Timely expansion is only half the work

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Timely. That best describes the decision by global leaders during their G-20 summit to expand the organization's purview.

Permitting this group of 19 nations and the European Union to take the lead on discussions of economic policy clearly represents a downgrading in the importance of the G-7 (plus 1) club.

This collection of the seven richest nations plus Russia is still scheduled to meet, but next year's G-8 gathering in Canada is likely to be less meaningful as a result.

The enlargement of the club is an acknowledgment that - at least economically - new global powers (with China being primus inter pares) have not always been as involved in policy discussion as their new status would advocate.

Furthermore, it is an official recognition not many global initiatives have a chance for success without the full cooperation by such countries as Argentina, Brazil and China.

To borrow a phrase from a White House news release on the topic: "Dramatic changes in the world economy have not always been reflected in the global architecture for economic cooperation."

Of course, there are possible pitfalls. Not surprisingly, enlarging any international organization tends to make the decision-making processes more cumbersome.

One example is the expansion of NATO during the past decade. Also, the need for consensus may make "final documents" of G-20 summits even less meaningful than the ones that were released after G-8 meetings.

To put it bluntly, a communique that everybody can take home and use to argue that they achieved their goals is not worth much.

One early test on whether the give-and-take necessary for actionable agreements can be achieved by the G-20 will be the current discussions on how to prevent a future financial crisis that could drag down the global economy.

The United States wants to address "trade imbalances." That is a not-so-polite insinuation the financial crisis occurred because Chinese savings had been too large, permitting the purchase of huge amounts of American debt, which enabled low interest rates and an easy money policy in the United States.

China and Germany, with the former threatening to overtake the latter as the biggest exporter, are opposed to re-balancing measures.

Also, the European Union - having determined incentive systems that rewarded unfettered risk-taking were the primary cause of the financial crisis - is pushing hard for meaningful limits on bankers' pay, such as linking it to long-term rather than short-term performance.

Other suggestions include "clawback provisions" - the ability to ask bankers to return bonuses when they were based on false premises - that actually have bite.

From a free enterprise perspective, such suggestions are much more acceptable than other

European proposals related to caps on bonuses. The United States and Great Britain, hosts of the world's financial centers, do not like any of those ideas very much.

And this is where the rubber meets the road: Governments will have to make a determination of when to trade off some of their national interests in the present in order to achieve a more stable global outcome for all the interconnected economies in the future.

As economic research has shown, humans often act inefficiently when it comes to accepting costs today in order to secure benefits tomorrow.

Let's hope the G-20 nations and their leaders can defy that expectation - at least from time to time.

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