Economic Democracy

A C20-2024 guide for sustainable finance and economic development

EXECUTIVE SUMMARY

The C20 was officially established in 2013, during the Russian G20 presidency. But it was a demand that existed since, at least, 2010 in Seoul, that grew substantially in the Cannes summit in 2011, in the aftermath of the financial crisis and the onset of the Great Recession caused by abusive manipulation of financial instruments in the creation of *toxic assets*.

The rescue plan for those assets and the whole financial debacle of 2007-2008 was one of the most outstanding feats of monetary engineering since the end of the Bretton Woods System, in 1971. Quantitative Easing, as it became known, is the sole proof and confirmation of sound sovereignty-based modern monetary theory.

Without saying in so many words in all several position papers issued by the civil society engagement group to the G20, the C20, along the past decade, the demand can be synthesized in a call for regulating and breaking down the oligopolies that dominate and condition the political economic processes. Whether in health or food systems and its global agricultural component, most problems arise from the concentration of markets, wealth and resources.

Furthermore, the hegemonic understanding of macroeconomics based on neoclassical and monetarist fundamentals stifles the development of timely and effective policies to solve the inequality, poverty and environmental compromise that persist in the somewhat unregulated market-based system.

The C20 Policy Packs have become a document of History, evidence of how civil society are on the forefront of solutions.

As the G20 is a group created with the mission of coordinated economic and financial efforts to stabilize the global economy and foster growth, most of the group's commitments and demands from the civil society engagement mechanism (C20) center around the betterment of the global financial architecture in order to eliminate poverty and reduce inequalities. Despite the multiple positive words in the communiqués and political declarations by the G20, it is very important to have the engagement groups mechanisms checking on the commitments and reinforcing the need for their fulfillment by the participating countries' governments.

Though easier said than done for to orchestrate common policies faces the challenge of asymmetric power relations in the geopolitical stage, which delays and derails much of their implementation. For instance, in the second G20 meeting of financial ministers, in Montreal (2000), *reform of international financial architecture* was mentioned as priority and crucial to prepare for future crisis, as they were reflecting on the triple sovereign financial crises of the 1990s (Tequila Sunrise in Mexico, 1995; Asian Tigers in 1997; and the Rublo collapse in 1998) and the expansion of debt vulnerability. Twenty-three years later, reforming the IFA is still a priority that simply does not move forward despite coming back to the discussion every time there is a global crisis. The power asymmetry is evident in the governance of the Bretton Woods institutions, with a dominance of Europe and the U.S. sharing their coordination, and their quota system based on percentage of national contributions to the International Monetary Fund and the World Bank. Couple this with the limitations of orthodox interpretation of political economy to sponsor policies and projects that have crippled communities by the use of austere mindset and force[1] and the results are a representation of political and military dominance.

Civil society organizations have been calling attention to the world leaders and the international community of the perils of over concentration of capital and wealth, of deregulated financial markets, and the growth of inequalities for half a century. Thirty years of neoliberal thinking has resulted in more fiscally fragile States, more indebtedness whether public or private, and the execution of a neocolonial global policy based on comparative advantage that showed its vulnerability during the Covid-19 pandemic. The current situation, under the multiplied pressure of intensive climate change mitigation and adaptation, increases the urgency for the world governments to fulfill their commitments.

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TEN YEARS OF C20 RECOMMENDATIONS ON ECONOMICS AND FINANCE (2013–2023)

Since its inception **in 2013**, in Saint Petersburg, the C20, through an international consultation process, has built an edifice of recommendations and demands, sometimes following the directions given by the governments, other times going beyond and establishing a coherent narrative of effective transformation that requires courage, leadership, and cooperation, values currently in low esteem in the world stage as the current wars and the rise of intolerant governing make it evident.

The C20 Russia started by asking governments to "(assess the social impacts of proposed economic policies in order to openly discuss which policy options may most effectively address equality and growth. The first step is to formally include distributional impacts and equality measures, and subsequently aspirational targets, within the Framework for Strong, Sustainable and Balanced Growth. The second step is to encourage members to add equity indicators, starting with the GINI coefficient, and subsequently aspirational targets into their national development plans and annual budgets."

And it goes further into many specific necessary actions to be undertaken by the countries: "Affirm the need to strengthen public policy and the role of the state to tackle inequality, through a) macroeconomic policies promoting employment and boosting aggregate demand; fiscal and monetary policies encouraging productive investment; stemming corruption; progressive taxation systems; reducing tax evasion and improving the effectiveness of public expenditure; b) protecting basic human rights, specifically, universal and equal access to food, water, health care, education, social protection, affordable housing, and others such as the right of free movement for citizens within the country."[2] These demands will return in different language, but maintaining the narrative.

The Australian C20 focused on the worldwide expansion of poverty that ensued from the financial crisis and the Great Recession that, **in 2014,** was still hammering the jobs market in all developed and developing countries. Therefore, guarantee of basic social protection was a big ask in the communiqué. "We call for the G20 to commit to reduced global inequality and to inclusive growth. Expanding universal access to high quality health and education services financed through

[1] There are several studies on the effects of austerity-based policies as conditionalities for project financing or liquidity injection into a country. —-

[2] C20 Russia. **Executive Summary.** http://www.g20.utoronto.ca/c20/C20_proposals_2013_summary.pdf

fair tax systems is key to achieving equitable development outcomes, inclusive growth and the sustainability of open, market based economic systems."

Sometimes the text does follow the hegemonic narrative of the private capital solution, but civil society does call for the States to fulfill their public duties instead of relying too much on private capital solutions: "The Brisbane Action Plan should not favor PPPs over public financed infrastructure and should consider financing arrangements on a 'value-for-money' approach that is context specific and considers costs across the project lifecycle."

And how to better utilize the MDB capital framework, "the G20 should develop common investment standards for best practice with regard to community consultation, project planning, governance, management, monitoring and evaluation, and safeguards, throughout its membership and within multilateral development banks. Infrastructure project decisions should involve the community through upstream participatory project identification and design, downstream robust safeguards around planning, construction and operation, and recourse mechanisms."[3]

These recommendations do come back in later years.

The year of 2015 was pivotal for multilateral resolutions that coalesced determination (in words) to solve the accumulated hubris of the predatory economic growth project of the twentieth century. The G20 summit was held in Antalya, Turkey, with a final communiqué that did express Global South concerns and welcomed the processes under way at the United Nations level – 2030 Agenda, third FfD Conference, Paris Agreement on Climate – as platforms to progress on searching for solutions. The C20 demands were overarching, trying to draw a bigger picture of the issues the vulnerable populations in the countries face. "Devise inclusive growth strategies at the urban and rural level that explicitly target decreasing inequality and fight against poverty. To that end, systematically track the income growth rates of the poorest 40% against the richest 10% and modify growth strategies accordingly."

How to do it was not specified, but one can identify progressive taxation as a key component of such demand, as well as for "commit to tackling the multidimensional nature of inequality by way of facilitating access to social protection and public services, including education and health, especially for the most-excluded groups, e.g. through progressive tax systems and investment in public infrastructure."[4]

In 2016, in Qingdao, China, the C20 was consistent in aligning its policy pack to past C20 demands, but with a special focus on poverty eradication, green development, and innovation: the role of civil society. The language was very polite and agreeable such as in "International cooperation shall be carried out in an active manner with the supportive role of multilateral financial institutions brought into fuller play in the implementation of the 2030 Agenda. Civil society organizations shall, in this process, make their contribution by offering advice and suggestions."

And not without showing something else altogether when stating "We set great store by the long-term trend of the Chinese economy, in anticipation of its success development and its leading role in

[3] C20 Australia. **Australian C20 Summit Communiqué.** Melbourne: 2014. http://www.g20.utoronto.ca/c20/2014-C20-Final-Communique.pdf

[4] C20 Turkey. **Communiqué: A World that Includes All.** Antalya: 2015. http://www.g20.utoronto.ca/c20/2015-C20TurkeyCommunique_FINAL_16.09.15.pdf

injecting new momentum and propelling a stable recovery and sustainable development of the world economy through the implementation of the 'Belt and Road' Initiative." But also, did bring on very commonsensical initiative for better governing, such as "In carrying out domestic and international economic projects, impacts on the environmental and social dimensions shall be taken into account and be assessed. Laws and regulations shall be formulated to enforce financial institutions and enterprises to disclose information on environmental and social impacts and protect the public's rights to know and supervise."[5]

In 2017 the C20 Germany produced the first comprehensive Policy Pack that approached the issues discussed by the G20 from the perspective of the official working groups. The hard economic and financial issues were amply discussed, and also in relation to health and climate. And the final communiqué had a clear and evident transparency in its overarching understanding of the global system, "the challenges are enormous and our global economic system is on the wrong track. The world has never seen such massive inequality: eight super-rich individuals now own as much wealth as the bottom half of the world's population. The gap between rich and poor is widening in most countries around the globe. This is also reflected in the persistent gender inequalities." (…) "unless governments commit themselves to social security systems and widespread job creation efforts, digitalization and automation will increase unemployment, potentially leading to lower wages, eroding labor rights and political instability. (…) In sum, we need a radical transformation of the present neoliberal economic system." Two specific points call attention in the communiqué, "Regulating financial markets so that they are no longer a casino of speculation but serve the needs of the real economy," and "Ending the imposition of austerity policies and encouraging public budgets that promote development, poverty eradication and social justice." It is quite impressive how the 2017 Policy Pack was able to weave economic aspects to all other issues of development: health, climate, gender inequality, and overall sustainable development, including a very specific chapter on *reform of financial architecture* and the role of responsible investing by the private sector with well-constructed recommendations: "Strengthen macro-economic and prudential oversight and regulation; Implement the G20 agreed reforms strictly through trustworthy capital requirements and leverage ratios, reforms to address 'too big to fail,' regulation of shadow banking as well as excessive speculative activities or actors, instead of further uncontrolled expansion and deepening of capital markets through securitization and derivatives." And last but not least, "Encourage capital controls to prevent excessive speculation (e.g., against currencies) and financial instability. The OECD Code of Liberalization of Capital Movements and capital flow clauses in free trade and investment agreements are not appropriate. Complementary are international Financial Transactions Tax and better coordination of G20 monetary policies in foreign exchange markets."[6] It is of notice that for the first time *shadow banking* comes into the debate by the C20.

The C20 in Argentina **in 2018** had a difficult time to rid itself of the neoliberal clouds that hover the G20 presidency. Financing the work of the CSOs became an important issue and was featured prominently in the communiqué. Shadow Banking also stayed as an important issue to be paid attention to. Starting with a bold call for coherence, the C20 stated that "In order to implement the 2030 Agenda, the G20 needs to make economic growth work for all, not just for a few. That means, as the G20 2018 presidency has said, putting people at the center of its policies. For that to work policies must seek to push for inclusive growth with nobody left behind. Speeches are not enough, genuine commitment through action is needed." All major international financial issues were mentioned in the pack: Transparency and Illicit Financial Flows; Taxation and Inequality;

[5] C20 China. **Communiqué of Civil Society 20 China 2016.** Qingdao: 2016. http://www.g20.utoronto.ca/2016/160706-c20.html

[6] C20 Germany. **The Urgent Need for Better International Cooperation.** Hamburg: 2017. http://www.g20.utoronto.ca/c20/2017-Germany-C20.pdf

Financial Regulation, Debt and Financial Inclusion. The emphasis on macro-prudential regulation and capital control as well as shadow banking are very prominent issues being kept in the C20 packs since Hamburg's.[7]

In **2019**, the Japanese C20 faced the crackles in multilateral efforts emphasized by the ever more isolationist policies of the U.S. under the presidency of the ultra-right wing side of the conservative Republican Party. As stated in the introduction to the C20 Policy Pack: "Almost 10 years to go to 2030 and with the current model of economic development already identified as unsustainable, our world is facing a critical implementation gap between promises and actions and tremendous challenges that stand in the way of achieving the Sustainable Development Goals. The problems are so grave that multilateralism and democratic pluralism are in danger."[8] This puts in question the value of international commitments that are not met, or even fought against in the national level by the internal political dynamics. Nevertheless, the C20 was taciturnly direct on how to mobilize resources for the SDGs by introducing "national and multi-jurisdictional International Solidarity Levy, including Financial Transactions Taxes (FTTs) and Solidarity Levy on Air Tickets, to finance SDG implementation and reduce the speculative nature and high frequency trading of financial assets (applying progressively larger levies depending on price volatility.)"[9]

The following year, **2020**, was highly atypical. The Covid-19 pandemic surprised the world into confinement, which ignited a profusion of digital video communication up to the point of high-level meetings being conducted online, including the G20. The C20 Saudi Arabia organized several meetings, discussions, and debates, with a complete package dedicated to the C20 Summit. There was the production of collective statements with other engagement mechanisms to the G20, including a collective related to pandemic preparedness, one with the L20 regarding Action Needed for Debt Sustainability in Developing Countries,[10] and a Joint Statement on Education and Employment with B20, L20, T20, W20, and Y20.[11]

Furthermore, the C20 chairs were able to make interventions in several G20 meetings of ministers (Health, Finance, Justice.) There was a great effort on the part of the economic and finance working groups to incorporate more deeply the issues regarding the digitalization and financialization of life, including the risks of off-label operations such as shadow banking and IFFs with the ask to "undertake measures against new systemic threats and financial risks by strictly monitoring, regulating, supervising and limiting renewed expansion of securitization and derivatives trading, unregulated shadow banking, investment fund industry and asset management, concentration of credit rating agencies and the rapid development of fintech. In addition, ensuring that entities that issue, trade or exchange crypto-currencies (e.g. bitcoins) are regulated and supervised to prevent money laundering, e.g. by identifying the beneficial owners of such crypto-currencies." As it is evident, regulation of the digital realm is urgently necessary, the abuses that spawned from unregulated cyberspace creates too many vulnerabilities in a landscape dominated by monopolies with no accountability, including the financial sector, as was seen with the debacle of FTX (cryptocurrency exchange.)

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[7] C20 Argentina. **C20 2018 Policy Pack**. Buenos Aires: 2018. http://www.g20.utoronto.ca/c20/2018-Argentina-C20.pdf

[8] C20 Japan. **C20 Policy Pack 2019.** Osaka: 2019. http://www.g20.utoronto.ca/c20/2019-Japan-C20.pdf

[9] Id.

[10] C20 and L20 Saudi Arabia. **Action Needed for Debt Sustainability in Developing Countries.** Riyadh: 2020. http://www.g20.utoronto.ca/c20/C20_L20_Statement.pdf

[11] B20, C20, L20, T20, W20, Y20. **Joint Statement on Education and Employment.** Riyadh: 2020. http://www.g20.utoronto.ca/b20/EG-Joint-Statement_G20-Global-Pandemic-Preparedness_LINK.pdf

The C20 Italy, **in 2021,** during the second year of the pandemic with most of the work done online, accelerated the pace from the previous year. All working groups within the C20 produced communiqués related to their area.

The C20 and L20 produced three joint statements, and one with W20 and Y20 on TRIPS waiver for Covid-19 vaccines, and on "Preventing and Combating Violence Against Women and Girls, and Domestic Violence." The demand on economic transformation is bold and pragmatic: "We would like a proactive G20, able to act sharing and providing resources at the international level to fund the 2030 Agenda, to improve conditions for sustainable financing for development, and be more pragmatically active in increasing the fiscal spaces of low- and middle-income countries."[12]

The policy recommendations of the C20 Finance working group cover four interconnected areas of G20 work: (1) International Financial Architecture (including taxation); (2) Infrastructure Financing; (3) Sustainable Finance; and (4) Trade and Development. It did explicitly try for the first time to coalesce the Financing for Development Civil Society Mechanism into the economic and financial working groups. The recommendations cover the areas of global taxation as instrument of transparency, and regulation of financial markets with binding tools such as FTTs and macro-prudential capital control. Having SDGs financing as a way forward, the C20 had several recommendations on transitioning to a green economy through infrastructure financing, including for climate adaptation, through the promotion of public investment instead of catering for private sector capital, as has become the norm since the Addis Ababa Action Agenda. Overall, there was a significant effort to create pathways to finance the 2030 Agenda in the C20 Policy Pack.

With the covid pandemic receding after the surprisingly fast development of vaccines, and the ensued debate on intellectual property to guarantee worldwide coverage, the world witnessed the expression of monopoly-caused apartheid. The C20 Indonesia, **Bali 2022,** created a working group specifically on Vaccines Access and Global Health that asks the G20 countries to recognize the *public investment* made into pharmaceutical development and make the products into public goods by "maximizing flexibility"[13] of the TRIPS agreement. The demands include global and progressive taxation, transparency also through taxonomy and the framing of *beneficial ownership* of transnational corporations to reduce illicit financial flows; support for sovereign debt restructuring and a global convention on tax were also explicit in the Policy Pack.

The **C20 India, in 2023,** worked from a very different perspective when compared to past years, following the G20 Indian presidency to alter the format of the working groups to adopt a *holistic and transcendental* approach to the summit. The economic and finance working group was an ad-hoc collective with only a few organizations that are part of the current C20 troika (past, current and future C20 presidencies.)

The finance group became a synthesis of the historical as well as the current demands of the C20 in the economic area, as has been narrated in this document, under a continuing proactive influence of the debates undertaken by the FfD Civil Society Mechanism in the United Nations, including reform of IFA and make the MDBs fit for purpose in financing the SDGs implementation.[14] A synecdoche of what is expected from the G20 countries and beyond is that "Civil Society Organizations (CSOs) must

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[12] C20 Italy. **Policy Pack 2021: Building a Sustainable Future for All.** Rome: 2021. http://www.g20.utoronto.ca/c20/2021-C20-Policy-Pack-2021-Buildiing-a-sustainable-future-for-all-1.pdf

[13] C20 Indonesia. **Policy Pack 2022.** Bali: 2022. (It was not located in a public site.)

[14] C20 India. **Making Finance Work for the People and the Planet.** Finance Ad-hoc Group Position Paper. New Delhi: 2023. (Not located in public site.)

be co-opted as serious economic actors with non-trivial decision-making powers across all stages of implementation of the SDG Agenda by MDBs and national governments. G20 nations must also focus on the crux of the issue with the private sector, which is to have industries pay for negative externalities that bring serious harm to people and planet."[15]

[15] Id.