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The Future of the OECD

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Chapter 6 The Future of the OECD

When in 1948 US Congressional representatives insisted upon a permanent organization to underpin George Marshall's eponymous plan, nobody foresaw that these arrangements would endure for over 60 years outliving (and eventually enveloping) some of their communist foes to become a cornerstone of the liberal democratic order. If the confinement of the OEEC and OECD were products of specific historical junctures, their survival is no accident. Under the umbrella of United States' hegemony, leading states sought to build a new liberal democratic order. This order aimed to reap the benefits of markets exchange while maintaining the autonomy states needed to deliver domestic welfare policies and protect their citizens from worst excesses of free market capitalism. In the febrile postwar atmosphere, parenting a liberal democratic order was not a straightforward undertaking. One of the keys to its success were institutions like the IMF, GATT, OEEC and OECD where states agreed on rules, norms and principles to guide, within certain limits, the liberalization of their economies. As responsible parents states did not desert their offspring but sought through these international organizations to screen it from infection and disease (such as trade protectionism and restrictions on the circulation of capital), tame its teenage tantrums (the oil crises and stagflation), and imbue it with suitable values for adulthood (democracy, capitalism and the rule of law). Pundits of a "hyperglobalist" disposition extend this analogy claiming that with the reintegration of national economies and the ascendancy of neo-liberalism the international order has flown the nest and pays little heed to the rules laid down by the states or international organizations that conceived it.¹ Most commentators deride this view however, and think that states, individually or collectively, are vital players with the power, returning to the definition of global governance offered in the introductory chapter, to "manage our collective affairs."²

This final chapter conjectures about the OECD's future role in the management of humankind's collective affairs. While pessimistic portraits of a senescent OECD drifting into quiet obscurity are plausible, on balance this author is inclined towards a more sanguine scenario where an evolving OECD continues to play a significant, if spectral, role in twenty-first century global governance. The OECD's imperfections notwithstanding, there are six grounds for optimism.

First, just as the interdependence propagated by the OEEC justified its transfiguration into the OECD to tend it, so the globalization propagated by the OECD justifies its existence. If the OECD did not exist, states would create something akin to it. In a globalizing world, the levels of interconnectedness between developed states, and increasingly their between them and their developing counterparts, means states need more than ever a venue where they can informally evolve agreed norms and rules or agree to take coordinated action to underpin the management of our collective affairs. The queue of countries waiting to join the organization and the fact that there are no absconders reflects this. Nowhere are the realities of interdependence and the futilities of trying to pursue an independent approach better symbolized than in the communities of influence centered on the OECD committee system. It is difficult to think of any significant policy arena *without* an international dimension. Even topics like health and education, traditionally construed as exclusively domestic concerns have, with the rise of medical tourism, the migration of health workers, and student mobility, acquired an cross-border dimension. Furthermore, the development at the OECD of ways to compare the health and education standards cross-nationally exposes weaknesses in domestic policies.

Naturally, there are other venues where states can and do pursue the management of collective affairs. The nebulous nature of the OECD's remit means its roles are prone to appropriation by one of the veritable galaxy of mechanisms populating contemporary global

governance. This can occur because of the debilities as well as the strengths of other bodies. The IMF, a “bystander in the credit crunch,”³ is culling staff and hawking its gold reserves leading one commentator to adduce “its future role may be more as an expert economic advisor”⁴ putting it in direct competition with the OECD. Moreover, because the OECD bestrides subjects beholden to many different government agencies the organization lacks clear ownership in national capitals.⁵ Rather than sweating over this, the OECD makes a virtue of it. The fact that it is not in hock to single government departments, especially central banks and finance ministries, confers the pliability needed to meet the caprices of its patrons. The OECD is also adept at carving out niches and spying linkages between seemingly disparate topics. The OECD is an international organization of “firsts”: the first to institute a comprehensive system of peer review, the first to apply a legal instrument to capital movements,⁶ the first to have a dedicated environment directorate, and the first to examine a series of specific issue in a systematic fashion. This “chameleon-like”⁷ quality helps to explain the OECD’s longevity and, in a world of increasingly complexity, is the second cause for optimism about the organization’s prospects.

Third, as the previous paragraph intimates, other international organizations are no more surefooted than the OECD. The Bretton Woods institutions and the G8 are as susceptible as the OECD to indictments of cronyism, illegitimacy, and ineffectiveness.⁸ The threats to the OECD from entities such as the G20 Finance Ministers and Central Bank Governors are overstated. Countermanding the G20’s geographical appeal as home to most of the world’s leading powers, is that functionally the G20 is a one-trick pony concerned exclusively with promoting global financial stability. Nothing stops the G20’s remit expanding, equivalent G20 get-togethers surfacing to peruse other policy issues, or a prospective “L20” for the leaders of these 20 countries emerging. Anne-Marie Slaughter thinks the G20 “could be a global think tank, a caucus in many existing institutions, a catalyst

for networked global governance operating through national government officials.”⁹ The question is whether it could do this without the logistical support and institutional memory of a large and expensive secretariat. Besides balking at the cost of a Secretariat the G20, reminiscent of the G8 genus, will contest the bureaucratization of their meetings. That the OECD typically complements rather than competes with other international bodies is a fourth reason for optimism.¹⁰ The OECD positions itself upstream and downstream of these institutions, resolving gridlocks prior to their meetings and taking work forward in their aftermath. A boisterous and assertive G20 plus other additions to the “gaggle of G’s” afford another outlet for the OECD’s palliative governance, especially if the submersion of the systemically significant G20 economies in OECD work continues through the enlargement and outreach strategy.

Fifth, the OECD’s techniques and temperament will give it certain comparative advantages over a longer time horizon. Predictions that soft law and soft power will be the “means to success in world politics”¹¹ lead some commentators to envisage the OECD as the archetype for future international organizations.¹² Various international organizations, including those such as the IMF and EU that have material sanctions at their disposal, mimic the OECD’s peer review and surveillance processes and rely on moral suasion to shape their member’s behavior. This is not to say “hard power” mechanisms are moribund but to recognize that states are concerned to maintain their reputation amongst their peers by ensuring their actions are consistent with norms generated by the community to which they belong. The uproar in countries performing poorly in the PISA survey and the hostile responses by those labeled by the OECD as a “harmful” tax havens are merely two examples of the importance of the normative dimensions of OECD governance. The OECD method also involves national officials to a degree unmatched by other international organizations. The OECD’s transgovernmental spirit may beguile those that condemn international

organizations as undemocratic and unaccountable. Rather than being the products of a faceless Secretariat, officials from national governments develop and implement OECD recommendations on the authority of their political overlords. In turn, citizens can hold politicians accountable through the democratic processes prevailing in OECD countries. Next, the OECD is one of the few genuinely multidisciplinary international organizations enabling it to comprehend conventionally compartmentalized policy domains. As the organization's 2008 Annual Report remarks, "the OECD's strength lies in its ability to help governments solve complex problems by addressing the multiplicity of dimensions that characterize today's global challenges."¹³

Sixth, apart from some stoutly refuted allegations about nepotism and a lack of transparency in some senior appointments and the spiraling costs of the refurbishment of the OECD's headquarters,¹⁴ Angel Gurría is proving an astute and energetic Secretary-General. Taking the reform baton from Donald Johnston, Gurría's OECD has launched accession negotiations with five prospective members and deepened engagement with non-members and civil society. Additionally, he has shaken up the committee system secured several important responsibilities for the OECD including acting as the platform for the Heiligendamm Process, a handshake between the dominant countries of the twentieth century and those perched to dominate the twenty-first. This augurs well for the remaining challenges Gurría and his contemporaries must face down if this rosy future scenario is to happen. The hardest challenge, doubtless, is hooking up with the O-5 countries without incinerating the OECD's ability to deliver its core mission of promoting policies to achieve the highest levels of sustainable economic growth. If the OECD's hierarchy can do so, the heyday of this enigmatic organization may yet be to come.

¹ David Held, Anthony McGrew, David Goldblatt and Jonathan Perraton, *Global Transformations: Politics, Economics and Culture* (Cambridge: Polity, 1999), 3-4.

² Ibid., 5-14.

³ Anonymous, "What a way to run the world," *The Economist* 387, no. 8587 (5 – 11 July 2008): 16.

⁴ Anonymous, "Wrestling for influence," *The Economist* 387, no. 8587 (5 – 11 July 2008): 39.

⁵ David Henderson, "The Role of the OECD in Liberalising International Trade and Capital Flows," *The World Economy* 19, no. 5 (September 1996): 23.

⁶ Henry G. Aubrey, *Atlantic Economic Cooperation: The Case of the OECD* (New York: Frederick A. Praeger, 1967), 109.

⁷ Richard Woodward, "The Organisation for Economic Cooperation and Development," *New Political Economy* 9, no. 1 (March 2004): 121.

⁸ See for example Anonymous, "Wrestling for influence," 37-40; Miles Kahler, "Defining Accountability Up: The Global Economic Multilaterals," *Government and Opposition* 39, no. 2 (Spring 2004): 132-58.

⁹ Anne-Marie Slaughter, "Government Networks, World Order, and the G20," paper presented at the IDRC, Ottawa 29 February 2004, 17.

¹⁰ Jorma Julin, "The OECD: Securing the Future," *OECD Observer* no. 240-41 (December 2003): 50.

¹¹ Joseph S. Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004).

¹² Anne-Marie Slaughter, "The Real New World Order," *Foreign Affairs* 76, no. 5 (September – October 1997): 196.

¹³ OECD, *Annual Report 2008* (Paris: OECD, 2008), 7.

¹⁴ Anonymous, "Trouble at the OECD," *The Economist* 383, no. 8585 (21 – 27 April 2007): 76-77; OECD, "Statement by the Secretary-General, Angel Gurría, in reply to an article in *The Economist* of 20 April 2007," available at http://www.oecd.org/document/38/0,3343,en_2649_201185_38438438_1_1_1_1,00.html (Accessed 5 August 2008).