

Editorial Board

The OECD is an underrated institution

The OECD, like so many multilateral institutions, emerged out of the destruction of the second world war. Its predecessor, the Organisation for European Economic Co-operation, had responsibility for distributing US and Canadian aid to the shattered economies and societies of western Europe. As well as distributing money it became a forum where the North Americans and the capitalist parts of Europe could meet to discuss policy problems that affected them all.

The money has long since dried up but the conversation has not. It became the Organisation for Economic Co-operation and Development, largely a talking shop, 60 years ago this year. Its membership now includes rich countries elsewhere such as Israel, New Zealand and Japan, plus the formerly communist parts of Europe — indeed, membership has become a coveted “kitemark” for developed country status. Its continued relevance is testament to just how important talking is.

The OECD, based on the site of a former royal hunting lodge in Paris, is one of the few venues where the domestic bureaucracies of its different members confront each other and can learn from their experience. As the “rich country think-tank” it provides a rare forum for international discussions of education, health and pensions, areas where it is all too easy to become insular and believe that challenges are unique to one country.

Many postwar international institutions, such as the World Trade Organization and the IMF, are struggling to find a role as much of the world has turned inwards following the financial crisis. Counter-intuitively, the OECD’s lack of power — it does not lend, as the IMF does, or make judgments in trade disputes like the WTO — gives it some protection. That it can do nothing but advise and persuade makes it a harder target for populist rabble-rousing. The incoming secretary-general Mathias Cormann, a former Australian finance minister, therefore, needs to tread carefully. Cormann has served in administrations that were sceptical of climate change and abolished a carbon pricing scheme in his home country. The organisation’s biggest priority in coming decades will be helping its members to secure a transition towards low-carbon economies. International co-operation will be vital to avert

“carbon leakage”, where one country’s attempts to cut emissions simply push fossil fuel use elsewhere.

The OECD has made mistakes before, including in its advocacy of austerity following the financial crisis, and it has a tendency to be over-bureaucratic. But its chief economist Laurence Boone has more recently been instrumental in changing economic consensus, and many economists value its research and data.

It has notched up some notable achievements. In education, the OECD launched and managed the Pisa international tests that allow governments to compare their records on maths, literacy and science, or taxation. Its 2015 Base Erosion and Profit Shifting project helped to patch up the holes in the international tax system. It has been instrumental in attempts to set out new principles for corporate taxation in an age of tech giants. All this suggests it is a necessary, and underrated, organisation.

The creators of the OECD and similar institutions were concerned to avoid the political and economic disasters of the interwar period, when countries responded to crisis by turning inward. Few would nowadays suggest the creation of a rich country think-tank. But whether on climate change or coronavirus, talking will be the first step to finding global solutions.