

of the institution reflects many factors and this lecture will only highlight a few of the more significant. And finally I will conclude with Kananaskis by asking a deliberately provocative question: will it be a beginning of the end or could it mark a new beginning?

### **Origin of the G7**

In 1975 the G7 was the first institution established after the creation of the postwar architecture and it was not an initiative of the leading power or hegemon, the United States. It's both interesting and relevant to ask "why?".

The creation of the G7 seemed to run counter to the so-called realist school of international relations, i.e. that hegemony is necessary to build institutions for the attainment of a global public good because only the dominant power has an incentive to accept the inevitable short-run costs to achieve the long-run gains which are in their national interest. Thus, as many studies have amply demonstrated, Bretton Woods, the GATT, the Marshall Plan and the United Nations were the products of American leadership, although the British, because of Lord Keynes, did play a role at Bretton Woods. The U.S. accepted the costs arising from non-reciprocal trade liberalization and the financial costs of reconstruction and the Marshall Plan because it was judged that global stability would greatly benefit American industry and society. The onset of the Cold War certainly played a role, as did the memory of the devastating costs of isolation in the 1920's and 30's. So the U.S. was willing to lead and the Europeans and Japan were willing to follow.<sup>3</sup>

But the erosion of America's overwhelming hegemony had begun by the onset of the 1970's. The reconstruction of Europe and Japan, the technology transfer and investment encouraged by the Marshall Plan, and the liberalization of trade under the GATT, created the "convergence club", so that after the rapid growth of Europe and Japan in the 1950's and 1960's, the post war gap in real per capita output among O.E.C.D. countries had dramatically narrowed.<sup>4</sup> This proved to be an unwelcome surprise to many Americans.

Further, the impact of the erosion of American power created a vacuum in global cooperation and represented a serious threat to global stability. The threat soon became much clearer as the Bretton Woods system collapsed in 1971 and a new "non-system" of floating exchange rates emerged in 1973. Finally, the first OPEC oil crisis of 1973-74 triggered action — the creation