The Organisation for Economic Cooperation and Development (2nd edition) (Introduction)

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Introduction

On 30 September 1961, the Convention on the Organisation for Economic Cooperation and Development (OECD) came into force giving birth to what is now a 38 member "forum in which governments work together to seek solutions to common problems, share experiences, and identify best practices to promote policies for better lives."[1] Despite its unprepossessing temperament, the fingerprints of the OECD and its forerunner, the Organisation for European Economic Cooperation (OEEC), are etched on many defining moments of postwar economic history including the administration of the Marshall Plan (1948–51), the resolution of the oil crises (1973), the completion of the Uruguay Round trade negotiations (1986–94), the genesis of the Millennium Development Goals (MDGs), and the response to the Global Financial Crisis (2008). From the definition of Official Development Assistance (ODA) and the principle that the polluter pays to standards for national income accounting and guidelines governing the collection of personal data, these organizations have also been a crucible in which a medley of ideas, discourses, concepts, practices, and rules that underpin global governance crystallized.

Unsurprisingly, the OECD is routinely heralded as a leading organ of global governance, yet it is only recently that the organization's role and influence has received any sustained scholarly treatment.[2] Nevertheless, most surveys of international organizations and global governance consign the OECD to the sidelines or resort to crude and sometimes misleading soubriquets to describe it. For example, pundits habitually refer to the OECD as a "developed" or "rich country's club"[3]. Collectively, OECD members have always accounted for three-fifths to four-fifths of global Gross National Income (GNI) in dollar terms (see Table 2.1), but the accuracy of this label is betrayed by the persistent exclusion of some wealthy countries from the OECD and widespread variation in its member's economic and human development (see Table I.1). At the outset, the per capita incomes of the poorest members were one-sixth of the OECD mean. Moving to the present of the 83 territories classified by the World Bank in 2021 as "high income economies,"[4] 49 were not members of the organization. Conversely, Mexico, Turkey and Colombia are OECD members but are not categorized as high-income economies and languish behind many non-member economies in the United Nations Development Programme's (UNDP's) Human Development Index.[5] Elsewhere the OECD has been pigeonholed as a "think tank,"[6] "consultative forum,"[7] and a "pool of statistical and economic expertise."[8] These epithets each illuminate elements of the OECD but cast others into darkness. This book suggests that providing a panoramic perspective on the OECD requires it to be described and analyzed it as the entity it truly is: an international organization.

<INSERT TABLE I.1>

Table I.1 Members of the OECD - key indicators

Member State	**Year of Accession**	**GNP per capita 1963 (US$ PPP)**	**GDP per capita 2019 (US$ PPP)**	**GDP per capita Rank 2019**	**GDP 2019 (US$ bn PPP)**	**GDP Rank 2019**	**Human Development Index Rank 2020**
Canada	1961	2,263	51,342	21	1,929	16	16
United States	1961	3,090	65,298	8	21,427	2	17
United Kingdom	1961	1,564	48,698	24	3,255	9	13
Denmark	1961	1,700	60,179	11	348	52	10

Iceland	1961	1,440[9]	60,061	12	21	142	4
Norway	1961	1,537	66,832	7	357	51	1
Turkey	1961	230	28,134	52	2,325	13	54
Spain	1961	220[10]	42,195	32	1,987	15	25
Portugal	1961	304[a]	36,639	39	374	50	38
France	1961	1,671	49,435	22	3,315	8	26
Ireland	1961	757[a]	88,241	4	436	47	2=
Belgium	1961	1,500	54,905	17	626	34	14
Greece	1961	464[a]	30,722	46	336	53	32
Germany	1961	1,641[11]	56,278	15	4,659	5	6
Switzerland	1961	2,010	70,989	5	608	36	2=
Sweden	1961	2,045	55,820	16	574	38	7
Austria	1961	1,076	58,946	14	524	40	18
Netherlands	1961	1,212	59,554	13	1034	25	8
Luxembourg	1961	1,606	121,293	1	75	101	23
Italy	1962	899	44,248	27	2,664	11	29
Japan	1964	620	43,236	30	5,459	4	19
Finland	1969	-	51,426	20	283	58	11
Australia	1971	-	53,469	18	1,352	18	8
New Zealand	1973	-	43,953	28	216	65	14
Mexico	1994	-	20,582	64	2,603	12	74
Czech Republic	1995	-	43,300	29	454	45	27
Hungary	1996	-	34,507	40	331	54	40
Poland	1996	-	34,431	41	1,299	20	35
South Korea	1996	-	43,142	31	2,224	14	23
Slovak Republic	2000	-	34,067	42	186	69	39
Chile	2010	-	25,155	56	476	43	43
Slovenia	2010	-	40,983	35	84	96	22
Israel	2010	-	42,146	33	381	49	19
Estonia	2010	-	38,915	36	51	110	29
Latvia	2016	-	32,191	45	61	103	37
Lithuania	2018	-	38,502	38	111	83	34
Colombia	2020		15,635	83	787	31	83
Costa Rica	2021		21,738	63	110	84	62

Sources: OECD, "The OECD Member Countries," *OECD Observer* 13 (December 1964): 21-22; World Bank World Development Indicators, https://databank.worldbank.org/source/world-development-indicators; UNDP, *Human Development Report 2020*, http://www.hdr.undp.org/

International organizations and global governance: The case of the OECD

Since the term was first coined in the 1990s, global governance has become ubiquitous in the academic and policymaking lexicon. The gigantic literature that appeared in the interim refined the concept; ultimately, however, commentators cleave closely to the idea that global governance is "the sum of the informal and formal ideas, values, norms, procedures, and institutions that help all actors……identify, understand and address trans-boundary problems."[12] Despite the possibility of "governance without government,"[13] most reviews of global governance subscribe to the view that states, albeit in conjunction with a bevy of other actors, remain the preeminent repositories of power and authority in world politics and, hence, the primary managers of humankind's common affairs.[14] The mismatch between the territorially bounded power of states and the worldwide scale of the common affairs they crave to manage is a central conundrum of global governance. Loath to surrender sovereignty to supranational organizations, states have resorted to a labyrinth of mechanisms to facilitate international cooperation, the most conspicuous of which are international organizations, "formal, continuous structures founded by an authoritative instrument of agreement between members (including two or more sovereign states) or an existing international organization through which members pursue their common interests."[15]

Attempts to delineate and explain the OECD's influence on global governance are muddied by imprecision in the OECD Convention and contrasting theoretical convictions about the properties of international organizations. Article 1 of the OECD Convention[16] states the aims of the organization shall be to "promote policies" designed:

(a) to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
(b) to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
(c) to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The OECD was to prosecute this mission by institutionalizing cooperation between the members and, where appropriate, between member and non-member states. To this end, Article 3 commits signatories to:

(a) keep each other informed and furnish the Organisation with the information necessary for the accomplishment of its tasks;
(b) consult together on a continuing basis, carry out studies and participate in agreed projects; and
(c) co-operate closely and where appropriate take co-ordinated action.

This apparently straightforward set of objectives (promoting sustainable economic growth and development, maximizing employment and living standards, and nurturing the global trade regime) and means of their pursuit (cooperative endeavors between states) masks the ambivalence surrounding the OECD's role. Delivering on blanket goals such as the promotion of economic growth and living standards has necessitated the OECD's colonization of almost every facet of social and economic life, turning it into a "restricted forum for virtually unrestricted topics."[17] Equally because the convention confers responsibilities that overlap with other major agencies of global governance, the OECD is vulnerable to forum shopping. The result is an elastic organization whose functional domain is in perpetual flux. Likewise, Article 3 makes the delivery of the OECD's mandate reliant on something that states are not always predisposed to do: cooperate. International cooperation is inhibited by uncertainties about the essence of the problems at hand, the preferences of others, the merits of different solutions, and fears that partners will defect from agreements in order to steal a march on their rivals. Thus, the convention is a useful starting point but leaves unanswered questions about what issues arise in the OECD, how the OECD assists in their resolution, and whether and why the OECD's activities exert influence over global governance.

There is widespread agreement about the functions the OECD performs and the organization's way of working (see Figure 3.5). As well as collecting data, analyzing policy and undertaking economic surveillance, the OECD offers a platform where senior policy makers can engage in continuous dialogue about contemporary issues, exchange best practices, review each other's policies, evolve norms and standards and, sporadically, develop and negotiate agreements.[18] Where analyses of the OECD diverge is in their interpretation of the implications of these activities for global governance.

For many years, insights about the OECD's role in global governance came courtesy of rationalist theories of international relations that perceive international organizations as "empty shells or impersonal policy machinery to be manipulated by other actors."[19] From this standpoint, the OECD was a mere arena in which states interact to forge common goals and strive for multilateral agreements that serve their preordained interests. By providing states with better information, interactions at the OECD decreased the aforementioned misgivings surrounding international cooperation. Through the OECD's statistics and analysis and the ongoing exchange of policy knowledge, experience and ideas in OECD meetings, states come to learn about the preferences of their counterparts and are socialized into shared beliefs about the problems they face and the best ways of settling them. Consensus about the substance of the issues is a prerequisite for the development of legal instruments solemnized at the OECD Council that constrain state behavior. As Chapter 3 discusses, seldom is the OECD used as a framework for reaching formal agreements. When it is, agreements overwhelmingly take the form of "soft law" entailing loose obligations to enact indeterminate best practices. The OECD's peer reviews and surveillance would reveal non-compliance but, because the Convention did not invest the organization with material resources to discipline states, are considered toothless. This research therefore concludes that the OECD has a negligible impact on the trajectory of global governance. At most, the OECD is a weathervane whose disposition and direction are determined by the gusts generated from the clashing interests of powerful states.

Modern writing on the OECD shows that rationalist approaches offer a fragmentary picture that understates the organization's influence. By fixating on the OECD's ability to help states manage their independence through attaining and policing legal agreements, rationalists look only at the tip of the OECD iceberg. Many of the areas under the OECD's purview (see Chapter 5), "do not involve the interdependence that characterizes most issues on which states collaborate."[20] Similarly, despite the rarity of codified accords and the absence of rewards and sanctions, it is difficult to sustain the argument that the OECD was impotent. Rationalist accounts struggled to account for the regularity with which the OECD's soft law was incorporated into "hard" treaties established in universal international organizations (see Chapters 1 and 2), the OECD's findings and instruments were invoked by policymakers and civil society groups to justify or critique policy stances, members adopted the OECD's best practices, and why topics ostensibly unconnected with the interests of leading members became embedded into the OECD's agenda. To make sense of this, most contemporary academic commentary on the OECD supplements the rationalist worldview with constructivist theories that acknowledge "even when they lack material resources, IOs exercise power as they constitute and construct the world."[21]

Instead of eyeing the OECD as the aggregation or creature of state interests, constructivist narratives proceed from the premise that it is a purposive actor capable of pushing its own agendas. The OECD's importance to global governance inheres not in the production and enforcement of legal texts but in producing and diffusing knowledge and ideas that influence the interests, identities and behaviour of states. The slack in the Convention was arguably a deliberate ploy by its creators to imbue the organization with the autonomy to carry out its role and the agility to respond to new contingencies but also opened up the possibility for the OECD to act independently. To be clear, the argument is not that the OECD pursues agendas antithetical to the interests of member states (although such pathologies are possible[22]), but it can orient states toward particular problems, ways of perceiving them and potential solutions. Flipping the rationalist logic on its head, the constructivists suggest that rather than always dictating what topics the OECD should cover on the basis of their interests, states *learn* from the OECD about the topics they have an interest in tackling.

To do this, the OECD relies on the authority arising from its expertise. The OECD secretariat (see Chapter 3) contains highly educated individuals possessing specialist scientific knowledge. Such perspicacity coaxes "us to confer on experts, and the bureaucracies that house them, the authority to make judgements and solve problems."[23] The OECD's expert status allows it to transform issues or events into governable problems, propagate ideas and policy agendas, and endorse norms and best practices. Through meetings at the OECD participants learn about each other and their place in the world and are socialized into "global knowledge networks"[24] or "epistemic communities"[25] sharing common mindsets or understandings of policy issues. As with the rationalists, learning and socialization are recognized as the key to construing the OECD's influence but for the constructivists the effects of these processes are more profound. Whereas the former see state interests as fixed or structurally determined, the latter contend that they are learnt through social interaction. Via contact with new ideas and opportunities for discursive interaction with representatives from the secretariat, member states, international organizations and civil society at the OECD states come to comprehend their interests differently. Over time these interactions also redefine the identities of the participants. The OECD is the "paradigmatic example of an identity-defining international organization…….it defines standards of appropriate behaviour for states that seek to identify themselves as modern, liberal, market-friendly and efficient."[26] States are predisposed to follow OECD norms and best practices not because they are mandatory but because they have been socialized into seeing these as appropriate standards of behavior for countries who are, or wish to be glimpsed as, members of the advanced international community. In short, rather than a weathervane buffeted by the unforgiving winds of power politics, the OECD is increasingly portrayed as a weather maker exerting an independent impact on global governance.

The book ahead

The first two chapters depict the OECD's history and its evolving role in global governance. Examining the period from 1948 to 1984, Chapter 1 sketches the OECD story from its roots in the European reconstruction process to the end of Emile van Lennep's tenure as Secretary-General. The OECD's origins lay in the Marshall Plan and the United States' insistence that recipient countries create a permanent organization to earmark this financial support. Besides allocating aid, the OEEC contributed significantly to the liberalization of Europe's trade and financial systems. By the end of the 1950s, the recovery of Western European economies meant the OEEC had outlived its original purpose. Disputes over European integration and the United States' demands that its allies assume more of the burden of international economic management sounded the OEEC's death knell. Equally, with Cold War antipathies rampant, the transatlantic community could see the virtue of retaining an organization through which they could manage their interdependence. The European designation was dropped, a development dimension added and the organization was reborn as the OECD. Over the next two decades, the OECD would become renowned for its expertise across an expanding universe of policy problems.

Chapter 2 considers the OECD's record from 1984 to the present. Despite retaining its fealty to markets, democracy and economic growth, in this era the OECD's character and bailiwick evolved markedly as it sought to cope with the geopolitical and ideational ferment of the post-Cold War world. Paradoxically, the apparent triumph of OECD values represented by the collapse of the communist bloc in Eastern Europe posed questions about the organization's relevance, especially given the growing weight of non-OECD states in the global economy. Compared with the Cold War period the OECD became more catholic, almost doubling its membership and canvassing greater inputs from non-members and civil society. The OECD also became an exponent of neo-liberal economic models, something that shifted the organization's focus further in favor of finding the proper domestic policies as opposed to coordinating international macroeconomic policy.

Chapter 3 explores the OECD's organizational structure and decision-making procedures. Particular attention is paid to the tasks performed by the Secretary-General, the Council, the Secretariat, and the committee system and how they work together with member states (and a growing retinue of non-member states and civil society partners) to drive the OECD's work. Having thus considered the OECD's way of working, Chapter 4 reviews the literature concerning how and why this activity translates into influence in global governance. Chapter 5 outlines some of the contemporary issues that are under the OECD microscope. This account is not exhaustive but seeks to give the reader a feel for the richness of the organization's remit by touring the OECD's work in sustainable economic growth, trade, development, the environment, taxation, education, health, labor and social affairs, well-being, science, technology and digitalization.

With this range of analytical expertise allied to an enviable record of conceptual innovation and soothing tensions in the wider global governance infrastructure, the OECD's position ought to be impregnable. Alas, changing geopolitical realities and institutional competition cloud the OECD's outlook. Chapter 6 evaluates efforts under Secretary-General Angel Gurria to brighten the OECD's prospects through reforms encompassing membership enlargement, outreach to non-members and an informal role as secretariat to the G20. The reform package has shored up the OECD's immediate position but member's disquiet about contradictions arising from the strategy, disagreement about the direction of further reform, and their dwindling faith in the value of multilateral cooperation mean questions about the organization's long-term future linger. Chapter 7 concludes the book by sketching three scenarios about the OECD's destiny. The first envisages the OECD's demise, its fate sealed by irrevocable changes in the pattern of global power. The second foresees the emergence of a successor organization in a world fragmenting into coexisting spheres of influence. The final scenario anticipates the OECD's survival, believing that it possesses the bureaucratic assets and institutional temperament to adjust to the currents of world politics and sustain its relevance to twenty-first century global governance.

Notes

[1] OECD, *Secretary-General's Report to Ministers 2019* (Paris: OECD), 18.

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[3] Robert Gilpin, *The Challenge of Global Capitalism: The World Economy in the 21st Century* (Princeton, N.J.: Princeton University Press, 2000), 184.

[4] World Bank, "World Bank Country and Lending Groups," https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups.

[5] UNDP, *World Development Report 2020: The Next Frontier Human Development and the Anthropocene* (New York: UNDP, 2020).

[6] Philip Inman, "Governments should avoid Covid spending cuts and tax rises, says OECD," 16 September 2020 https://www.theguardian.com/business/2020/sep/16/governments-must-resist-covid-spending-cuts-and-tax-rises-says-oecd.

[7] Henry G. Aubrey, *Atlantic Economic Cooperation: The Case of the OECD* (New York: Frederick A. Praeger, 1967), 102.

[8] Scott Sullivan, *From War to Wealth: Fifty Years of Innovation* (Paris: OECD, 1997), 6.

[9] Figures for 1960.

[10] Figures for 1962.

[11] The 1963 figure is for the Federal Republic of Germany only.

[12] Thomas G. Weiss and Rorden Wilkinson, "Rethinking Global Governance? Complexity, Authority, Power, Change," *International Studies Quarterly* 58, no. 1 (2014): 211.

[13] James N. Rosenau and Ernst-Otto Czempiel, eds., *Governance Without Government: Order and Change in World Politics* (Cambridge: Cambridge University Press, 1992).

[14] Richard Woodward, "Governance in a globalized world," in *The Handbook of Globalisation (3rd edition)*, ed. Jonathan Michie (Cheltenham: Edward Elgar, 2019), 326.

[15] Michael Davies and Richard Woodward, *International Organizations: A Companion* (Cheltenham: Edward Elgar, 2014), 13.

[16] OECD, "Convention on the Organisation for Economic Cooperation and Development," https://www.oecd.org/general/conventionontheorganisationforeconomicco-operationanddevelopment.htm.

[17] James Salzman, "Labor Rights, Globalization and Institutions: The Role and Influence of the Organization for Economic Cooperation and Development," *Michigan Journal of International Law* 21, no. 4 (2000): 777.

[18] David Henderson, "The Role of the OECD in Liberalising International Trade and Capital Flows," *The World Economy* 19, no. 1 (1996): 14; OECD, *The Contribution of International Organisations to a Rule-based International System* (Paris: OECD, 2019), 1.

[19] Michael N. Barnett and Martha Finnemore, "The Politics, Power and Pathologies of International Organizations," *International Organization* 53, no. 4 (1999): 700.

[20] Tony Porter and Michael Webb, "Role of the OECD in the Orchestration of Global Knowledge Networks," in *The OECD and Transnational Governance*, eds. Rianne Mahon and Stephen McBride (Vancouver: University of British Columbia Press, 2008), 43.

[21] Barnett and Finnemore, "The Politics, Power and Pathologies of International Organizations," 700.

[22] See, for example, David Howarth and Tal Sadeh, "In the vanguard of globalization: The OECD and international capital liberalization," *Review of International Political Economy* 18, no. 5 (2011): 622—45.

[23] Michael Barnett and Martha Finnemore, *Rules for the World: International Organizations in Global Politics* (Ithaca, N.Y.: Cornell University Press, 2004), 24.

[24] Tony Porter and Michael Webb, "Role of the OECD in the Orchestration of Global Knowledge Networks," 43—59.

[25] Peter M. Haas, "Introduction: epistemic communities and international policy coordination," *International Organization* 46, no. 1 (1992): 1—35.

[26] Tony Porter and Michael Webb, "Role of the OECD in the Orchestration of Global Knowledge Networks," 44.