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America has passed on the baton

By Jeffrey Sachs

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The world has a new problem-solver. The summit of the **Group of 20** in Pittsburgh last week confirmed that the leading economic powers, developed and developing, have cast their lot with collective **economic leadership** and systematic peer review. American conservatives are dyspeptic. The G20 seems to them both a fantasy in grand planning and a misguided sell-out of capitalist democracies to the miscreants of the third world. These fears are absurdly exaggerated but they do at least hint at an important truth: the G20 is an experiment. On its makeshift scaffolding the success of the planet now rests.

The G20's true significance is not in the passing of a baton from the G7/G8 but from the G1, the US. Even during the 33 years of the G7 economic forum, the US called the important economic shots. Although the US constitutes only about 20 per cent of the world economy, it has until recently been the indispensable leader, the key to nearly every significant regional military alliance and to global trade, finance and cutting-edge technology.

In fact, US economic leadership had already begun to wane a quarter-century ago but this was obscured by the collapse of the Soviet Union and by the US-led revolution in information and communication technology. Both events seemed to suggest a boost of US economic dominance – but that was illusory, especially as technologies and market-led growth spread to China and other emerging markets.

America's leadership was also undercut by problems at home: low and declining saving rates, widening income inequality, poor educational attainments, anti-tax paranoia leading to insufficient public investments and chronic budget deficits, and rising political corruption, corporate malfeasance and excessive sway of special interests. George W. Bush and colleagues fantasised about the US as the New Rome, but military disasters abroad, the dismantling of financial and environmental regulations and policies such as tax cuts for the rich gravely exacerbated US weaknesses.

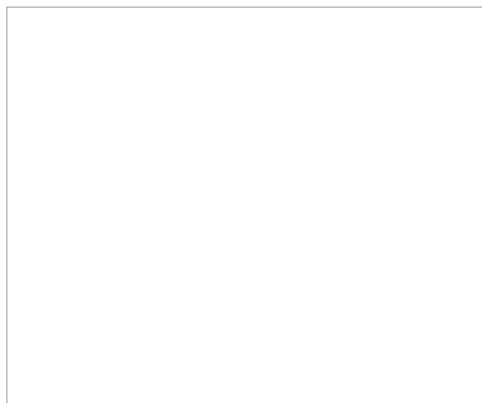
Collective action is now the only alternative, yet it has never been easy to achieve or sustain. Twenty leaders constitute a big group. At Pittsburgh, opening statements spilled over from morning into the lunch hour. The challenge is not merely one of logistics but of the logic of co-operation itself. Can a group this large actually manage the provision of global public goods without succumbing to free-riding and paralysing divisions?

For the cynics, the answer is “no”. American conservatives view the rest of the world, and especially the developing countries, as a congeries of political misfits and miscreants. The reckless rhetoric and provocative actions of a few extremist countries understandably dominate the news cycle. Libyan leader **Muammer Gaddafi's** 95-minute confused reverie at the UN podium immediately following US President Barack Obama's stirring speech seemed to confirm the worst of these neoconservative nightmares.

Yet the G20 meetings in London and Pittsburgh were utterly different from Mr Gaddafi's harangue. The leaders spoke earnestly and with intelligence, moderation, and insight. There was no grandstanding. Peer pressure and the high stakes of the global community would not allow it. Mr Obama's personal gravitas did much to set the tone. While Mr Bush seemed always to disdain the summits and to flee as early as possible, Mr Obama powerfully conveys the message that the US needs and wants to work with the rest of the world, and that the rest of the world in fact needs the US to succeed.

We are not out of the woods, of course, a point emphasised by every speaker at the summit. That is not only because of the fragility of the financial stabilisation and economic bottoming out. It is not only because the small number of rejectionist nations poses real threats to the world, as do a larger number of states imploding under extreme poverty, hunger and environmental shocks. It is also because every G20 country is burdened by political institutions poorly designed for 21st-century problems and each is being overtaken by events: energy scarcity, financial systems out of control, food scarcity, water shortage, climate shocks, gaping budget deficits and more.

Moreover, the G20 has yet to solve three **vital problems** for it to be effective. While it represents 4.2bn people, far expanded from the roughly 900m represented by the G8, it still leaves on the sidelines 2.6bn mostly impoverished people who also should be incorporated. Their inclusion is essential for problem-solving on a host of key global issues. Second, while the G20 is the premier economic forum, it is not a global lawmaking and treaty-signing group. Only the UN can make global law and enforce global treaties. The work of the G20 should be closely integrated with that of the UN. Third, the G20 needs to deepen its problem-solving capacity by systematically harnessing expertise in areas such as energy security, climate change and



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financial regulation.

We are at a watershed. Globalisation, ecological destruction, energy insecurity and an interconnected world of nearly 7bn people require collective leadership. G20 co-operation during the past year has helped to head off economic depression but has not yet set the foundations for a financially and environmentally sustainable recovery. The G20 doubters might still be proved right about the limits of collective leadership, but if so, there will be no room for gloating, only a global disaster. The G20, in short, needs to succeed.

The writer is director of The Earth Institute at Columbia University

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