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# GLOBAL ECONOMIC GOVERNANCE IN THE POST-CRISIS WORLD

*A „Nagy Válság" ismét nyilvánvalóvá tette, hogy a világkereskedelem és a nemzetközi pénzügyek globalizálódása kisiklásának elkerülése, a világrend megvédése a széteséstől hatékonyabb, jelentősebb, rugalmasabb, globális együttműködést, szorosabb és átgondoltabb globális kormányzást követelnek. A válság utáni világban a globális kormányzás három, nemzeti, regionális és globális szinten folyik, amelyek között szoros kapcsolat alakult ki. A tanulmány a globális gazdasági kormányzás néhány főbb kérdésével foglalkozik. Megvilágítja, hogy a zavarnak és a nyugtalanságnak a XXI. század világában a válságnál mélyebbek a gyökerei és szélesebbek a forrásai. A globális kormányzásnak ezért lényegesen átfogóbb kihívásokra kell választ adnia szélesebb keretben és hosszabb távlatban.*

## 1. THE ORIGINS OF THE CONCEPT OF GOVERNANCE

The definition of terms and categories is a widely recognized problem in social sciences. Researchers often work with analytically imprecise categories that are understood and applied differently by different disciplines, schools of thought or professions. Governance is such a rather vague category. Probably Thomas Payne was the very first who used and characterized the concept of "good governance" for domestic purposes:" Good Governance means the proper exercise of political, administrative and economic rights at all levels.

It is almost impossible to trace the origins of the use of the category "global governance". Many politicians, academics and the prophets in the civil society raised the needs for world government even centuries ago. Global governance however as a more immediate or current task or action appeared probably only during the last decades of the 20th century. It was the dictionary of politicians or of the academic world, where this word appeared together. An American economist, Harlan Cleveland, was one of the first scholar, who defined and used the concept of global governance, in the early 1980s as the "management of the "nobody in charge world". NGOs have been also playing an important role in developing the idea. From among them, a group, called the Commission on Global governance proved to be particularly important.

Lawrence Finkelstein an American social scientist in his paper published in the first issue of the journal, Global Governance in 1995 in an article "What is Global governance", wrote the following: "Does global mean what has been signified by international, interstate, intergovernmental or even often Transnational? If so why not use one of those terms, instead of choosing a more ambiguous one? Ambiguity affects not only what is meant by global but also what is meant by governance...At least it must be clear that it does not mean "government" or we would not say that instead. Since the international system notoriously lacks hierarchy and government, the fuzzier word governance is used instead"[1]. In my book on the "Future of Global Governance: Managing Risks and Change in the International System",[2] I characterized global governance as less than governing but more than managing the global system. I included all those institutions, which are setting the norms, defining rules and implementing the multilaterally agreed policies.

## 2. THE LEVELS OF GLOBAL ECONOMIC GOVERNANCE IN THE 21ST CENTURY

The institutions of global governance are not only the multilateral organizations. They comprise a complex system, which includes three interconnected levels: national, regional and global. *The national level* is still the most important. Its decisions are shaping the two other levels. In fact, the governments of the countries decide on the mandate of the international organizations, they are playing a crucial role in financing them. In fact, the governments decide on the main issues on the agenda, they elect or select the leading officers of the multilateral system In the final analysis, all these depend on the interests, values, policies and of course on the world-order visions of the most important powers. When the identity and number of the players is changing, as for example in the early 21st Century, new challenges and opportunities emerge for the global governance process. As the world economy is becoming increasingly multipolar, no country or bloc of countries has the political and economic leverage to drive an international agenda. The United States will continue to be the only truly global power for many years to come, but it increasingly lacks the resources and domestic political determination to act as a global leader and primary provider of global public goods. There are not yet ready candidates however leadership and the domestic problems are dominating policies. The US is struggling with the consequences of the crisis and particularly such issues as its large debt, unemployment and the future of the US $. Europe is preoccupied with the changing interests of its members in a number of issues. This has been reflected for example in the struggle for saving the eurozone. Japan has complex political and economic problems of its own, and rising powers like China and India – are too focused on managing the next stage in their development to take on new international responsibilities. During the financial crisis, the G-20 looked like a forum in which the most influential developed and developing states could harmonize their interests for effective collective management at least in some areas of global governance. Their actions provided the necessary financial foundation and authority for credible solutions to global problems and coordination of policies of states and harmonizing the actions of the multilateral organizations. It is still not clear but the probability increased that G-20 effective cooperation would be short-lived.

The *second level* of global governance is regional. This level has become particularly important since the establishment and extensions of the European Union.

1 Finkelstein, Lawrence S. (1995): What is Global Governance? *Global Governance* 1: 367-372.

2 Simai, Mihaly (1995): *The Future of Global Governance: Managing risk and change in the international sytem.* US Institute of Peace, Washington DC.

Pascal Lamy the Director general of the WTO summarized the importance European level in the following way

> "(....) The European construction is one of the most ambitious experiments to date in supranational governance, and the way Europe has coped with the sort of challenges(...). The building of Europe is a work in progress, and the European paradigm is itself very specific to the conditions and pressures that prevail in Europe. Our continent was ravaged by two world wars and by the holocaust, leaving millions of men and women dead and many more millions in search of peace, stability and prosperity. One should therefore be cautious about ascribing universal values to what so far has only been a part of our European world. Other paradigms emerging elsewhere in the world reflect different conditions elsewhere.
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> At the heart of the European project has been the creation of a space of pooled sovereignty, a space in which the EU's members agree to govern among themselves without having permanent recourse to international treaties. The essence of the European governance paradigm is the coming together of national political wills to act together in the framework of a common project and an institutional set-up that can make it work. It's the combination of these three elements rather than just the governance methods used.
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> There is also the fact that Community law takes precedence over national law, and then there's a supranational body like the European Commission that has been given the monopoly of initiating legislation. There is also the EU's Court of Justice whose decisions are binding on national judges, and a parliament composed of a "senate" of member states, the council of ministers, and a "house of representatives" elected by the European demos, the European Parliament.
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> Taken together, these are the things that make the European Union a radically new economic and political entity when it comes to international governance".[3]

Pascal Lamy has been correct in characterizing Europe as the elation for regional governance in the global system. There are of course many other regional integration groups and other organizations for the governance in different areas, mainly in trade issues" None of those organizations could develop however a comprehensive regional economic governance structure, due to the lack of interests, incentives or possibilities of the member states.

In some respects, European integration offers some useful lessons also for the *third level* of global governance, which is the network of multilateral organizations and cooperation regimes on global scale. The first lesson is the importance of the rule of law and of enforceable commitments. Global governance has to be anchored in stakeholders' commitments and in rules and regulations with mechanisms that deserve respect. The second lesson is the importance of coherence,

3 Pascal Lamy: Global Governance is a challenge for democracy (but an EU opportunity). *Europe's World*, Spring 2010.

which must start at home and also includes multiple accountability. The third lesson for global governance is respect for the principle of subsidiarity; the international system should not be overburdened with issues better dealt with at the local, regional or national level. The fourth lesson is related to legitimacy. National governments need to be held accountable by their voters, political parties, civil society, parliaments or citizens for their behavior in international organizations.

On the third level of global governance, there are three main institutional pillars. The first pillar is a strong, legitimate, executive authority capable of taking binding decisions on matters of international peace and security. The UN Security Council plays that role. The second pillar is a set of treaty-based institutions with broad membership, in which all states can debate issues openly, negotiate basic ground rules, and mobilize resources to assist the design, delivery, and implementation of global public goods. Among the most important of such entities are the United Nations, the international financial institutions, and the World Trade Organization. The third pillar is a network of informal, agenda-setting bodies, in which the leaders of powerful states can meet to focus high-level political attention, coordinate policy responses, and build momentum for action within national governments and multilateral institutions. From among the different "G"s the G8 became the most important informal group in the 20$^{th}$ century. It has been established in the mid-seventies, when the heads of government of the world's six major industrial democracies – the United States, the United Kingdom, France, West Germany, Italy, and Japan – gathered in Rambouillet, France in 1975. Their initial impetus was to improve macroeconomic coordination amid the turbulence caused by the introduction of floating exchange rates, the Arab oil embargo, and the ensuing global recession. Canada was added in the following year and the new Russian State in 1998. During the first decade of the twenty-first century the G8's agenda expanded to include cooperation on development, global health, counterterrorism, crime prevention efforts, and peacekeeping, nonproliferation. In 1999, in the wake of the Asian financial crisis, a new Group of Twenty finance ministers' network has been established with the aim to intend to extend economic dialogue to the largest developing countries. Its role suddenly became centrally important in the context of the Great Crisis.

It was necessary to restore the market confidence and global financial stability as fast as possible and avoid the collapse of the global financial system. In order to achieve these goals that far-unparalleled policy coordination was necessary among major developed and the most important emerging states. G8 had limited membership. The United Nations had limited power, with slow and fragmented decision making capacity. The International Monetary Fund was mistrusted by developing countries because of its domination by the traditional economic powers, and the well known consequences of the Washington Consensus. The easiest solution "at hand" was the upgrading of the G20 to the level of heads of states or prime-ministers and to start organizing regular summits. During the Pittsburgh summit G20 was designated as the "premier forum" for international economic cooperation.

The most important global organization, in fact, the center of global governance is the United Nations, with its Security Council and the comprehensive system of specialized agencies, programs, committees and commissions.[4] These institutions are functioning in practically all the areas of human actions, starting from the very early stage of family planning and human existence, education and health, through, global processes of output, consumption, cooperation. In global economic governance the Bretton Woods institutions, the WTO, the BIS and the different Gs are playing a crucial role. After the Asian Financial Crisis the G20, as a group of the most important states of the world has become a very important forum on global level. The global financial and economic crisis, which is increasingly called as the "Great Crisis" by the press and many economists, resulted in the transformation of this group into a kind of a global "steering committee" for the management of the global multilateral efforts.

As in the case of national or in fact any governance activities, there are four stages of the process: (I) agenda setting, (ii) policy options definition, (iii) decision on actions, and (iv) implementation. Emphasis is put on the third stage. This is probably the most difficult and the influence of the conflicting interests is the greatest. Virtually all issues of some global interest can be put on the agenda of at least one committee of the UN, or of other international organizations. The decisions on the implementation and its process require consensus, majority support or at least the active political and financial involvement of some important power. One may add on national level a fifth stage, evaluation of effectiveness. On global level it is a rather difficult task to measure the effectiveness or the success of global governance system and its actions. These must be related to the character of the problems the mandate of the institutions also from the perspectives of the international beneficiaries and losers.

## 3. THE "GREAT CRISIS" AND THE CHANGING GLOBAL ECONOMIC SYSTEM

This paper is dealing with some of the main issues of global economic governance in the post-crisis world. One must try to answer at first to a rather difficult ques-

4 The most comprehensive approach in the context of the management of the crisis and the necessary changes have been raised in the UN General Assembly. These included the following: 1. What are the global consequences of the current financial crisis and its impact on the growth and development? 2. What can be done to address the systemic root causes of this crisis, including the establishment of a transparent and accountable global system of policy coordination and fundamental reform of the global financial architecture? 3. What should be the underlying ethical and social bases for reforming the current international economic governance system? What are the practical arrangements, decisions, and processes that must be undertaken to justly and democratically implement the needed reforms? 4. What are the long-term challenges to sustaining public oversight and accountability over global market processes and what could be the transformation required in international relations between developed and developing countries and the Global South. 5. What are the developing country concerns and capabilities in playing an active role in global economic governance? What initiatives should developing countries undertake to establish a just and developmentpromoting economic system? 6. What kind of agreements should the international community reach at the United Nations' Review Conference on Financing for development to contribute to finding a durable systemic solution to the present crisis? 7. What are your views on possible actions required, including deep reform of the global financial architecture and what should be the role of the United Nations General Assembly?

tion: how far is the global economy from the crisis? According to the analysts of the UN, the global financial and economic crisis technically ended in the third quarter of 2009, but the recovery proved to be fragile and uneven.[5] Unemployment, global imbalances, high level of indebtedness continue to drag the world economy.

According to the 2011 Financial Stability Report of the IMF. There has been a two-track global recovery – with advanced countries growing much more slowly than the rest of the world – became a major policy challenge. The longer term prospects for a slow growth of advanced economies and the continued weakness in their fiscal balances have raised the market's sensitivity to debt sustainability risks. The evident links between weak balance sheets of government and banking sectors have led to renewed pressures in funding markets in the euro area and widening strains.[6] The last updated version of the 2012 Global Financial Stability Report in October found an increased risks to the global financial system, with the euro area crisis the principal source of concern. The report urged policymakers to act now to restore confidence, reverse capital flight, and reintegrate the euro zone. In both Japan and the United States, steps are needed toward medium-term fiscal adjustment. On the other truck, the emerging market economies have successfully navigated global shocks thus far, but need to guard against future shocks while managing a slowdown in growth".[7]

There reports have been dealing mainly with the short and medium term processes and problems. Global governance must take into account however also the long term changes and their consequences..

The turbulence and the distress of the world of the early 21st Century have deeper roots and broader sources than the crisis. *First of all, major long term shifts changed the structure of the national economies.* From among the sectoral shifts, directly related to the crisis, the most important change has been the fast increase of the financial sector and the expansion of the "paper economy". This category has been probably used first by a famous economist of Polish origin, Michael Kaleczki, who described it as the financial deepening, the securitization, the increasing role of social security pension and health insurance institutions and services and contrasted it with the shrinking "real economy". The paper economy is that part of the national or the global economic system, where there is no material production and it is dominated by the movements of money, stocks, bonds and other financial instruments. During the past 25-30 years there has been an extremely fast growth of the paper economy. Since the 1980s it has increased three times faster, than the "real economy": industry, agriculture, the related services, transport, communication, commerce. The spread of the paper economy stimulated the unprecedented growth of the global financial centers. In the medieval period "city states" emerged as the centers of trade. In the 20th century important centers of global money trading emerged, which concentrated stocks and commodity

5 UN DESA:World Economic Situation and Prospects 2011, New York.

6 IMF: Global Financial Stability Report: Global Financial Stability Still at Risk. Market Update. Washington DC, 2011

7 IMF: Global Financial Stability Report: Global Financial Stability Still at Risk. Market Update. Washington DC, 2012.

exchanges, private financial institutions. During the last decades of the century, they became the global concentrations of the paper economy. The main actors in these centers were financial conglomerates, investment and commercial banks insurance companies, underwriters, broker houses etc. These centers, like London, New York, Tokyo, Hong Kong, Shanghai, Singapore, Frankfurt, Paris, Amsterdam, Geneva, Dubai, etc are not only connected by the mobility of capital, but through the interconnectedness of the stock exchanges they are functioning 24 hours. They play a crucially important role in speculation and also in the rapid spread of panics. These centers became very important also in the national economies. The London center is responsible for 15 per cent of UK GDP.

All these changes paved the road for the growth of the paper economy and promoted an unprecedented degree of speculation. Especially in advanced economies such as the United States and the United Kingdom, the financial sector has accounted for an unsustainable share of corporate profits and profit growth. While the paper economy and the real economy is interconnected both in national and international framework, the vitality of the real economy - the economy that most people depend upon for their livelihood has been undermined. During a period of strong global growth, growing capital flows, and prolonged stability, market participants sought higher yields without an adequate appreciation of the risks and failed to exercise proper due diligence. The instability and volatility of the paper economy can devalue the economic base of real lives, or in more macro-scenarios can lead to the collapse of national and regional economies rather fast.

An outstanding British political-economist Susan Strange called this unstable system "casino capitalism", referring to the views of Keynes. In her book, "Casino Capitalism" Susan Strange likened the Western financial system to a vast casino. As in a casino, the world of high finance offers the players a choice of games. Instead of roulette, blackjack, or poker, there is dealing to be done – the foreign-exchange market and all its variations; or in bonds, government securities or shares. In all these markets you may place bets on the future by dealing forward and by buying or selling options and all sorts of other recondite financial inventions. Some of the players – banks especially – play with very large stakes. There are also many quite small operators. There are tipsters, too, selling advice, and peddlers of systems to the gullible. And the croupiers in this global finance casino are the big bankers and brokers. They play, as it were, "for the house." It is they, in the long run; who make the best living. She goes on to observe that the big difference between ordinary kinds of gambling and speculation in financial markets is that one can choose not to gamble at roulette or poker, whereas everyone is affected by "casino capitalism." What goes on in the back offices of banks and hedge funds is apt to have sudden, unpredictable and unavoidable consequences for individual lives.

The characteristics of the Great Crisis have been shaped by the dominance of the "paper economy" which has become the most globalized part of the world economy through the global interconnectedness of the financial institutions, markets and by the other actors of "casino capitalism". The financial crisis quickly spread to the real economy, chiefly because of four factors: the credit crunch, wealth destruction and the shrinking disposable incomes, the decline in world trade and worsening expectations for the evolution of economic activity.

The serious, wide-ranging yet differentiated impacts of the Great Crisis across the globe will not disappear for a long time. Such problems as unemployment, poverty and hunger or the reduced public confidence in financial institutions, the reduced ability to maintain social safety nets and provide other social services, such as health and education will be haunting in the global system for a long time to come. The crisis certainly aggravated the employment problems on our globe. Economic growth in many countries over the decades, preceding the financial and economic crisis, did not produce employment opportunities corresponding to the fast increase of people in the working age groups on global scale. The crisis aggravated also the problems of poverty. There is another important long term issue: did the Great Crisis reduced the long term growth potential of the developed world?

*There are different estimates by different international organizations and academic experts about the global financial losses attributed to the crisis.*[8] Most of the massive destruction of global financial wealth concentrated in the developed countries. The total loss between 2007–2010 was estimated at US$ 50 trillion by the experts of the Bank for International Settlements. It was roughly equivalent to the world's GDP in 2008.

Although the total costs of the crisis, due to the GDP decline and the direct losses due to the crisis will take years find out, it is already clear that the world has suffered enormous damages.

## 5. NEW PROBLEMS AND TASKS IN THE SYSTEM OF MULTILATERAL COOPERATION IN THE POST-CRISIS WORLD

Strauss-Kahn, the former managing director of IMF justified it by the Great Crisis, that it has become necessary again to deal with the issues of global governance:

> "The good news is that global governance has been renewed by the crisis. Led by the G20, country came together to face common challenges with common solutions focusing on the global common good. We saw this in monetary policy, with coordinated interest rate cuts, with swap lines between the Fed and many other central banks, and the decision to adopt unconventional monetary policy measures. We also saw this in fiscal policy, where countries with fiscal space delivered a 2 percent of GDP global fiscal stimulus, as the IMF had advised (...).Thus we have so far avoided a second Great Depression, a threat that was on many minds after the fall of Lehman Brothers. This exemplary cooperation will go down in history as the first time that governments representing billions of men and women were able to work together to tackle a global danger (...).The crisis also prompted financial sector reform. Aware of the errors that caused the crisis, the FSB, together with the IMF and other institutions, is leading this agenda (...). The recent Basle III accord on banking regulation is a major step in the right direction and should deliver a significant qualitative and quantitative improvement in bank

8 IMF and ILO

> capital. The next step is to deal with the regulation of non-bank financial institutions, which played such an important role in the crisis.”[9]

The global crisis has been an important challenge for practically all the institutions of multilateral cooperation as the world has moved into a more uncertain phase of global interconnectedness with the dangers of mutual vulnerabilities. During the crisis the restructuring, extension and central role of the G20 in the global governance process has been probably the most important “innovation” in the institutional framework of multilateral cooperation in the 21st century. The different measures, coordinated in the G20 group permitted to avoid the great depression. The G20 group, which has been created on the occasion of the Asian crisis in 1999 became the prime grouping of global economic governance ten years later. During the acute phase of the crisis, at the first *summit in Washington DC* in November 2008, the members 'agreed a series of measures and a joint Action Plan for dealing with the crisis, including measures to reinvigorate their own economies (without damaging global trade), to regulate global finance, to assist the poorest countries affected by the crisis and to reform global institutions. At the follow-up to the first summit in Washington in *London* in April 2009 – the slogan was: 'A global crisis requires a global solution', The communiqué indicated that the fiscal authorities and central banks will implement the largest fiscal and monetary stimulus and the most comprehensive support programme for the financial sector in modern times.' (It was indeed an unprecedented and concerted fiscal expansion, amounted as a total 27 per cent of the global GDP in 2008). The most important institutional decisions of the G20 included the much broader mandate and increased possibilities of IMF and the coordination of certain national crisis management measures. It has become evident however that the major state actors had no comprehensive vision. Bailouts and mainly short term stimulating measures have been in the center of policies. Most of the strong commitment to take the initiative and carry the responsibility for implementing those changes, which could manage and reduce the sources of global risks and improve the security of the financial system on longer term have not been materialized so far. After the summit in Pittsburgh, when it was clear that the imminent disaster has been avoided, with the global economy on the mend, the temptation for leaders to focus once more on their domestic problems and interests naturally grew stronger. As a result, there was a grave risk that the G20 would become a largely irrelevant institution. The Seoul summit however indicated that the post-crisis world would bring a number of new problems. One of them has been the danger of global currency war in the form of competitive devaluations. The increase of long term indebtedness of many developed countries has been an other adverse consequence of the crisis, reflecting not only national stability but also the instability of the global financial system.

As far as the post crisis world is concerned, the Great Crisis proved that the new interrelations which developed between the domestic and international sources of

9 Dominique Strauss-Kahn: The Triple Comeback-The Impact of the Financial Crisis on Global Economic Governance. Lecture in Geneva, December 8, 2010.

growth, between the old and new centers of industry, services, trade and technological development require radical changes in the institutions, instruments and efficiency of global economic governance. Due to the central importance of the global financial sector, the most urgent tasks have been formulated in that area. They include the appropriate collective management of risk factors particularly in those processes and activities, which are related to the imbalances and caused already or could be resulting in major global crises in the coming decades.

Effective policies and actions are needed for the long-term stabilization of the financial sector on national, regional and global level, the easing dangers and risks related to the global pressure of the still increasing indebtedness, avoiding currency wars. Most probably the global pressures will increase for the development of new global reserve currency in the multipolar world. The reduction of dependence on the traditional reserve units and particularly the US $ is also a crucial issue in the post-crisis debates All those measures and the strengthening the key multilateral institutions in the financial system.

It will be a very difficult task to reform of the global financial system and develop mutually agreed rules in order to avoid the repetition of future financial crises, and make the system safer on macro and micro level with institutional changes, macro- and micro prudential measures. On the bases of the G20 summits declarations, one could notice a likely change of approach and scope in the regulation and oversight of national financial systems. It has become clear too, that alongside national regulation systems,, while there is a need for a global regulatory framework with minimum standards and some control or oversight of global operations of systemically important financial institutions, the probability to establish a stronger international regulatory system is rather low. There is a degree of consensus regarding the need to implement effective global early warning mechanisms, and this will require the combined experience and knowledge of a wide range of institutions and actors.

As for the private institutions are concerned, the Basel oversight institutions started also working also on long term measures for the strengthening the banks, insurance companies, and improving their transparency and security. From among the measures, the new Basel rules are of utmost importance in terms of capital requirements, in terms of liquidity monitoring, and all what is the core of the new banking supervision. The rules are not only dealing with the banks themselves; it is the full body of the system the non-bank financial institutions, the money and security markets

There are proposals on the table for monitoring and supervising both the creation and the propagation of complex financial instruments, requiring the greatest transparency in the markets where they are traded. As for the latter, the idea will be to cover all market participants, be they banks, hedge funds or credit rating institutions. Similarly, a way will be found to bring the “shadow” banking system into the orbit of regulatory principles and oversight in the new regulatory landscape.

In view of this, it has been suggested that special drawing rights (SDRs) and the International Monetary Fund could play a stronger role in the new international reserves system.

### 6. THE FINANCIAL SYSTEM AND THE GOVERNANCE IN THE GLOBAL TRADE REGIME.

The management of the global trade regime is also a crucial task of global economic governance the multilateral trading system is at a fundamental crossroads. Unilateral trade liberalization has been strong over the last two decades as states have reduced barriers to trade and investment across most sectors of their economies; but the process has slowed over the last couple of years. The financial and economic crisis resulted in a growing opposition to trade liberalization increased the demand for protectionism to protect key national businesses and jobs. Most members of the WTO kept so far the worst domestic protectionist pressures under control The regulation of the financial system and the governance of the trade regime require different policy responses but to solve the problems in one domain it is necessary to solve them in the other. The difficulties with concluding the Doha Development Agenda (DDA) negotiations demonstrate not only the difficulties of conducting multilateral trade negotiations in the 21st century but also expose serious fault lines in the contemporary architecture of trade governance in particular and global economic governance more generally. The recent trend amongst larger countries to go outside of the WTO to reach trade deals carries the risk of undermining the fabric of inclusive, fair and stable institutional arrangements that underpin international trade.

Both the global financial system and the trade regime are very important for the moderation of poverty and the promotion of employment.

One should not exclude the global eco- system from the tasks of economic governance. All its aspects are interrelated with global production and consumption, finances and trade. At this stage the issues related to the climate change are in the center of international efforts. It is essential to find more effective multilateral means to halt global warming based on institutional systems that recognize the interdependence between countries (and the differentiated role each of them has played in its development), between public, private and social actors. Neither the Copenhagen meeting nor the Cancun conference yielded the results hoped for. Although the debate was carried forward, the Copenhagen Agreement, which is not binding, was called into question by many countries and will need to be reviewed and ratified by member States to increase countries' commitment to it, at the same time as a more transparent and inclusive negotiating process is developed. Many issues in the international approaches to achieving climate security remained open also after RIO+20.

One of the often-neglected conditions of global governance is the necessary data and the quality of analysis. There is a vast array of financial and economic statistics and the processing power to crunch them. As Claudio Borio of the BIS puts it, “The main reason why crises occur is not lack of statistics but the failure to interpret them correctly and to take remedial action.”

Policymakers, governments, institutions are not necessarily equipped with the best knowledge for understanding the meaning of the data from the point of view of the influence of different categories in the governance system. There is not only an information gap but also an intellectual or knowledge gap between the different levels, governments, and international organizations. For all the effort expended on data gaps, the constant evolution and footloose nature of the financial system complicates matters hugely. As bank whizz-kids dream up new products, it will be hard for officials to keep up. Indeed, there is a good case that new financial techniques are created precisely because regulators cannot spot or understand them and therefore do not penalize them for being risky

Most of the above mentioned problems and tasks have been discussed also in different summits of G20. It has become also evident during these negotiations, that the approaches and policies of the main centers of the global system are again influenced more strongly by domestic interests and considerations than by the needs of global governance in the post crisis era.

## 7. SOME FUTURE PROBLEMS

Still, the restructuring, extension and central role of the G20 in the global governance process has been probably the most important long term consequence of the crisis for the institutional framework of multilateral cooperation. The most important decision on the future role of IMF, on harmonizing national policy measures and many other matters have been taken in its "minilateral" framework. The management of the crisis has been an important proof for the positive role of coordinated actions in its framework.

It is a very important issue, to what extent G20 will remain the magic formula or "the magic forum" to promote global progress toward the establishment of effective global governance or more moderately a global economic governance system? Past debates and efforts proved the difficulties in reforming "the third, level of global governance", the multilateral organizations. It is not clear at all, to what extent the lessons gained during the crisis will change the interests and attitudes of the governments toward the radical improvement of multilateral institutions and thus the G20 could become a driving force of reforms within the United Nations and other international organizations. Some governments, NGOs and analysts consider it as a new undemocratic "great power" instrument which may undermine the democratic structure of the UN system and therefore they consider it only as a temporary structure, for the management of the Great Crisis.

It is evident that the role of G20 in shaping a realistic and relevant global agenda, as well as providing a forum in which the world's most powerful actors can reach preliminary agreement on constructive approaches to common global problems depends as much on the "political will" of the main global powers as of any multilateral institutions. It is also evident that the G20 will never replace the World Organization and it's specialized programs and agencies (which have legitimacy and accumulated not only invaluable technical expertise but also implementation capacity). It can be important group, which can support the UN, as a "preparatory forum" for global negotiations, consensus building on important global issues and on different institutional and policy reform measures and offer a decisive financial and intellectual contribution to the analytical, normative and implementation capability of an evolving global governance, and within this, economic governance system.

The other danger is, that some politicians or academics will either "oversell" the G20, and go beyond the realistic expectations about its global governance potential, or consider it as a meaningless or temporary arrangement for managing the crisis.. It is important to understand, that the members of G20 are powers on different levels of development, size and techno-economic potentials with diverse concrete goals and interests. They may share problems and some priorities in the global economy, but may also disagree on the implications and also on the tasks how to resolve the problem, and on how to share burdens in addressing it.

The increasing multipolarity of the world will demand probably multiple institutional arrangements in the system of global economic governance in finances, trade, employment, environmental degradation, terrorism, rising crime, urban decay, drug abuse, and so forth. It will not make the governance process smoother or easier in the race between implementing ever-increasing ways to improve the human condition and the seemingly ever-increasing complexity and scale of the system. What directions global economic governance should take? How to preserve a relatively open, competitive world economy and at the same time satisfy the demands of the citizens for protecting jobs, national social values, welfare systems, small and medium size firms, the rights of the consumers and the ecological system? How could sustainable development reduce the gaps caused by the growing inequalities between and within the countries? Is the system of the European Union sustainable with the increasing differences within the single market in development levels, incomes, institutional capabilities and political philosophies? The institutional reforms in the final analysis depend also on the political process, in the center of which global peace and security are vitally important. Without relevant, harmonized global policies, that are based on changing values, supported by most of the people and implemented through governments, corporations, education systems, NGOs, churches, the United Nations systems, and other international organizations, global governance will remain only a dream of its advocates.

The Great Crisis made the future path of the world even more unpredictable. It has increased on one hand, the dangers of long term global stagnation, resulting in protectionism, trade wars and disintegration. At the same time it has opened new possibilities for collective actions. In this decade the fallout from the crisis will be severe. People have been thrown into a deep sense of insecurity; misery and hardship increased for many poorer people everywhere. All these is a fertile soil for fascist, right wing populist, xenophobic groups, who will surely try to take advantage of people's fear and anger for their ends. The political process became more divided, new sources of discord emerged which is also reflected in the declining relevance and the growing ineffectiveness of many institutions. The role of social scientists is particularly important at this stage in promoting the better understanding of the complex problems of the post-crisis world and in the search for a new vision and innovative institutional forms and solutions in the global governance of the 21$^{st}$ Century.