1. Introduction

In attempting to describe the OECD, one is drawn immediately to the fable of blind men describing an elephant. The OECD has a much less well-defined role than other elements of the international economic architecture, such as the World Bank, the International Monetary Fund, or the World Trade Organization, and as a result there are differing perceptions as to what the Organisation is exactly, and where its value lies.

There is a joke among those who have had involvement with it that the acronym ‘OECD’ stands for ‘Organisation for Excellent Cocktails and Dining’, encouraged, no doubt, by the attractions of its Paris location. It once might have deserved this slight. Indeed, searching the archives while researching this book, we came across a rather revealing graph in a report on the mainframe computing needs of the Organisation in the 1980s. It recorded the average number of computer terminals connected to the mainframe by time of day, and revealed a marked drop-off between about noon and 3 p.m.

The long lunches one might suspect are indicated by this ‘non-obtrusive measure’ were not confined to the OECD in the 1980s, and austerity in the OECD’s budgetary allocations over the past 15 years especially has meant that it no longer accords with reality. Nevertheless, many have questioned the role and value of the OECD in the contemporary global system, and it has been compelled increasingly to demonstrate that it represents value for money, but many – even those who are familiar with it through involvement in its activities – do not claim to understand it fully. One such informant likened it to the Tardis, the space-craft of the television character Dr Who, in that it consisted of much more (and was more complex) than appeared from the outside.

In this book, we seek to provide a look inside the Tardis. We seek to describe and assess critically what we think are the core characteristics and the sources of value of the OECD. We suggest that the Organisation has various sources of value, and one of these is indeed largely social, in that it has socialised bureaucrats in member states (and beyond) into a culture of identifying and learning from best practice and deviations from it, and it has also created international networks in various policy domains, so that it has helped form something of an international elite – a global policy network or, perhaps more accurately, a series of networks, because its
committees and other subsidiary bodies bring together on a regular basis staff from a much wider range of policy domains than just economics, so the social ‘glue’ it encourages helps provide an important degree of coherence in the system of global governance.

The OECD is (at the time of writing) almost 50 years old, and the time seems opportune to assess critically its place in the world. We did not intend this as an anniversary reflection; rather, we had both written in the past on aspects of the work of the OECD, and were aware that when we looked to turn to the academic literature to learn something about its core operations we found the shelves to be relatively bare.

There were some older works (for example Aubrey, 1967; Camps, 1975), some dealing with only parts of the OECD’s activities (for example Bayne, 1987; Blair, 1993), some limited in their scope (Wolfe, 1993), and an expectedly uncritical official account (Sullivan, 1997). Recently, two new volumes have appeared: an edited collection of papers covering different aspects of the OECD’s work (Mahon and McBride, 2008) and a brief overview (Woodward, 2009). There is still no work, however, that (as we have done) examines the OECD in considerable depth, using archives and interviews with key informants, with the intention of understanding the whole Organisation by examining both the trajectory of its development and its current structure and function.

We became aware in spending many hours in the OECD Archives at the European University Institute and in the basement of the Franqueville Building in Paris that others had not travelled this path before on the scale we were attempting. The fact that the papers of the OECD were formerly classified and never declassified, until 1996, probably explains why so few had done so. Now, most papers are declassified after ten years and, increasingly, before that (though the Committee on Fiscal Affairs is less open and has even sought to reclassify some that have been released). In addition to using the archival material, together with the published literature, to try to capture the trajectory of the Organisation, however, we conducted interviews with former Secretary-General Donald Johnston, new Secretary-General Ángel Gurría, several past senior staff members, many current members of the Secretariat, and ambassadors of about half the member countries who form the Council of the OECD. This was important, not just to try to put some flesh on the dry, formal skeleton revealed by the various records of meeting, notes and reports, but because documentation was simply largely not available for the most recent decade – although, as noted above, the OECD is now becoming much more open, and towards the end of our research we were able to access many more documents, even into 2010.
WHAT IS THE OECD?

There might be considerable value in the social aspects of the OECD, in creating international policy networks, but it can no longer be parodied as the ‘Organisation for Excellent Cocktails and Dining’ – if this ever contained any truth. The main reason for this is that it is a remarkably lean organisation, especially compared with the United Nations. Budget cuts imposed in the mid-1990s, as urged by the US, UK and Australia in particular, have, combined with the accession of new members during that decade, trimmed the OECD of most of any fat it once might have had (see Figure 1.1).

Those budgetary constraints were imposed because there was a feeling that, partly because of an identity crisis internally, the OECD lacked a sense of strategic priorities, suffered from decision inertia, and was wasting resources. If anything, the imposed austerity is now one of a number of factors behind a claimed decline in perceived significance of the OECD.
since about 2005, as it has lost young, talented staff – not just because of issues related to pay relativities, but also because some were having increasing difficulty in seeing the relevance of the work they were doing, others were concerned as to the lack of career prospects, and others had a growing lack of confidence in the OECD ‘product’. There was a perception that the OECD was congenitally bad at developing priorities and at ‘killing things that were dead’. One diplomat stated that his government worried about ‘drift and decline’, about a journey down a path from the high position formerly occupied by the OECD – and ‘you find UNESCO, UNIDO, UNEP and UNCTAD somewhere down that path’. The OECD, stated one informant, needed to engage in some ‘strategic housekeeping’.

Part of the problem with the OECD establishing its worth and its identity lies with the diffuse nature of its brief and the absence of any major, traditional operational tasks, though some see this as its strength. For example, Ron Gass (Director of Social Affairs, Manpower and Education 1972–89) has stated that

The fact that the OECD does not have major operational responsibilities like the IMF, WTO and the World Bank – together with its cross-sector analytical capability and multi-policy committees machinery – gives it a comparative advantage when it comes to setting out the forward-looking policy options. (Gass, 2002, p. 10)

Moreover, the OECD’s operational tasks constitute its research programmes. Most now see the value of the OECD to be largely epistemic, in that it is a source of policy ideas that spread throughout its membership and beyond, partly through policy learning, but also through policy transfer, as new members acceding to the OECD (generally speaking) take on the commitments entered into by the other members. The comparative advantage of the OECD lies undoubtedly in the conduct of high-quality economic analysis, not just on national economies, but also of problems and policies in other policy domains. For example, much of its work on the environment has involved the application of economics to environmental policy problems.

For this reason, the OECD is often described as an international ‘think tank’ that speaks truth to power. For example, Noaksson and Jacobsson (2003) argue that, whereas the EU is characterised as a more pragmatic ‘knowledge-user’, the OECD can be characterised as a ‘truth-seeker’ and ‘truth-teller’. They argue that the OECD is more dogmatic, believing in one orthodoxy and setting aside values and political considerations in assessing economic situations. They suggest that, while the EU attempts to adapt knowledge to fit reality, the OECD adapts reality to fit existing knowledge. Ron Gass sees the OECD’s defining role as being that of a
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‘policy pathfinder’ for the policy responses to the new economic and social challenges facing member countries. ‘Policy innovation: that is the determining feature of its culture’ (Gass, 2002, p. 10).

This is undoubtedly a major role and source of value for the OECD. We should note, however, that it does adopt international agreements that are binding on its members – unless they enter a reservation at the time of decision. These are primarily the decisions adopted by its Council by a process that requires agreement by all those voting, with non-binding recommendations forming the other kind of ‘Council Act’. These are often referred to by international lawyers as ‘soft law’, because there is no enforcement mechanism, but we believe it is more accurate to refer to them as norms that establish expected standards of conduct. The level of compliance with them is probably quite high, and the factor that produces the desired ‘pull to compliance’ is undoubtedly that of ‘sunshine’ – the effect of publicity drawing attention to non-compliance. In the OECD, this is provided by peer review, but also by mere publicity. International lawyers tend to underestimate the value of such mechanisms, and overestimate the value of judicial and quasi-judicial means of achieving compliance by enforcement.

But neither is the OECD merely an international think tank. It is true that it collects statistical data and provides highly valued analyses of policy issues, but it is an intergovernmental organisation, and in that distinction lies the secret of its success. This is because the statistics are collected in collaboration with the members, and they thus have ownership of the data. Moreover, the analyses and (perhaps more importantly) the peer reviews are conducted with the active involvement of member governments, with members unlikely to behave unfairly in this because such unfairness might be reciprocated the next time they are peer-reviewed. The ‘ownership’ of the OECD by its member countries is what makes its work of much higher value, and the depth of engagement of members in subsidiary bodies and their peer reviews also undoubtedly embeds within them a much greater awareness of the lessons to be learnt than would be possible with a mere international think tank, whose reports might simply be deposited in the departmental library, gathering dust. Governments cannot easily criticise the data or analyses and, because they are public documents, oppositions can use them to criticise the performance of governments.

OECD products are authoritative. They do not necessarily produce agreement or consensus over policies, but they assist by ensuring that, within limits, policy debates occur within a shared set of premises. We say ‘within limits’ because political adversaries can often find a different basis within OECD statistics. In one example we are familiar with, in debate over funding for higher education in Australia, the then government
cited total funding as a percentage of GDP, while the opposition tended
to cite government funding, ignoring the substantial funding contribu-
tion made by students through fees and the innovative Higher Education
Contribution Scheme (Norton, 2008).

Another source of value in the OECD is the ‘like-mindedness’ of its
members, who must share a common set of values – essentially a com-
mitment to liberal democracy (both economic and political) – in order
to become members. The 30 (now 34) members of the OECD have much
more in common than the 192 members of the UN, including a degree of
affluence. They are less likely to disagree over policy, though ironically
their working together is facilitated because they rarely are required to
agree on matters that affect their core interests. Many of the Acts of the
Council, for example, simply set the ground rules under which interna-
tional economic activity (trade, taxation and so on) should be conducted,
so as to resist any temptations the members might have to undermine
economic liberalism by adopting policy measures that might undermine
an open global economy.

There are other features that make the OECD of value for its members,
including, for example, the fact that (while the European Commission
enjoys special status in the affairs of the OECD) the individual EU
members participate individually. In the OECD, unlike many other inter-
national organisations, its non-EU members can penetrate some of the
debates on matters such as trade and agriculture that might otherwise
occur behind the veil of the European Council.

In summary, it is worth noting the conclusions of Peter Nicholson in his
review of the OECD that the OECD plays a unique role by virtue of one
or more of the following:

(i) its intergovernmental character; (ii) the broad range of Member countries (as
compared for example with the EC or the G7); (iii) the more focused capacity
for policy analysis among a like-minded group (by contrast with UN agencies);
(iv) the ‘non-negotiating’ context in which most OECD bodies meet; (v) the
unique cross-national data sets and deep analytical capability of many OECD
divisions; and (vi) the highly evolved OECD capacity to do benchmarking and
peer reviews. (SG(2003)1, p. 9)

THE PLAN OF THE BOOK

In this introductory chapter, we have provided a brief introduction to the
OECD. We describe in Chapter 2 the general structure and operation of
the OECD as it stood at 2010. Chapter 3 includes a detailed account of
the key processes of the OECD, including the ‘peer review’ that is central
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to many of its operations. Some, perhaps looking for an introduction to the Organisation, might read no further, but others, looking for a critical examination of the factors that have shaped the OECD and its operations in greater depth in some areas of activity, will wish to read on.

Chapters 4 to 8 trace the development of the OECD from the 1960s to 2010. The theme that emerges from this historical sweep is one of change and adaptation, because it is clear that the OECD has adapted to a changing environment – albeit one that it has helped shape. It has both changed and been changed by the global system. The OECD of 2010 differs markedly from the OECD of 1961. Then follow some chapters that are important to understanding the OECD. First, in Chapter 9 we look at the important issue of policy transfer, focusing on accession, the process by which members take on most (though not necessarily all) of the commitments of the existing members – the *acquis*. Chapter 10 provides a detailed case study of a defining event in the recent development of the Organisation, the attempt to develop a convention on investment, the MAI, which led to a massive campaign against the initiative and the OECD itself. The MAI led the OECD to reconsider its engagement with civil society, but, while it deepened its engagement, its critics underestimated the considerable engagement that had been there since its founding.

In Chapter 11 we discuss the relationships between the OECD and other international organisations, important because (as we shall see) much of the value provided by the OECD arises from the work it performs for other institutions, especially those such as the G7/8 that lack their own research capacity, or from the development of concepts and instruments that subsequently spread to other arenas. We then explore the OECD’s operation and the value it can provide in two issue areas that are departures from its original scope – environment (Chapter 12) and health (Chapter 13) – before providing a concluding discussion.