

The G-20's upcoming meeting in Brisbane, Australia, comes at a time when a precarious global economy requires big decisions to be made. But it is far from clear who will provide the decisive voice needed to set a bold agenda – and then shepherd its implementation.

Economic data reveal that the global economy is shakier than at any time in the past two years. Capitalism is struggling to generate adequate demand. Wealth and income have become increasingly concentrated, while middle-class incomes in the developed world have stagnated. Tax avoidance by multinational companies is draining developing-country incomes, limiting their ability to invest in education and infrastructure. And much more action is needed to address the largest and most urgent structural weakness of all – climate change.

Many leading economists and policymakers are forecasting continued economic gloom. Stephen Roach has suggested that in the post-crisis global economy “relapse is the rule”; economist Brad DeLong, speaking of the “consequences of our lesser depression,” argues that the pretense of a eurozone recovery has collapsed; and European Central Bank President Mario Draghi has acknowledged the need not only for structural reform, but also fiscal expansion to boost aggregate demand.

At the heart of their concerns is the lack of sustained demand needed to drive growth. While structural reforms – particularly on the supply side – are required in developed and developing countries, they are not sufficient to address what former US Treasury Secretary Larry Summers has called “secular stagnation” – that is, the difficulty of sustaining sufficient demand to permit normal levels of output.

The G-20's central task, therefore, must be to establish a framework for strong and sustainable growth. Member states need to introduce reforms aimed at achieving a 2% annual growth target, as agreed earlier this year by finance ministers.

One structural reform that could drive global growth is substantial infrastructure investment in developing and developed countries alike. Unfortunately, no G-20 leader has seriously articulated this need, let alone lobbied for a solution. Apart from a World Bank presentation for a possible pilot infrastructure program, there is little to suggest how the 2% target could be met over the medium term.

G-20 governments, especially those with strong balance sheets, should be calling for large-scale public and private infrastructure investment to expand the productive capacity of member economies. In the area of tax avoidance, discussion needs to broaden beyond developed economies; as the International Monetary Fund recently pointed out, developing economies' budgets are disproportionately affected by multinational companies' savvy accounting strategies.

Unfortunately, judging by the initiatives already on the Brisbane agenda, the summit looks set to take a business-as-usual approach. If the G-20 fails to put policy meat on its rhetorical bones, it will risk looking weak and irrelevant. Its very credibility is on the line. Indeed, some in the developed world would prefer a smaller, more exclusive body – a G-14 or even a new G-7. Such a move would hurt the developing world, especially the Asia-Pacific region, including Australia.

One reason why some want a tighter group is that the G-20 struggles to achieve consensus. But this misses the point: It is

harder to reach agreement precisely because all of the key leaders (representing around two-thirds of the world's population and 80% of global GDP), whose support is needed for any truly global decision, are in the room.

The Brisbane Summit therefore needs to rediscover the activism that it displayed in 2008 and 2009, during the height of the financial crisis. It must be led by the United States and other advanced economies, and backed up by major emerging economies.

Australia, as host, also has a role to play. The country is respected by developed and developing countries alike, often bridging the interests of both, and is widely viewed as an honest broker.

Unfortunately, the current government has had little to say about the big structural problems that underlie the world's economic malaise. The modest initiatives on the table reflect the government's anti-public-sector rhetoric. Worse, as developed and developing countries are starting to take climate change seriously, Australia is moving in the opposite direction.

The Brisbane summit will be a crucial test for Australia, the G-20, and the possibility of truly global policy coordination.