

To conduct our global economic symphony, co-operation is critical

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For six decades, the world's economic "symphony" had a single conductor (the United States) and a single musical score (the Anglo-Saxon market model). But no longer.

Now multiple conductors are attempting to guide regional sections of a global orchestra. China, India and major oil producers in the Middle East may at times introduce different sheet music (state capitalism, large state sectors, protectionism), potentially creating harmonic disruptions. Directing this global orchestra in all its complexities puts a premium on co-ordination amongst conductors who have different statures, experience and even aspirations.

This new reality makes the Organization for Economic Co-operation and Development even more important than it was when founded 50 years ago.

As an international forum for countries committed to democracy and the market economy, the OECD has facilitated the invaluable sharing of policy experiences and best practices, allowing members to learn from one another's successes and failures. (Indeed, I developed a better understanding of the workings of international economies and finance from attending OECD meetings than I did from graduate school.)

At the same time, the OECD's capacity to wield peer pressure and promote transparency has acted to improve both national policies and international co-ordination. In today's increasingly globalized world, such international policy co-ordination is more critical than ever.

As the Internet connects markets, capital, people and information to an unimaginable extent, the economic centre of gravity is shifting toward Asia, and demographics, resources and technology are redefining competitiveness. Meanwhile, the hangover from the Great Global Financial Crisis continues, as will the ferment and upheaval in the Middle East, impacting events well beyond the region.

For the first time, emerging economies – which weathered the crisis in much better shape than those in many advanced economies – are powering the global recovery. Testimony to this is that the World Economic Forum now rates the financial systems of India and China as stronger than those of the United States and Britain.

At the same time, the increase in international institutions and agencies since 1961 has fundamentally altered the nature of international policy co-ordination. The prominence of the G7 at the level of leaders and finance ministers throughout the 1980s and 1990s was augmented by the creation of G20 finance ministers and the International Monetary and Financial Committee in 1999. And the emergence of the G20 at the level of leaders in the midst of the global financial crisis was de facto recognition that neither a single country nor a small group of wealthy ones could conduct this new global orchestra alone.

The G20 reached out to the OECD and others to help mitigate the crisis, and took collective action to better prevent such crises in the future. Now that the urgency has ebbed and divergent economic circumstances and policy interests are reasserting themselves, the challenge is to sustain this degree of international co-ordination.

For the OECD itself, a changing world means an evolving institution, necessarily involving greater outreach and inclusiveness, and supporting the G20 reform agenda. But it shouldn't change the fundamental character of the organization as a trusted forum for countries seeking new approaches to strengthen their domestic policy environment while improving international co-ordination.

The global financial crisis demonstrated systems failure. International institutions need to be effective elements of a modernized system that is capable of identifying systemic dangers, analyzing complex interconnectivity risks, performing meaningful and effective "international peer review" of national macroeconomic policies and national economic systems, and doing so with more inclusive governance arrangements.

International institutions, including the OECD, have to be mandated and equipped to speak analytic truth to power when national economic policies, particularly of systemically important countries, may be at variance with agreed-upon global benchmarks and objectives.

Pervasive globalization is the opportunity and challenge of our age. Over the next 50 years, we need to count again on the OECD and the power of co-operation to help maximize the opportunities of, if not playing from the same score, at least striving for the kind of harmony that will benefit all.

Kevin Lynch, former clerk of the Privy Council and vice chair of BMO Financial Group, is delivering a longer version of these remarks Friday at a Public Policy Forum event in Ottawa, called "Canada and the OECD: 50 Years of Converging Interests."