

The ‘Cornwall consensus’ is here

Leaders gathering at the G7 now accept that globalisation creates vulnerabilities as well as efficiencies

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Financial Times, JUNE 10 2021

Three decades ago, the British economist [John Williamson](#) coined the phrase “Washington consensus” to describe a collection of free-market, pro-globalisation ideas that American leaders (among others) were promoting around the world.

Now, however, a new tag is in the air: the “Cornwall consensus”.

Don’t laugh. That is really the title of an [advisory memo](#) circulated ahead of the G7 leaders meeting in Cornwall on Friday. Written by a committee of academics and policymakers from each of the seven countries, it sets out an “ambitious agenda to build forward better from the pandemic”.

The [document](#) contains some vague and grandiose-sounding ideas, such as “greater equity and solidarity in global health responses”. But it also makes more detailed proposals, such as the creation of “a ‘Data and Technology Board’ akin to the Financial Stability Board” to oversee the global internet and a “CERN (European Organization for Nuclear Research) for climate technology”.

Either way, the memo suggests that the recent G7 corporate tax accord should herald a new phase of western collaboration along new ideological lines.

What should investors conclude? Many might scoff. After all, G7 meetings tend to be purely ceremonial affairs, and the accompanying memos mere ritual symbols. And the “Cornwall consensus” proposals are, in any case, unlikely to be adopted in the near future, however sensible they seem.

But it would be foolish for any business, or investor, to ignore this ritualistic display. As anthropologists often point out, symbols matter, even when they appear “empty” or divorced from reality, since they reflect and reinforce group assumptions about how the world should work. As such, this latest memo offers a thought-provoking snapshot of how such assumptions are changing.

This matters, particularly since some investors and corporate leaders are struggling to respond to the changing zeitgeist, having started their careers when the Washington consensus reigned supreme. We humans are always creatures of our cultural environment, yet we treat our beliefs as if they were the “natural” way to think.

There are five key points to note here. First, western leaders today fear political pitchforks. Thirty years ago, political figures such as Margaret Thatcher and Ronald Reagan took it for granted that free-market globalisation would benefit everyone. Today’s leaders fret that free-market fruits are so unevenly distributed that it is sparking a popular (and indeed populist) backlash. “Inclusion” is one of the new buzzwords.

Second, G7 leaders also now acknowledge that globalisation and free-market competition create vulnerabilities as well as efficiencies. Previously, they hoped that individual corporate incentives would create an optimised cross-border supply system. Now they know that global supply chains are threatened by a collective action problem, since businesses tend to concentrate activity in nodes that make perfect sense for each individual, but create havoc if they break. “Resilience”, therefore, is another buzzword.

Third, G7 debate is haunted by [a fear of China](#). Beijing is not mentioned by name in the Cornwall consensus memo. But there are multiple calls to diversify global supply chains, not just for advanced technology, but for medical equipment and minerals too. Belatedly, western governments have accepted that it was a terrible strategic mistake to allow global chip production to be concentrated in the hub of Taiwan. They do not want to repeat the mistake.

Fourth, there is a subtle, but nonetheless profound, reset under way of the relationship between business and government. In the Washington consensus companies were regarded as independent actors competing with one another, without state involvement. Now all the talk is of “partnership” between government and business.

Free enterprise is still lauded, but “partnership” is the framework for facing the big societal challenges of the day, whether it’s the hunt for a vaccine, climate change or tech competition with China.

Finally, economics is being redefined, in [Biden’s White House](#) and elsewhere. In place of a narrow focus on refined quantitative models, there is now an emphasis on issues previously treated as mere “externalities” — the environment, say, or health or social factors.

Cynics (or free-market enthusiasts) might say that all this merely reflects a temporary leftward lurch in American politics, or a short-term reaction to the pandemic.

Possibly, but I suspect not. After all, what is driving this ideological shift is not just Covid-19, but also the rise of China, the threat of climate change and the evaporation of the western hubris around free-market ideas that followed the collapse of the Soviet Union. And adherents of this new dispensation can be found across the political spectrum. It was a Conservative British government, after all, that [organised](#) the advisory group that produced the Cornwall consensus memo.

So whether you love or hate the new zeitgeist, you cannot ignore it. History shows that when intellectual assumptions change, they do so in slow, elliptical pendulum swings that can last a long time. And sometimes ritualistic artefacts matter deeply. That Cornwall consensus memo may be one.