

The Story of Four OECD Seminars

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The Story of Four OECD Seminars

S1 AIA Seminar on “OECD and the Crisis of Progress”

S2 AIA Seminar on “Inclusive Society:”

S3 NAEC Seminar on “The Hegemony of Growth”

S4 NAEC Seminar on “The Future of Growth”

I once wrote an article on “The OECD as a ‘culture’ as seen by an old-timer” (@tmosphere, October 2002). Could it be, the article said, that the professional culture of the OECD, politically neutral but ready to pick up the hot potatoes, will enable it to play a new role?

For me, the four seminars leave me with the feeling that the OECD family (past, present and future staff (young professionals); Delegations and Secretariat is picking up that gauntlet!

I “Speaking Truth to Power”

This defining characteristic of the OECD institutional culture would be arrogant if not turned on the OECD itself. NAEC is the expression of that self-criticism. In S3, we cleared up that Matthias Schmelzer’s criticism is that the OECD became the temple of economic growth, not “growth” as such. We also cleared up that in the new OECD growth paradigm, economic growth is a means, not an end. This opens the way for clearer debate.

II OECD: Neo-Liberal Advocate or Honest Broker?

In S1, we went into this question. The OECD is not an ivory tower and it is inevitable that it is influenced by many tides of politico-economic thought. The period of the Keynesian consensus was broken by the McCracken Strategy to cope with the oil-shock recessions. The “structural” policies that followed were defined as “removing obstacles to market functioning” – in that sense OECD became neo-liberal. But all the ECO survivors of that period (Stephen Potter, Andrew Dean, Nick Vauston and John Martin) agreed that the Keynesian heritage survived. Our more-or-less consensus was that the OECD could be described as a “knowledge-based pragmatist”. Today, “getting it right” expresses that approach.

III Putting GNP where it should be

No organised State can neglect the fact that the production of goods and services is a key goal. Remember that Khrushchev hit the UN speaking pulpit with his shoe to assert that Soviet production would outstrip the US! As Catherine Mann made abundantly clear at S4, the GNP is here to stay as long as we live in market economies based on monetary transactions. The social indicators programme initiated under Secretary-General Van Lennep was never intended to replace GNP nor to establish a system of social accounts. It was to develop a battery of indicators to measure the quality of life, as in the annual OECD publication “Society at a Glance”. The Better Life Initiative has gone a step further, since it has the ambition to develop a composite index, complementary to GNP but not to replace it. Thus the GNP reflects an important societal goal but not the only one.

IV The OECD Triangular Policy Paradigm

How to relate economic growth to the other goals in the triangle? That is the next question. This is more than an analytical question, since it lays bare the burning political issues of the day: the threat to the biosphere, growing unequal societies leading to a threat to democracy and now the challenge of a new technological revolution. Above all, there is a loss of trust in the capacity of governments across the world to advance towards obviously desirable goals. That is why S1 took up the theme of “OECD and the Crisis of Progress” (see Global Social Policy, August 2015).

More than a policy framework the triangle is a complex edifice built up in the OECD over 50 years, including theoretical advances, policy innovations and new databanks and involving leading political figures. The 2013 MCM consecrated the Triangle’s strategic role in OECD by adopting the goals of resilient economy, inclusive society and sustainable environment.

The OECD 2013 “Going for Growth” report marked a turning point because it recognised that economic growth may come into conflict with equality of incomes and the sustainability of the environment. The 2016 report seeks to restore “healthy growth” through a balanced diet of monetary, fiscal and structural policies (“getting it right”). In other words, all countries participating in the global economy are faced with the same challenge but how they rise to it depends on their political priorities between economic growth, social cohesion and environmental sustainability.

V Reconciling the Economy, Society and Nature

This set the stage for the confrontation between Mathias Schmelzer’s thesis on “OECD and the Hegemony of Growth” (S3 and S4). Since the OECD debate launched by Secretary General Kristensen on the “Problems of Modern Society” was at the heart of MS’s analysis, Alex King’s final quip in his memoirs (Let the Cat Turn Around) seemed a good point of departure. Indeed his last chapter, “The Scheme of Things (curiously planned)”, neatly sums up the fact that OECD, M.S. and indeed Anrold Toynbee (Mankind and Mother Earth) all agree that the central challenge facing the world is the reconciliation of the Economy, Society and now Nature. That is the Scheme of Things – but we don’t know how to “plan” it!

The OECD’s strategy is inclusive, green growth. MS’s strategy is Just De-Growth apparently in blatant opposition. But now that the OECD has made it clear that economic growth is a means not an end, the divergences are more complex and subtle. One might sum them up as follows: that the international division of labour has resulted in an unfair historical distribution of the fruits of economic growth between nations; that it is inherent in capitalism that inequalities will grow; and that it is an illusion to think that technological innovation will enable the world to overcome the environmental limits to growth. Thus “embedded capitalism” as seen by MS appears to run head on into the pragmatic optimism of OECD. However, when turning his mind to the strategic future agenda, MS sounds like an avant-garde member of the OECD family:

“The issues raised by the hegemony of the growth paradigm will certainly not be resolved soon. They reopen searching questions about what societies value, what should be understood as progress, and who benefits and who bears the costs” (The Hegemony of Growth, p 357).

Looking through the OECD lens, one is tempted to comment that the Better Life Initiative gets into the issue of what societies value; if “It’s all about people” then human progress is the ultimate goal; and finally who benefits is the top 1% and who bears the costs is the bottom 40%.

VI The New OECD Growth Paradigm

Gabriela Ramos got S4 off to a good start by reminding us that the triangular policy paradigm had a long history in OECD and that the challenge of reconciling the economy, society and nature had led to many policy initiatives by the OECD.

In fact much of this work preceded the neo-liberal approach to structural change, and is thus very relevant to today’s more pragmatic approach to structural problems. What a pity therefore that the OECD has such a weak institutional memory – its contemporary reports rarely if ever refer to OECD work prior to 2000 or even 2005!

Synergies and Trade-offs: Getting policies out of departmental silos is at the heart of the new growth paradigm and, with ECO in the lead (see Catherine Mann, Policy Coherence from New Data, New Research, New Mindsets, OECD Insights, 2016), an impressive start has been made by all Directorates. John Martin warned against a certain “win-win” form of group-think, because optimising against trade-offs involves political decisions. It also involves collective bargaining, as in the case of the trade-off between flexibility and job security which led French youth and trade unions onto the streets on the day of the seminar! I was therefore surprised to hear from Peter Tergeist (S2) that the OECD had dismantled its industrial relations programme. All the more so because, on inquiry, I discovered that ECO partly attribute the decline of wages in proportion to total income to the weakening of collective bargaining. Hence the sluggish recovery!

Interactions between Complex Policy Systems: As the Mexican Ambassador emphasised, politicians have to have a systemic approach to reform. That is why systems analysis is back in vogue, recognising that the economic, social and environmental systems have different logics. Trade-offs and synergies can be demonstrated by analysis, but politicians have to arbitrate between different goals.

This points to the role of “Centres of government”, and of the budget, as pointed out by Gabriela Ramos, as an important tool. In this connection, it is interesting to recall that in the wake of the Problems of Modern Society debate, a project on Innovation in the Structures and Functions of Government was pursued in the Secretary General’s Office (Van Lennep). It was “quietly dropped” when Alex King left the OECD, but the official concerned (Martin Lees) later turned up in the Club of Rome. The results are to be found in a Club of Rome publication, “The First Global Revolution” by Alex King.

But it was not the silo problem that led to the controversy in OECD between economists and natural scientists. The latter perceived the former to be dominated by short-term considerations, and thereby incapable of responding to long-term challenges. However, the systemic nature of the macro-economic model has shown it to be robust in response to the complex, long-term structural problems left by the 2008 crisis, interacting with other systems models to deal with multi-dimensional problems such as inequalities and the environment. The techniques of strategic foresight will open up these models to explore a wider range of futures in response to political goals.

Disaggregation of Policy Frameworks

In the days of the OEEC there was a clear distinction between policy activities (e.g. the Economic Policy Committee) and operational activities (e.g. the European productivity Agency and the Office for Scientific and Technical Personnel). With the advent of the OECD, the latter were transformed into policy committees. Nowadays, there is a strong trend for the OECD to translate its policy ideas into action. C.f. The Secretary General's article in the OECD Observer, "2016: The Year of Implementation").

The disaggregation of policy frameworks is part of that movement, which has several thrusts. Martine Durand stressed the importance of relating a reduced range of indicators to the political goals of individual countries. Catherine Mann emphasised that "around the table" discussions in the country review process helped to nail down the real policy options. Luiz de Melo argued that the growth narrative had to take account of the preponderant role of metropolitan areas, and that national strategies may simply not work at the regional level. Similar arguments have been put forward by LEED, with an emphasis on bottom-up structural change. And to cap it all, Rolf Alter has now declared the Century of Cities (OECD Insights blog, March 2016).

Academic studies have already characterised OECD as getting policy ideas into action through techniques of soft power. But the above trends go further by operationalising these techniques at different levels of democratic governance; and by recognising that policy goals and indicators of progress must reflect the will of the populations concerned.

Individual Incentives and Systemic Outcomes

The seminar was informed by a number of interesting models of tailor-made, democratic approaches to the monitoring of well-being outcomes (France, Scotland, New Zealand and the Mexican States). These appear to include income (GNP), but also a range of "better lives" indicators, and not excluding subjective "happiness" indicators. Gabriela Ramos introduced the notion of a hierarchy of human needs: "If you have the income you can begin to think about the rest". On the other hand, the AIA Seminar on "Inclusive Society" discussed a report of the Development Centre (The Measurement of Well-being and Progress in countries at different stages of development, 2014) which concludes that "empowerment and the need for autonomy and freedoms are profoundly related to the notion of capabilities that underpin the OECD well-being framework"(p29). This points to universal human needs which govern behaviour at all levels of income – a trend no doubt influenced by global communications systems (including the fact that a Chinese dissident and an African farmer can use a smart phone to find out where they stand on the OECD Better Life Index!).

Should and can the economic, social and environmental systems be reformed to take account of this more complex and more realistic view of what makes human beings tick? Can rational self-interest be balanced by altruism, power by individual autonomy, greed by solidarity? These questions take the new OECD growth paradigm to, and perhaps beyond its limits: because they challenge the behavioural assumptions about economic man (and woman!) on which the dominant macro-economic theory is built. On the theoretical side behavioural economics is beginning to provide new insights concerning individual and collective rationality (See Complex Economics, Alan Kirman, 2011).

On the policy side, alternative concepts such as the collaborative economy (Jeremy Rifkin, “The Marginal Cost Society”, 2015) are coming under debate.

Future NAEC debates might pursue these matters. The immediate question is whether the inclusive growth paradigm is a decisive step towards the inclusive society, the goal set by the 2013 MCM and now a central theme of the 2016 OECD Forum.

VII From Inclusive Growth to Inclusive Societies

The AIA Seminar on Inclusive Society recognised that this goal of the 2013 MCM had to include the non-active (so called!) population as well as the active population. It went further and discussed the issue of democracy, including the notion of “empowerment”, which was endorsed by the 2013 MCM. One of the Young professionals, Joshua Polchar, informed the seminar that he was working on “active citizenship”, a notion that recalls past OECD work on the Active Society.

Based on this AIA discussion, I put a blunt question to the NAEC Seminar on the New Growth Narrative: Does “Inclusive Growth” include the non-active population? The affirmative “yes” in reply puzzled me, since I had the opposite impression. Obviously, inclusive growth includes the non-active population insofar as household income and health status are concerned, but the problem of social exclusion involves the redistribution of opportunities as well as incomes. Hence the recent creation of the OECD Centre for Opportunity and Equality (COPE).

The long OECD quest for fair (income distribution) and open (equality of opportunity) societies is now faced by a new challenge: how to inter-relate the two. OECD analyses have shown that income disparities are widening and that the meritocratic social ladder is blocked. But there is no clear strategy for the redistribution of opportunities, involving both education and the labour market. The redistribution of life-long learning opportunities could be an answer, since it would help individuals to renew their human capital at several points in the life-cycle. Ji Eun Chung indicated that such a strategy was under review in CERI.

Behind this lurks the most serious threat to Inclusive society – the profound inter-generational inequalities reported by Michael Forster. As is the case of the feminist movement, the status of youth in society is more than an economic issue. As stated in the OECD/EU Youth Inclusion Project of the Development Centre: “young people are agents of change. They live in a fast-growing world and have heightened expectations”. The costs of blocking youth from accession to adulthood, as citizens as well as workers, will be very high.

The response lies in “A Society Fit for Future Generations”, a question already raised in the OECD Global Strategy Group.

VIII “A Society Fit for Future Generations”

Emerging from the four seminars, I am struck by the reality that the past and the future are colliding. The future is now and it has to be invented, so say the strategic foresighters. Yes, but it has to be built on the foundations of the past.

Both growth and de-growth are in the nature of things: the seed in the pod flowers, dies and is reborn. What humankind has added is the idea of progress: the act of moving forward towards chosen goals. This is what the OECD is up to.

The OECD goals are now clear (2013 MCM). But how to get there, the strategy, is still in the making and the New Growth Paradigm is on the right track because human progress (“Better Life”) is a the main driving force, stronger than the imperial sword, in the emerging world society.

One way of nailing the future agenda down is a broad vision, forged democratically between the people, political parties and the leaders. Let us take the vision of a “Society Fit for Future Generations”, since the AIA seminar on the Inclusive Society skirmished with that idea.

Collective Goals and Individual Autonomy. This is the central problem of democracy, and it pervades contemporary philosophical, political and economic debate. Human rights, empowerment and universal human needs are embedded in the SDGs and “Better Lives”. How can this reality find expression in the efforts of Member and Party Countries to chart their future? Interesting examples are beginning to emerge in the work of GOV, SF and LEED.

The Role of Youth in Society. The transition from adolescence to adulthood is a key feature of the socio-economic culture in all countries. Youth needs to participate and create, and not only to adapt. In the 1980s CERI carried out a vast survey of youth attitudes (Education and Work, the Views of the Young, 1983), and the Development Centre is doing the same today in African, Latin American and Asian countries. The provisional results are eloquent: “young people are the agents of change. They live in a fast-growing world and have heightened expectations... the Arab Spring with its powerful call not only for democracy but also for a society more responsive to the aspirations of young people, is yet one more example.

The Plural or Alternative Economy? The prolonged and complex 2008 crisis has of course given weight to various anti-capitalist movements organised in the main by young people (altermondial, occupy Wall Street, Indignes etc.). They begin to find their expression in new political parties. An important question is whether radical alternatives will prevail or whether the existing economic system will diversify to accommodate what amounts to a social demand for new forms and styles of work.

The OECD has 30 years of exploring this question in the ILE (now LEED) programme. There is now a “third sector”, between the private and public sectors, which amounts for about 10% of GNP and 12% of employment. It is in this sense that there is now a plural economy (see Reconciling the Economy and Society: Towards a Plural Economy, OECD 1996). This third sector is not an alternative to the private and public sectors, but it is a vital component of a resilient economy and responsible to the goal of Inclusive society.

Social Diversity and Technological Hegemony. As in the case of the oil shocks crisis of the 1980s, the 2008 crisis has seen the bubbling up in the towns, cities, regional and local communities of proximate experiments and solutions to unemployment, climate change, renewable sources of energy and social disorganisation. But can this territorial resilience and uncertainty survive the next techno-economic revolutions based on artificial intelligence, genetic engineering, robotisation and big data, with the spectre of jobless growth and elitist social organisation?

Fortunately, there is a long-standing recognition in OECD of the human and societal implications of pervasive technico-economic paradigms. New technologies only become pervasive via the filters of economic competition, collective bargaining, regulation and legislation. These processes offer opportunities for social and political innovation so as to humanise the hubristic ambitions of Silicon Valley.

Thus, the most realistic future scenario seems to be the co-existence of global hi-tech with territorial and social diversity, based on labour-intensive activities.

Homo-Sapiens at the Cross-Roads. Taken together, the four seminars leave me with the impression that world society is faced with a Toynbee-like challenge: rise or fall! Growth is one form or another is in the nature of things – but leading us where? That is the heart of the problem facing the rising generations.

Andrew Wyckoff has warned us that technology has had a huge impact on the economy, society and the environmental, and that another “transformational period” (based on artificial intelligence and robotisation) is just ahead. The historian Yuval Noah Harari (*Sapiens, A Brief History of Humankind*, 2014) warns us that the human animal has become God, capable of its own “intelligent design”. Stephen Hawking, theoretical physicist and Nobel Prize winner, is of the view that these technologies could be both miraculous and catastrophic (*Time*, March 2016, p37). They have to be tamed, and our institutions are ill-purposed to meet that challenge.

The New OECD growth paradigm, focused on the over-riding goal of “Reconciling the economy, nature and Society is a good first step. The flood of articles on the OECD Insights blog, spelling out the trade-offs and synergies between the three systems, is a sign that the OECD institution is flushing out the details of the policies that are now needed. Notably, “Benefiting from the Next Production Revolution (Nolan and Pilat, Insights Blog)” sets out the risks and opportunities of potentially disruptive technologies on the horizon; and “Finance, Growth and Inequality (Cornede and Denk Insights Blog)” proposes a better architecture of the financial “black box”, the excesses of which triggered off the 2008 crisis. There are many other articles, but the most striking is “Simple Policy Lessons from Embracing Complexity” (Bill White, Chair of the EDRC Committee) which argues for seeing the economy “as a complex adaptive system... with massive interdependencies among its parts and the potential for highly non-linear outcomes. There are in fact many such systems in nature and society.”

These systemic interdependencies between the economy, society and nature, cannot in all circumstances be handled by market solutions. A new humanism, centred on fundamental human needs rather than runaway consumerism, is needed to combat the threat of trans-humanism. Innovative creativity across the policy arena, piloted by strategic foresight and with human progress as its goal, is the order of the day.

Fortunately, the OECD Pandora’s Box of policy innovation has horizon-scanned “the Creative Society of the 21st Century (OECD Future Studies, 2000) and concluded that:

“...prospects for prosperity and well-being in the 21st Century will probably depend on leveraging social diversity in order to encourage technological, economic and social dynamism”. If so, global high-tech needs to be wedded with territorial and social diversity.

IX OECD and the Emerging Geo-Political Context

The fall of the Berlin Wall may not have brought the foreseen peace dividend, but the reality is that there is less military conflict on the world scene. The reasons for this are complex: to some extent the nuclear stand-off, but also global economic and environmental inter-dependence. Added to that the Internet, international trade, tourism and student flows are generating a world society, and the consequent people power.

The AIA seminar on the OECD and the Crisis of Progress took note of a 2014 OECD report (How was Life?: Global Well-being since 1820), which concluded that there has been widespread progress in well-being since the early 20th Century. Thus, despite two world wars and violent political change in some countries, the force of human needs has proved to be the stronger. Today, organised international terrorism has revived the Huntington Thesis of a clash between civilisations, calling for military intervention. But here too the best bulwark is likely to be economic and social progress across the world.

Thus, the goal of reconciling nature, the economy and society requires a world view. In the absence of a world government, a sort of coalition of multi-national agencies, serving the political leadership in the UN, G20, G7 frameworks, is emerging.

There are many examples of OECD bilateral co-operation with other international agencies such as the WTO, ILO, UNESCO, but the most striking phenomenon is a common effort to achieve the UN SDGs (see OECD Insights Blog, Gabriela Ramos, The Sustainable Development Goals – a Duty and an Opportunity, 25/03/16).

In this “coalition” of international agencies, the OECD role is that of policy pathfinder and standard setter, based on soft-power, rather than legal or financial power as is the case of the IMF, ILO and WTO. Professionalism, political neutrality and intellectual independence are essential for that role to be exercised and accepted.