

the OECD OBSERVER

New Thinking on
Economic Growth

Educational Reform
in Germany

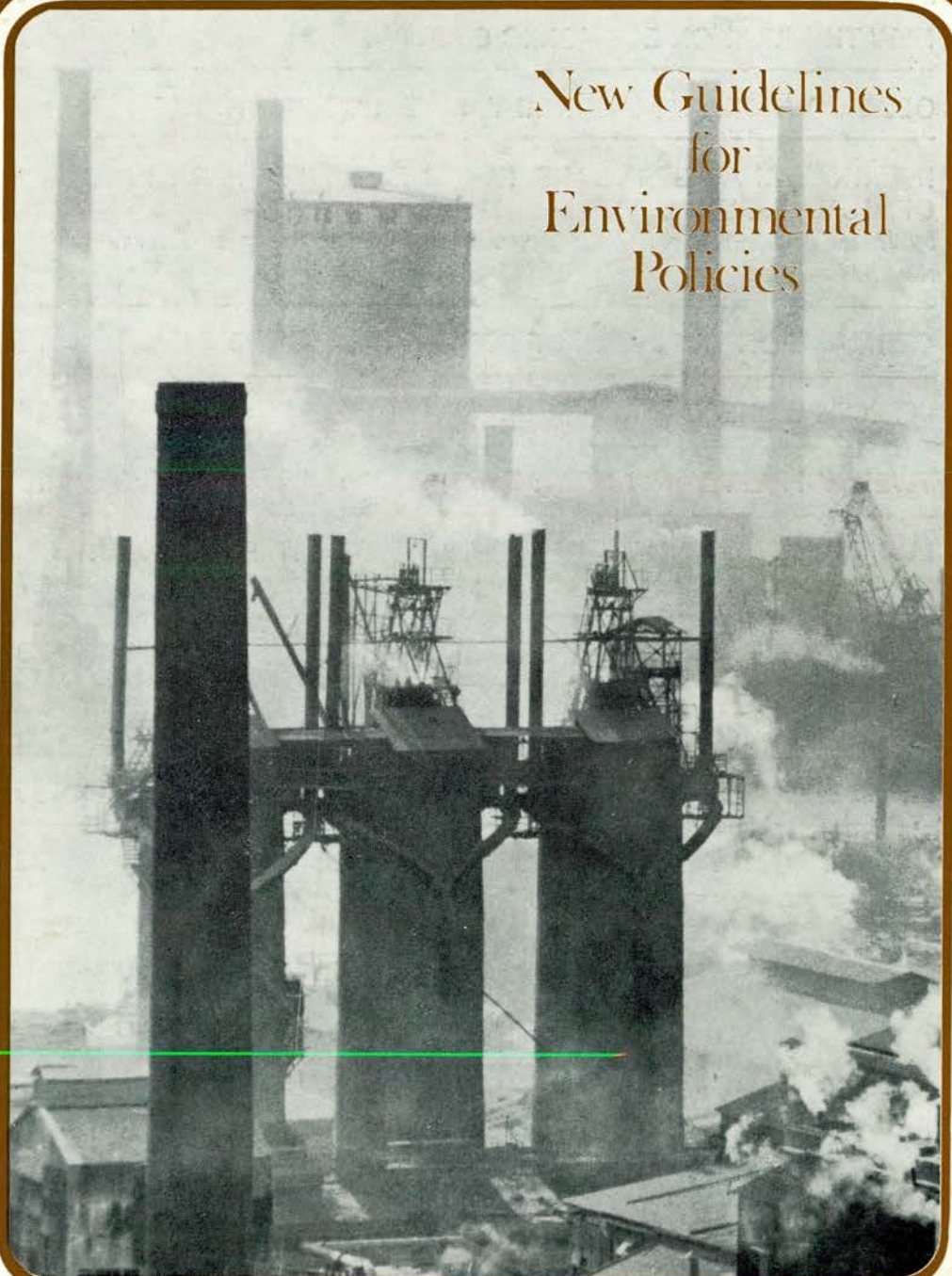
Energy Policies of
the European
Community

When Foreign
Workers are
Hit by Recession

OECD Council
at Ministerial Level:
Communique

The Marshall Plan
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New Guidelines
for
Environmental
Policies



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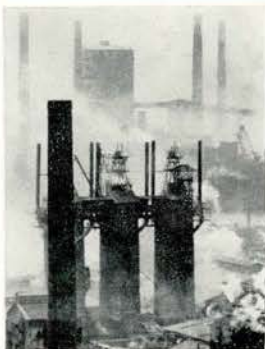
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COVER : Who will bear the costs of cleaning up the environment? OECD's Council has recommended that the principle of "the polluter pays" be adopted as one of its new guidelines for environmental policies (see page 29).

NEW THINKING ON ECONOMIC GROWTH

At the Meeting of the OECD Council at Ministerial level, which took place on 24th-26th May, Ministers had on their agenda a number of problems related to international economic co-operation, particularly in the trade and monetary fields. But they also met against the background of new thinking on economic growth itself.

In the debate about economic growth there is a tendency to oversimplify. To say, for example, that our present economic and political systems are solely devoted to maximising the output of physical goods and services, or that the only solution to our problems is to stop increasing the output of such goods and services. There is also a tendency for the debate to boil down into somewhat emotion-laden controversy about what kind of a world we ought to want to see in the future, while ignoring the probably more crucial question of how the decisions are going to be taken which will, in the event, determine the kind of world which actually evolves.

However, two facts about the world today may be generally accepted: the first that the vast majority of the inhabitants are not in a position to be greatly concerned about the "quality" of their life, not only the two-thirds of the world's population that live in the developing countries, but also large segments of our own so-called rich societies. For them, demands for adequate food, decent accommodation and other basic comforts remain the primordial concern; and they legitimately hope that continued economic growth will help to meet these demands.

The second fact is that if we extrapolate present trends in the growth of population, output, and the use of non-renewable natural resources through to the end of this century and into the next, we can see that things are going to have to change, and that we are rapidly moving into an entirely new phase in the history of world development.

Two conclusions may be drawn from these facts. (1) That it would be quite wrong for governments to try to stop or unduly slow down economic growth as an aim in itself—even if this were possible. (2) That if, as a result of giving higher priority to new matters of concern such as the quality of the environment, the conservation of natural resources and, one should add, a better distribution of economic welfare within and between countries—we find that the output of goods and services as conventionally measured rises less fast, we should not be dissatisfied, but should rather accept this lower material growth rate as a *result* of policies aimed at achieving our more fundamental social and political objectives.

People often seem to jump to the hasty conclusion that because material growth as conventionally measured may be going to slow down, this will have a *deflationary* impact—that there will be rising unemployment, narrowing investment opportunities, and so on. However, on balance, the reverse is likely to be the case. We have got to face up to *additional* demands: people want not just more automobiles, but pollution-free automobiles. While there may be transitional problems, this means that there will have to be *more* research, *more* employment, and *more* investment in pollution control equipment.

The basic problem is indeed quite different. We have always been faced with the problems of reconciling virtually unlimited demands with limited means. What is new is that these demands are more and more for things which—as in the case of improving the physical environment—can only be provided collectively, or through public policy. This means that they are more and more expressed through political processes and are not therefore subject to the automatic checks and discipline of the market mechanism. The question of *how* these choices are going to be made is perhaps just as important to the future of a society as the nature of the decisions themselves. It is therefore important that these processes should be as efficient as possible.

The more one looks at our present and prospective problems, the more one is struck by how rapidly they take on very difficult international ramifications. However much one may be impressed by our relative success in responding to new needs within national frontiers, one cannot fail to be concerned at the slow progress we have made in tackling the problems at the international level. We have to face up to the increasingly international dimension of the problems of economic growth; and the international organisations themselves have a heavy responsibility here.



Chairman of the Conference, Irish Finance Minister George Colley and OECD's Secretary General, Emile van Lennep.

OECD Council at Ministerial Level: Communique

The Council of the OECD met at Ministerial level in Paris on 24th, 25th and 26th May, 1972, under the Chairmanship of Mr. George Colley, Minister of Finance of Ireland.

The International Economic Situation

In considering the international economic situation, Ministers discussed Member countries' prospects and policies for the year ahead. They noted the expansionary policies already adopted and expressed the resolve of their Governments to restore, as soon as possible, high employment in the OECD area. At the same time, Ministers reaffirmed the determination of their Governments to achieve further progress towards price stability. These prospects provide an appropriate setting for the adjustments to international balances of payments put in train by the realignment of currencies agreed upon in December 1971.

International Monetary and Trade Issues

Ministers exchanged views on issues connected with forthcoming discussions and negotiations in the International Monetary Fund on monetary reform and in the framework of the GATT on international trade.

Ministers directed the Organisation to continue its work in the balance of payments field as a valuable contribution to international economic co-operation. Particular attention should be given to the balance of payments aims of Member countries, to the respective responsibilities for balance of payments adjustment of surplus and deficit countries, and to the problems of dealing with short-term capital flows.

Ministers noted with satisfaction the wide support given to the

initiative taken by the European Economic Community, Japan and the United States to initiate in 1973 multilateral and comprehensive negotiations in the GATT, covering both industrial and agricultural trade. The Organisation will continue to give

consideration to the contribution which it could make, within its field of competence, to further progress in the liberalisation of trade.

Ministers heard an oral statement by Mr. Jean Rey, Chairman
(continued on page 40)



(Left) Left to right : Ambassador Ralph Enckell, Permanent Representative to OECD, Finland; United States : Hon. Herbert Stein, Chairman of the Council of Economic Advisers; Hon. John N. Irwin II, Under Secretary of State, State Department; Ambassador Joseph A. Greenwald, Permanent Representative to OECD; Ambassador William D. Eberle, Special Representative for Trade Negotiations, Executive Office of the President; Spain : Laureano Lopez Rodo, Minister and Commissioner of the Economic and Social Development Plan.

(Right) Sweden : Minister of Commerce K.O. Feldt; Under Secretary of State J. Sjölander, Ministry of Finance; United Kingdom : Deputy Secretary G.R. Denman, Department of Trade and Industry; Ambassador F.G.K. Gallagher, Permanent Representative to OECD; The Right Hon. Anthony Barber, Chancellor of the Exchequer.



(Left) Canada : Assistant Deputy Minister W.C. Hood, Department of Finance; Hon. John N. Turner, Minister of Finance; Ambassador J.R. McKinney, Permanent Representative to OECD.

(Right) Italy : Giorgio Ruffolo, Secretary General for Economic Programming, Ministry of the Budget; Ambassador Francesco Cavalletti di Oliveto Sabino, Permanent Representative to OECD; Minister Felicie Benuzzi, Permanent Delegation to OECD.



(Left) Denmark : Ambassador Jens Christensen, Permanent Under Secretary of State for Foreign Affairs, Ministry of Foreign Affairs; Ivar Nørgaard, Minister for Foreign Economic Affairs; Ambassador Vagn Hoffmeyer Hoelgaard, Permanent Representative to OECD.

(Right) Belgium : Henri Simonet, Minister of Economic Affairs; Henri Fayat, Secretary of State for Foreign Trade; Ambassador Roger Ockrent, Permanent Representative to OECD.

International Standard Rules for THE OPERATIONS OF MUTUAL FUNDS AND INVESTMENT TRUSTS

**New proposals offer the possibility
of better investor protection
and greater liberalisation of capital movements**

By James E. Ammerman,
Chairman, OECD Working Group on International Mutual Fund Standards

The OECD Council has noted a *Report on Standard Rules for Operations of Institutions for Collective Investment in Securities* (mutual funds, unit trusts, etc.) and agreed to its publication. This Report was drafted over a 2-year period by a special Working Group of the Committee on Financial Markets made up of 34 experts from 13 countries (see list on page 9) and the European Communities Commission.

In recent years, there has been a general feeling on the part of OECD Member countries that the international standards governing protection of investors in mutual funds have been inadequate, at least in many cases. The degree of protection given investors varied widely from country to country. Regulators and supervisory authorities in one country might be unaware of the rules followed in other countries. As a result, in 1969, the OECD Committee on Financial Markets, which is charged with studying measures to improve the operations of national financial markets and of the international markets, set up a Working Group charged with reporting on standard rules that should be observed by mutual funds operating in OECD Member countries.

The initial task of the Working Group is now completed: its Report is available to the public. Thirty-five general rules are set forth.

What do they mean? What is their significance?

The general observance of the principles reflected in the Report and the minimum requirements provided in the Standard Rules will improve the protection of investors, facilitate the balanced evolution of international activities of mutual funds, and thus contribute to the improvement of capital markets, both nationally and internationally.

OECD recommended that its Member countries:

“(1) Review, as appropriate, their existing legislation or regulations concerning the operations of institutions for collective investment, taking into consideration the Standard Rules and to take the Standard Rules into account when preparing new legislation or regulations on this subject;

“(2) When considering applications for the admission to public sale in their own territory of the securities of foreign institutions for collective investment which comply with the Standard Rules, give substantial weight, within the framework of their legislation, to the fact of such compliance.”

OECD Members have examined their national rules in order to seek points in common, including common aims achieved by different methods. OECD Member countries, of course, continue to be free to control the public sale of securities offered by foreign institutions for collective investment in their territory in accordance with their own regulations. They can impose requirements additional to those in the standard rules. However, with time, a common basis should evolve and it is hoped that there will be an agreed-upon international approach to the essential criteria of adequate investor protection. In 1973, OECD plans to review the use made of the rules, which should help in fostering a common approach.

The Report emphasises the importance of non-discriminatory treatment. The Working Group noted that this might cause administrative difficulties, but felt that Member countries should ensure that, in practice, foreign institutions for collective investment are not subject to more stringent conditions than domestic investment companies.

Formulation of Rules

The initial meetings of the Working Group were spent considering the different legal systems that govern institutions for collective investment in Member countries. The Report itself contains annexes briefly describing the legal framework for mutual fund operations in Austria, Canada, Germany, Italy, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Given the wide legal and regulatory differences in Member countries, the Working Group felt it necessary to define more precisely in the economic and financial sense the specific type of institutions the rules are intended to cover. The definition finally agreed upon was:

“An institution for collective investment in securities which, applying the principle of risk spreading, has as its object the management of a portfolio of securities; which distributes its shares to the public by issuing share certificates or entering the name of a participating investor in a register; and which is required upon the request of a participating investor to redeem directly or indirectly a share it has issued.”

The definition is not intended to cover institutions which invest in real estate, gold, commodities, or works of art. It does not cover closed-end companies unless they provide for redemption of their shares, either directly or indirectly, at the demand of the participating investor. Insurance companies, pension funds, individual investment contracts, etc. are also excluded.

What the Rules Cover

After defining the institutions to be considered, the Working Group decided to concentrate on five major areas of concern. These are:

- Minimum requirements concerning the information made available to investors and supervisory authorities.
- Minimum requirements concerning investment practices.
- Minimum requirements concerning management methods and obligations.
- Minimum requirements concerning canvassing, advertising and sales.
- Provisions concerning official surveillance of the application of the rules and contact between supervisory authorities.

More specifically, 35 rules were established during the exercise under the five general headings: These are:

Minimum requirements concerning information made available to investors and supervisory authorities

- 1st Rule: General aims and objectives
- 2nd Rule: Prospectus
- 3rd Rule: Disclosure of information on persons concerned with the operation
- 4th Rule: Sales and redemption charges; management fees
- 5th Rule: Financial statements and accounts
- 6th Rule: Reporting to the supervisory authority
- 7th Rule: Publication of the net asset value, sales price and redemption price per share

Minimum requirements concerning investment practices

- 8th Rule: Distribution of assets
- 9th Rule: Acquisition of effective control
- 10th Rule: Investment in other institutions for collective investment
- 11th Rule: Participation by other institutions for collective investment
- 12th Rule: Calculation of the percentages
- 13th Rule: Short sales
- 14th Rule: Borrowing
- 15th Rule: Options
- 16th Rule: Liquidity

Minimum requirements concerning management methods and general obligations

- 17th Rule: Minimum capital requirements
- 18th Rule: Custody

- 19th Rule: Valuation of assets
- 20th Rule: Management and distribution agreements
- 21st Rule: Change of management.
- 22nd Rule: Incentive fees
- 23rd Rule: Conflict of interests
- 24th Rule: Sales price
- 25th Rule: Frequency of calculation of net assets, sales price and redemption price per share
- 26th Rule: Redemption
- 27th Rule: Suspension of redemption right
- 28th Rule: Distributions
- 29th Rule: Issue of warrants, rights or options
- 30th Rule: Legal service

Minimum requirements concerning canvassing, advertising and sales

- 31st Rule: Advertising
- 32nd Rule: Salesmen
- 33rd Rule: Rescission right

Provisions concerning the application of the present regulation

- 34th Rule: Official surveillance
- 35th Rule: Contact between supervisory authorities

National Differences

The Working Group recognised that not every rule could be applicable in every circumstance in every country. However, it was of the opinion that general observance of the rules would contribute to investor protection and investor confidence in mutual funds, both nationally and internationally, and would be a practical contribution to the improvement of capital markets. The rules are not perfect in every respect, but they represent a major step forward. The manner of their application might vary in the light of the existing local situations, but basically they represent minimum requirements to be aimed at by all Member countries, even if they cannot be achieved in the near future.

As noted, it was exceedingly difficult to formulate rules that would be applicable and meaningful in all Member countries, given the wide diversity of legal structures. In addition to the annexes describing the legal structure in various countries, the Report contains a section describing the differences in mutual fund organisation in Member countries, explaining the differences between corporate and contractual structure. It sets forth distinctions between trusts, collective ownership, and other categories of funds such as open-end, semi-open-end and closed-end.

Commentary on the Rules

In formulating the rules, a major innovation was the addition of comments relating to each specific rule. These were made by the entire Working Group, and in some cases by individual members. They deal in more general terms with the underlying concerns of the Working Group that led to the formulation of the specific rules. The comments also set forth variations to the rules that apply in the legislation or regulations of specific Member countries. In some cases, the comments highlighted differences between members of the Working Group on points contained in the rules.

Given this working procedure, the Report is not a bland distillation or homogenisation of the current regulations governing mutual funds in Member countries. It deliberately avoids down-playing differences and, instead, seeks to point them out. The elaboration in the comments was found exceptionally helpful in that individual Member countries were able to point out how the basic intent of each rule is followed in their own individual circumstances.

In some cases, it was impossible to reach absolute agreement, as for example in the rule concerning the percentage of assets which should be in liquid, readily realisable form. In such cases, the Working Group decided to indicate a range (in this case from 75 to 90 per cent of assets) that seemed to represent adequate protection. The Report also, gives examples of differences in the content of acceptable, albeit different prospectuses and financial statements. Canadian, French, and Swiss practices are used as examples.

The Results to be expected

Governments have historically denied foreigners access to their capital markets on grounds of balance-of-payments protection; and safeguarding of the domestic capital market, i.e., domestic savings being inadequate to meet existing domestic investment demands. Recently, investor protection has been cited as a third justification. Governments believe they must protect the interest of their residents in the home market and, more rarely, in foreign markets.

During the past few years, restrictions on the sale of foreign mutual funds have been introduced in several OECD Member countries, using the rationale of investor protection. The new rules should help national regulatory authorities to determine which foreign funds meet internationally agreed standards.

Members of the Working Group generally shared the view that good investor protection requirements should facilitate rather than impede the freedom of capital movements. As noted, the OECD Council formally recommended that when considering applications for the admission to public sale in their own territory of the securities of foreign institutions which comply with the Standard Rules, Member countries should give substantial weight within the framework of their legislation to the fact of compliance with the OECD Standard Rules.

Standard Rules are Part of OECD work on Capital Markets

The Report is part of a much larger effort going back to 1964, when the desirability of better functioning capital markets was originally considered at OECD. At that time, OECD formally recognised the importance of efficiently functioning capital markets and approved the taking of steps to stimulate activity to improve the capital markets of the Member countries, with a view both to increasing the availability of savings for investment and promoting balance-of-payments equilibrium. The dual aim of enlarged domestic flows of savings as well as balance-of-payments considerations should be noted.

OPEN-END INVESTMENT COMPANIES THROUGHOUT THE WORLD FOURTH QUARTER, 1971

Country	Number of Companies	Net assets in thousands of \$ on Dec. 31, 1971
NEAR EAST, FAR EAST & AFRICA	114	6,223,986
<i>Australia</i>	35	(336,202)
<i>India</i>	1	143,869 ¹
<i>Israel</i>	5	52,831
<i>Japan</i>	63	5,199,699
<i>South Africa</i>	10	491,385
EUROPE	493	14,553,825
<i>Austria</i>	9	114,066
<i>Belgium</i>	9	276,189
<i>Denmark</i>	1	13,677
<i>France</i>	63	3,159,573
<i>Germany</i>	55	3,509,664
<i>Great Britain</i>	269	5,082,512
<i>Luxembourg</i>	10	451,457
<i>Spain</i>	16	398,707
<i>Sweden</i>	2	30,141
<i>Switzerland</i>	59	(1,517,839) ²
NORTH AMERICA	453	55,123,179
<i>United States</i>	396	52,500,000
<i>Bahamas</i>	2	86,726
<i>Canada</i>	55	2,512,322
<i>Mexico</i>	2	(24,131)
SOUTH AMERICA	103	855,869
<i>Brazil</i>	103	(855,869)
ALL COUNTRIES	1,165	76,756,859

(1) Submits an Annual Report on Net Assets every June 30 th.

(2) Figure does not include Real Estate Funds.

The initial OECD work revolved around three expert groups set up to consider the development of savings; its transformation into investment through the capital market; and the problems encountered by borrowers, i.e., the end users of the savings. Membership in each group was open to any OECD Member country that cared to send experts. These usually came from banks, finance ministries and other official agencies concerned with particular aspects of national capital markets.

The subject matter was vast. As a starting point, the national experts produced individual papers on their own markets. A rapporteur for each group wrote a more concise summary of the group's general findings. Three volumes, *Formation of Savings, Functioning of Capital Markets, and Utilization of Savings* were published. Each of these volumes also contains analytical country chapters on aspects of domestic market operations in major OECD countries. While somewhat dated, these chapters still represent a good description of the institutions in many of the countries described. The rapporteurs' findings remain cogent prescriptions for action to improve capital markets. The OECD's Committee for Invisible Transactions, using the work of the three groups as a base, prepared a summary General Report.

Capacity of markets was measured. The transformation of liquid and short-term savings into finance for longer-term investment was considered to be of ever-growing importance. The General Report also discussed intervention by public authorities in capital markets to increase the markets' stability and to improve or direct the allocation of funds between end users.

Most of the OECD Capital Markets Study dealt with the workings of domestic markets, although international links between markets were also considered together with obstacles to communication between markets. The Study found that an increase in international links brings advantages for the functioning of most sectors of national markets and, in particular, for the security markets.

The study also stressed the need for adequate investor protection, and noted that this was often lacking in the case of mutual funds.

OECD is continuing its work on the improvement of capital markets, and some of the results are available to the general public. The collection and publication of financial statistics have been spurred by the work of the OECD Ad Hoc Group of

Financial Statisticians. In essence, the statistical data originally prepared for the Capital Markets Study has been continued in selected form, and beginning in 1970, has been published in an OECD series called Financial Statistics.

The knowledge and background developed by the OECD's international secretariat and by national experts in the Committee for Invisible Transactions is being put to use in a new analytical series entitled *The Capital Market; International Capital Movements; Restrictions on Capital Operations*. Thus far, individual reports have been issued on Germany, Austria, Denmark, Norway, Spain, and Switzerland. These studies discuss recent trends, market instruments, institutions and government policies.

As an outgrowth of the work, the Committee on Financial Markets was also established to consider government measures of a structural nature that can contribute on a long-term basis to the better functioning of both domestic and international markets. It is quite possible that the Report on mutual fund standards is only the first of many such OECD efforts aimed at better international co-operation in the field of investor protection.

Participants at the Conference

Chairman: Mr. J. AMMERMAN, Office of the Assistant Secretary for International Affairs, Treasury Department, Washington.

Vice-Chairman: Dr. M. W. KEYZER, Adviser to the Board, de Nederlandsche Bank N. V., Amsterdam.

*

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Dr. J. MILLAUER, Austrian National Bank.

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Mr. R. TASSE, Deputy Vice-Minister, Department of Consumer and Corporate Affairs, Ottawa.

FRANCE: Mr. F. ARNOUD, Commission des Opérations de Bourse, Paris.

Mme A. BRUN, Commission des Opérations de Bourse, Paris.

Mr. BURDIN, French Delegation to OECD.

Mr. P. COSSERAT, Direction du Trésor, Ministère des Finances, Paris.

Mr. D. LEBEGU, Directeur du Trésor, Ministère des Finances, Paris.

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Mr. G. BATTISTIN, Chief Inspector, Treasury.

Mr. B. BIANCHI, Bank of Italy.

Mr. V. PLATINO, Chief Inspector, Treasury.

Mr. R. VECCIA, Bank of Italy.

LUXEMBOURG: Mr. E. LEMMER, Commissaire du Gouvernement.

NETHERLANDS: Dr. M. W. KEYZER, Adviser to the Board, de Nederlandsche Bank N.V., Amsterdam.

PORTUGAL: Mr. ALVES, Portuguese Delegation to OECD.

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Mr. MARTINEZ MENDEZ, Head, Research Department, Instituto de Crédito a Media y Margo Plaxo.

Mr. E. ORTEGA-PEREZ, Ministry of Finance, Madrid.

Mr. F.J. RAMOS, Vice-Secretary General, Ministry of Finance, Madrid.

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SWITZERLAND: Mr. R. BEAUJON, Swiss Delegation to OECD.

Dr. P. EHRSAM, Legal Adviser, Swiss National Bank, Zürich.

UNITED KINGDOM: Mr. V. A. ANNETT, Economic Intelligence Department, Bank of England, London.

UNITED STATES: Mr. S. FREEDMAN, Director, Division of Corporate Regulations, Securities and Exchange Commission, Washington.

Mr. D. TEMPLEMAN, United States Delegation to OECD.

C.E.E.: Mr. SARMET, Head of Division, Economic and Financial Affairs General Directorate.

Mr. C. WOLFF, Principal Administrator Financial Institutions and Capital Markets Division, Brussels.

GERMANY

on the brink of EDUCATIONAL REFORM

“Today the Federal Republic stands uncertainly on the brink of comprehensive and thorough-going school reform... in spite of the many organisational and procedural obstacles in the way of change.

“The major problem now facing universities and other institutions of higher education is to find the path that will... succeed in steering between now generally accepted demands for fundamental changes and the surging tides of anger, violence and illiberalism, every whit as offensive as the old authoritarian university”.

These opinions are expressed in a study of Germany’s education policies carried out as part of the Reviews of National Policies undertaken for OECD by teams of expert examiners (1).

At a subsequent discussion of the study between the examiners and top German education authorities, the latter stated that they were “taking stock of the progress of their educational system at a very critical and decisive stage in its development. The examiners’ excellent report was... singular in its lively, suspenseful and interesting nature” consistently emphasising the links between education, educational planning, financial and overall social policy”.

The following article sums up the main aspects of the debate on the reform of education in Germany.

THE course of reform of German education after the end of the Second World War was marked by a struggle of wills between the occupying powers (supported by a small number of German educationists) who wanted to lay the foundation for a completely new educational structure, and those in Germany, a clear majority, who were inclined to regard the approach to education enshrined in pre-1933 institutions as essentially sound.

The occupying powers issued laws and directives setting forth objectives based on their own highest ideals—which, in fact, were in most cases not yet realised in their own countries—but the unexpectedly early restoration of German sovereignty resulted in the fact that, under their own new leaders, the German people in the 1950’s set about the reconstruction in its essentials of the kind of society and institutions with which they were familiar from the pre-Nazi period.

The Examiners’ Approach to German Education

However, the examiners noted that they could begin the discussion of German education on what is now a widespread acceptance in that country of the need for major reform, and that the most fundamental goal of this reform is democratisation. Democratisation only takes on meaning in the light of particular programmes and measures and the examiners chose to consider these under three general headings.

First, they considered the function of education in making a relationship between the individual in Germany and his society,

particularly its economy. Here they questioned in a modern, fluid economy the continuing rigid correspondence between specific careers and specific certificates toward which German pupils are pointed early in their school lives.

Second, they attempted to explore proposed major substantive reforms in the educational process as to their goals and actual effects.

Third, they inquired into the nature and level of the political, financial and organisational commitment to bring about educational change.

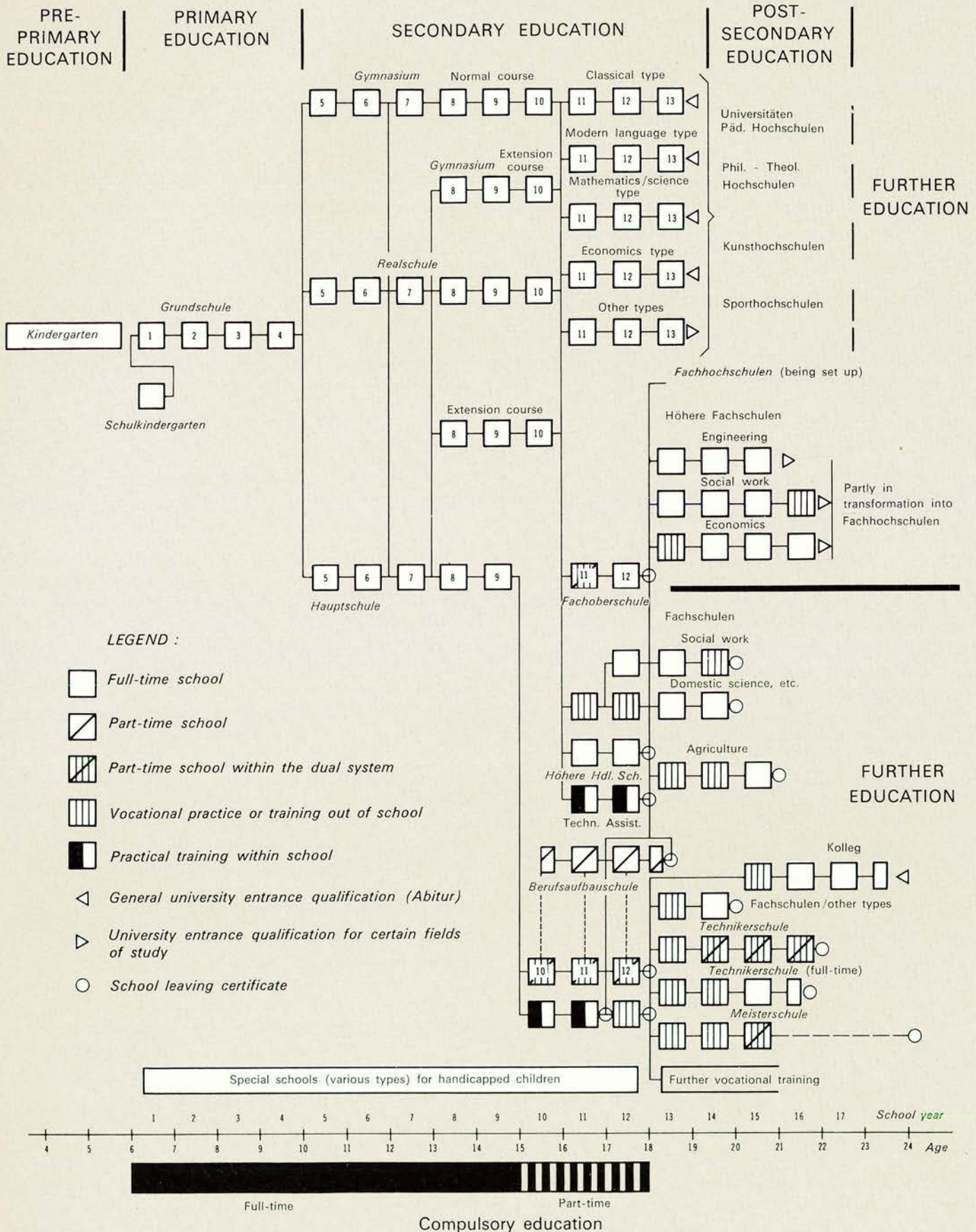
On the basis of a discussion between the examiners and the German Delegation, joined by members of the OECD Committee on Education, there emerged at the Confrontation Meeting the following policy conclusions, on which there was general agreement.

Goals and Concepts – From Selection to Education

German education was viewed as ill-adapted to the demands of the existing German economy with its highly mobile technological base and corresponding social dynamism. The educational system is still largely conceived as a system of preparation for specific career qualifications which in the process of a series

(1) The report was prepared in this instance by Jack Embling (United Kingdom), Thorsten Husén (Sweden), Harold Noah (United States, Rapporteur), Alain Peyrefitte (France-Chairman) and Fritz Stern (United States).

THE STRUCTURE OF THE EDUCATIONAL SYSTEM IN THE FEDERAL REPUBLIC OF GERMANY, 1970



of school certifications put each student on the " track " of his life-long career.

The German Delegation agreed that this system is no longer appropriate to German economic and social development, and should be reconceived as a system which would be open and flexible, preparing the population for a mobile, active role in Germany's technological social-economy. Furthermore, such a reform of German education would go beyond " patching up the existing system ", by changing its emphasis as the major social selection agency of society, to concentrate on its pedagogical mission. This direction of reform would respond both to the needs of a modern economy and to the demand for democratisation of the educational system.

On the basis of this general understanding a number of other major policy propositions were developed and shared by the German Delegation and the examiners.

Equal Educational Opportunity Requires Reform

The German Delegation and the OECD examiners agreed that the German commitment to educational reform is in a middle stage of its development, and that this position is illustrated in the emphasis up till now on structural and organisational changes rather than on changes in the substance of the educational process.

The most pervasive German commitment is to the achievement of equal educational opportunity and it was seen that the specific proposals which have emerged so far follow this pattern. These proposals include the advancement of selection for the Gymnasium from the 4th to the 5th or 6th year of school, the lowering of pupil/teacher ratios, the adding of an extra year of compulsory education, and the establishment of some form of comprehensive secondary schools.

There was also general agreement that such organisational and structural changes would be effective only insofar as they were accompanied by changes in such areas as curriculum, teaching techniques, freer forms of pupil/teacher relationships, basic reform of teacher training and the development of broad participation in educational management.

Increased Participation in Educational Policy-Making and Management

A consensus was also reached concerning the difficult problems involved in the development of broad participation in educational policy-making and management. It was seen, for example, that for a period at least, increased participation on a more equal basis by various groups in the management of education can create even greater rigidities. Decisions may be delayed by new layers of procedure designed for the mutual defence of everybody. Furthermore, at the lower school levels, a shift in authority among adults does not automatically result in arrangements for the pupils to take increasing responsibility for their own education as they advance through school.

At the higher levels of education, participation has given rise in many places to the rigidities of ideological polarisation. Nevertheless, the German Delegation expressed the determination of their authorities to continue with the liberalisation of the student role in education.

The Teachers are the Key Element in Effective Educational Reform

The ultimate test of whether a change takes place is the actual impact of education upon the behaviour of the teacher. The policies for teachers' initial training, their freedom to experiment and improvise, their relationships to authority, their engagement in curricular reform and other research, their relationship to the community and their in-service training are all crucial to the function of the teacher as the chief figure in educational change.

Need for Educational Research Recognised, but Not as a Substitute for Policy Commitment

A great asset for German reform is the traditional respect for scientific research. Again, the need for research on education was a strongly shared view between the examiners and the Delegation. However, while some members of the German Delegation pointed to the need for research to guide educational reform, others, and the examiners, stressed that research could not serve as a substitute for political and social commitment to policy.

Major Points of Discussion for each Educational Level

In 1947 the Allied Control Commission directive to the German Ministers of Education in the Länder sought to " democratise " education by requiring movement in the following directions: equality of educational opportunity; free tuition and teaching materials; an additional ninth year of compulsory schooling; educational guidance services; education for international understanding; school health services; specialised subject-matter training for all teachers, and not only those teaching in the academic secondary schools; and curriculum changes that would emphasise education for civil responsibility and life in a democratic society.

Most important of all, perhaps, in view of the 1971 debates over German educational reform, was the directive that " schools for the period of compulsory education should form a comprehensive educational system. The terms ' elementary education ' and ' secondary education ' should mean two consecutive levels of instruction, not two types or qualities of instruction which overlap. "

Much of this ambitious programme remains unfulfilled in Germany today. In virtually none of the Länder during the 1950's was any serious attempt made to reconstruct the school system on any other basis than that extant in the 1920's; not until the 'Sixties—and then only partially—were efforts made to break with important elements of the educational system developed during the nineteenth century.

The 1949 Constitution of Germany specified that education, among other state powers, was to be the responsibility of the individual Länder. Inevitably, the existence of eleven separate sets of arrangements for education within the boundaries of the Federal Republic poses some touchy problems of co-ordination—as, for example, in the case of children moving from one Land to another. To mitigate this situation, the Permanent Conference of the Ministers of Culture was set up; and in 1970 the Federal

1. PUBLIC EXPENDITURE ON EDUCATION AND CULTURE BY ADMINISTRATIVE LEVEL

(Million DM)

	1963	1968	1963 / 1968
SCHOOLS, total	8,237.9	13,098.9	+ 59.0 %
thereof (%) :			
<i>Central Government</i>	1.0	1.5	+ 0.5
<i>Länder</i>	59.4	64.5	+ 5.1
<i>Communities</i>	39.6	34.0	- 5.6
POST-SECONDARY, total⁽¹⁾	2,371.2	4,467.3	+ 88.4 %
thereof (%) :			
<i>Central Government</i>	14.7	18.2	+ 3.5
<i>Länder</i>	85.3	81.8	- 3.5
<i>Communities</i>	0.0	0.0	±
OTHER SCIENCE AND RESEARCH, total	1,102.4	2,199.1	+ 99.5 %
thereof (%) :			
<i>Central Government</i>	56.4	64.3	+ 7.9
<i>Länder</i>	37.1	31.8	- 5.3
<i>Communities</i>	6.5	3.8	- 2.7
CULTURAL AFFAIRS⁽²⁾, total	1,341.1	1,624.6	+ 21.1 %
thereof (%) :			
<i>Central Government</i>	5.5	4.8	- 0.7
<i>Länder</i>	47.4	45.3	- 1.9
<i>Communities</i>	47.1	49.9	+ 1.8
TOTAL EDUCATION AND CULTURE	13,052.6	21,389.9	+ 63.9 %
thereof (%) :			
<i>Central Government</i>	8.6	11.7	+ 3.1
<i>Länder</i>	61.0	63.3	+ 2.3
<i>Communities</i>	30.4	25.0	- 4.6

1) Including university clinics.
2) Including further education.
Source : Federal Statistical Office.

2. RATES OF TRANSITION FROM PRIMARY TO SECONDARY EDUCATION BY MONTHLY INCOME OF FATHER, BADEN-WÜRTTEMBERG, 1968

	Total leaving Grund- schule	Thereof entering		
		Haupt- schule	Real- schule	Gymn- asium
- 600 DM	100	79.9	12.5	7.6
600 - 799 DM	100	75.4	15.9	8.7
800 - 999 DM	100	73.2	14.7	12.1
1,000 - 1,249 DM	100	59.9	15.3	24.8
1,250 - 1,499 DM	100	45.7	20.6	33.7
1,500 - 1,999 DM	100	34.9	13.7	51.4
2,000 -	100	28.4	4.8	66.8

Sample : 1,508 interviews with parents of new entrants into secondary general education at the beginning of school year 1967/1968.
Source : Study prepared for publication by the end of 1971 of Work Group for Empirical Educational Research, Heidelberg.

and Länder Governments together established a committee of Ministers to plan for the German system of education.

Some reforms have, in fact, been made, such as the extension of compulsory education, more training for elementary school-

teachers, and greater attention to civic education. But these reforms could not be described as radical, and in many respects Land educational authorities are still in the situation that it was hoped to change in 1959.

Today, state the OECD examiners, it is as if a dam had suddenly broken through after years of minor leaks. Formidable reform proposals will, if they are implemented, bring about a decisive modernisation of German schools; but the examiners note that the schools are still affected by legal restrictions adhered to in their development and operation in the Länder.

What are needed, they urge, are better teachers and a reformed curriculum. There is a need for young, non-authoritarian teachers who by their own behaviour represent models of individual self-determination, voluntary co-operation, and the mature acceptance of responsibility without detailed supervision. Curriculum reform must come through these teachers, but it calls for the co-operation of parents, employers and students into decision-making at all levels.

Higher Education

German universities, the examiners point out, have long been marked by a number of distinctive features :

- their academic excellence ;
- their jealously-guarded autonomy ;
- their elitist character ;
- their extraordinary dominance by the tenured full professors, the so-called Ordinarien, subject to no control from above, whether from ministry, rector, senate or faculty.

After 1945, universities were restored in much the same form as they had existed before. Until the mid-1960's the university population increased rapidly, the pressure of numbers being only partially alleviated by the creation of new universities.

The inadequacies of the university, particularly in the recruitment of its students, the character of its teaching, and its oligarchic governance were articulated by university reformers and felt by students.

" But as society changed in the post-war Federal Republic, as industry, the polity, the army and the family all began to abandon modes of authority based on duty derived from status, and turned to consensual forms, higher educational institutions in particular came under severe pressure to reform their practices. " Modernisation has thus involved an extension of educational opportunities, the introduction of new subjects and the re-vamping of curricula ; but also a change in governance and teaching style.

The OECD examiners criticise strongly the continued dominance of the Ordinarien, and the fact that while students had unexampled freedom (to change, for instance, from university to university according to their own whim) it also gave them virtually no status in the university hierarchy.

The Länder governments and to some extent the universities themselves have sought to find reforms that would allow the old institutions to meet the new and urgent demands of a changed society and aroused youth. The most varied experiments were undertaken under sharply different conditions, varying from Land to Land. Everywhere, the trend towards every greater participation by all members of the community is unmistakable. And structural changes have been made so that old faculties have been reorganised into special fields that cut across tradi-



OECD Education Committee Examination of Germany: left to right: Torsten Husén (University of Stockholm), Fritz Stern (Columbia University), John Embling (UK Department of Education), Harold Noah (Columbia University), Alain Peyrefitte (President, Commission for Cultural, Family and Social Affairs, French National Assembly).

tional boundaries and focus research and teaching on significant social problem areas. Many universities stand on the verge of still further reforms in the curricular field. Different forms of participation have been provided for under state laws.

Overshadowing all discussion of university reform, say the examiners, is the Bonn Government's draft of a Federal law to govern higher education throughout the Federal Republic, establishing a common structural and administrative pattern for all institutions of higher learning. This covers many of the changes now being made at Land level: in particular, the pressure to establish comprehensive institutions of higher learning, where all kinds of programmes, including vocational ones, such as teacher training and the training of engineers, are brought together within the framework of a common institution; guaranteed participation by students and non-professional faculty in university policy-making; transformation of the old faculties dominated by Ordinarien into more flexibly conceived departments; introduction of shorter periods of study leading to first and second degrees; less austere methods of teaching and more vocationally relevant and flexible curricula.

But, the examiners warn, the danger is ever-present that the contemporary efforts at reform will be overwhelmed by the same type of student unrest as occurred in 1966-67. Already, a considerable antipathy to continued university autonomy is making itself heard. Public opposition is growing to the provision of tax revenues for the support of institutions which appear to be in perpetual unrest; it may prove difficult to persuade the voters and hence the Länder politicians to provide additional funds for more staff, improved facilities, and more generous stipends.

Vocational Education

In the past, Germany has had a worldwide reputation for a thorough system of vocational training. Under the traditional "dual system" all young people who are not in full-time education must attend school for between eight and twelve hours a week. Coupled with this is apprentice training under the control of the various industrial and commercial organisations; training done mainly on the factory floor follows detailed prescribed norms which are enforced by a strict examination system.

This system, the OECD examiners believe, is no longer fully appropriate to a modern industrial society. As there are some 600 recognised qualifications each covering a narrow field, the flexibility and mobility which a rapidly developing industrial structure demands are made impossible. Specific skills soon become obsolete, so the need is for a broader vocational training, permeated with theory and providing the young worker with mastery of the basic principles used in a variety of related occupations.

Certain moves towards an improvement in the system are being made by reducing the number of recognised qualifications and producing new training courses each covering a wider field: in the metal industry, for instance, it is envisaged that the present 46 schemes might be reduced to twelve. To further such improvements an Institute for Research into Industrial Training, including employers and employees in equal numbers, has been set up.

The other major weakness of the present system of vocational training, in the examiners' opinion, is the split between education and training. The organisation and curricula of vocational training must themselves be improved, and in the case of some Länder this is already in hand: in Hessen a range of technical schools, both full-time and part-time, is being developed which will serve the double purpose of improving the education itself and opening up new avenues into higher education which for the moment are lacking.

The logical extension of this change is the complete integration of the remaining two years into the educational system.

But this legitimate partial aim for vocational training is not going to be sufficient to hold reform permanently at this level: the goal of good education in modern society is ultimately the development of the powers of the individual to live a creative and self-directed life. A modernised vocational training system must consciously aim at equipping workers at all levels to contribute to the much-needed task of redesigning occupations and jobs so that they become major vehicles for promoting a sense of individual satisfaction.

This difficult task, say the examiners, is likely to occupy Federal and Land authorities, employers and teachers for a long time to come.

EFFECTS OF RECESSION ON IMMIGRANT LABOUR

What are the effects of a deterioration in the economic situation in an industrialised country on the foreign manpower employed in that country? This question has to be answered before one can formulate a multilateral policy on migration, as OECD is now endeavouring to do. To provide this answer a systematic study was made of the phenomenon of the "cyclically-determined homeward flow" of migrant workers, the occasion for this being provided by the German economic recession of 1966-1967. For this purpose, the Working Party on Migration set up by the OECD Manpower and Social Affairs Committee has carried out a programme devoted to the entire phenomenon of homeward flows, seen as one of the main links in the migratory chain on which very little information existed. The aim has been to shed light on the relationship between immigration and emigration areas : cyclically-determined and permanent returns home, migrants who settle in a receiving country, the use made of capital saved up and training acquired, etc. Professor Kayser of the University of Toulouse has made a summary of the countries' reports, and the following article takes up some points from his report.

The complexity of the relationship between immigrant labour and the labour market and economy of the host country was fully revealed by the set-back to the German economy in 1966-1967. Foreign workers were indispensable for economic growth in general; more specifically, they often did the rough or unpleasant work which German workers did not want to do. They thus succeeded on the whole in keeping their jobs or in only leaving them temporarily.

There were few movements of foreign workers in spite of various factors restricting the facilities offered to them: termination or non-renewal of work contracts, restrictions on the recruitment of foreigners (150,000 new work permits in 1967, i.e. three times less than in 1966), a drop in actual earnings as a result of the reduction in overtime, and the establishment of an information scheme giving priority to German nationals for all vacancies.

Fall in Employment

Naturally, as the statistics prove, the employment of foreigners in Germany fell sharply during the recession: 991,000 at the end of

September 1967 as against 1,313,000 at the same time in the preceding year, i.e. a drop of 322,000 (24.5 per cent). But this fall was already made up in the first half of 1969. And above all there was a kind of "putting in reserve". Many examples exist to show that by tacit rather than formal agreement German employers and foreign workers did not break, but merely stretched, the ties between them.

The protection of foreign workers was less effective than that provided for nationals; this was one of the reasons why few foreigners registered as unemployed: 2,270 in December 1965, 13,416 in December 1966, 28,977 in March 1967 and 10,388 in December 1967. But various surveys have shown that, aside from departure or unemployment registration, certain processes had led simply to transfers, demonstrating the desire of those concerned to remain in Western Europe. Occupational transfers were facilitated in Germany by the demand for labour in the tertiary sector. The number of foreign workers here rose by over 6,000 between 1966 and 1967, while the relative importance of this sector for foreign workers increased (Table 1).

1. THE TERTIARY SECTOR AS A PERCENTAGE
OF TOTAL FOREIGN
EMPLOYMENT IN GERMANY

	1966	1967	1968
Trade, insurance, banking	4.8	5.7	5.4
Private services	4.6	6.2	5.7
Public services	4.5	6.4	6.0

Interregional and even international migration of foreign workers in Europe was due to the desire to settle in new employment centres or to go and stay—temporarily—with relatives or friends who were in receipt of an income. In Germany itself, this type of migration was over a fairly short distance during the recession and the geographical location of foreigners changed very little.

In France, the suggestion has been put forward that the unexpected upsurge in 1968 of Portuguese communities in regions where they had previously been almost non-existent (Massif Central, West, Vosges) had two causes: the withdrawal of workers from the industrial regions pending the revival of activity, and the settlement of recent immigrants waiting to put their papers in order and seeking a means of subsistence.

The most striking response by foreigners to the difficulties created by the recession was certainly the restriction on family or individual consumption. There are no figures for this, but a significant indication is given by the fall in seasonal returns home: whereas at Christmas 1966, nearly 400,000 foreign workers left Germany to return home, their number fell to below 250,000 by Christmas 1967.

Another consequence of the recession was that firms made adjustments which directly affected immigrant labour. The reorgani-



Turkish workers arrive in Germany



Foreign workers at a car factory in Wolfsburg

sation carried out in the wake of redundancies or dismissals resulted in an 11.1 per cent improvement in productivity between the end of 1966 and the end of 1967, thanks to stricter work discipline and rationalisation operations.

Cyclically-determined Homeward Flows

The decline in the employment of foreigners corresponded to an increase in the number of returns home as indicated by the figures obtained for Germany (Table 2). As seen from the immigration country's point of view and on the basis of the statistics, foreign labour would appear to be very unstable. To what extent should the homeward flow be regarded as permanent? The answer must be sought in the countries of emigration. But it is difficult to find. When the workers themselves were questioned, national pride and/or the fear of officialdom usually produced answers that were intended to please: their "intention" was to settle down again in their dear homeland... Other types of enquiry into special aspects of the problem or particular cases have shown that attempts to trace immigrants who return home are thwarted by the impossibility of calculating their numbers. Despite the German recession of 1967 and the French crisis in 1968, the results of the enquiries bear witness to the absence of hundreds of thousand

2. NUMBER OF WORKERS LEAVING GERMANY

Year	TOTAL	Italian	Greek	Spanish	Turkish
1965	229.000	131.000	39.000	42.000	16.000
1966	297.000	170.000	45.000	55.000	27.000
1967	395.000	198.000	70.000	75.000	52.000
1968	159.000	84.000	25.000	26.000	24.000
1969	149.000	93.000	13.000	20.000	22.000

ands of emigrants shown by the statistics as having returned to their home country.

In point of fact, most of the research carried out with a view to clarifying the different aspects of homeward flows suffers from three main defects: complete lack of representativeness, confused definition of the migrant population concerned, very small number of cases studied (a few hundred or even a few dozen). The unanswered questions concern the length, regularity and recurrence of migration, occupational mobility, the acquisition of new qualifications abroad, the geographical destination of the returning emigrant and the use he makes of his qualifications and savings.

This is no doubt even more true for cyclically-determined returns than for habitual returns. But the existence of a two-way migratory flow is an undeniable fact and all the surveys carried out highlight the notion of turnaround. This reciprocal movement speeded up considerably during and immediately after the recession. But there is no information to indicate that it has changed its character. It simply looks as though the average length of return home was extended.

Significance of the Homeward Flows

Cyclically-determined homeward flows were more massive and therefore quantitatively very different from habitual returns, but judging from all the information collected they do not appear to have been very dissimilar qualitatively. In most cases, the return followed a short period of work abroad and signified a setback. Emigrants therefore consisted of a very unstable fraction, which

was the largest, comprising it would seem almost all the returns statistically observed, and a very small fraction who took practically no part in the homeward flow.

The most reliable data in support of this hypothesis are of Italian origin. Italian emigration, owing to its long-standing tradition and the geographical proximity and regulations of the European Community, is the one with the largest stable element. A survey was carried out in 1969 by the Italian Central Statistical Institute on a representative sample of 80,000 families in which at least one person had returned from abroad or was living abroad at the time of the survey.

This was the first time that a factual picture could be drawn of the migrant worker. The survey gives an average and thus combines the fundamentally different characteristics of the most mobile migrants (who are more numerous) with those of the most stable; furthermore, it concerns Italians only, who are not on the face of it representative of Mediterranean migrants in general. In spite of these reservations, it reveals certain significant features as regards the migrant Italian worker: high degree of mobility in the country of immigration, short average stay in that country, and frequent trips back and forth to his home country.

The answers to the questions concerning the reasons for return provide further details. Table 3 reveals the small importance of factors connected with employment, especially in the more homogeneous group of emigrants who had only emigrated once at the time of the survey; whether these factors were the expiry of the contract abroad or the offer of a job in Italy, they affected rather less than half the total number of returning emigrants and much less in the case of emigrants returning home for the first time. The surveys carried out in other countries tend in general to confirm the results obtained in Italy. The consequences of cyclically-determined returns home have also been covered by surveys: selective effects, unemployment, socio-occupational reintegration, use made of the capital repatriated.

3. ITALIAN EMIGRANTS RETURNING HOME, WITH THE CAUSE OF THEIR RETURN (in percentages)

	Total of emigrants returning 1962-1968	Emigrants returning after one visit abroad
Expiry of contract	36.7	25.3
Employment in Italy	12.2	17.4
Family reasons	19.6	26.4
Health reasons	22.4	25.4
Persons accompanying	6.8	4.2
Other cases	0.2	1.3

Lessons for a Policy

Summing up the information collected, Professor Kayser draws the following conclusions. The effects of cyclically-determined returns of emigrants to their countries of origin, even when tens of thousands of workers were involved, were very similar to regular or "normal" returns.

It was as though these returns, which ordinarily took the form of effective holidays at home, were simply prolonged holidays. Nothing in the indicators of national economic trends, in public opinion or in government policies suggests that there was any qualitative change, even of limited duration, in the migratory chain. This observation contains some lessons that might be

used by OECD as a working hypothesis for formulating a multi-lateral migration policy:

- the country of emigration would not only be a potential supplier of manpower; it could also if necessary play the role of shelter and safety-valve, "preserving" the labour force on leave during an unfavourable economic period; in doing this, it considerably enhances the service it is already rendering the industrialised countries;
- once they have overcome the temptation to rush back home (this probably takes about a year), emigrant workers forge close links with their new environment, even when it is not particularly inviting; this guarantees the industrialised countries a labour force that will stay and gradually settle down to routine; homeward flows would provide no cause for alarm in these circumstances;
- expulsions of manpower for cyclical reasons would prove to be less drastic and less dramatic than might be thought; various measures, such as reductions in overtime, bring emigrants to stop work of their own accord and, often, to change their occupation from industry to services; in the sectors "monopolised" by foreign workers, since the latter are not in direct competition with national manpower, laying off is not necessarily felt to be due to discriminatory measures;
- during periods of recession, even more than in normal times,

migratory homeward flows would bring back to their country workers who are difficult to reintegrate into their national economy either because they are unsuitable or because they are unwilling;

- no government, however, seems to have been in a position to use the opportunity offered by cyclically-determined homeward flows to institute an active policy of "recovery", and the labour exchanges merely record the small number of applications for jobs by former emigrants;
- by their preference for temporary as opposed to permanent migration, and consequently by favouring the emigration of workers, the governments of a certain number of Mediterranean countries were aiming at a long-term goal: the achievement of their development plans, to which it was hoped that emigrant manpower would contribute on its return home; little progress seems to have been made in this direction.

Professor Kayser accordingly wonders whether the time has not now come to explode the myth of the returned migrant and to set forth frankly both the problems of integrating foreign workers (on the immigration countries' side) and those of national development (on the emigration countries' side): the apparently purely personal decision to return home depends in reality on profound social and economic changes; unless these changes take place, any calculations based on returns are likely to remain illusory.

Four interviews with Turkish workers who emigrated to Germany and returned home

Cevdet

Cevdet is 27 years old and comes from Gümüşhaciköy (Amasya). He is a skilled worker but was not trained in a technical school. He worked in Germany between 1966 and 1968 as a machine repairer in order to make money and saved up the equivalent of T.L. 50,000.

On returning to Turkey, he got married and does not want to go back to Germany: "I have children now; they must be brought up in our own country". He is of a very conservative turn of mind. Of peasant stock, he was unable to adjust to the conditions of modern European life: "They have no morals there; the women are all unveiled".

Cevdet is however by no means a traditionalist: when he went back finally to Turkey, he launched into a farm tractor manufacturing business. But it was not a success and he lost some money. Cevdet now works in a repair workshop of the State Water Directorate.

Mehmet

Mehmet is 35 years old. Before going to Germany, he was a taxi driver in Ankara, working for an employer. He

had a job in a Ford factory between 1963 and 1968 and saved T.L. 300,000 by the time he left. He was regarded as a "model worker" and the Management of the factory presented him with a car in recognition of his services.

On return, Mehmet set up on his own account in Ankara in the automobile trade. He became very prosperous and owns several cars and even a bus which operates on the Ankara-Istanbul line. In short, Mehmet has become "a man worth one and a half million".

Ilyas

Ilyas is 35 years old and was an ornamental ironworker employed in Ankara. In Germany, he worked in a small engineering workshop between 1963 and 1967. He earned DM. 1,300 per month: "Working conditions were hard but there was the material satisfaction". He owns that "I only went there in order to build up my small capital".

Having saved T.L. 50,000, he bought a small iron-working business on returning to Ankara in partnership with a friend. He does not want to go back to Germany since he has a family in Turkey which had remained there throughout his stay abroad.

However, he admits "I would certainly have earned more in Germany, even as a mere employee, than as an employer here".

Ali

Ali is 40 years old, has been to primary school and comes from Alaca (Corum). Before going to Germany, he lived in this small Anatolian district and did not work: he lived on the proceeds from the sale of the land he had inherited from his father. One day, leaving all his family in Turkey, he went to try his luck in Germany.

Having no skilled trade, he was content with subordinate jobs. However, he was able to save up and buy a house in his native district (worth T.L. 50,000), "but that was all".

In Germany, he was not able to learn a trade. On returning to his country district, he could not find work and moved to Ankara to look for a job. The only advantage he obtained from emigration was the house he bought. Since he has no more land to sell, Ali now has to work. But he is not skilled; he cannot hope for much apart from going back to Germany. He is no longer young and is of peasant origin.

TWENTY FIVE YEARS LATER: *Commemoration of the Marshall Plan*



The Council of Ministers of OECD (1) at their meeting of 24th May, 1972, commemorated the 25th anniversary of the memorable commencement speech at Harvard University of George C. Marshall, United States Secretary of State, which was to change the course of European history and inaugurate a period of "economic alliance" between the ravaged countries of Western Europe and the United States. In 1948, his offer of American aid led to the setting up of the Organisation for European Economic Co-operation; in 1961 changing world conditions resulted in the expansion of OEEC and alterations in the Organisation's aims and structure. The revised Organisation, OECD, now includes Australia, Canada, Japan and the United States in addition to nineteen European countries.

At the commemoration ceremony, the representatives of Ireland (Chairman), France, the United Kingdom and the United States, together with the Secretary General of OECD, paid tribute to George C. Marshall. Their remarks on this occasion are recorded in the following pages.

(1) See pages 4-5 and 40-41

*George Colley,
Minister for Finance (Ireland),
1972 Chairman of the Council
at Ministerial Level.*

It is fitting that this Council of Ministers of the Organisation for Economic Co-operation and Development should open proceedings this year with a commemoration ceremony to the memory of George C. Marshall. This year marks the 25th Anniversary of his historic statement announcing the intention of the United States Government to assist the recovery of a war-shattered and bankrupt Europe. But the now famous commencement speech at Harvard University on 5th June 1947 was not concerned solely with the relief of human misery and the restoration of the economies of the European States to their pre-war levels. Marshall had a broader vision; he saw the individual's needs as part of the needs of the nation state which in the circumstances of the time demanded a continental solution with its attendant global implications.

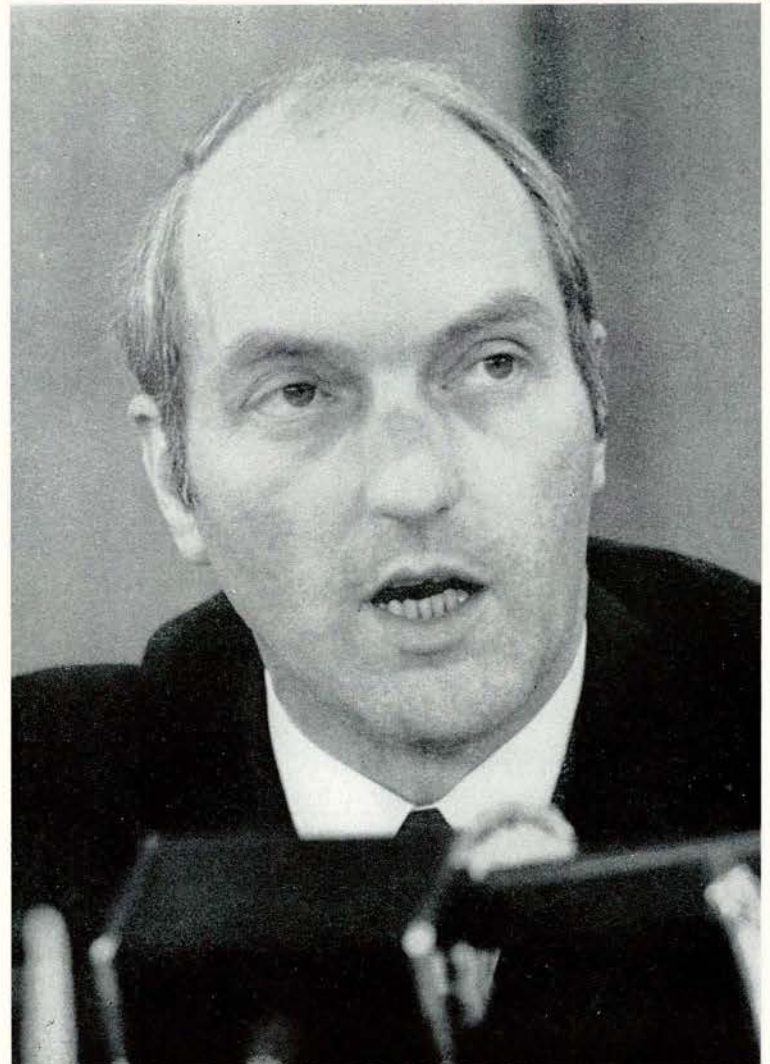
We Europeans are specially indebted to General Marshall. I believe that once the Marshall Plan got underway the wisdom and logic that has led us to discard old animosities and draw closer to each other as Europeans became historically inevitable. In a sense George Marshall's Harvard Speech foreshadowed the great potential for ourselves and for our neighbours on this small planet in the flowering of the European idea. In stretching out here in Paris a welcoming hand to our fellow OECD Members from other parts of the world it is important for us as it is for them that we begin to do so as Europeans thinking in European terms and conscious of the greater contribution we can make as Europeans.

It is both prudent and natural that Europeans like everyone else should zealously protect their economic strength. But prosperity is indivisible. For all of us, Europeans and non-Europeans alike, the surest guarantee of our own continuing prosperity will be the growth of prosperity in those parts of the world which now lag behind in economic, social and human terms. Across ideological and political barriers the preponderance of humanity's economic power lies in the Northern hemisphere.

From a historical perspective this problem may come to dwarf the ideological difference between East and West. Time itself mellows all ideologies. The broad path of human history is signposted with the discarded relics of systems and ideologies that seemed immutable in their day. East and

West, we will all change. Humanity's urge towards betterment will remain constant.

In looking thoughtfully at the complex problem of the poorer world we are not engaging in mere sentimental niceties. I suggest we are considering the kind of world we bequeath to our children, on either side of the Atlantic—and indeed in the rest of the world. None of us have any illusions about the immensity or gravity of this problem, or about the diffi-



culty of tackling it. Let us confront it with the same vision and practical realism as did George Marshall.

The Marshall Plan was assuredly not a free grant from the well-off to a ravaged Europe. It was a most generous offer of full participation in the process which determines the future of peoples—their economic and social standing and, ultimately, the peace and security they enjoy. Our meeting today derives from that Plan. The years of co-operation, consultations and development we have had since the creation of OEEC in 1948 are tributes to the lasting quality of its basic ideals. The topics we discuss demonstrate, if there were need, the logic of Marshall's approach.

It is worth recalling that the economic problems of post-war Europe were not unique although their scale may have been unprecedented. What may have been unique was the way

in which Marshall impelled acceptance of their European nature by offering assistance on condition that the European States draft their own recovery programme which the United States would then support. Marshall's personal conviction in the virtues of self-reliance, financial solvency and integrity, acquired in the pioneering traditions of his family and steeled by the discipline of his military training, were at the heart of his Plan.

It was typical of George C. Marshall that he sought no personal glory in his achievements. He published no memoirs but left his papers to the George C. Marshall Foundation and Library for the benefit of all who wished to consult them. I am happy to announce today that Ireland has been added to the list of Member States who are making contributions to the OECD fund to support this Library. It is our modest tribute to a great and good man.

*Maurice Schumann,
Minister for Foreign Affairs (France).*



I had the great honour of being present at the inception of the Marshall Plan. In December, 1946, a seminar or forum was held at Cleveland, Ohio, on the theme, "What does the World expect of America?"

I cannot think without emotion of those who were present on that occasion and are now no longer with us. Alcide Gasperi, for instance, on behalf of Italy, and Jan Masaryk on behalf of that Czechoslovakia which, it should never be forgotten, would have been ready to answer George Marshall's appeal had it not been prevented from doing so.

Some months later the historic Harvard speech gave us the response we had been waiting for. What is the record of achievement of the Marshall Plan twenty-five years later? Why is it still vital? Simply, but essentially, because it launched three ideas which are still vital.

The first, odd as it may seem, is the idea of Europe. It is true that, even without the Marshall Plan, Europe would have been rebuilt. But this would have been achieved more slowly and above all, the reconstruction would have taken place amid rivalries and competition, instead of in union and understanding. Marshall, in a way, impelled us to unite; we can say today that it is from the reconstruction of Europe that the construction of Europe has sprung.

Secondly, Marshall launched in history, and in the history of our times, the idea of co-operation. OEEC gave place to OECD, but the word co-operation is common to both titles, and the whole idea of co-operation has outlived the very object which was its original justification. Its extension to a great many fields, its avatars, its successes, and even its

failures—none of this can stop the idea of co-operation from standing out henceforward as one of the fundamental facts of our time.

Finally, the third idea which Marshall bequeathed us and which he instilled into us, is that of responsibility. He did not believe that, because America was rich, because she was powerful, because her territory had been spared by war, she was therefore privileged. He believed that this privilege implied duties, in other words, he introduced this fundamental idea of responsibility into what we might call the ethic, the code of good behaviour of nations. Let us not forget

this at the moment when this idea is to be extended by all the industrialised nations here represented to the other nations of the world, particularly to those, indeed essentially to those which are still in the process of development.

Thus, twenty-five years after the day when in this very place, at the Château de la Muette, that economic co-operation was born which was Europe's response to the historic initiative of the Government of the United States, George Marshall's thinking is still alive.

May his spirit continue to breathe over this place and may it continue to inspire us all.

*Anthony Barber,
Chancellor of the Exchequer
(United Kingdom).*



It is almost exactly twenty-five years since General Marshall's speech at Harvard University which launched the Marshall Plan, and it is right that we should begin this year's Ministerial meeting by this short act of commemoration. I am very glad to speak on behalf of the United Kingdom Government.

For one thing, I am sure it is good to pause, before we begin our discussions of the many urgent problems which face us, to consider one of the good and wise decisions of the past. General Marshall's plan was bold, imaginative and generous. And on an occasion such as this, one cannot help recalling the warm-hearted outpouring of American money, American knowledge and indeed also American lives, for the benefit of the rest of the free world in the past quarter of a century.

The Marshall Plan was a practical plan, and it was a successful plan. And not only did it succeed in its immediate purpose of helping the recovery of Europe after the ravages of war, which many of us here remember so well from our own personal experiences. The Marshall Plan had a wider and continuing success in bringing countries together to tackle international economic problems collectively and by common effort. If, as I hope and believe, we are able at this meeting to record some further progress in dealing with our trade and monetary problems, it is in that spirit of co-operation that we shall do so.

My colleagues may know that we in the United Kingdom have for many years offered a number of scholarships, named after General Marshall, to enable young Americans to study at our universities. We remember with gratitude the man himself and what he did; I am glad this Organisation is honouring him today.

Emile van Lennep, Secretary General of OECD.

It is both fitting and timely that the twenty-fifth anniversary of the historic Harvard speech of Secretary of State Marshall should be commemorated in the context of this meeting of the OECD Council at Ministerial level.

It is fitting, since OECD is the direct successor of OEEC, created in 1948 among the countries which benefited from Marshall Aid. This line of direct descent also explains why a great many OECD countries have recently made their contribution, through the Organisation, to the activities of the George C. Marshall Foundation at Lexington, Virginia.



This commemoration is also timely since, in spite of the great changes which have taken place in the world during the past twenty-five years, the underlying concepts of the Marshall Plan still retain their full importance today.

International action must always be based on the three pillars of *co-operation*, *confidence* and *solidarity*.

One of the most original features of the Marshall Plan was the idea that the economic reconstruction of Europe could not be achieved by bilateral aid alone, but must be founded on multilateral *co-operation* among European beneficiary countries.

The fruits of this co-operation were the return to currency convertibility and the liberalisation of trade and payments. The resulting expansion of production and trade has, in its turn, brought about the high degree of economic interdependence which is one of the outstanding characteristics of the modern world.

This inter-dependence has faced our countries with new problems, less obvious perhaps than those of the war-torn Europe of twenty-five years ago, but no less pressing. It therefore makes international co-operation more necessary than ever.

The second pillar of international action is *confidence*. One of the main objects of the Marshall Plan was, in General Marshall's own words, "restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole".

When we remember the material and moral state of Europe in 1947, it is remarkable that this goal was so rapidly achieved.

Thanks to the Marshall Plan, the European countries recovered confidence in themselves and addressed themselves courageously to the reconstruction of their economies. The resulting economic expansion was an assurance of well-being, equity and political stability.

And yet, today, some people are casting doubt on the concept of growth which has dominated post-war economic policy. Attention has turned in recent years to the "cost of growth" and to the problems created by the pace of change in our economic structures. There are many people who fear that man is no longer the master but the servitor of the economic and technological machine and who therefore perhaps feel a certain lack of faith in the future. That is why we must be vigilant to ensure that our economic and social system offers men quality as well as quantity and restores their

sense of sharing, through their labour, in work which is worth while.

There remains the third pillar: *solidarity*.

The Marshall Plan was an unprecedented manifestation of international solidarity. Its vision was not limited to Europe. In tackling the problem of Europe, the purpose of the Plan, again in the words of its author, was "the revival of a working economy in the world". It was an open policy in which the reconstruction of Europe was only one stage towards the restoration of a world economic system. We are in duty bound to recognise today that economic and social progress within the OECD family is not an objective which can be

pursued at the cost of the means of subsistence and the standard of living of the populations of the Third World. In reality, a fair share of the fruits of economic progress, both within our own countries and between the rich and the poor countries is an essential element in the quality of our economic and social development.

Thus the Harvard speech retains its full significance and can still inspire our imagination. International co-operation founded on the spirit of solidarity and confidence in the future is still as necessary today to guarantee the prosperity and well-being of the world as it was twenty-five years ago to heal the material wounds of war.

Statement by President Nixon,
presented to Ministers by
John N. Irwin II,
Undersecretary of State (United States).



It gives me great pleasure to greet the Ministerial Council of the Organisation for Economic Co-operation and Development as it commemorates the twenty-fifth anniversary of the Marshall Plan. There could be no finer tribute to the continuity of European and American policy than the celebration of this event in the home of this Ministerial Council.

The Marshall Plan was a milestone in a policy which has been remarkably steadfast in its two-fold purposes of building a healthy European economy and founding our American relationship with Europe on a basis of partnership in political, economic and security fields. At the time, the United States gave generously of its resources, recognising that its strength imposed special responsibilities.

Now, on this anniversary, we face a new world and new tasks. With restored strength in Europe and Japan comes the need to redefine those early post-war responsibilities. Together we must erect a new international monetary system and make renewed progress toward a free and fair system of trade. We must deal too with the problems of our environment and with the need to assure that continued economic growth will lead to actual improvements in the quality of life. And we must extend the spirit of international co-operation—the spirit of the Marshall Plan—by assisting the developing nations through an adequately funded aid effort and responsive trade policies.

The tasks ahead will not be easy, but surely if we could rebuild from the ashes of war, we can succeed now in rebuilding a new era of growth and prosperity in the service of peace.

The Marshall Plan: A Bibliography

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ENVIRONMENT:

a new programme of international co-operation

ONE of the obstacles now hindering the formulation of an effective air management policy is the total lack of accurate data on the transmission of air pollutants over long distances. The atmospheric processes involved and the degree to which such transportation occurs are still virtually unknown. To plan environmental control policies and in particular to determine how far the emission of pollutants should be limited locally, the responsible authorities need to know how heavy the impact will be on an international scale.

They must learn to what extent various expensive processes (such as the desulphurisation of fuel oil) are justified. They also have to find out whether certain methods used for dispersing pollutants in order to protect local populations (for instance high chimneys) do not in fact threaten to pollute the air in regions which are far remote.

The World Meteorological Organisation (WMO) is planning to set up a worldwide network for measuring general background pollution and to study how it may possibly affect long-term changes (over a century or so) in global climates. The density of this network would be approximately one station for every 500,000 km², each set up as far as possible from local sources of pollution.

The Air Management Sector Group of OECD's Environment Committee noted that the density and frequency of measurements proposed by the WMO would not meet the short-term requirements of authorities faced with the task of controlling air pollution in industrialised countries. The Sector Group decided to implement a more specific measurement programme calling for close co-operation between the Western European countries. The information gathered in these countries could readily be used in the longer-term programme of the WMO.

The activities of the OECD Environment Committee include abatement of air pollution; for this purpose it has set up an Air Management Sector Group whose task is to facilitate the planning of relevant policy. A new international programme of technical co-operation was launched on 18th April for measuring the transport of air pollutants at long range.

During 1970 delegates from 14 OECD Member countries and representatives from the Commission of the European Communities, the World Meteorological Organisation and Nordforsk (the Scandinavian Council for Applied Research) drew up plans for a three-year co-operative technical programme. Ten countries agreed to take part (1), and the programme came into force on 18th April 1972. A Steering Committee made up of representatives from the participating countries was assigned the responsibility of supervising the programme. This will be coordinated by a Central Unit, which will also compile the data obtained, check their comparability and interpret the results.

The aim is to assess the relative importance of local and distant sources of sulphur compounds in terms of their contribution to the air pollution over a region, special attention being paid to the question of acidity in atmospheric precipitations. The programme includes a study of pollutant transport mechanisms on the basis of relationships between meteorological and air-pollution data yielded by observations distributed in space and time.

The minimal programme of international co-operation will consist in sampling and analysing sulphur compounds found

in the lower part of the atmosphere with the help of standardised strictly comparable methods. Relatively simple sampling equipment is to be used and chemical analysis will cover the following four items: sulphur dioxide in the air, total sulphur in particulate matter, total sulphate and acidity in atmospheric precipitations.

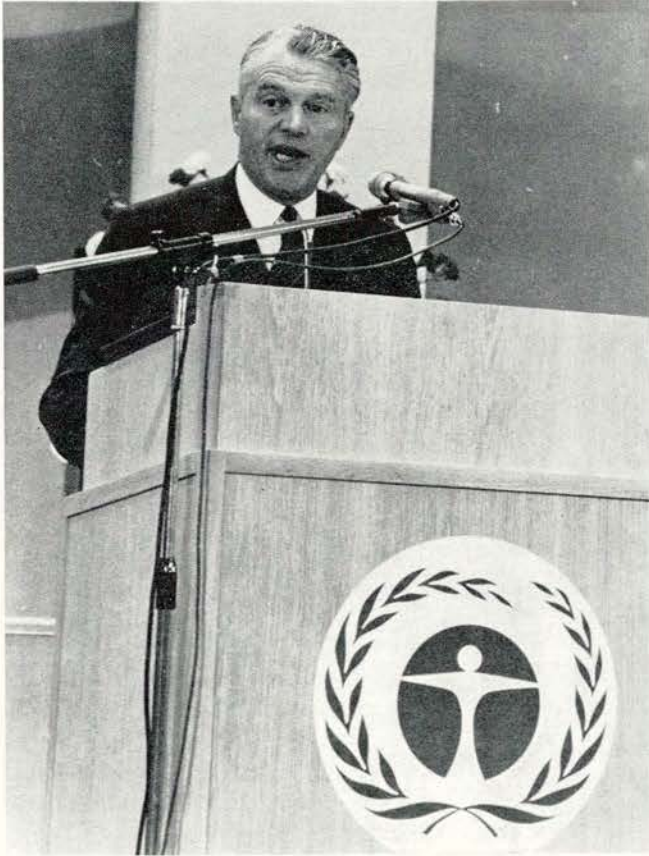
In addition a voluntary plan will be proposed to co-operating laboratories if the analysis of other components of air pollution should appear to be of value; this will moreover provide these laboratories with an opportunity to join in such other work as the development of advanced sampling equipment.

The programme will take place in four stages. The preparatory phase has already begun and appropriate institutes in participating Member countries have been asked to co-operate in developing standardised procedures and operational manuals. Tests of the techniques selected and a study of aircraft-sampling methods and equipment are to follow.

Next will come a pilot measurement phase. The job of the national laboratories will be to see that the general approach is satisfactory, particularly as regards frequency of observation and density of the ground-station network. During a second measurement phase the task will be to confirm the results initially obtained, whereupon a larger number of ground stations will carry out routine sampling and analysis operations.

During a concluding phase the Central Co-ordinating Unit and the Steering Committee will evaluate the data in order to determine the scale and the effects of the long-range transport of air pollutants, while the laboratories will carry out a final calibration of equipment and check the comparability of methods.

(1) Austria, Denmark, Finland, France, Germany, Netherlands, Norway, United Kingdom, Sweden, Switzerland.



In his speech to the United Nations Conference on the Human Environment in Stockholm, OECD's Secretary General, Emile van Lennep, referred to the new guiding principles for environmental policies :

“ Although scientists and ecologists have been the first to focus the attention of world opinion on the growing threat of environmental deterioration, these problems are also a challenge to economists and economic policy makers.

“ Pollution, which is the most obvious aspect of environmental damage, is to a large extent a problem of scarcity — therefore an economic problem. It stems from the increasing difficulty of disposing of waste in a finite space and leads to growing scarcity of what economists once called ‘free goods’ such as fresh air, pure water and unspoilt nature.

“ To cope with these new scarcities, we need new government policies. There are forms of pollution where prohibition is called for. But in many cases the price mechanism can provide a suitable instrument. Environmental damage is related to the fact that scarce goods are still treated as free goods. Those who abuse these goods are imposing hardships on others.

“ However, if through governmental measures a price tag is put on environmental resources we may expect that they will be economised and when possible recycled.

“ This is the direction to which OECD countries have committed themselves by adopting the ‘Polluter-Pays Principle’ among other guiding principles for their environmental policies.”

NEW GUIDELINES FOR

OECD's Council has recommended that Member countries base their environmental policies on a set of principles formulated by the Organisation's Environment Committee and agreed to by all Member countries. These “guiding principles concerning the international economic aspects of environmental policies” cover several fields including :

Allocation of the costs of pollution prevention and control

It is recommended that the guideline for cost allocation be the “polluter pays principle”. Under this formula the costs of control will be borne by whoever does the polluting and reflected in the cost of goods and services. This means that environmental factors—air and water for example—will be brought into the economic calculus as a scarce resource along with the more traditional factors of production—labour, land and capital. The alternative method would be for governments to subsidise pollution control, but this practice, OECD countries have agreed, would not be as efficient in reducing pollution and would be more likely to distort international economic exchanges. Nonetheless some transitional and exceptional subsidies will be permitted.

Environmental standards

Although differences between countries in the level of pollution—or the ability to assimilate it—will lead to differing environmental standards, it is recommended that where such differences do not exist, countries should strive for harmonisation of environmental policies. When particular industries are being regulated, harmonisation of the timing and scope of regulation should be sought so as to avoid disrupting international trade and the allocation between countries of economic resources. For polluting products which enter into international trade, it is recommended that countries seek to impose common standards and agree on the timing and scope of regulation.

OECD's Environment Committee is instructed to review as it deems appropriate the implementation of the Recommendation and to recommend as soon as possible the adoption of appropriate mechanisms for notification and/or consultation or some other appropriate form of action.

It is hoped that these principles, coming at a time when most Member countries are in the process of defining their own national policies in the field of the environment, will help to avoid conflicting policies both within and between Member countries. They should also be of use to countries outside the OECD and in wider efforts to harmonise policies between countries.

ENVIRONMENTAL POLICIES

GUIDING PRINCIPLES CONCERNING THE INTERNATIONAL ECONOMIC ASPECTS OF ENVIRONMENTAL POLICIES

The guiding principles described below concern mainly the international aspects of environmental policies with particular reference to their economic and trade implications. These principles do not cover for instance, the particular problems which may arise during the transitional periods following the implementation of the principles, instruments for the implementation of the so-called "Polluter-Pays Principle", exceptions to this principle, trans-frontier pollution, or possible problems related to developing countries.

GUIDING PRINCIPLES

Cost Allocation: the Polluter-Pays Principle

Environmental resources are in general limited and their use in production and consumption activities may lead to their deterioration. When the cost of this deterioration is not adequately taken into account in the price system, the market fails to reflect the scarcity of such resources both at the national and international levels. Public measures are thus necessary to reduce pollution and to reach a better allocation of resources by ensuring that prices of goods depending on the quality and/or quantity of environmental resources reflect more closely their relative scarcity and that economic agents concerned react accordingly.

In many circumstances, in order to ensure that the environment is in an acceptable state, the reduction of pollution beyond a certain level will not be practical or even necessary in view of the costs involved.

The principle to be used for allocating costs of pollution prevention and control measures to encourage rational use of scarce environmental resources and to avoid distortions in international trade and investment is the so-called "Polluter-Pays Principle". This Principle means that the polluter should bear the expenses of carrying out the above-mentioned measures decided by public authorities to ensure that the environment is in an acceptable state. In other words, the cost of these measures should be

reflected in the cost of goods and services which cause pollution in production and/or consumption. Such measures should not be accompanied by subsidies that would create significant distortions in international trade and investment. This principle should be an objective of Member countries; however, there may be exceptions or special arrangements, particularly for the transitional periods, provided that they do not lead to significant distortions in international trade and investment.

Environmental Standards

Differing national environmental policies, for example with regard to the tolerable amount of pollution and to quality and emission standards are justified by a variety of factors including among other things different pollution assimilative capacities of the environment in its present state, different social objectives and priorities attached to environmental protection and different degrees of industrialisation and population density.

In view of this, a very high degree of harmonisation of environmental policies which would be otherwise desirable may be difficult to achieve in practice; however it is desirable to strive towards more stringent standards in order to strengthen environmental protection, particularly in cases where less stringent standards would not be fully justified by the above mentioned factors.

Where valid reasons for differences do not exist, governments should seek harmonisation of environmental policies, for instance with respect to timing and the general scope of regulation for particular industries to avoid the unjustified disruption of international trade patterns and of the international allocation of resources which may arise from diversity of national environmental standards.

Measures taken to protect the environment should be framed as far as possible in such a manner as to avoid the creation of non-tariff barriers to trade.

Where products are traded internationally and where there could be significant obstacles to

trade, governments should seek common standards for polluting products and agree on the timing and general scope of regulations for particular products.

• National Treatment and Non-Discrimination

In conformity with the provisions of the GATT, measures taken within an environmental policy, regarding polluting products, should be applied in accordance with the principle of national treatment (i.e. identical treatment for imported products and similar domestic products) and with the principle of non-discrimination (identical treatment for imported products regardless of their national origin).

• Procedures of Control

It is highly desirable to define in common, as rapidly as possible, procedures for checking conformity to product standards established for the purpose of environmental control. Procedures for checking conformity to standards should be mutually agreed so as to be applied by an exporting country to the satisfaction of the importing country.

• Compensating Import Levies and Export Rebates

In accordance with the provisions of the GATT, differences in environmental policies should not lead to the introduction of compensating import levies or export rebates, or measures having an equivalent effect, designed to offset the consequences of these differences on prices. Effective implementation of the guiding principles set forth herewith will make it unnecessary and undesirable to resort to such measures.

CONSULTATIONS

Consultations on the above mentioned principles should be pursued. In connection with the application of these guiding principles, a specific mechanism of consultation and/or notification or some other appropriate form of action should be determined as soon as possible taking into account the work done by other international organisations.

RELIEF OF INNER-CITY CONGESTION

The frequent occurrence of traffic congestion in the cities of OECD Member countries indicates a critical situation. Although New York or Tokyo might hardly be described as examples of a "typical" city, the magnitude of the problem is well illustrated in New York by travel speeds varying between 24 and 6 km/h at certain critical road sections, depending on the amount of congestion, and, on the metropolitan expressways in Tokyo by the regular occurrence (6 times daily) of traffic queues over 1 km in length. Similar conditions exist at rush hours in many European cities, even in small and medium size towns.

The alleviation of traffic congestion as a major source of waste of time and money in urban areas is not solely the responsibility of traffic and road engineers and urban planners. There is increasing governmental concern and a need for joint action programmes involving the various sectors of the government and of the community. Consequently, the prime objective of the OECD's Urban Research Programme in the field of road transport has been to identify the measures which could serve as a rational basis for an overall approach to improve traffic conditions in urban areas.

Congestion Countermeasures

Since the inception of the OECD Road Research Programme in 1968, a systematic appraisal of congestion countermeasures has been carried out. The studies listed in the Table can be

The OECD Steering Committee for Road Research has submitted a report (1) to the OECD Council, highlighting the achievements of the first triennial Road Research Programme over the period 1968 to 1970. This Programme, which is being pursued for a further three year period, has provided a thorough assessment of the options and solutions for relieving inner-city traffic congestion and improving urban conditions by an array of individual measures and techniques, such as urban planning, traffic management, public transport, new technology and traffic restraint. The following article by B.E. Horn of the Organisation's Road Research Secretariat, based on the results of the studies undertaken by the traffic research groups set up within the Road Research Programme, illustrates the options open to policy makers for achieving a successful urban management strategy.

(1) The OECD Observer, April 1971, "International Co-operation in Research".

broadly classified into the following subject areas:

- urban network and town planning measures to decrease private car traffic demand, restrict certain types of road traffic (such as through traffic or lorries) or improve public transport service;
- traffic control, i.e. measures (such as traffic lights) to ease road traffic and improve traffic conditions and techniques to increase the utility of existing road facilities;
- public transport, i.e. measures to improve public transport services and thus decreasing private car usage;
- traffic restraint, i.e. techniques or charging policies to reduce private car usage, decrease traffic demand on certain overloaded road facilities and incite individual automobile drivers to transfer to other means of transport.

These measures, however, do not take account of other strategies likely to reduce congestion such as land use planning and exploitation of modern communication systems to reduce personal movement or staggered working hours to distribute traffic demand.

Reorganising Traffic in City Centres

The objectives of network planning in urban areas are to provide adequate traffic capacity and safety for all types of traffic in the most economical way and without detriment to the environment (2). The last aspect is being

(2) "Research into Road Safety at Junctions in Urban Areas", OECD, Paris, October 1971.

specifically dealt with by the OECD Environment Committee (3).

The measures recommended by the 1971 OECD Road Research Symposium (4) are the provision of traffic cells, barrier points and pedestrian malls. Though introducing a certain amount of restraint, on private traffic, these measures have been very successful in small and medium sized European cities, especially those in old towns with narrow streets. In larger non-European cities there has been less success. Prime examples discussed at the Symposium were Bremen, Copenhagen, Rome and Landskrona in Sweden.

To be successful in relieving inner-city congestion, the traffic cell solution—division of the city area under consider-

ation into “cells” accessible to traffic through certain entrances only and traffic regulation within the cells by a one-way street system—should be part of an overall transportation plan providing for adequate traffic capacity around the city area concerned. In applying these techniques, care should be taken to ensure adequate levels of service elsewhere in the road system.

Rational town planning can in the long term improve the efficiency of public transport in an urban area and can help to decrease private traffic demand and reduce or avoid traffic congestion. Radical improvements in bus operation in existing cities can only be brought about by close liaison and co-operation between the local authority and the bus

operator (5). Improvements within the control of the local authority may include:

- improvements in the layout of bus stops and bus terminals
- prohibition of kerb parking
- construction of separate bus bridges or tunnels
- provision of bus lanes, bus-only streets or special bus ways
- special traffic markings, signs and signals to give priority to buses.

(continued on page 32)

(3) *The OECD Observer*, August 1971.

(4) *OECD Symposium on Techniques of Improving Urban Conditions by Restraint of Road Traffic*, Cologne, October 1971.

(5) “*Optimisation of Bus Operation in Urban Areas*”, OECD, Paris, April 1972.



OECD TRAFFIC EXPERT GROUPS AND SYMPOSIA 1968-1973

Year	Activity	Progress
1968-69	Group on area traffic control systems.	Report published February 1972.
	Group on electronic aids for freeway operation.	Report published April 1971.
1970-71	Group on the optimisation of bus operation in urban areas.	Report published May 1972
	Group on road design and traffic flow on single carriageways outside built-up areas.	Study completed December 1971 ; report to be published September 1972.
	Symposium* on criteria for evaluating traffic control systems held in May 1971 in Hamburg.	Proceedings to be published 1972.
1971-72	Group on traffic operation at sites of temporary obstruction.	Study in progress.
	Group on the scientific evaluation of the effects of roads and traffic on environment in urban areas.	Study in progress.
	Symposium on techniques for improvement of urban conditions by restraint of road traffic held in October 1971 in Cologne.	Proceedings to be published 1972.
1972-73	Group on simplified urban traffic models.	Study starting in 1972.
	Group on capacity of at-grade junctions.	Study starting in 1972.
	Group on international corridor experiment (ICE).	Project in progress.
	Symposium* on traffic detectors and strategies to be held in October 1972.	In preparation.

(*) Initiated and sponsored by the OECD Road Research Steering Committee but organised on a national basis

Improving Traffic Flow Conditions

The efficiency of the street network traffic signal system is of considerable importance in improving urban traffic flows (6) and in preventing congestion. Traffic control systems on urban freeways, using electronic aids to improve traffic throughput and reduce journey time, are likely to provide a relatively high rate of return and enhance safety (7). Electronic aid systems on freeways should be integrated within area traffic control systems (traffic corridor control), as applicable (8).

• Area Traffic Control

The ability offered by modern computers to control traffic in urban areas has opened up new avenues towards increasing the utility of urban space now

devoted to road transport. Increases in average speeds of 15 to 20 per cent and decreases in number of stops at traffic signals of up to 40 per cent have been obtained.

Cost-benefit analyses performed in various cities that have installed area traffic control systems (Glasgow, West London, Madrid) indicate that the actual cost of initial installation is balanced by the benefits accumulated in the first six months of operation of the new control system.

A number of area traffic control strategies are now available and can be implemented in practice. However a continuous reappraisal of progress through the evaluation of the results obtained is needed. Agreements have been reached by OECD Member countries to co-operate on the research projects in Aachen, Berne, Glasgow, Madrid and Washington, D. C.

• Electronic Aids for Motorways

Urban motorways provide high capacity traffic routes on which traffic can move quickly and safely. However, conditions of congestion often occur, especially at peak hours. Some of the US freeways which were initially designed for 100,000 vehicles per day, now carry twice that much. Traffic control systems using electronic aids reduce accidents, improve flow conditions, local capacity and driving comfort, and decrease journey times.

Motorway surveillance and control schemes include a detection system, the transmission of all detected information to a control centre and the transmission of control orders to the traffic control or warning devices, and the communication system. There are a number of such installations in Europe, Japan and the US (for instance, Genoa, Munich, Zurich, Detroit, Houston, Tokyo, Osaka).

Though most of the OECD Member countries do not yet apply quantitative criteria for the use of electronic aids, the application of electronic aids should be considered when traffic, volume, density and speed are within certain ranges depending on several other factors. The OECD Group studying this problem recommended 60 km/h or 40 mph as the critical speeds below which electronic aids are essential.

• Traffic Corridor Control

The OECD Road Research Steering Committee has recently set up a group of traffic experts to pool information and to perform joint studies in the field of traffic corridor control. The overall objective is to recommend an integrated approach to the control of both the motorway and the adjacent street network which taken together logically define a traffic corridor, and to achieve the optimum use of the available traffic corridor capacity.

The "International Corridor Experiment (ICE)" is a prime example of ongoing

(6) "Area Traffic Control Systems", OECD, Paris, February 1972.

(7) "Electronic Aids for Freeway Operation", OECD, Paris, April 1971.

(8) "International Corridor Experiment (ICE)", Group established within the framework of the 1972/73 OECD Road Research Programme.

research into the intricate problems of effective traffic control systems to increase flow, minimise adverse environmental effects and prevent accidents. Traffic corridor control systems which are a key factor in transportation plans, require very large financial investments, high standard precision equipment and specially skilled multidisciplinary manpower.

The cost of undertaking this kind of experimentation alone is almost prohibitive for one country alone.

The ICE project has enabled a large consortium of Member countries to pool their efforts and share the cost. Experimental research will be conducted on the M4 motorway facilities in the United Kingdom and on the N3 and N1 Autobahns in Zurich. From mid 1972 onwards, the Italian facilities in Naples will also be utilised; parts of the French (Orly-Paris) and US (Dallas, Texas) projects will be available in late 1972 for the investigations proposed by the Group.

As might be expected, the first studies to be launched in 1972 concern the prevention of congestion in traffic corridors. One study will deal with automatic traffic incident detection, the other study with short term traffic predictions.

• *Traffic Operation at Obstructed Road Section*

The problems of controlling traffic on urban roads under construction and at sites of temporary obstructions are immense, frequently unique, and continuously present. Their solution may affect several administrative authorities, various modes of transportation, numerous utilities, and many socio-economic groupings. At times, very simple inexpensive solutions for maintaining traffic flows are possible, but, on the contrary, effective relief measures are often expensive and require extensive planning and coordination (9).

In OECD Member countries, the accepted maximum delays caused to drivers vary from 5 to 15 minutes and speed limits on the road sections under construction range between 30 km/h and 80 km/h according to prevailing conditions. There is clearly a need to establish standardised traffic guidance and control techniques and devices. The economic consequences of obstruction of the road to the community at large, i.e. costs other than those arising directly from construction works or the removal of the obstruction, must be taken into consideration.

Promoting Public Transport

Experience in recent years shows that overall journey speeds (origin-to-destination in a straight line) of buses in central urban areas may be as low as 6 km/h at peak hours, though in suburban areas they are somewhat higher—typically in the region of 15 to 20 km/h (10).

Improvements in the regularity of public transport services, overall travel time and conditions of travel, attract more passengers and hence may alleviate traffic congestion on the roads. For example, in Brussels the separate tunnel for five tram routes increased passenger figures within six months by 40 per cent and in the peak hour by nearly 80 per cent.

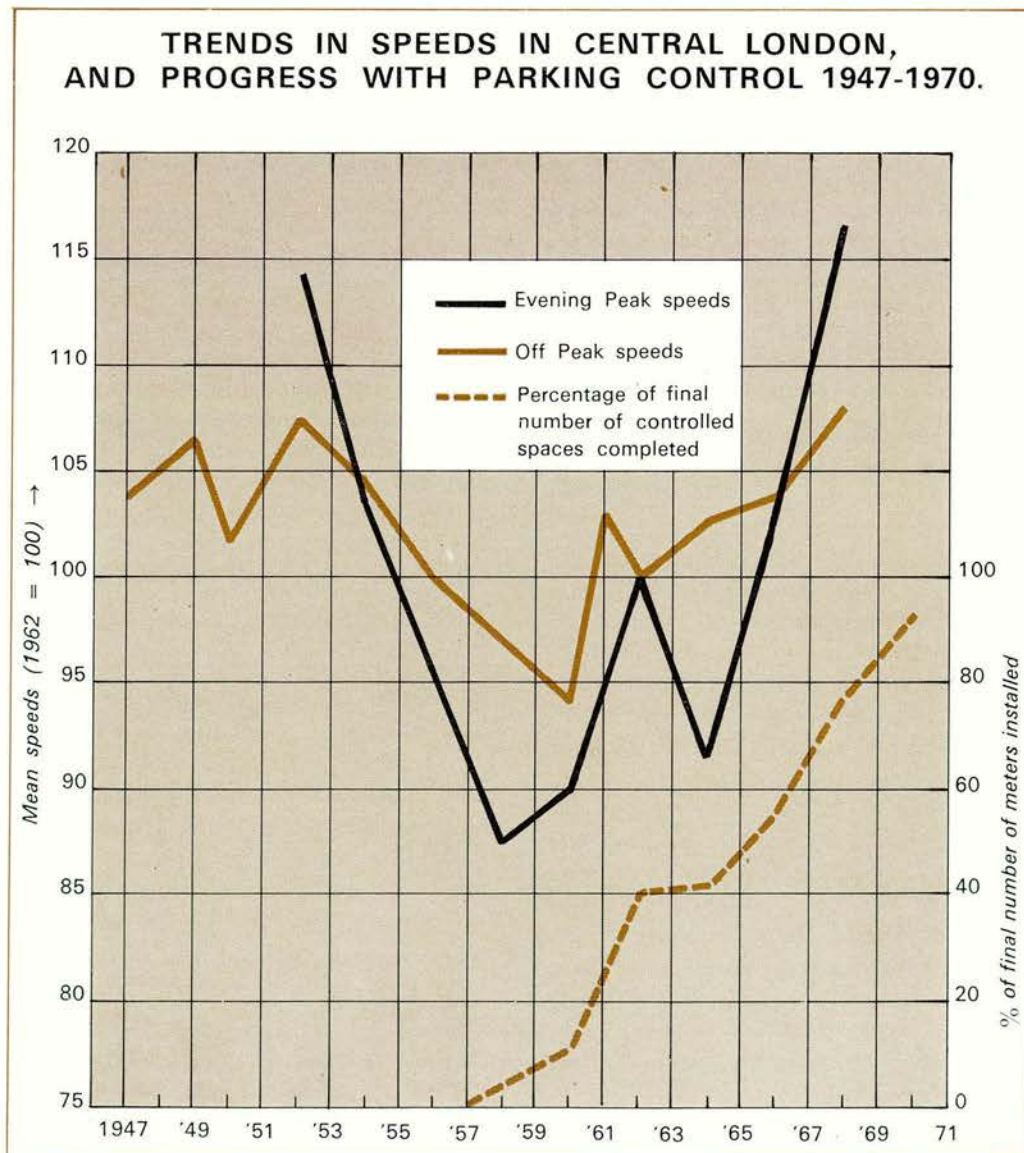
• *Bus Operation*

A bus causes delay to other road users, as does any other vehicle, but because of its size, relatively low power/weight ratio, poor manoeuvrability, and because it has to stop frequently at bus stops, the congesting effect of buses tends to be greater than that of most other vehicles on the road. On the other hand, the congestion caused by private vehicles puts buses behind schedule, so that the service to passengers deteriorates and this leads to a decline in the number of passengers carried. It is evident, however, that any overall transport policy should take into account the high person-carrying capacity of buses. Urban space must be utilised more fully to move people rather than vehicles.

A theoretical study has indicated that for Central London overall travel plus

(9) OECD Road Research Group on Traffic Operation at Sites of Temporary Obstructions, Report to be completed in mid 1972.

(10) "Optimisation of Bus Operation in Urban Areas", OECD, Paris, April 1972.



social costs would be minimised if about 40 per cent of private car users transferred to bus travel. Until further calculations are made, the OECD expert Group (11) considers that a general aim might be to try to reduce by 10 to 15 per cent the volume of automobiles during peak periods on major urban freeways. Such a reduction would be sufficient to return most of these congested facilities to a free flow condition. There are, of course, a number of measures likely to speed up buses in urban areas. Some of them, such as bus lanes, involve some hindrance to private traffic. Other techniques, such as automatic bus location systems, computerised scheduling, etc., are likely to bring about improvements in bus operations and hence increased bus patronage, which, in turn, might influence modal split and thus reduce private car usage.

• *New Systems and New Technology*

Studies and tests have been carried out recently on new public transport techniques, with basically different concepts regarding infrastructure, vehicles and operation. The report of the expert group on bus optimisation lists those new and improved transport systems which could serve as medium term or long term solutions for alleviating some of the problems associated with traffic congestion in urban areas. These new techniques are of sufficient economic interest to merit their development and in some cases even "real-life" commercial experiments. On the basis of the experience gained, the field of application of each of the new techniques could be defined more explicitly.

Restricting Private Car Traffic

More recently, attention has been directed towards developing new systems for restraining the use of roads by traffic. Both the 1971 OECD Road Research Symposium on traffic restraints and the 1970 OECD Traffic Group on Bus Optimisation tackled this most controversial issue in urban management today. In those city areas where the demand for the use of private car cannot reasonably be satisfied, it is necessary to

consider measures which impose some restraint on private car usage. The techniques—either localised or system-wide restraint—worthy of consideration are traffic cells and barrier points, priority measures for public transport, parking charges and control, and, in the future, road pricing. Since the first two types of measures will not always cause severe restrictions to private cars, they have been separately evaluated in this article.

• *Parking Control*

Although parking controls affect only some kinds of traffic, their use is known to be effective, especially if they are designed to affect first peak hour travellers who are usually long term parkers. The Symposium noted that:

- Parking charges should be fixed so as to ensure that there are empty places at all times of day. If this is not done, drivers seeking an empty place can cause congestion.
- Parking controls need enforcement: there is a need for operational and technological research on this problem.

The figure (12) showing trends in speeds in Central London might serve as an example for parking control efficiency, though other factors such as traffic management schemes and some new construction have obviously helped considerably.

• *Road Pricing*

It has been shown in several studies undertaken mainly in the United Kingdom that substantial benefits to the community could be gained if a direct road pricing charge is imposed on drivers. Individual automobile drivers would be asked to contribute towards congestion cost which they cause to other road users in the community; it is anticipated that the obligation to pay would force them to transfer to other means of transport or not travel at all, depending on the true economic justification for their journey (13).

The Symposium recognised that the technical practicability of economic design of road pricing equipment has been demonstrated. However, conscious of the many economic, social and political problems involved with such restraint methods, the Symposium suggested further research work in this area, as follows:

- an investigation of the way in which the ordinary motorist, who is an essen-

tial element of the total system, reacts to and interacts with it. This means practical trials which should, therefore, be launched immediately,

- an examination of public attitudes to this and other forms of restraint, and
- encouragement of open discussion of these controversial measures.

Perspectives and Courses of Action

There is clearly a need for an overall systematic approach and strategies which integrate technical and non-technical measures. Transport planners who have lived with the perennial problems of traffic congestion, know that there are no ready-made solutions to such complex situations. A number of purely material or technical solutions exist which, however, can only be considered as short or medium term remedies. Proper land-use planning and urban development and a well-balanced employment policy, together with the optimisation of public and private traffic seem to offer the highest potential for alleviating traffic congestion in urban areas.

Governments at national and local level should nevertheless

- encourage and/or reinforce the application of technical measures bearing in mind their environmental or social impact;
- establish large scale demonstration projects to test and evaluate new concepts of congestion countermeasures, taking into account local or national conditions and public attitudes; and
- promote technological innovation related to improved public transport systems.

One of the key factors of successful urban management policy is the ability to implement plans based on sound technological knowledge. This, together with feedback from ongoing national and international research, will ensure improvements in urban traffic and halt the further decline of living conditions in city centres.

(11) "Optimisation of Bus Operation in Urban Areas", OECD, Paris, April 1972.

(12) Source: Bayliss, D., "Restraint of Traffic in Greater London by Means of Parking Control", OECD Road Research Symposium, Cologne 1971.

(13) Source: Smith, A.H., "Automatic Metering Systems for Road Pricing", OECD Road Research Symposium, Cologne 1971.

AN ACTIVE MANPOWER POLICY IN THE UNITED STATES

On March of this year, Secretary of Labor J. D. Hodgson acknowledged the importance of the growing exchange of ideas between the Department and the Organisation for Economic Co-operation and Development (OECD) in the fields of manpower, economic, and social policy by inviting the chief of the OECD's Manpower and Social Affairs Directorate, Dr. Gösta Rehn, to be one of the principal speakers at the conference celebrating the 10th anniversary of the Manpower Development and Training Act.

The Secretary's invitation, however, signified more than a recognition that we have adopted the "Active Manpower Policy" which the OECD has been advocating during the past decade; it gave promise of even closer co-operation and consultation in the future.

It was during the Marshall Plan period from 1948 to 1960 that the Department of Labor first entered into an exchange of ideas and techniques of administration with European countries on such subjects as labor/management relations, occupational safety, employment services, unemployment insurance and other subjects encompassed by Ministries of Labor. It was during this period that it was first fully realised in the OEEC that a key to rapid European economic recovery was skilled manpower.

When the OEEC's work had come to a successful end in 1960, it was agreed that the same Western European countries, Canada, and the United States should remodel the OEEC into a policy forum for the exchange of ideas and for joint experimentation in the same areas encompassed by the Marshall Plan: agriculture, economics, statistics, trade, science, energy, industry, education and manpower and social affairs.

It soon became apparent that position papers prepared in the Department and voiced by a Foreign Service Officer in Committee meetings in Paris were insufficient to provide the desired flow of ideas

On the occasion of the tenth anniversary of the United States Manpower Development and Training Act—the beginning of an active manpower policy in the United States—manpower policy-makers and administrators reviewed the past decade of activities and looked to the next. The two-day conference in Washington D.C., brought together 850 persons from federal, state and local government, the business community, private citizens groups and organised labour. Among the guests was OECD's Director of Manpower and Social Affairs, Gösta Rehn.

The following is an excerpt from an article describing the link between OECD and US manpower policies by Howard S. Carpenter, Office of Policy and Program Development, International Labor Affairs Bureau, United States Department of Labor; the article appears in the June issue of the Department's publication "International Labor".

and exchange of operating experiences. What was needed was face-to-face meetings between officials responsible for manpower policy in each country.

To adjust to this new system of international dialogue, Mr. Charles Stewart, then Deputy Assistant Secretary for Research and Development, was dispatched to Paris to handle the day-to-day contacts with the Secretariat of the Man-



Left to right: OECD's Director for Manpower and Social Affairs Gösta Rehn and United States Secretary of Labour, James D. Hodgson.

power and Social Affairs Directorate (1). The essence of Labor's participation in OECD comes not in the formal meetings of its Committee for Manpower and Social Affairs but in the countless Working Parties and Experts Meetings which occur between Committee meetings. The Department has participated in more than 100 meetings of this type, sending staff members from the Bureau of Labor Statistics, Women's Bureau, Labor Management Services Administration, Office of Policy, Evaluation, and Research, and the Solicitor's Office.

The basic reason that the tempo of participation in the OECD by the entire Department has steadily increased is that those who have gone to Paris report that they have learned something of value for use in their field in the US. In Paris, they have found the intellectual stimulation of discussion with their "opposite numbers" from other developed countries.

(1) Mr. Stewart is now vice-chairman of the Manpower and Social Affairs Committee. Labour adviser in the United States Delegation is Mr. Robert Pfeiffer.

ENERGY POLICY in the EUROPEAN COMMUNITY



In the series of periodical confrontations organised by the OECD Energy Committee, the latest differs from its predecessors in that the policy of no single Member country but of the whole European Community is dealt with, i.e. six States which have decided to harmonise their policies in this as well as other sectors of the economy.

The common policy is being gradually built up through successive decisions in which the different institutions of the Community are associated. The initiative, and hence the responsibility for the process of implementation lies with the Commission. While the European Parliament, the Economic and Social Committee and the ECSC Consultative Committee are consulted, the ultimate decision rests with the Council or the Commission, according to their respective powers.

The following article takes up some of the points made in a paper specially prepared by the Commission on the Community's energy policy for confrontation in the OECD Energy Committee, at which Japan and Sweden acted as examiners. The report sums up the present energy situation and prospects for the six countries combined, restates the principles and objectives guiding the Commission's action and describes the Community's past achievements and future plans.

THE energy industries in the Community employ over a million people, and investment in this sector amounts to about a quarter of the investment in fixed assets throughout industry. Energy supplied by other countries accounts in terms of value for 17 per cent of the Community's total imports. Its gross internal consumption of energy almost trebled between 1950 and 1970, rising from 210 to 590 million toe (tons oil equivalent) at an average yearly rate of 5.3 per cent.

Pattern and trend of demand

At the same time, the pattern of demand was considerably changing:

- the proportion of energy consumed at the primary stage declined in favour of secondary energy (mainly electricity and petroleum products);
- the growth rate varied according to the demand sector;
- considerable changes occurred in the respective contributions of the different sources of energy to the satisfaction of demands: preponderance of oil (now covering close on 60 per cent of internal consumption), making the Community more and more dependent on imports from other countries; marked drop in the demand for coal; striking increase in the use of natural gas; less rapid advance of nuclear energy than was predicted ten years ago, mainly owing to the strong competition from liquid fuels.

On the assumption that economic development will continue along the same lines as it has in the last twenty years, the Community's internal consumption of energy may be expected to rise from 590 Mtoe (1) in 1970 to some 1,265 Mtoe in 1985, thus averaging an annual increase of 5.2 per cent.

In 1985, 61 per cent of this demand, representing 770 Mtoe, would be covered by petroleum products. Natural gas would

(1) Mtoe = million tons oil equivalent or 10×10^{12} kcal.

account for 16 per cent of the market (210 Mtoe), while assuming that the objectives of the second indicative programme for nuclear energy are achieved, the latter's share would be 10 per cent (120 Mtoe). Solid fuels would account for 11 per cent (140 Mtoe).

These forecasts highlight the Community's strong dependence on oil as a source of energy, the major part of which must be imported. It may thus be as well to consider the possibility of introducing another pattern of demand coverage, in which oil would have a smaller part to play. Concerted action to this end should be fostered in the following three ways, by:

- developing a coal import policy so that coal can more amply contribute to the generation of electricity;
- stepping up investment in nuclear power stations;
- expanding the available supplies of natural gas by prospecting for new gas fields in the Community, or by increasing imports.

All these measures together would enable the share contributed by oil in meeting Community requirements to be reduced to about 54 per cent with solid fuels covering 10 per cent, natural gas 20 per cent, and nuclear energy 11 per cent.

However, numerous obstacles will have to be overcome before the energy balance-sheet can be altered in this way.

The approach to a common policy

The Commission of the European Communities has drawn certain conclusions from changes in the world energy market which have especially occurred as a result of developments in the oil sector. In particular, the Commission has noted that while present circumstances confirm the soundness of action so far taken and of measures until now proposed, they also suggest that further progress should be made towards a common energy policy.

The specific actions and proposals of the Commission fall into three categories: defining the field of action, promoting a policy for securing cheap and reliable supplies, and steps to establish a common market.

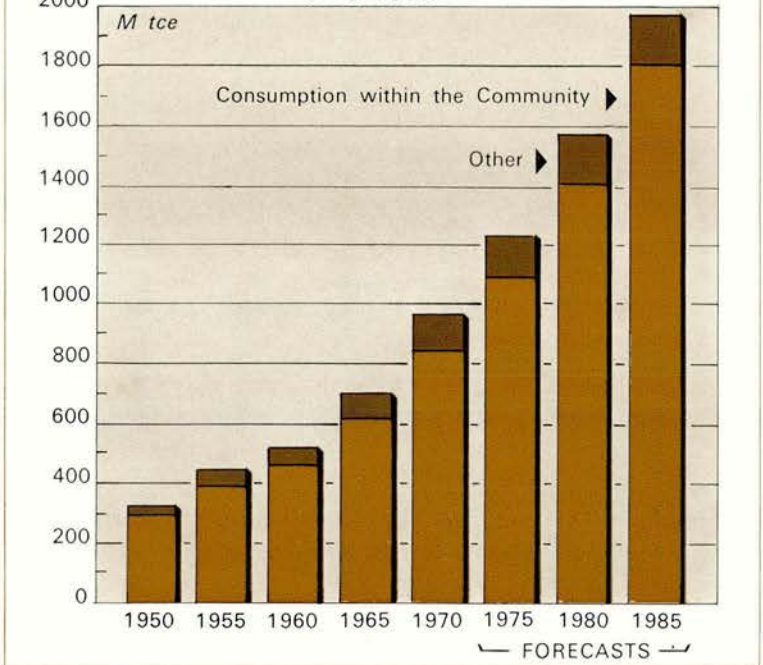
General lines of action

The general lines of action include the compilation of annual reports on the current energy position, and above all forecasts and surveys to assess trends and how the pattern should be influenced.

A report on long-term overall energy prospects is in course of preparation.

In the hydrocarbons sector, medium-term objectives (1980-1985) are now being formulated. In the light of the trends brought out (rapidly growing requirements up to 1975, then increasing accessibility of the market to other sources of energy; changing supply conditions and tendency for prices to rise; changing consumer demands—environment—and hence changes in the structure or refineries), these "medium-term objectives" will state the conditions required for better security of supply as well as any problems created by the sector's industrial structure. Some concentrations or amalgamations must thus be expected, and their effects on competition will need to be followed attentively.

TOTAL ENERGY REQUIREMENTS OF THE COMMUNITY - TREND IN 1950-1970 AND FORECASTS FOR 1975-1985



In the nuclear sector a second indicative programme covering the period 1975-1985, while also reporting the general outlook up to the end of the century, is in course of preparation. The programme is based on the principle that, as nuclear energy is now able to compete with the leading fossil fuels, the extent to which it is used must depend on the will to see that it goes as far as possible towards supplying a Community which does not itself produce enough energy to meet its own needs and seems unlikely to do so for some little time.

In the near future the production of nuclear energy, as it now is, will still be largely restricted to the generation of electricity.

An analysis of the demand prospects for electricity suggests that its present tendency to double every ten years is likely to continue. Any change in the pattern of its production can but occur in the relatively long run, so that fuel oil will still be in a dominant position in 1985 unless a concerted plan is adopted promoting the large-scale development of nuclear power production and thus lessening the Community's dependence on other countries for its energy supplies. The Commission of the European Communities will try to encourage such a development by removing any remaining technological, industrial or financial obstacles.

A supply policy

Supply stoppages or difficulties interfering with the flow of energy may have extremely serious consequences for the economy as a whole and for the welfare of the population. The Community must therefore take steps to cope with any halt in supplies, especially energy imports. A proposed directive would raise compulsory stocks of oil and oil products to the equivalent of 90 days consumption in the previous year instead of 65 days as initially stipulated. This proposal was

communicated to the Council of Ministers by the Commission of the European Communities last July. The Commission has also instructed a group of geologists to study the feasibility of storage in underground cavities, as this arrangement would be less costly than storage in surface tanks. The Commission is also endeavouring to forestall any pressures on sea-transport facilities for oil (as at the beginning of 1971), and to a lesser extent for liquified gas and coal, by building up reserve capacity immediately available in case of need.

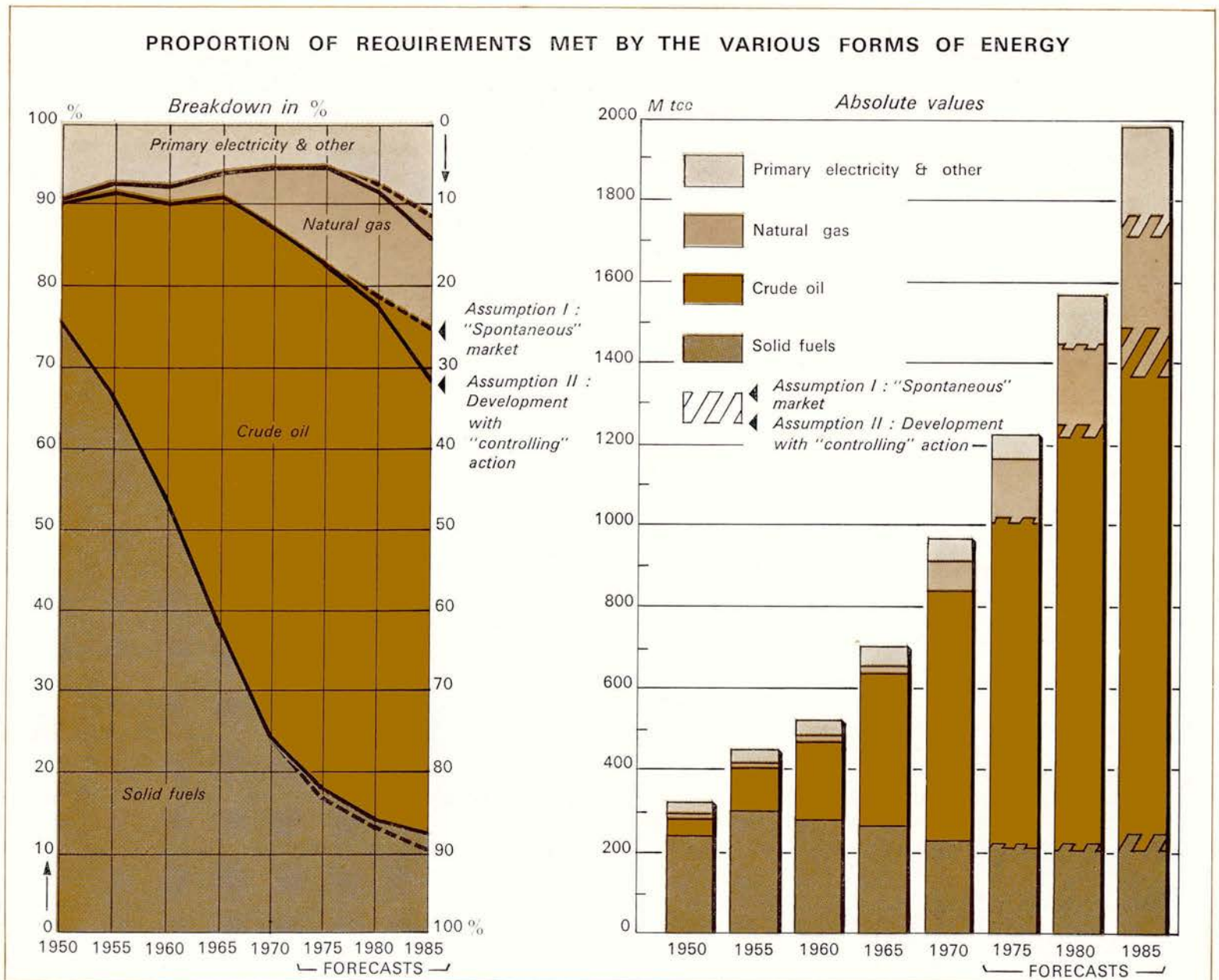
Agreement should also be reached on consultation procedure between national administrations and the Commission of the European Communities on measures to be taken if a supply crisis arose, so as to ensure coordination at Community level.

As the Community depends on imports for two-thirds of its supplies, a joint trade policy must be the mainspring of any joint energy policy. The Commission intends in accordance with its obligations under the EEC Treaty, to make a proposal for a common policy in this field.

It is further planned to establish a policy of co-operation between the Community and the developing countries, which by encouraging industrial, economic and social development in the countries concerned would in particular have the effect

of enlarging the area of trade between them and the Community, improving the stability of their reciprocal relationships, and putting the activities of the firms providing the Community's oil supplies on a more satisfactory footing. As part of the supply policy ways and means must be worked out which will allow the Community to cover its needs on the best possible terms as regards cost and security. A number of provisions have been adopted or recommended by the Commission to this end:

- So that the *coal industry* can still help as much as possible to cover requirements at reasonable cost and under satisfactory social conditions, the Commission may authorise the Member States, in specific circumstances, to grant assistance to the coal industry and to the producers of coking coal and coke for the iron and steel industry. In order to remedy problems caused by the divergent coal import regimes practised by Member States, since the early part of 1970 the Commission has moreover arranged for information to be exchanged on programmes of coal imports from non-EEC countries.
- As regards *oil products*, the Commission submitted a draft regulation to the Council of Ministers providing for the notification of hydrocarbon import programmes to the Commission.



The proposed procedure should allow a watch to be kept on the Community's oil supplies and a check made to see that the import programmes actually meet essential diversification and security requirements. In addition, the Commission submitted to the Council a draft Council regulation on the notification of investment projects of Community interest in the oil, gas and electricity sectors. The Commission will thus be more fully informed about the Community's internal supply structure and its development. Furthermore, to encourage certain activities in the hydrocarbons industry (mainly the prospecting and development of resources, but also transport and storage) which are important for the Community's security of supply, on 29th July last the Commission proposed to the Council of Ministers a regulation which would enable these activities to be granted "joint undertaking" status. The proposed regulation would institute a basis of co-operation between undertakings for pooling their resources, while specific possibilities of assistance would be granted in the Community framework (such as tax concessions, loan guarantees, low-interest loans or loans for prospecting operations which would not be repayable in case of failure). In return for these advantages, the joint undertaking or its constituent companies would be subject to certain obligations, in particular that of giving priority to the coverage of the Community's needs in an emergency.

- To promote the development of *nuclear power stations* and so reduce the Community's excessive dependence on imported energy supplies, in July 1971 the Commission proposed to the Council of Ministers that it take a decision empowering the Commission to borrow funds for use in granting repayable loans on market terms to electricity supply companies, thus helping to finance the additional investment required for the employment of nuclear power, and speed up the development of this new form of energy.

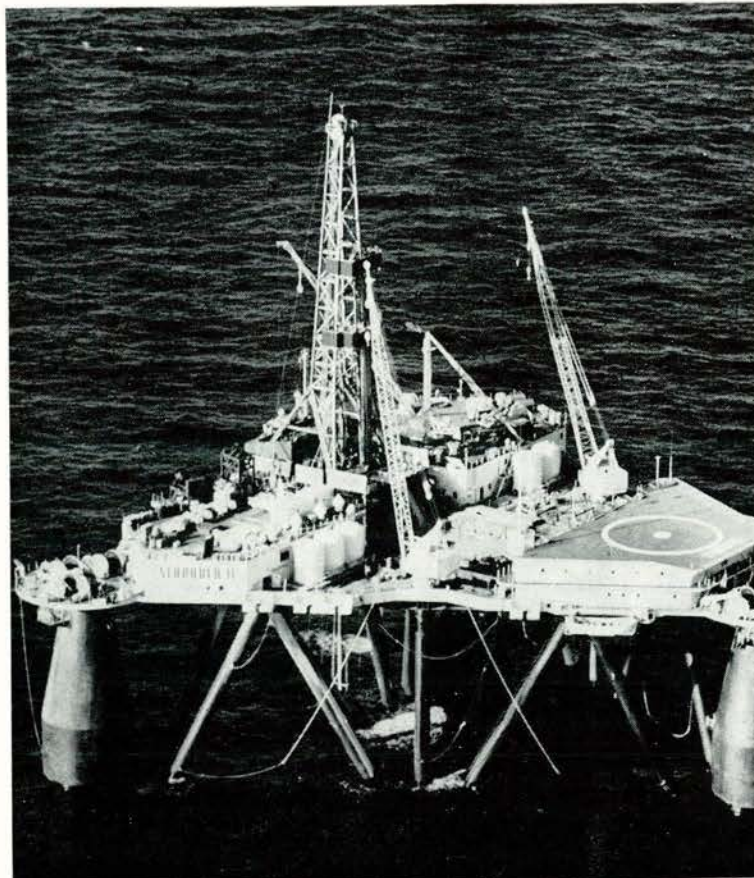
Revision of the Euratom treaty in regard to Community supplies of nuclear fuels and the powers of the supplying agency has been proposed by the Commission of the European Communities. This proposal is designed to provide a legal framework enabling Community supplies to be secured by measures tailored to various possible situations.

The efforts to increase current uranium prospecting by Community undertakings in non-EEC countries and closer co-operation between such enterprises, perhaps under the "joint undertaking" formula, are also receiving attention from the Commission (which in 1970 organised a conference on the subject with the producers concerned).

With respect to the supply of enriched uranium, negotiations were initiated with the US authorities in July 1971 and are still continuing, with the object of securing some improvement in the terms and conditions governing the supply of nuclear fuels from the United States.

In May 1969 the Commission further proposed to the Council of Ministers that an independent source of uranium enrichment be created within the Community, to be brought into operation before 1980—when current available capacity will have become inadequate—so as to meet the aims of Community energy policy and especially achieve security of supply as regards both quantity and price stability.

A special study group was instructed to assemble technical and economic data to this end, and is still engaged in this work. Steps are also being taken to meet European requirements of enriched uranium; and the ultimate solution may be influenced by the fact that in July 1971 the United States Government



A semisubmersible offshore drilling platform in action in the Adriatic

announced its readiness to make the American gaseous diffusion process available to countries interested in building uranium enrichment facilities.

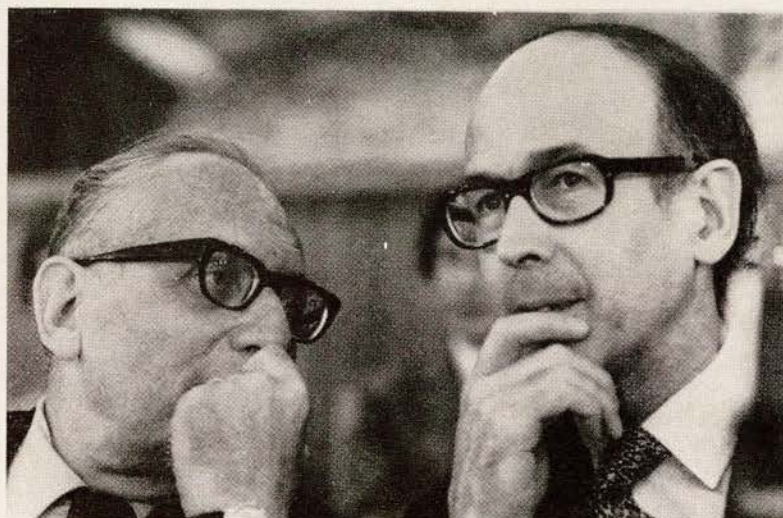
Unification of the market

A Community market covering all Member States and operating under uniform regulations is essential for achieving a joint energy policy.

Apart from the measures of promoting general freedom of movement for persons, services and capital and the unification of the Community market, certain provisions more specifically dealing with the energy sector have been adopted or envisaged:

- a draft directive for harmonising Member States' legislation in regard to technical safety precautions for the building and operation of oil pipelines was submitted by the Commission to the Council of Ministers in July 1968;
- a draft directive for harmonising specific consumption taxes on liquid hydrocarbons to be used as fuel was submitted by the Commission to the Council of Ministers in December 1970;
- with a view to harmonising the rules governing the construction and operation of refineries, pipelines, fuel distribution centres and pricing systems in the various Member States, the EEC Commission has set up study groups undertaking a comparative survey of policies followed in Member States; covering existing laws, regulations and established practices. This survey will enable the Commission to draw conclusions and suggest appropriate measures;
- lastly, the Commission is to arrange for the periodical collection of information on prices charged for the various forms of energy. In this way it can analyse the effects of price movements and exchange ideas on the subject with governmental and other groups concerned.

OECD Council at Ministerial Level: Communique (continued)



(Above left): Maurice Schumann, Minister of Foreign Affairs and Valéry Giscard d'Estaing, Minister of Economics and Finance, France; (Above right): Under Secretary for Monetary Affairs, Paul Volcker of the United States and Dr. Johann Baptist Schöllhorn, State Secretary, Ministry of Economy and Finance of Germany. (Below left): Jean-Paul Sallé, Director of the International Monetary Fund's European Office and René Larre, General Manager, Bank for International Settlements; (Below right): Pierre-Paul Schweitzer, Director General of the IMF.

of the High Level Trade Group, formed by the Secretary General following the decision taken at the Meeting of the OECD Council at Ministerial level in June 1971. They thanked Mr. Rey for the information given on the work of the Group and expressed appreciation for its efforts. They noted that the Group would submit its report at an early date.

Ministers exchanged views on the issues arising in the areas of trade and international monetary reform and recognised that some important issues arise from their inter-relationship. They agreed that the OECD has an important role to play in analysing and consulting on international monetary, trade, investment and related economic issues, including particularly their inter-relationships, and gave guidance on the way in which the Organisation can contribute to the progress of discussions on these issues.

Ministers stressed the importance of giving full attention to the views and interests of developing countries in the forthcoming discussions and negotiations. They also stressed the importance of the pursuit by OECD countries of vigorous and forward-looking policies for development co-operation, including the provision of increased amounts of aid.

Environmental Policies

Ministers noted the progress of OECD work on environmental problems and policies. They adopted a Council Recommendation defining a set of guiding principles, the application of which by Member countries should reinforce the effectiveness of environmental policies, and should avoid distortions in international trade and other economic relations that might arise from pollution control measures.

Energy Policies

Bearing in mind the work on energy policies already carried out in the Organisation, Ministers approved a proposal by the Secretary General to undertake an overall assessment of long-term energy problems, that might assist in the formulation of Member countries' energy policies in their domestic and international aspects. This analysis should take account of a variety of factors, such as energy demand, natural resource availability and accessibility, technological innovation and protection of the environment.



*(Left) Luxembourg : Gaston Thorn, Minister of Foreign Affairs and Foreign Trade ; Ambassador Camille Dumont, Head of the Permanent Delegation to OECD.
(Right) Australia : The Hon. B.M. Snedden, Treasurer ; Sir Ronald Walker, Ambassador, Permanent Representative to OECD.*



*(Left) Netherlands : H. Langman, Minister of Economic Affairs ; State Secretary Th. E. Westerterp, Ministry of Foreign Affairs.
(Right) Norway : Per Kleppe, Minister of Commerce and Shipping ; Under-Secretary of State Juel Bjerke, Ministry of Finance.*



*(Left) Ambassador Kiyohiko Tsurumi, Japan's Permanent Representative to OECD ; Ambassador William D. Eberle, United States ; Toshio Kimura, Minister for Economic Planning, Japan.
(Right) Portugal : Rui Patricio, Minister for Foreign Affairs ; Maria Angela Vilela, Head of General Economic Department of the Interministerial Commission on Foreign Economic Co-operation.*

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