas from the international organizations, academia, business, labor and civil society groups could help give policymakers new ideas, influence their thinking and reach consensus on critical issues.[20] Although politically difficult, there is perhaps scope for the G-20 to narrow its agenda to core economic issues and provide more opportunities for frank discussions between policymakers, both multilaterally at the table and bilaterally through meetings on the side.

Second, the G-20 needs to get the type of cooperation right. The framework suggests that some policy areas are better suited to some types of cooperation than others. Institutional mandates mean that monetary policy cooperation will often rely on the exchange of information and experiences rather than stricter forms of cooperation, at least when it comes to policy interest rates.

Similarly, the more symmetric a policy challenge—such as those from a widespread shock—the better suited cooperation is to using common targets and benchmarks. When a policy challenge is more asymmetric, either aspirational goals or information sharing are, according to this framework, more likely to succeed. Cooperation that seeks to bring together multiple policy areas within the context of an asymmetric challenge—such as the G-20's focus on global imbalances—tends to falter given the level of complexity increases significantly and it becomes more difficult to compare and trade-off different policies and objectives. Standard-setting could also be considered when there are sufficient economies of scale from having countries integrating their policies. Difficulties in cross-country comparisons makes the use of common targets and benchmarks less suited for structural reforms, although this depends on how the targets are framed. These targets can nevertheless help countries to sell policies domestically and learn new ideas throughout the process.

Finally, the framework identified the variables that help determine the strength of influence that global agreements have over domestic policies. These variables should be harnessed and utilized whenever possible. Crises can act as a catalyst for reform and should not be wasted. Policymakers will only change their policies if they are convinced of the merits of doing so—outlining the benefits of cooperation to policymakers is therefore critical. It should also be recognized that different countries use the G-20 differently. While a large advanced economy might see little political gain from G-20 cooperation, this may not be the case for a smaller emerging market economy. The G-20's agenda should, therefore, be designed with both in mind.

As a corollary of this, the G-20's agenda needs to be carefully designed to ensure the issues of all its members are discussed. The fact that many policymakers from emerging economies felt this was not the case suggests there is room for improvement. The G-20 should be conscious of

[19] Many policymakers suggested the G-20's peer review process generates little pressure for countries to alter their domestic policies. Given the process is currently limited to junior officials in working groups, the process could be strengthened by having peer review occur at the level of sherpas, deputies, ministers and leaders to generate additional pressure and have greater political buy-in. Strengthening the G-20's accountability mechanisms and ensuring greater continuity from one G-20 host year to the next could similarly boost the G-20's ability to generate pressure. See Triggs (2018a).

[20] Many policymakers get new ideas from the G-20. Discussions in the G-20 can also influence their thinking over time. There may be scope for the G-20 to have a greater focus on targeted information sharing. In some cases, this could mean more information and analysis being provided to policymakers. In other cases, this could mean better organising and targeting the existing large amounts of information and analysis that they receive. This information currently comes primarily from the international organisations. However, policymakers suggest there is scope for greater input from disinterested experts and more organised engagement groups from academia, business, labour and civil society.

institutional rigidities such as fiscal policy rules and the domestic mandates of central banks. But it should not conclude from this that cooperation is not possible. While sharing information and experiences may not grab the headlines or read profoundly in a communique, this process has an effect and influence on domestic policies that should not be discounted. As put by a former G-20 Sherpa:

> What is going on in the G-20 is a journey that all Bretton Woods institutions went through for many decades. The G-20 is only 9 years old, which is not long in international economic multilateral history. If you take the long view of international cooperation, then you must take the view that the G-20 is effective. If you are interested in instant gratification, then, when it comes to institutions, you are never going to be happy—*Heather Smith, former Sherpa, Australia, interviewed June, 2 2017*.

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