OECD Yearbook 2011

BETTER POLICIES FOR BETTER LIVES

OECD Yearbook
2011

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Contents

LEADERS' FORUM

06 **Getting it right in 2011**
Angel Gurría

10 **Setting an example for progress**
Nicolas Sarkozy, President of France

12 **Anniversary tribute**
Naoto Kan, Prime Minister of Japan

14 **A 21st century revolution**
Sebastián Piñera, President of Chile

16 **Mission possible**
Viktor Orbán, Prime Minister of Hungary

RESTORING PUBLIC FINANCES

19 **Restoring public finances**

20 **Defying fiscal deficits**

21 **Roundtable on public finances**
France, Germany, Ireland, Korea, Mexico, New Zealand, Indonesia, South Africa

26 **Tackling the budget problem**
Pier Carlo Padoan

27 **What about global imbalances?**

28 **The fiscal imperative**
Jean-Claude Trichet, President, European Central Bank

29 **Green tax potential**

30 **Aiming for the medium term**
Stanley Fischer, Governor of the Bank of Israel

31 **Business investment is picking up**

32 **Government budgets: Save or spend ?**
Dae Whan Chang, Executive Chairman, World Knowledge Forum, and Publisher, Maeil Business Newspaper & TV

33 **Budget treatment**

34 **Trimming pensions**

BOOSTING JOBS AND SKILLS

37 **Boosting jobs and skills**

38 **Any collar you want**

39 **Working for the recovery**
An interview with John Martin

41 **Keeping Germany at work**

42 **The case for 21st century learning**
Andreas Schleicher

44 **Top of the class: OECD PISA 2009**

45 **Decent work is not a slogan**
Sharan Burrow, General Secretary, International Trade Union Confederation (ITUC)

46 **Mancession?**

47 **Out of work: A portrait**

48 **Looking after the future**

STRENGTHENING GOVERNANCE, RESTORING TRUST

51 **Strengthening governance, restoring trust**

52 **A new era of global co-operation**
Gabriela Ramos

55 **Fixing finance: Few easy answers**
William R. White, Chair of the OECD Economic and Development Review Committee

57 **Financial reform: A start, but only a start**
Amy Domini, Founder and CEO of Domini Social Investments

59 **Tax evasion: Ready when the call came**
Jeffrey Owens

60 **Tax windfall**

61 **A new push on corruption**

62 **State and narrow**

63 **The Anti-Bribery Convention**

64 **South Africa's fight against bribery**
An interview with Masenyani Richard Baloyi, Minister for Public Service and Administration, South Africa

65 **A new global governance?**

66 **Reform needs transparency**
Huguette Labelle, Chair, Transparency International

67 **Making multinationals more responsible**

68 **Global business: To protect, respect and remedy**
An interview with John Ruggie, UN Secretary-General's Special Representative for Business and Human Rights

TAPPING NEW SOURCES OF GROWTH

71 **Tapping new sources of growth**

72 **Wanted: Women scientists**

73 **Roundtable: What new growth needs**
Giuseppe Nicoletti, Andy Wyckoff, Mario Pezzini,
Carmel Cahill and Fatih Birol, International Energy Agency

77 **City growth**
John Mogk, Wayne State University Law School

79 **New growth doesn't have to cost the earth**
James P. Leape, Director General, WWF International

80 **Fostering an ecosystem of innovation**
Charles Beigbeder, Chairman of Gravitation, founder and non-executive Chairman of Poweo

81 **Innovative lessons**

82 **For new growth, watch this space**
Claire Jolly

83 **How happy are you?**
Kate Scrivens

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ADVANCING GLOBAL DEVELOPMENT

85 **Growth and development–for whom?**
Stephen Groff
86 **Africa: A source of growth for the 21st century?**
David Batt and H.B. Solignac-Lecomte
88 **The development aid story**

OECD AT 50

91 **Foresight at 50: Looking back at looking forward**
Barrie Stevens
94 **50 years of reconciling the economy, nature and society**
Ron Gass
97 **A majestic start: How the OECD was won**
100 **John F. Kennedy's vision**

SPECIAL SECTION

103 - 183 **Country snapshots**

Getting it right in 2011

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Angel Gurría, Secretary-General of the OECD

What is the state of world economy as we enter 2011? Have we made progress over the past 12 to 18 months in putting an end to the worst economic crisis in our lifetimes and laying the foundations for a stronger, cleaner and fairer world?

The scorecard is mixed. We have made good headway in ending the crisis, thanks to co-ordinated international efforts over the past two years, and a recovery is on the way. This is welcome news, since growth is badly needed to help governments deal with massive fiscal pressures, create jobs and address other major challenges.

But we are not out of the woods yet. The recovery has been slower than we had hoped. Government finances have deteriorated sharply across the advanced economies in the OECD area, with public and private debt stretched to extremes in several countries. The aggregate budget deficit for the OECD was around 7.5% in 2010, while public debt as a share of GDP could be some 30% higher in 2011 than it was in 2007.

Unemployment remains intolerably high, averaging 8.5%, and has reached into double digits in some countries. People are worried about their jobs and their living standards. Ongoing difficulties in banking, the prospect of austerity and still weak housing markets are weighing down on the recovery.

In contrast to advanced economies, emerging markets are forging ahead. China's output is projected to average just short of 10% in 2011-12, thanks to strong domestic demand. India's growth should regain its trend of around 8.5% from mid-year, while Brazil, Indonesia and South Africa will also continue strong. In the OECD areas, some emerging economies, such as Mexico, Turkey and Poland, are also contributing with higher rates of growth.

But emerging markets also face policy challenges of their own. For instance, inflationary pressures are appearing in Brazil and China, while India has to tackle its fiscal deficit. There is also a growing need for these countries to focus more spending on social goals, and on advancing the structural reform agenda.

Poorer developing countries face a more difficult time, particularly in Africa where growth rates have slowed sharply, to around 2.5% in 2009, bringing GDP per head to a standstill. Though activity picked up in 2010, the situation does not augur well for meeting the Millennium Development Goals for 2015, with nearly a billion people still at risk of being trapped in poverty in five years time.

> We enter 2011 on a positive footing. Everyone realises that this recovery, fragile as it is, must be nurtured and strengthened if we are to build the bright future we all want.

Slower growth than envisaged in the international trade arena has not helped, adding to global nervousness in currency markets and threats of protectionism.

Addressing these issues will remain a priority in 2011. Policy approaches required in most developed countries clearly differ from those needed in emerging markets. However, because the economic effects of these policies can be global, they must be co-ordinated through multilateral co-operation. This need has increased the prominence of the G20, which brings major developed and emerging markets around the table with the support of other countries and international organisations, including the OECD.

Meanwhile, we have stepped up our co-operation efforts to address other urgent matters too; at the UN Climate Change Conference in Cancún in December, for instance, all major players reaffirmed their commitment to tackling greenhouse gas emissions and we are addressing issues of mitigation, adaptation, financing and technology transfer.

So, while the overall economic scorecard for 2010 was disappointing, we nonetheless enter 2011 on a positive footing. Everyone realises that this recovery, fragile as it is, must be nurtured and strengthened if we are to build the bright future we all want. In short, we must get it right in 2011.

This inaugural OECD Yearbook, which marks our organisation's 50th anniversary, comes at just the right time. With contributions by world leaders, and top representatives from business, labour and civil society, as well as OECD experts, it is full of valuable insights into the issues we confront and explains the role our organisation is playing in helping to resolve them.

Promoting a sustainable recovery, fostering new sources of growth
The challenges that different countries face vary, depending on their level of development. However, the structural reform agenda–to enhance the productive capacity of our economies–is a unifying link in current policy discussions. At the G20 summits, I have emphasised this point, given the limited room for manoeuvre on the fiscal and monetary fronts. Structural reforms help by dealing with fiscal and international balancing issues, while fostering new sources of growth, and are part and parcel of the G20's most innovative initiative: the Framework for Strong, Sustainable and Balanced Growth.

As a guiding light in this structural agenda, innovation is key to solving many economic problems. The OECD Innovation Strategy, launched in 2010, provides a set of policy recommendations to integrate this concept into the growth plans of OECD and partner countries. We see innovation in its broad sense, starting with R&D, but going well beyond it. Innovation calls for intelligent competition policies; investment in human resources, including in higher education and its links with businesses; better regulatory environments for firms; and the fostering of an entrepreneurial spirit.

Not surprisingly, innovation is a key pillar in our Green Growth Strategy, which we will be presenting to our 50th anniversary Ministerial Council Meeting in May 2011. The issue is not just about greening old activities or making them cleaner, but about harnessing knowledge and new technologies to create jobs and wealth in a sustainable manner. It requires overcoming barriers to green growth, including eliminating environmentally harmful subsidies, and reviewing the structure of taxation systems and trade barriers. It also requires implementing regulatory frameworks to foster a shift away from inefficient and polluting consumption and production patterns.

Our message that "green" and "growth" go well together was delivered clearly at the UN Climate Change Conference (COP 16) in Mexico in December 2010, where important breakthroughs on agreements were achieved. This helped re-inject confidence into both the international climate change negotiations and the multilateral process overall. In 2011, the OECD will continue to build on such progress towards the next Climate Change Conference (COP 17), in Durban, South Africa.

In the quest to rebuild the international economy and put it on a sounder basis, we should also address the growing gap between how conventional macro-economic statistics such as GDP are read, and how people perceive their own economic situations. A broader range of indicators must be used alongside standard economic measurements to better capture peoples' well-being and quality of life. At the OECD we are working to develop such measurements, as well as to distil the policy implications of this broader approach.

Jobs, skills and knowledge: Catalysts for a new economy

High unemployment has been the tragic human face of this crisis, and only when we bring unemployment down will we be able to declare the crisis over. Keeping vulnerable people attached to the job market, including the long-term unemployed, is essential.

A key requirement is to boost skills. This applies particularly to young people, who are more than twice as likely to be unemployed than the average worker. Since the crisis started, 3.5 million young people have joined the ranks of the unemployed in the OECD area, while still more have left the workforce altogether. This is a waste of resources which no country can afford. We must do more to avoid a lost generation and to tap into the potential and creativity that the young generation has to offer.

The crisis has made it clear that failing to realise the full potential of women carries huge economic and social costs.

The post-crisis world will likely evidence the need for new skills. Workers will need to continue upgrading their skills to increase their chances of employability. We already observe an important change in policy focus from "life-long employment" to "life-long employability". To make this happen, lifelong learning will be one of the most important features in the successful economies and societies of the future. Improving jobs and skills, regardless of gender, age or background, must go hand in hand, and the OECD is developing a skills strategy to show how this can be achieved.

Empowering women

As we look for new sources of growth, we must not forget that in many countries, women's participation in the labour market lags below potential. The crisis has made it clear that failing to realise the full potential of women carries huge economic and social costs.

Yet enabling women fully to participate in the labour market and contribute to economic development promotes prosperity and stability, reduces child poverty, helps address the pressures of population ageing, and increases productivity. The OECD will be assessing the best policy practices needed to promote gender equality and take fuller advantage of women's potential.

Advancing global development

Development is a central priority for action in 2011. It has always been at the heart of the OECD's mission, and indeed was a central motive for creating the organisation in the first place. In half a century of development assistance, there are many success stories to tell, with millions being lifted out of poverty, and the rise of emerging markets being prime examples. The developing world now accounts for over a fifth of total trade and is an integral part of the world economy. This is to be celebrated as it is what the OECD has worked towards since its creation.

In 2011 we must work harder to lift people out of poverty. The OECD is stepping up its co-operation with developing countries, by going beyond aid to assist with institutional and capacity building in areas such as taxation. We are promoting "whole-of-government" approaches that embrace innovation and green growth, which can help reduce food and water scarcity problems, and improve healthcare. The aim is to build resilience. Developing countries must be able to play a fuller role in building a better world, and, as our convention says, it is our duty to help them do so.

The role of emerging markets is critical in this regard, and this gives extra relevance to the G20. We must all work together to solve trade and currency tensions, conclude the Doha round of trade talks and restore balance to the global economy.

Addressing such problems is the bread and butter of our organisation. It can only be done through co-operation. Indeed, if "co-operation" is part of our title, it is largely because our founders were convinced it was vital for the "peaceful and harmonious relations among the peoples of the world".

Restoring trust in public and private institutions

No fundamental reform will work without taking action in 2011 to strengthen the governance of our economies. For people who had been used to years of continuous growth, the crisis came as a shock, undermining not only the institutions themselves, but the public's faith in them. The crisis uncovered serious failures in governance and regulation. Livelihoods collapsed, and people are demanding better management of their economies. Failure to restore trust could fuel an even more serious crisis in the future.

The OECD has been leading the charge, with our Anti-Bribery Convention which criminalises bribery of foreign officials for business contracts, with our 2010 guidelines to make lobbying more transparent and ethical, and via our corporate governance principles. Additionally, our Guidelines on Multinational Enterprises are currently being strengthened. Members and partner countries alike have endorsed these powerful instruments, but should do far more to use them in their efforts to restore confidence in 2011.

One area where action is needed is in our financial markets, to deepen reforms which improve bank resilience and reduce the exposure of our economic systems to excessive risk-taking. The international community has spent trillions of dollars rescuing the financial system, but the sector is still not back to full health.

> While the scope of the OECD's work is vast and unique, maximising our effectiveness and relevance means that we must also become more global.

One thing we have learned is that bank bailouts and guarantees are not enough. We must fix a system where losses made by greedy investors during boom times are passed on to ordinary taxpayers during bad times. This is not only an unfair way to share the risks, it is also a market distortion that increases the likelihood of another bank-led crisis in the future.

Shifting wealth, the G20 and the OECD

The crisis also emphasised an emerging trend that the OECD has characterised as "shifting wealth". This trend means that countries like China and India are increasing their economic power and their say in the global economy. By the first quarter of 2010, developing countries held approximately two-thirds of global currency reserves, up from only a third a decade earlier. By 2030, we estimate that emerging economies will account for nearly 60% of world GDP. In the developing world, this shift in wealth has brought substantial improvements in growth and poverty reduction. The number of people in the world living on less than a dollar a day has fallen by more than a quarter–approximately half a billion–since 1990. About 90% of these people were in China.

But the challenges associated with this rapid change in global economics are significant: how can we ensure global financial stability? How can we deal with climate change? How can we manage natural resources in a sustainable way, while protecting everyone's right to a decent way of life?

The emergence of the G20 as the premier forum for economic discussions and action is probably the greatest transformation in global governance since 1945. Indeed, the G20 facilitated a quick response to the immediate, short-term challenges posed by the financial crisis. But it is also gradually providing a forum for promoting a multilateral approach to structural issues, ranging from taxation and combating corruption, to the promotion of trade and investment.

How can an organisation like the OECD help foster global governance and promote multilateral co-operation in this rapidly changing world? Here, I must quote former Chilean President Michelle Bachelet, who once described the OECD not as "the club of rich countries", as many people wrongly characterise us, but as a "club of best practices".

Since its inception, G20 leaders have called on the OECD for our contributions on a wide range of issues. These include substantive analytical work and policy advice on fossil fuel subsidies, on employment and social policies, on investment and trade, on bribery and corruption, on taxation and on the Framework for Strong, Sustainable and Balanced Growth, particularly the structural aspects. Thanks to several decades of experience on development issues, we are also actively contributing in the creation of the G20's new Development Action Plan.

Yet, while the scope of the OECD's work is vast and unique, maximising our effectiveness and relevance means that we must also become more global. In 2010 Chile, Estonia, Israel and Slovenia became members of the OECD and accession talks with Russia are advancing. We are designing innovative arrangements to engage with non-member countries, particularly through our Enhanced Engagement programme with Brazil, China, India, Indonesia and South Africa. Some 100 non-member countries participate regularly as equals in the work of our committees, expert meetings and forums. We also work closely with business, trade unions, foundations and not-for-profit organisations.

Expectations are high, and we look forward to working with the French presidency of the G20 in 2011 to get the job done in these and many other areas.

Using our past to build a better future

Our organisation has played an important role in forging this better world, by setting standards and acting as a pathfinder for better practices. We will continue to work alongside members and partners to help them meet those standards, and to steer a course through current difficulties. As well as providing facts and insights, our advice will assist them in the tricky task of making reform happen.

The world economy has made giant strides in 50 years. But it is a more complex world and the challenges before us are as serious as any we have faced in the past. Yet, the goals our founders set for this organisation remain true today. Indeed, the OECD Convention, which was signed on 14 December 1960, could have been written precisely with today's challenges in mind, and in particular with our main objective of promoting "better policies for better lives".

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Setting an example for progress

President Nicolas Sarkozy celebrates the OECD's 50th anniversary at the Elysée Palace, 13 December 2010

Nicolas Sarkozy, President of France

Over the past 50 years, the OECD has undergone profound changes in order to cope with the emergence of new powers and, above all, new challenges. In 1989, with the fall of the Berlin wall and the dissolution of the Soviet Union, the OECD forged new ties with countries freshly freed from the oppression of communism.

Even before the concept of the emerging country became popular, the organisation supported the emergence of new powers. [...] recently including Brazil, Russia, India, Indonesia, China and South Africa. These countries already account for more than 25% of global GDP. We cannot ignore these important players. How could the standards the OECD promotes, or the rules it defines in terms of investment or anti-corruption, be properly applied in a globalised economy that overlooks emerging countries? France encourages the OECD's policy of openness regarding emerging countries. [...]

Beyond this global expansion, the OECD's purpose in the 21st century should be to constitute a "club of exemplary practices." Several times throughout the course of its history, the OECD has been the crucible of new organisations, certain of which tended toward universality. By analysing the new issues facing the world, the organisation established rules, standards and best practices that it shared with an increasingly wide community of nations.

[...] The OECD helped us improve our economic and social system and rethink its foundations.

I don't believe that we can continue to measure economic growth today on the sole basis of gross domestic product. How can we assess wealth solely by means of an average individual, when this individual doesn't really exist? How can we convey the diversity of individual situations? How can we account for what we produce as wealth when we don't simultaneously account for what we destroy? In today's world, how can we believe that unmarketable things have no value? These beliefs led me to ask Professors Stiglitz, Sen and Fitoussi, along with the world's finest experts, to reflect on these questions and come up with new indicators of human progress and well-being. [...] I would like to thank the OECD and Secretary-General Angel Gurría for supporting the commission's work. [...]

In the new world that we must build, I firmly believe that the OECD can offer new ideas and significantly contribute to building a new global governance, which will be central to the French presidency of the G20. [...]

Today, recovery is underway. But have we truly changed the world? Have we really set down the new regulations needed for the 21st century? Did we honestly tackle the structural questions that have arisen and that currently threaten global stability?

In all honesty, I do not believe that the efforts made in terms of structural reform are a sufficient response to the crisis we just went through. That is why France has decided to address challenging topics during its G20 presidency, including: international monetary system reform–who would dare to say this is not needed?; the fight against price volatility in raw materials–who would dare to claim this doesn't exist?; raising moral standards in capitalism; and funding development. [...]

Since 1990, the world has seen 42 financial crises, meaning that 42 times, countries have been drained of capital. In 2009, emerging countries experienced the massive withdrawal of international capital by investors seeking risk-free assets. For the past year, capital movements towards emerging countries have resumed massively, destabilising their monetary and exchange rate policies. Are we to let monetary speculation determine world development? I am wholly against this.

I want us to develop financial safety nets to reinforce financial stability. I want us to think about capital movements. I believe that we were living under the illusion that the deregulation of capital movements would by definition benefit development. Like all theories, this one should be proven. It has not been. Experience has shown that unchecked liberalisation can expose our countries to extremely systemic financial crises. In this realm, we need international rules, and institutions to enforce these rules. France will submit proposals in this area. I hope that the OECD will provide its input and experience.

At the same time, we must reflect on the model based on stockpiling dollar reserves. [...] Let me be clear. I do not wish in any way to discredit the role of the dollar, which in any event will be prominent. But prominent does not mean exclusive, and, like the US government, we hope the dollar will remain strong. I am simply saying that our monetary arrangements cannot continue to reflect yesterday's world, in which neither India nor China nor Brazil were the economic powers they have become today. [...]

Our second priority will be price stability for raw materials and agricultural products. All countries, all businesses are aware of the costs generated by excessive volatility in raw material prices. [...] As for the financial sector, we must regulate products derived from raw materials. [...] The OECD has already contributed much to this review. I am counting on you to continue these efforts.

Raising the moral standards of capitalism is a major expectation of global public opinion. We can no longer accept the excessive behaviour that led to the economic crisis. France will be making proposals, but I would like to thank my friend Angel Gurría for his fight against non-cooperative jurisdictions since the London Summit [of the G20 in 2009]. In this regard, the Global Forum on Taxation has been a success: 500 information exchange agreements have been signed since the London Summit. In 2011, the Forum will publish the first assessments concerning the implementation of OECD rules on transparency and exchange of information for tax purposes. These initial evaluations will constitute an important step in the monitoring of G20 commitments. Our credibility is at stake. If countries have cheated, they must be denounced. When a country is removed from a blacklist, it can return to that list. [...]

In terms of the fight against corruption, [...] why not consider the creation of a global forum for the business environment, like the Global Forum on Taxation? [...]

France is home to the OECD headquarters and has a special responsibility towards this organisation.[...] We will strive to ensure that the various events scheduled throughout 2011 as part of its 50th anniversary commemorations will provide opportunities to offer it the highest possible visibility, and to reinforce its current position with regard to global economic governance. Without a shadow of a doubt, 2011 is going to be a very big year for the OECD.

Extracted from an address by the president of France, to mark the 50th anniversary of the OECD, delivered at the Élysée Palace, Monday 13 December 2010. The full 2 000 word version can be viewed at www.oecdobserver.org/leaders and a webcast can be viewed at www.oecd.org/france

For more on the French presidency, visit www.elysee.fr.
See also www.g20.org

Anniversary tribute

© Government of Japan

Naoto Kan, Prime Minister of Japan

On behalf of the people of Japan, I would like to extend heartfelt congratulations on the 50th anniversary of the OECD. In this landmark year, I would like to ponder the OECD's achievements and express my expectations for its future role.

In the footpath of development that Japan followed after the Second World War, the OECD has played a critical role. Since Japan joined the OECD as the first non-transatlantic country in 1964, only three years after the organisation's establishment, Japan has actively participated in the discussions and activities of the organisation, and it has made the best use of the policy analyses and advice in the planning of its national economic policies. The OECD is sometimes called the "global think tank", with its corps of specialists not only on economics but also on development, social affairs, education and the environment, and it has made solid contributions to the international agendas of the day. I would like to reiterate the significant role the OECD has played in the stable development of the world economy.

Half a century has passed, however, and we are in the midst of the structural changes characterised by the emergence of new economies. We are also faced with global challenges, such as climate change, as well as social agendas, such as ageing societies. Furthermore, after the recent unprecedented financial and economic crisis, international co-ordination is required now more than ever, so as to ensure sustainable economic paths.

How can the OECD contribute to these political agendas, while maintaining and strengthening its relevance in the global economy? I believe that it is crucial for the OECD to continue to prove its attractiveness in the expanded global context as well as in its relations with non-members, while keeping its valuable traditions. These traditions include the peer-learning process, in which members jointly learn from the experience and knowledge of others. The culture of carrying out frank exchanges of views and fruitful discussion is invaluable, and it was from this culture that a number of rules and extensive policy useful to members have been developed.

To our great satisfaction, the appeal of the OECD seems to have recently become recognised by non-members, including the emerging economies. I understand that various policy fora related to the OECD are now taking place in various corners of the world, as outreach activities. Many policymakers and specialists from

> It is crucial for the OECD to continue to prove its attractiveness in the expanded global context

the emerging and developing countries are actively taking part in these meetings. Especially in the southeast Asia region–which has been designated as a strategic region for the OECD–many countries are learning from specialised policy advice of the OECD, designed to put into place the right environment for international investment. Japan will continue to assist the OECD with such outreach initiatives.

Another good tradition of the OECD is its capacity to undertake horizontal analyses and address structural issues. This is the capacity to provide analyses not from a single policy viewpoint, but from a multi-disciplinary angle. In addressing global challenges, such horizontality is needed. For example, the Green Growth Strategy cuts across various policy areas, such as industrial innovation, the environment, population demographics and education. I also believe that it is an OECD strength to provide objective policy advice on what must change in order to address structural problems.

I hope that the OECD will make the best use of these strengths and advantages in addressing global challenges, which seem to be becoming more complex. I highly value the contributions that the OECD is making to the G8, G20 and APEC under the leadership of Secretary-General Angel Gurría. I believe these are very useful, drawing upon the comparative advantage the OECD has developed to date. I hope that the OECD will fully express its specialised capabilities in the global arena, and that it will play a role worthy of the name “the world’s OECD”.

The issues which Japan has to tackle, such as fiscal consolidation, employment, development of human capital, education and ageing, are topical agendas discussed in the OECD. Japan adopted the New Growth Strategy in June 2010, pledging to realise a strong economy, robust public finances and strong social security system in an integral manner. In September, the government of Japan

> I highly value the contributions that the OECD is making to the G8, G20 and APEC

established the Council on the Realisation of the New Growth Strategy, and started discussions on the concrete measures to be implemented. I greatly appreciate the valuable contribution the OECD made in drafting the strategy.

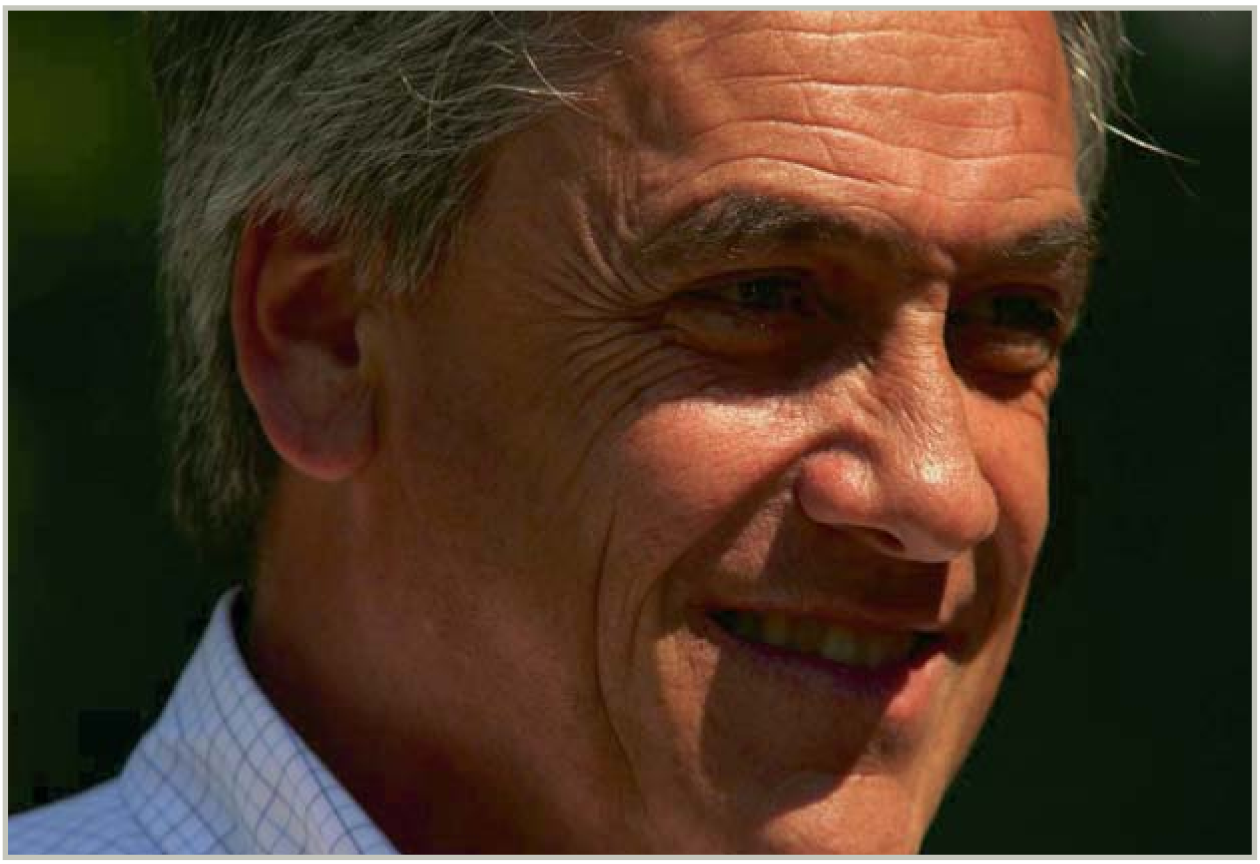
I believe that the solutions for the social and economic challenges we face can also be the catalyst for the creation of new demand and employment. It is important that we harness these for new growth. The OECD is instrumental as the source of specialised knowledge and wisdom for this purpose. I believe there is ample scope for members as well as emerging economies to further make use of the OECD.

Every year, a number of ministers, policymakers and specialists visit the OECD for various kinds of meetings. They express their views, listen to statements by other participants, and use these as reference for their own policies. Talented OECD staff carry out analyses and give policy advice based on such discussions. The history of 50 years of such engagement is worthy of our highest respect.

As I look back upon the past 50 years and think of the OECD’s expected role in the future, I am confident that the OECD will continue to make valuable contributions to the international community, as an international organisation of high added value. Let me assure you that Japan will not spare any efforts for this purpose.

Prime minister’s website: www.kantei.go.jp/foreign/index-e.html
Visit www.oecd.org/japan

A 21st century revolution



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Sebastián Piñera, President of the Republic of Chile

Chile and Latin America are at a historic crossroads. We arrived late to the industrial revolution of the 19th century and, thus, we were left behind in the development bandwagon. We cannot be left behind in this new revolution, the 21st century's revolution, the revolution of the society of knowledge, technology and information.

This revolution is knocking at our doors and will be very generous to those countries wishing to embrace it, but indifferent, even cruel, to those who ignore it and let it pass by.

How will we do it? First, by strengthening the three main pillars that are key for development to germinate and for opportunities to flourish: a stable, vital and participative democracy; a social market economy, characterised by free competition and openness to the world; and a strong, effective state that fights poverty and promotes greater equality of opportunities.

However, to build on solid foundations and not on shaky ground, not even the above three pillars will suffice. In the 21st century we must also invest in the pillars of modern society. I am referring to the development of our human capital, which is our greatest treasure; the promotion of innovation and entrepreneurship, which are our only truly inexhaustible resources; investment in science and technology, which will open up unsuspected opportunities in the future; and the promotion of more dynamic, flexible markets and societies, that will allow us to be at the forefront of upcoming changes and lead them, rather than be left behind, trying to understand them.

On the other hand, we live in the digital era, where physical frontiers and geographic distances have virtually disappeared. As such, we must deepen our integration with the world and better govern globalisation, so as to prevent it from governing us. Financial crises are no longer limited within domestic borders,

> Human capital is our greatest treasure, innovation and entrepreneurship our only truly inexhaustible resources

but rather have regional, even global implications. The ills of modern society, such as terrorism, drug trafficking and organised crime, know of no boundaries, territories or jurisdictions. Any attempt to effectively face global warming, natural disasters, health emergencies, starvation and extreme poverty shall require much more attentive, concerted and efficient actions by the international community.

Not only must nations promptly respond to the challenges posed by the modern society; international institutions, including the United Nations and those born from the Bretton Woods agreement, such as the World Bank and the International Monetary Fund, must also adapt to the new reality if they wish to play a leading role, and not sit along as mere witnesses to the developments and changes brought by the 21st century.

In 2010, Chile commemorated 200 years of independent life. Only 20 of all 198 existing nations can say the same. It is time to assess progress, but most important, it is time to walk that extra mile and attain the goals and dreams our ancestors have always cherished but never reached: to make of Chile a developed country without poverty and with real opportunities for material and spiritual development for all its children.

To this end, our government is implementing a programme of bold reforms, with ambitious goals and concrete deadlines.

First, to make our economy grow once again at 6% annually for many years. This growth will allow us to attain, by the year 2018, a GDP per capita equivalent to that of southern and eastern European countries.

Second, to create one million jobs between 2010-2014. This goal will require us to almost double the job-creating pace of the past years and to fully incorporate women into the labour market.

Third, we are committed to boost the quality of our education, at all levels, as well as to improve continuous training options for our workforce.

Fourth, we are advancing towards a system that actually guarantees all Chileans a decent, timely and efficient healthcare, both in the public and private sectors.

Fifth, we are implementing a more comprehensive policy in our fight against crime, including a special emphasis on prevention and rehabilitation.

Sixth, we want to deepen our democracy making it more vital, transparent and participative. For that purpose, we aim to increase suffrage to more than three million youngsters who currently do not take part in elections, and to extend voting rights to Chileans living abroad.

Finally, we are committed to eliminating poverty before the end of this decade and to eradicating extreme poverty during the present governmental period. To achieve this goal, we are introducing a "family-based ethical income" through government transfers, which will supplement the earnings of the most impoverished households, thus permitting them to overcome poverty.

Broadly speaking, these are the seven pillars of our administration. High, noble and ambitious goals, but fully reachable for our generation, the generation of our bicentennial.

For 50 years, the OECD has been a prolific and indispensable source of advice on good practices and on the public policies that help members and non-members to reach goals such as those of our government. This solid knowledge will be an essential support for Chile in order to set the foundations for becoming a developed country in this new world, where the keys to development are knowledge, information, technology and innovation.

Visit www.gobiernodechile.cl and www.oecd.org/chile

Mission possible

Hungary aims to create one million new jobs in ten years

© AFP

Viktor Orbán, Prime Minister of Hungary

The economic crisis of recent years has had serious negative consequences for the majority of OECD member countries, but it has also taught us some important lessons. The world's most developed economies have come to realise how vulnerable they have become to systems of financial transactions which are now globalised and immense in scale. They have come to realise that in a globalised competitive arena they must face up to new challengers who have proved to be far less vulnerable to the destructive effects of the crisis. They have finally come to realise–and this is perhaps the most important lesson–that nothing can take the place of an economy built on work and the creation of genuine value, and that in line with this the only assurance of sustainable, stable economic success lies in jobs, and the creation and maintenance of as many jobs as possible.

In this new post-crisis economic environment, the 50th anniversary of the OECD offers an excellent opportunity to define strategic directions for the coming decades. It was already clearly apparent 15 years ago, when Hungary joined, that the organisation was capable of renewal and openness. Now in a time of crisis–or rather, we hope, after a crisis–its capacity for renewal is in focus once more. Together our members must open up to major new players in the world economy in such a way that at the same time enables us to preserve our basic common principles–ones which were developed 50 years ago, but which are still valid to this day. The traditional economic centre of power embodied in the OECD can only confront new challenges if its member countries can strike a course for sustainable and stable growth within the framework of regenerative co-operation.

As Hungary's prime minister, I think that there is substance to the hope that the crisis is behind us–but member countries must first of all find a new quality of co-operation between themselves and the global players that are developing at a torrid pace. Judging by the favourable signs the crisis seems to be coming to an end, but the recovery is still fragile and burdened with risk. We can see this in the serious imbalances present in individual European countries, or in the sluggishness of the return of consumer confidence. I see the greatest danger, however, in the fact that in most countries so far the fragile recovery has not been accompanied by significant improvements in the jobs market–the regaining and replacement of so many lost jobs–and therefore there seems to be the real danger of a jobless recovery.

The 50th anniversary of the OECD's foundation not only coincides with the 15th anniversary of Hungary's membership, but it also coincides with our presidency of the EU. The OECD carries out exceptionally thorough and valuable research work and prepares recommendations in numerous areas that can aid attainment of the priorities of the EU, and within it those of the Hungarian presidency. Outstanding among these are its support for the aims of the EU 2020 Strategy, one of the main priorities of which, in addition to smart and sustainable growth, is the encouragement of inclusive growth: an economic model providing high employment and social and local cohesion. But job creation is not only a priority in Europe. It is–or could be–a question of extreme importance in all OECD countries, whether in a US battling with record levels of unemployment, a Japan feeling the increasingly negative impact of an ageing population, European countries, or emerging countries with extremely high growth rates, but also with high levels of social tension and inequality. On this question there is agreement among member and candidate countries, and countries enjoying close co-operation with the OECD which display significant income, social, political and other differences.

> Throughout the entire world economy–also within Europe and Hungary–it is increasingly recognised that in the financial sector and in financial services, with regard to the responsibility of private companies towards the public good, states have a major responsibility in the development of regulation which better represents the public interest.

Increased unemployment makes finding solutions to numerous current problems across the world more difficult, and indeed it creates new problems. It makes the reinstatement of fiscal balance and moderation of high levels of state and household debt more difficult in many countries, and also leads to the emergence of societal tensions. In the attainment of a "stronger, cleaner, fairer economy", job creation must be on a par with incentives for sustainability, green growth and innovation. Increasing employment and incomes would not only help to restore balance to budgets and help to eliminate debt mountains, but would improve equity by allowing greater numbers of people to reap the benefits of growth: it would make growth more equitable. The activation of growth is desirable, but it is not an end in itself–it must be an instrument for the foundation and diffusion of sustainable prosperity. Job creation is also of key importance for the solution of the problems I have outlined, and for the alleviation of global imbalances. The Hungarian government has set this as an objective, its goal being "One million new jobs in ten years".

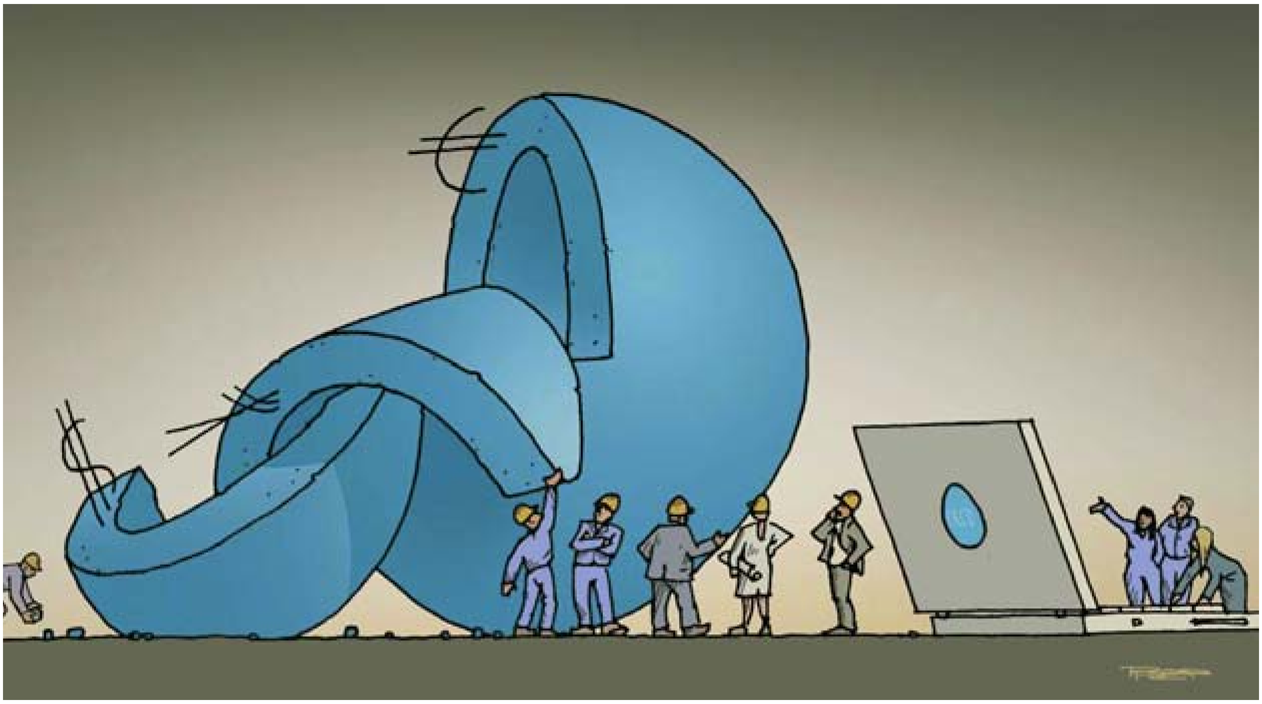
Many areas contribute to the creation of more jobs: taxation through labour costs; migration through the distribution of the workforce; employment policy through the direct handling of local labour market problems; health through the quality of human capital; education through improvement in employability; statistics through the monitoring of trends. The OECD has–and should have–something to say on all of this. At the same time, in the development of proposals it is worth taking note of an important change, which can be linked to the lessons of the present crisis: the relationship between the state and markets is in flux. I refer simply to the growing role of the state in preventing or redressing market distortions or failures. Identifying and disseminating "best practices" has become all the more important in such a role.

The crisis of recent years has caused significant damage to the traditionally developed world. The OECD can do much to promote recovery. If it can become a catalyst for new global co-operation, and if through this economies based on the creation of value and genuine work can regain strength in our countries, then we have good reason for hope, and over the next 50 years the OECD can make major contributions to better policies for better lives.

Hungarian government website: http://kim.gov.hu/minelnok

About the prime minister: http://kim.gov.hu/english/primeminister/orbanviktor_20100611_e.html

Restoring public finances



How can governments restore public finances and promote sound economic growth at the same time? With budget deficits stretched and public debt at historical highs, it will not be easy. But the OECD believes that with the right mix of policies much progress can be made.

The recent economic crisis inflicted substantial damage on the public finances of many countries around the world. Enormous stimulus programmes, bank bail-outs, increased welfare and unemployment payments, and depressed tax receipts weighed heavily on government balance sheets. To make matters worse, some countries were already running substantial deficits before the crisis hit. When fears of another great depression began to recede, news of another crisis began to emerge.

The aggregate budget deficit for the OECD is expected to be around 7.5%, but some countries have deficits that run well into the double digits. Public debt is forecast to be about 30% of GDP higher in 2011 than it was in 2007, before the crisis. Though some countries appear to be handling the fallout of the crisis better than others, growth remains subdued.

One problem is that, in today's global markets, financial difficulties, whether in large countries or even in relatively small developed countries, can affect the entire financial system. The responses also have to be international.

As in 2008, this truth was again evident in 2009, when rumblings among investors about the size of the Greek budget deficit caused uneasiness in already-fragile financial markets. By the end of 2009 all three major rating agencies had issued downgrades on Greek sovereign debt.

In the months that followed, these rumblings turned into a full-fledged crisis that eventually spread to other European countries. In spiral effect, investors, nervous about the ability of some countries to repay their public debts, charged high premiums to hold government bonds. This in turn provoked downgrades on sovereign debt ratings, which made debt even more expensive. Other European countries, including Ireland, Portugal and Spain, repeatedly found themselves having to reassure the markets that their investments were safe.

But the downgrades continued and the euro area seemed under attack, as did the stability of the euro itself. This prompted unprecedented intervention by the European Commission, the European Central Bank, EU member states and the International Monetary Fund. In the case of Ireland, a contingency loan has been agreed which effectively gives the country shelter from the bond market and a chance to put its affairs in order. Still, many economists argue that the risk of contagion is still high, and structured default should also be considered as an option in some cases.

> Is it possible to restore public finances and promote sound economic growth at the same time?

Nor are euro area countries the only ones with burgeoning deficits. Some of the world's largest economies, including the United States, the United Kingdom and Japan–whose debt level has long been high and is projected to top an astonishing 200% of GDP in 2011–have also seen their public spending skyrocket in recent years. In fact, all OECD countries saw their fiscal positions deteriorate in 2010. The US budget deficit, which stood at 10.5% of GDP in 2010, has focused on stimulus, while also dealing with the fallout of the crisis, including a rise in long-term unemployment.

Market pressures have also prompted several large economies to announce draconian austerity plans, while others have decided to wait, worried that spending cuts in an uncertain economic climate would hurt the economy. Some economists have called for increased stimulus spending to prevent anaemic recoveries from reversing back into recession. To be sure, the recovery, where it is taking place, is fragile. But the OECD believes that governments should start reining in their budget deficits from 2011, otherwise the deficits and debt will become counterproductive. This leaves governments with difficult decisions. How can they restore public finances and promote sound economic growth at the same time? Where should they cut spending? Is it possible to preserve the quality of vital but expensive public services, such as healthcare and education, while restraining expenditure?

> Higher levels of unemployment translate into increased payments for unemployment and welfare benefits coupled with lower tax receipts, further feeding deficits

The OECD view is clear. What the recovery needs is for governments to restore order to public finances while enacting reforms in the structure of their economies to enable growth to take hold. These include changes to streamline administration, activate labour markets, improve competition and bolster spending on social security. It means targeting taxes that favour greener growth, and focusing spending on education, innovation, healthcare and infrastructure. And it means doing all of this while continuing to support development aid and investment in poor countries.

Striking the right balance will not be easy, and the fiscal challenge is sure to dominate the global public policy agendas in 2011.

Recommended links and references

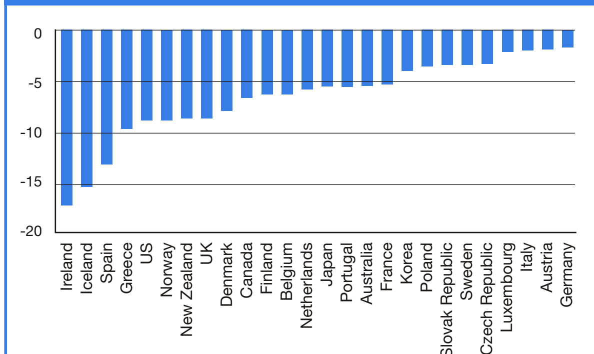
For OECD work on money and financial issues, see: www.oecd.org/eco/money

Defying fiscal deficits

The crisis has pushed public deficits to unsustainable levels in many countries, as weak economic activity causes tax revenues to fall, forcing crisis-embattled governments to borrow in a cautious market to pay for services and welfare, and in some cases, limping banking sectors.

Change in general government balance

% of GDP, 2006-2009



Source: *OECD Economic Survey: United States 2010*

See more at http://blog.oecdfactblog.org/?p=292
Source: *OECD Economic Survey: United States 2010*

Roundtable

The budget deficit for the OECD area as a whole probably peaked at around 7.5% of GDP in 2010. That's the equivalent of some US$3.3 trillion. A decrease to around 6.1% of GDP is expected in 2011, which will still be high by historical standards. But while the need to restore public finances is a global challenge, the state of government balance sheets varies widely. Economic starting points, causes of deficits and budgetary strategies also vary. Some countries have started down the road of austerity, others are maintaining stimulus and plan to rein in their deficits from 2011.

In December 2010 we asked finance ministers from a broad selection of countries facing different fiscal challenges–France, Germany, Indonesia, Ireland, Korea, Mexico, New Zealand and South Africa–to answer this question:

“What actions is your government taking to bolster public finances, while upholding growth and services?”

France

On the move

©Charles Platiau/Reuters

Christine Lagarde
Minister for Economics, Finance and Industry

Emerging from the crisis, all economies pledged simultaneously to restore their public finances. In doing so, they sought to enhance both national sovereignty and justice for future generations. In 2010, structural reforms are needed more than ever to reinstate medium-term growth and facilitate the consolidation of public accounts.

In France, the government has endeavoured to unleash growth within a more dynamic economy. To that end, we have taken steps to clear impediments to enterprise creation, increase the amount of labour in the economy and enhance business competitiveness and productivity.

In creating the *auto-entrepreneur*, a special regime drawn on the Anglo-Saxon model for the self-employed and designed for persons going into business for themselves, what we wanted to do was eliminate impediments to enterprise creation. The mechanism is simple: no social security contributions without turnover and streamlined and relaxed administrative formalities. In the year it was launched, more than 320 000 businesses were created under the *auto-entrepreneur* regime, generating a billion euros in turnover.

With pension reform, the government also pledged to improve the overall competitiveness of the French economy, focusing on labour. The measures adopted will mechanically reduce government spending while at the same time restoring activity: this reform will increase the ranks of people working in the economy. Fair and responsible, it has put France on the path to equilibrium for the years ahead.

As for the future, the state is in fact laying the foundations by propelling French businesses into competitive sectors of tomorrow. The state is continuing to invest in up-and-coming sectors conducive to spillover effects in private R&D, higher education and campuses of excellence. Forward-looking investments will ultimately account for an additional 0.3% of growth thanks to the leverage effect on private R&D, which is also spurred by the research tax credit. This measure has made France first in the OECD for the level of government assistance to business R&D. Three pathways to the same objective: to reform France, to bring it growth and full employment, and to make it a great modern and prosperous country. Under the authority of the president of the republic and the prime minister, the government has been devoting itself to this task for the past three years. Much work has already been done: France is on the move.

Visit: www.bercy.gouv.fr

Germany

Hitting the debt brake

© Reuters

Wolfgang Schäuble
Federal Minister of Finance

Germany's 2010 federal budget features a record-high deficit of well above €50 billion. Public-sector debt will surpass €1.7 trillion, approaching 80% of GDP. The financial crisis and the ensuing recession go only so far towards explaining these high levels of indebtedness. The truth is that Germany–as well as many other European and G20 countries–has lived far beyond its means, despite its reputation as a paragon of fiscal rectitude. Such profligacy has led to levels of debt that will become unsustainable if we do not act now. All the more since recent studies show that once a government's debt burden reaches a threshold perceived to be unsustainable, more debt will only stunt, not stimulate, economic growth.

This is why Germany decided in 2009 to enshrine strict fiscal rules in its constitution. The *Schuldenbremse*, or "debt brake," requires the federal government to run a structural deficit of no more than 0.35% of GDP by 2016, while Germany's *Länder* will be banned from running structural deficits at all as of 2020.

The rules imply that we will reduce the structural federal deficit to approximately €10 billion by 2016. As welfare benefits account for more than half of Germany's federal spending this year there is little choice but to cut welfare spending too, at least moderately.

Recipients of corporate welfare, as well as civil servants, must share the sacrifice. German corporations will have to contribute to fiscal consolidation through reductions of subsidies and additional taxes on major energy companies, airlines and financial institutions. Similarly, civil servants must forego promised pay increases, and the government is looking for annual savings in the federal armed forces of up to €3 billion.

Germany's binding fiscal rules are meant to set a positive example for other euro area countries. But to restore the confidence of markets–and of their own citizens–euro area governments need to demonstrate their commitment to fiscal consolidation as well. We will not foster sustainable growth or pre-empt a sovereign debt crisis in Europe (or anywhere else) by piling up more debt. We need to reduce deficits in a growth-friendly fashion, but reduce them we must. It can be done.

Visit: www.bundesfinanzministerium.de

General government fiscal balance
% of GDP, 2010

France	-7.4
Germany	-4.0
Ireland	-32.3
Korea	1.6
Mexico*	-2.8
New Zealand	-5.3
Indonesia	-1.4
South Africa	-5.0

Indonesia and South Africa may not be comparable across countries
**central government and public enterprises*

Ireland

Addressing market turbulences


© AFP

Brian Lenihan
Minister of Finance

There can be no doubt that our public finances have been severely affected by the sharp decline in economic activity in recent years. But we were quick to recognise this and quick to respond, with the government adopting a comprehensive strategy for recovery based around three key principles: restoring competitiveness, repairing the banking system and returning sustainability to the public finances. Significant progress has been made in each of these areas.

Budgetary consolidation has been underway since mid-2008. Expenditure reducing and revenue raising measures worth close to €15 billion have been implemented in order to stabilise the situation and begin the process of returning our public finances to a sustainable path. This approach is working. Notwithstanding the impact the statistical treatment of the capital support being provided to our banking sector is having on our public finances, we will achieve our aim of stabilising the general government deficit this year.

But clearly more needs to be done. As part of the government's four-year plan for budgets and growth, we have reaffirmed our commitment to achieving a general government deficit of 3% of GDP by 2014 and have announced that we will implement further budgetary adjustments of €15 billion over the next four years, with a significant frontloading of that adjustment into 2011. This has been broadly welcomed.

Growth is returning to the Irish economy, so that the environment in which future adjustments must be made is different to that which prevailed in recent years. Our exports are performing very well and this reflects the significant price and wage adjustments that have taken place, which is testament to the flexibility of the Irish economy. Recent labour market data show that unemployment fell significantly in September and October.

In terms of supporting economic growth, we are also conscious that specific consolidation instruments can play a key role. In particular, reductions in current spending can have the least negative impact on activity and, where revenue increases are required, those measures which broaden the tax base are generally perceived as optimal. This budgetary consolidation approach will continue to underpin the government's strategy. We are working with our EU colleagues and specifically with the European Central Bank, the European Commission and the International Monetary Fund to address the recent unwelcome market turbulences that have impacted on the euro area. We believe it is essential that we address the difficulties that have been raised by the markets in relation to the Irish banking system. This will be of benefit not only to the Irish banking system and Irish economy but to the wider euro area also.

Visit: www.finance.gov.ie

Korea

Striking a balance

© John Schults Reuters

Yoon Jeung-Hyun
Minister of Strategy and Finance

The global economic recovery continues, thanks to active policy co-ordination through the G20 and high growth in developing and emerging economies. However, we cannot overlook the uncertainties that still remain and the potential risks of slower economic growth in the global economy. Accordingly, fiscal policy needs to be focused on striking a balance between strengthening the momentum of economic recovery and consolidating fiscal soundness for market confidence and sustainable growth. In this context, the Korean government considers growth-friendly fiscal consolidation as our utmost fiscal policy priority.

As a small open economy, Korea is vulnerable to external shocks. In this regard, fiscal soundness comes up as the essential element in shoring up the economy in times of crisis. This is why fiscal consolidation must be put back on track at the earliest possible stage. Moreover, as Korea's ageing population is expanding fast, concerns that it might drag down the nation's potential growth rate are mounting. Some are even painting a grim picture of weakening social integration caused by a widening income gap and debilitated job creation capacity. All these concerns stress the need for a proactive fiscal policy stance.

Fortunately, as the OECD and IMF highly commended, Korea is deemed to be a model case in overcoming the economic crisis, registering positive economic growth rate of 0.2% in 2009 and expecting a 5.8% growth in 2010. At the same time, on the strength of improved fiscal conditions, we predict the fiscal balance to GDP ratio will rise from -4.1% in 2009 to -2.7% in 2010.

Considering such economic and fiscal conditions, the Korean government set a bold target to achieve fiscal balance by 2013-14 in its national fiscal management plan for 2010-14 under the stance of growth-friendly fiscal consolidation policy. To this end, the Korean government will thoroughly manage total outlays by keeping the annual growth rate of fiscal expenditures 2 to 3 percentage points lower than that of revenues.

Meanwhile, the Korean government will promote expenditure restructuring and strategic distribution of resources in an effort to encourage investment for the future and stabilize people's livelihood within the annual spending budget. R&D and education will be the primary government support areas in expanding the foundation for sustained growth. Government support on the public health, welfare and labour sectors will also be strengthened for employment creation and stabilising people's livelihood.

Furthermore, we will focus on enhancing expenditure efficiency in all stages of the fiscal program from planning to budget allocation, execution and performance evaluation by, for example, undertaking pre-feasibility studies, introducing sunset clauses to government-funded programs and cutting funds on ineffective programs. In terms of revenues, we will hold on to the principles of low tax rates and broad revenue bases to promote investment so as to stimulate employment and boost growth potential, while continuously broadening the tax base by reducing tax exemptions and reductions and disclosing the taxable amount for cash income businesses.We expect our commitment to growth-friendly fiscal consolidation, which is also consistent with the policy direction of the G20, will contribute to strong, sustainable and balanced growth of the global economy.

Visit: http://english.mosf.go.kr/

Mexico

Strength through diversity and efficiency

© Govt of Mexico

Ernesto Cordero Arroyo
Secretary of Finance and Public Credit

For more than a decade, Mexico has focused on the task of strengthening its public finances. Public revenues have been diversified and the tax base increased in order to reduce dependence on oil revenues. Additionally, public expenditure has been reformed to incorporate a performance-based perspective to allow for a more efficient allocation of resources. Furthermore, Mexico has advanced on its structural reform agenda, restructuring its public pensions and energy sector, setting the foundations for a more efficient and solid economic system.

In 2007-2009, Congress approved two fiscal reforms proposed by President Calderón's administration. These reforms were based on four pillars: tax administration, government revenue, public spending and fiscal federalism. The 2007 reform strengthened the tax administration system to combat evasion and increased non-oil tax revenues in order to reduce dependence on oil revenues. The 2009 reform increased excise, consumption and income taxes. It is expected that both reforms will allow non-oil tax revenues to reach 11.5% of GDP by 2012, a 28% increase during President Calderón's Administration.

Additionally, the administration has promoted an ambitious fiscal policy agenda in order to strengthen public finances. This set of policies has allowed for a more efficient public expenditure, a simplification of the fiscal legal framework, an increase of the tax base and a more efficient tax collection.

These measures promoted by President Calderón's administration have given public finances enough room to increase expenditure and investment in strategic sectors that promote economic growth and reduce poverty, even during the recent international economic crisis. As a result, Mexico has reached historical levels of infrastructure and social development expenditures, which for the 2007–10 period amount to $187.70 and $21 billion respectively.

The positive results of the administration's fiscal policy are the foundations for further improvements to continue consolidating Mexico's sound public finances.

Visit: www.shcp.gob.mx

New Zealand

Reasons for optimism

© New Zealand Herald

John Whitehead
Secretary to the Treasury

New Zealand, like countries around the world, has an unerring focus on addressing the fallout from the global recession. We came through the world's financial crisis relatively well, and given the strong starting fiscal position, were able to respond with somewhat less austere measures than others are adopting. But in the foreseeable future, New Zealand will be grappling with significant debt and deficits. After 15 years of government surpluses, the country's books plunged deep into the red last year. We face five years of deficits, and net public debt will remain above pre-recession levels into the 2020s.

The country is feeling the effects of lower than forecast tax revenue and sluggish private consumption growth, as the economy recovers more slowly than expected. The jobs market has been volatile, but New Zealand has performed better than the average jobless rate of 8.5% in advanced economies. The latest official data puts unemployment at 6.4%, and it's expected to fall to around 6% by mid-2011.

There has been progress in controlling government spending. The public service makes up about one-third of the New Zealand economy, and all departments are being challenged to deliver services more efficiently. The government will cap future new spending at NZ$1.1 billion (around 0.5% of GDP and representing a reduction) annually, and is demanding more accountability and transparency of operations. Some 2 200 core state sector jobs, 5.4%, have been shed since December 2008.

Personal and corporate taxes have been reduced and the Goods and Services Tax (GST) on consumption has been raised, as part of moves to increase competitiveness and rebalance the economy towards exports and savings. A National Infrastructure Plan is in place for the first time.

New Zealand has reason to be optimistic. Commodity prices are strong, which boosts exporters' incomes and the economy as a whole. Higher commodity prices also support a stronger New Zealand dollar. Major building projects in the wake of a destructive earthquake in the South Island will boost the construction industry. And we look forward to the economic benefits of hosting next year's Rugby World Cup, which will spark a sizable jump in visitor numbers.

Visit: www.treasury.govt.nz

Indonesia

Targeting carefully and constructively

© Reuters

Agus Martowardojo
Minister of Finance

The Indonesian economy has sustained its strong and stable growth, estimated at 6% in 2010; and 7% growth is expected in the next two years, based on consumption, exports and investment. The priorities for the five years 2010-14 include lessening inequality, institutional and policy reforms to remove bottlenecks in infrastructure development, bureaucratic reforms to promote the investment climate, and a pro-environment development strategy to adapt to and mitigate the negative effects of climate change.

In the fiscal area, we have family-based social assistance and conditional cash transfer programmes for job creation and equal distribution across regions and a credit guarantee to provide flexible and cheaper financing for micro and small and medium enterprises.

Indonesia is committed to making a significant contribution to limiting global greenhouse gas emissions, and helping to make a global climate change agreement possible. Economic development is going to be consistent with the long-term sustainability of natural resources, such as to reduce and to replace dependency on fossil fuels with clean and renewable energy. And we must reduce the sensitivity of our fiscal position to oil price movements. Indonesia will provide tax subsidies for clean energy sectors such as geothermal and biofuels. We are aiming to reduce emissions by 26% by 2020 compared to business-as-usual, and by up to 41% if international support is received to assist the abatement effort.

In the meantime, the ministry of finance has been involved in the establishment of the Indonesian Climate Change Trust Fund, whose second phase will be led by Indonesia's government investment unit, a sovereign wealth fund under the ministry of finance to support the Climate Change Program.

Indonesia is keen to boost the development in infrastructure, through the establishment of several entities to facilitate and support private partnership, including the provision of land, Land Revolving Fund, Land Capping Fund and Guarantee Fund, plus an Infrastructure Fund. We are aiming to invest $143 billion over the next five years.

Visit: www.depkeu.go.id

South Africa

Minding future generations

Pravin Gordhan
Minister of Finance

As the world economy recovers from the global crisis, there is considerable debate about how quickly governments should be closing their budget deficits. Some argue that the recovery will be held back if governments cut expenditure too quickly while others point to the potentially devastating effects of fiscal default.

The South African government has struck a careful balance between continued real growth in expenditure and the reduction of the future interest cost burden on the fiscus. Where we have to borrow, we will do so mainly to invest in infrastructure that helps improve the productive capacity of the economy.

South Africa's pursuit of a countercyclical policy means that fiscal consolidation will be phased in without curtailment of core public services and in support of sustainable growth.

Government increased spending on social programmes and infrastructure during the economic downturn of 2008-2009. Doing this at a time when revenue was falling required a significant increase in borrowing and led to a higher budget deficit. We are able to do this because our careful management of the fiscus over the last 16 years created fiscal space which came in handy when the global crisis hit us. We had room for a budget deficit of 6.7% in 2009-10 and the projected 5.3% in 2010-11. The current budget framework anticipates a narrowing of the deficit to 3% of GDP by 2013-14. This will ensure that the economy is best placed to take advantage of growth opportunities and that a rising share of public expenditure is not absorbed by rising interest payments.

Our fiscal policy framework is fundamentally about ensuring that our wellbeing is not unfairly purchased at the expense of future generations. However, to support higher sustainable economic growth, we will, where necessary, borrow to finance investment, especially where this will reduce bottlenecks in the economy and also draw in private-sector investment. Higher levels of public and private investment are necessary over the medium term to raise the economy's growth potential and create employment and also contribute significantly to the countercyclical macroeconomic stance.

Visit: www.treasury.gov.za

Tackling the budget problem

© OECD

Pier Carlo Padoan
OECD Chief Economist and Deputy Secretary-General

Public debt in the OECD area is fast approaching 100% of GDP, as the financial and economic crisis badly deteriorated government budgets. A concerted move towards more balanced budgets is needed, while preparing the ground for economic growth.

The recession has weakened the public finances of most OECD countries. Stimulus packages, lower tax takes, high unemployment: these are just some of the factors that have led to historically high general government deficits and debt.

Major government spending and tax measures were clearly necessary to help keep economies afloat during the crisis and the recession that followed. But a combination of support measures and the effects of the downturn on the budget will now push the OECD-wide budget deficit to the post-World War II high of about 7.5% of GDP in 2010. OECD public finances will improve in 2011 as economic activity picks up, and the announced consolidation measures begin to bear fruit. However, underlying deficits–which exclude the effect of fluctuations in economic activity on the budget–will remain historically high in several countries, including Japan, the United Kingdom and the United States. Large budget deficits will push government debt to close to 100% of GDP in 2011 in the OECD area as a whole. Debt levels are even higher in a few countries. Japanese government debt, for example, is projected to exceed 200% of GDP in 2011.

Without urgent and coherent action, debt levels will continue to rise in most countries. How to restore the public finances while sustaining the recovery, not to mention upholding key public services, is a balance OECD countries need to get right. Bringing government debt-to-GDP ratios back to pre-crisis levels will require enormous efforts, especially in countries where debt was already high before the crisis struck.

Most OECD countries are in a position to start consolidating their public finances from 2011. Consolidation programmes will need to be implemented in conjunction with policy action in other domains, including monetary and structural policies. The start, sequencing and pace of these actions will depend on conditions specific to each country, including the state of public finances more generally, the strength of the recovery and the ease with which budget deficits can be financed. The scope for monetary policy to offset the short-term effects that fiscal adjustment will have on economic activity will also vary by country.

There are good reasons for being ambitious on the fiscal side. It is difficult to be certain about how much government indebtedness a country can sustain. Many countries have to reduce their government debt anyway, before the fiscal strains of population ageing become even more burdensome. Moreover, persistently high debt would constrain governments' ability to deal with any future downturns.

High indebtedness has other consequences. An excess supply of government bonds can force up interest rates and compromise long-term growth. So far, most countries have been able to finance large deficits comfortably. But investors' appetite for government securities may change suddenly, as evidenced by the recent sovereign debt turmoil in the euro area. At the same time, the government's interest bill rises with indebtedness and would likely divert scarce budgetary resources away from programmes that promote economic growth and towards debt service obligations. This would make consolidation all the more difficult.

The key policy question is then how to deliver consolidation without undermining longer-term growth

The key policy question is then how to deliver consolidation without undermining longer-term growth. There are a number of options and tradeoffs that need to be considered. Governments must also take equity issues into account as the costs and benefits of different instruments will not affect all social groups to the same extent.

Where expenditure cuts are needed, they should aim to preserve pro-growth programmes. Education, R&D and infrastructure are good examples, as these promote growth in the longer term, via productivity gains, and uncover new sources of growth. Initiatives to improve public infrastructure favour growth to the extent that they unleash opportunities for private investment, as well as supporting broader economic activity.

Tax hikes may also be necessary and should be limited to the least growth-distorting instruments, such as taxes on property and consumption. Personal and corporate income taxes are not growth-friendly, because they affect investment decisions by firms and the number of hours people are prepared to work.

Moreover, countries would do well to rely on "green" revenue in their fiscal consolidation programmes, including receipts from green taxes and carbon trading, which would raise revenues and enhance welfare at the same time.

And there is much that structural policy can do. Reforms that lift the economy's growth potential by boosting productivity and/or the labour supply can also help to balance the budget at the same time. Policies that remove obstacles to job creation mean more people working and paying taxes. Cutting down on early retirement schemes can also increase labour utilisation and potential growth. In turn, faster growth would make fiscal consolidation easier, while such reforms would bolster the long-term health of the economy.

> International efforts to co-ordinate policies, via the G20, for instance, and the OECD, can only reinforce confidence and further help this process

Improving efficiency in the public sector and getting more for less also holds out promise. Many OECD countries could reduce health expenditure without sacrificing the quality of services, for instance, by encouraging more primary and outpatient care. In education too, current levels of attainment and student performance could be achieved from lower, more cost-effective, spending. Savings from such reforms could help finance programmes that enhance economic growth. Additional structural reforms may also contribute to better government finances. This includes, for example, eliminating subsidies that encourage the consumption of fossil fuels and tightening up on support for agricultural producers. Action in these areas could yield a triple dividend of productivity gains, saving public money and contributing to environmental protection.

In the end, good reform is important for the credibility of fiscal consolidation, especially in these uncertain times. International efforts to co-ordinate policies, via the G20, for instance, and the OECD, can only reinforce confidence and further help this process.

It is a matter of combining different policies and exploiting synergies. If policymakers are to put the recession well and truly behind them and to lay the groundwork for stronger, more balanced and sustainable growth in the years to come, they should make full use of the policy toolkit available to them. With the right choices, they can advance their pro-growth structural reform agenda while putting the public finances back on a sustainable track.

Recommended links and references

OECD work on monetary and financial issues: www.oecd.org/eco/money
OECD work on public finance: www.oecd.org/eco/public_finance
The *OECD Economic Outlook*: www.oecd.org/eco/economic_outlook

What about global imbalances?

High savings in several emerging market economies tend to reflect precaution on the part of individuals and households. Households save–probably more than they need–because they cannot rely on social safety nets, such as healthcare and unemployment insurance, that would allow them to smooth consumption when confronted with an illness or a job loss. They also need to save for retirement, because pension schemes are usually underdeveloped. This is the experience of several Asian countries, including China. In addition, if financial markets are underdeveloped, firms may decide to retain, rather than distribute, large chunks of their profits.

Governments in Asia also save too much. Nevertheless, by expanding the reach of social protection programmes on a durable basis, governments would reduce their own saving and at the same time make for lower precautionary household savings. But that is for the longer term. For now, export-led growth coupled with inflexible exchange rates will continue to mean capital, in the form of loans and investments, flowing from poor to rich countries. This creates tensions in terms of exchange rates.

Of course, current account surpluses are not exclusive to large emerging-market economies. They often reflect demographic structure too, as in Japan. A surplus may come from investing too little, rather than saving too much. This is the case with restrictive regulations in product markets, which shield domestic firms from foreign competition and so discourage entrepreneurship and investment. This is the case of Germany, for example, as recent analysis carried out by the OECD shows.

The common point between these underlying drivers of global imbalances is that they are essentially structural. The trouble is, in the absence of policy action, the world's current account gaps will likely widen again. They are unlikely to reach pre-crisis levels, given that at least some of the drivers of excessive consumption and risktaking are no longer in place. There is plenty of room for remedial action. To begin with, greater exchange rate flexibility would be a great help. This is especially the case for the US dollar and the Chinese renminbi parity. But exchange rate flexibility is not enough. Measures to address the root structural causes of surpluses and deficits are needed.

Adapted from "How to correct global imbalances" in OECD Observer No 279, May 2010.

The fiscal imperative

© Ralph Orlowski/Reuters

Jean-Claude Trichet President, European Central Bank

Governments and central banks managed to avoid a global economic catastrophe, but the crisis has left a legacy of nearly bankrupt governments. A quick return to solvency is required.

As we head into 2011, economies around the world are still emerging from the worst economic crisis since the Great Depression. But, unlike then, this crisis was largely contained as a result of swift action by central banks, governments and parliaments.

These actions were extraordinary and have left challenges in their wake. The biggest of these challenges comes from a deterioration in public finances of unprecedented scale and geographical reach. The recession has depressed tax receipts and increased government outlays on unemployment benefits while the levels of many other expenditure items have not adjusted fully to the much-lower-than-foreseen output level. This places significant pressure on government budgets. At the end of 2010, government debt in the euro area is 18 percentage points above its 2007 levels according to the European Commission's autumn forecast data. In the US and Japan it has increased by more than 30 percentage points according to the OECD. There is little doubt that all countries among the advanced economies are now in urgent need of implementing a credible medium-term fiscal consolidation strategy.

Fortunately, there is an increasingly large consensus to maintain government fiscal integrity by offering credible exit strategies and embracing profound financial sector reform. There is by now also an increasing understanding in many parts of the global economy that there is no time to lose in implementing consolidation and restoring sound public finances.

Sustainable economic growth depends on sustainable public finances. Policymakers are doing everything possible to prevent another extreme malfunctioning of the financial sector. But even if the world manages to implement the most challenging of financial reforms, there may be other unpredictable triggers for a future economic and financial challenges. Unexpected and unavoidable events, such as the natural disasters that struck several countries in 2010, may require emergency government support. We can only face these if we have spare capacity in our public finances.

Fiscal buffers are essential when our economies are in a typical business cycle. They are even more necessary when our economies are coping with exceptional circumstances. During the financial crisis governments were forced to commit large funds to prevent the financial system from collapsing. Taxpayers took on great risks in this area, as calculations by the European Central Bank demonstrate. At one point, support earmarked for the financial sector, including recapitalisation, guarantees, dealing with toxic assets and other options, reached as much as a quarter of GDP in the EU and in the US. Commitments of this magnitude meant that governments need financial credibility.

> It is no longer possible to trust the basic models that economists use to measure the impact of stimulus spending–or deficits for that matter–on economic growth

Those who argue against a determined move toward fiscal consolidation are, in my view, underestimating that under extraordinary economic circumstances, established empirical relationships may no longer function in the same way as before. Today we are navigating in largely uncharted territory. Fiscal imbalances imply that it is no longer possible to trust the basic models that economists use to measure the impact of stimulus spending–or deficits for that matter–on economic growth. In these conditions, other factors, much more difficult to measure, come into play. I believe that, in the vast majority of OECD countries, orderly and resolute medium-term fiscal consolidation will boost confidence among households, enterprises, investors and savers.

This is why I do not agree with the argument that delaying the restoration of fiscal soundness would consolidate the economic recovery. In most advanced economies bolstering the current recovery and promoting job growth is precisely the reason why fiscal consolidation is needed right now.

The circumstances that the world economy faces are indeed extraordinary. And extraordinary times have called for extraordinary measures. Central banks have taken great efforts to maintain credibility of price stability against both inflationary and deflationary risks. The European Central Bank has been actively responding to the financial turmoil since the very beginning while always keeping its sense of medium to long-term direction: ensuring price stability over the medium term, which is its primary mandate.

The remarkable track record of price stability over the last 12 years and the solid anchoring of inflation expectations are key elements for confidence in the euro area and in Europe.

For the recovery to take hold, progress towards sound public finances in the euro area as well as in other advanced countries will be important.

Recommended links

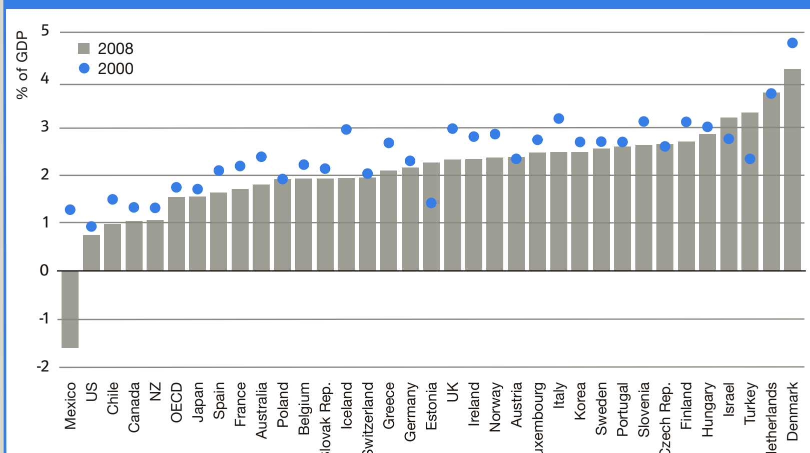
European Central Bank: www.ecb.int

Green tax potential

One area where governments have been looking to raise revenues is green taxes. And with good reason. Taxes can provide a clear incentive to reduce environmental damage. But while the number of environmentally-related taxes has actually been increasing in recent years, revenues from these taxes have been on a slight downward trend in relation to GDP. The decline in revenue partly reflects the drop in demand for fuel in response to recent high oil prices and other factors, which in turn has led to a reduction in total revenues from taxes on energy products.

Carbon taxes have existed for a number of years in a few countries, including Sweden. More recently, countries like Canada, Iceland, Ireland and Japan have decided to introduce different forms of carbon taxes, often as part of their fiscal consolidation measures. Still, the scope for expanding the use of green taxes in OECD countries remains considerable.

Green taxes have fallen as % of GDP in nearly every country since 2000



Source: OECD (2010), *Taxation, Innovation and the Environment*

For more on OECD environmental taxes, see : www.oecd.org/env/taxes

Aiming for the medium term

© Reuters Shaun Best

Stanley Fischer
Governor of the Bank of Israel

What can countries looking to put their public finances in order learn from Israel, which joined the OECD in 2010? Quite a lot, says the country's central bank governor, who provides some good reasons for optimism.

Fiscal measures contributed significantly to the prevention of financial collapse and a deflationary spiral during the global economic and financial crisis of the past two years. However, in some countries their side effects–large persisting deficits and rapidly rising debt–have begun to threaten the recovery. While most developed countries do not seem to face immediate liquidity problems, many countries that faced substantial current and projected fiscal imbalances before the crisis, and those where long-term growth projections were greatly reduced, do need to persuade markets that they have a strategy for dealing with their long-term fiscal imbalances.

This need presents a well-known dilemma. On one side, allowing fiscal deficits to persist will eventually result in a loss of confidence, higher risk-premia and lower growth trajectories. These risks may begin to affect the markets and impede current growth well before the fiscal risks are realised. In contrast, too rapid an adjustment may curtail economic activity directly–especially if many countries adjust simultaneously.

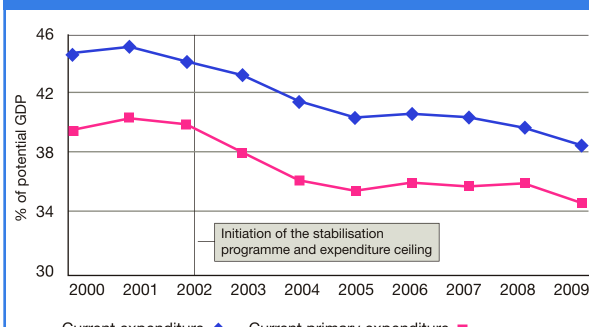
One way to address the policy dilemma is to pre-specify a medium-term consolidation path while avoiding–or limiting–immediate contractionary actions. Such a process can be supported by fiscal rules that translate the depicted path into law or government commitment. However, the key challenge is to make such commitments credible. Otherwise, the adjustment's postponement would be equivalent in the eyes of economic agents to no adjustment at all, with the associated impact on confidence.

Israel's experience with medium-term fiscal targets since the 1990s provides some insights as to what prolonged fiscal adjustments require to persevere and be credible. The first medium-term targets were adopted by law in 1992 to anchor the commitment to balance the budget within five years–when the large fiscal costs of absorbing the influx of immigrants from the former Soviet Union were expected to subside. Although economic growth was strong and immigration lower than projected, the fiscal targets were not achieved. This was because the government adopted various expansive medium-term programmes which were inconsistent with the deficit ceilings and then, faced with the inconsistency, chose to adjust the pre-specified fiscal target rather than tackle expenditure commitments. This pattern: setting ambitious medium-term deficit targets and then raising them a year or two later was repeated over and over again until 2003. By 2003, the cyclically adjusted deficit had not been below the 1993 level even for a single year. In brief, the approach adopted during the 1990s failed.

The stabilisation programme of 2002-2003 adopted a different approach and was more successful than its predecessors in meeting its medium-term targets. Faced with a large deficit, sharp recession and surging borrowing costs–and against the background of the lack of progress since 1992–the government adopted a medium-term fiscal programme that not only announced aggregate targets but also specified and legislated the measures needed to achieve them. These measures covered a broad spectrum of areas including transfer payments, social spending, defence, subsidies and pensions.

Moreover, additional future measures were specified at the outset to replace temporary ones, such as wage cuts and tax increases that were implemented due to the need for immediate action, but were perceived as less desirable or sustainable in the long run. Indeed, between 2003 and 2007 the cyclically adjusted deficit fell exactly as originally projected by 2.2% of GDP, the temporary measures were phased out and the key reforms were retained despite the heavy burden they placed on broad segments of society. This strong performance and the associated decrease of the debt to GDP ratio by some 20 percentage points

Israel 2000-2009: Current and primary current public expenditure



Source: Central Bank of Israel

between 2003 and 2008 both strengthened the credibility of the government's fiscal policies and served the Israeli economy well during the recent crisis.

The pre-specification and legislation of the measures for the entire programme was key to making the 2003 consolidation successful. Presetting aggregate fiscal targets is necessary to clarify the direction of the programme. Advocates of fiscal rules also argue that the reputational cost of changing preset macro targets is sufficient incentive to adopt the required specific measures when the time comes. However, in fiscal policy the devil is always in the detail, and the reputational cost may not be sufficient to ensure a political agreement on the actual allocation of the burden even if the broad targets are agreed. Accordingly, until the details are decided, the attainability of the broad targets is in question. Also, clarity about the specific measures reduces uncertainty: without it, the threat of forthcoming unspecified substantial fiscal cuts can cause consumers and investors to act defensively, and curtail current activity.

To enhance effective monitoring, the programme's main operational short-term target was a path of absolute expenditure ceilings, which is cyclically neutral, rather than deficit ceilings. This choice contributed to the programme's sustainability by alleviating the pressure to increase spending when fiscal outcomes turned out better than expected and facilitated a needed reduction of 8 percentage points in the public expenditure to GDP ratio between 2003 and 2008. However, here the Israeli experience suggests the need for a broader ceiling that would also cover tax rate cuts in a way similar to the PAYGO rule used by the US during the 1990s. Leaving taxes outside the ceilings led policymakers to respond to the cyclical overshooting of revenues by tax cuts equivalent to more than 1.5% of GDP.

> Until the details are decided, the attainability of the broad targets is in question. Also, clarity about specific measures reduces uncertainty

Many countries currently need to decide how quickly to consolidate their fiscal positions. The recent Israeli experience suggests that gradual and yet credible consolidations–the type that may help alleviate policy tensions–are feasible. However, such consolidations may require more than just adopting aggregate medium-term targets: early decision on the specific measures that will facilitate the targets' achievement is needed. Accordingly, programme monitoring should focus on implementation of the pre-scheduled measures and on evaluation of their effectiveness, rather than on cyclically sensitive aggregates such as current deficits.

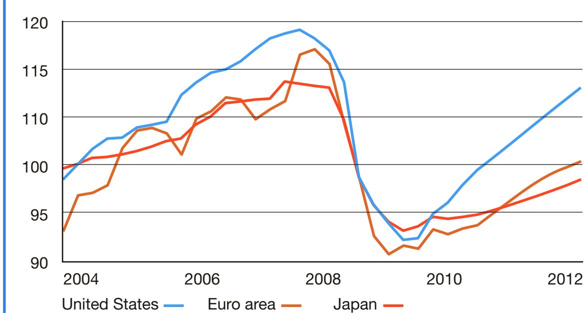
Recommended links and references

www.oecd.org/israel

Central Bank of Israel: www.bankisrael.gov.il

Business investment is picking up

% of GDP, Q1 2009 = 100



Source: *OECD Economic Outlook 88* database

Is the worst economic crisis of modern times really over? Though there are risks to the downside, the latest OECD Economic Outlook points to a recovery taking hold. If growth staggered somewhat in the second half of 2010, it was partly because world trade slowed from exceptionally high growth rates earlier in the year, the upturn in the inventory cycle was easing and many governments began unwinding their fiscal stimulus packages, and in some cases, cutting spending to control burgeoning deficits. However, private investment looks likely to become more robust.

Projections show gross fixed investment growing by over 5% on average in 2011-2012, up from about 2.4% in 2010. In the US, business investment is likely to gradually accelerate over the next two years, to over 8% on average in 2012, nearly double the average rate of 2010. Private residential investment should also gain strength from 2.8% in 2011 to over 6% in 2012. Both Japan and the euro area should also post expansion in gross fixed investment in 2011-2012.

For now, OECD-wide business investment remains well below the average intensity of the previous three decades, despite the upturn in investment volumes since the start of the year. But this augurs well for a bounce-back in activity. There is ample scope for business investment to gain additional momentum as the recovery proceeds, the report says, especially in new equipment and software. Improvements in capital markets and in corporate profitability have already started to ease financing conditions for businesses in several economies, even though bank borrowing remains subdued, and corporate balance sheets–outside the financial sector–are in a healthy state. Capital goods shipments and orders have expanded in larger OECD economies, albeit softening somewhat since mid-year in the US. However, the report remains confident that healthier financial conditions will take over and lift investment levels over the projection period.

Recommended links and references

OECD (2010), *OECD Economic Outlook 88*, June 2010, see www.oecd.org/oecdEconomicOutlook, with a link to country summaries.

OECD Factblog (2010), "Business returns": http://blog.oecdfactblog.org/?p=327

Government budgets: Save or spend?

Dae Whan Chang, Executive Chairman, World Knowledge Forum, and Publisher, Maeil Business Newspaper & TV

A heated debate between Princeton University economist Paul Krugman and Harvard economic historian Niall Ferguson was a highlight of the 11th World Knowledge Forum*–held in Seoul, Korea from 12-14 October–and among the conference's most attended sessions.

Stimulus or austerity? The two globally renowned scholars vigorously continued their ongoing debate on whether the United States government should try to spend its way out of the economic crisis or pursue fiscal austerity.

Krugman and Ferguson's war of words stems from their divergent opinions on the seriousness of current US economic problems. Krugman likened the current situation to the Great Depression of the 1930s while Ferguson downplayed the comparison. "There's a great danger in bad analogy,"

Ferguson said, warning against any risky overreaction to the current problems. "The rest of the world, particularly Asia and Latin America, is very far from a Great Depression," he argued. He pointed out that the US economy is actually growing and warned about the dangers of excessive government stimulation. Ferguson also remarked that the US has already taken strong fiscal measures and should avoid the mistakes of European nations such as Portugal, Greece and Ireland, whose governments took on excessive debt and risked losing investor confidence.

But Krugman painted a gloomier picture of the US economy. "Fundamentally, we are in a situation where the economy is depressed," he said. Citing US inflation and unemployment figures, he said the current crisis shares characteristics with both the Great Depression and the 1990s crisis in Japan. He cautioned that conventional monetary policy has exhausted its options in

> Governments must create conditions which will make their bonds attractive to potential investors - Niall Ferguson

this crisis, and that there is a need for a stronger response from governments. Krugman downplayed the dangers of stimulus spending: "Fiscal austerity or not [...] has very little impact on long–term fiscal sustainability," he said.

Ferguson said that governments must create conditions which will make their bonds attractive to potential investors. Excessive stimulation, he said, can cause governments to lose credibility and consequently drive away investment.

Ferguson and Krugman agreed that, in the long term, the size of US debt is problematic, yet each proposed very different solutions.

Krugman identified US healthcare costs as the main source of the long-term deficit. "It comes down to healthcare reform; without healthcare reform, nothing works," he said, adding that the US healthcare system is still in need of reform despite the recent and unprecedented changes.

Ferguson, however, placed US fiscal issues in a more global context. He claimed that US policy decisions have serious implications for the rest of the world and pointed out that

China, the large holder of US debt, regards the US's course as "inflationary and dangerous."

Ferguson added that there was a high chance that surplus stimulus funds would leak into foreign markets and not go directly into the US economy. He also pointed out that the US healthcare reform was very difficult to pass and had little impact on economic recovery, but a high cost in terms of political capital. "The result was fiscally zero," he said.

Economists need to go back to "simple Keynesian analysis" - Paul Krugman

The two scholars then turned to the role of international monetary policy, where they also held sharply different views. Krugman blasted China for intentionally keeping its currency weak. "There is an enormous difference between pursuing an expansionary monetary policy because you have a depressed economy [...] and pursuing a deliberately undervalued exchange rate," Krugman said.

He downplayed concerns that China could sell its large holdings of US debt. "China has an empty water pistol pointed at America's head," Krugman said. But Ferguson cautioned against blaming economic problems on China's currency policy, saying it could spark "a currency war which [would] disrupt globalisation itself."

The pair debated inflation further. Krugman said policymakers had the "tools" to deal with inflation at their disposal, but have chosen to not pursue these solutions out of fear. Ferguson disagreed, arguing that "inflation is not a gradual process," but one that is subject to "radical events."

"If Keynes were here, he would disagree with you," Ferguson said. Krugman countered that many economists needed to go back to "simple Keynesian analysis. The problem is that people have forgotten what they used to know."

* The World Knowledge Forum www.wkforum.org is hosted each year by Maeil Business Newspaper & TV, the largest business media Group in Korea. www.mk.co.kr

Budget treatment

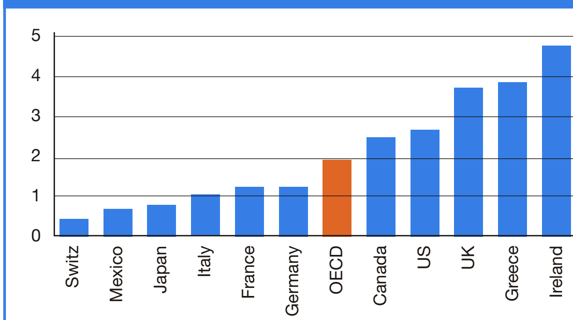
Mark Pearson, Head, OECD Health Division

The growing burden of healthcare expenditure on public budgets is hardly a recent phenomenon. For 15 years before the onset of the financial crisis, health spending per capita had been going up by over 4% per year in real terms across the OECD area–much faster than growth in real incomes. Nearly all OECD countries will soon have near-universal healthcare coverage–an historic achievement. But health now accounts for over 9% of GDP on average, and almost three-quarters of this spending is from the public purse. Small wonder that health budgets have attracted attention from those anxious to reduce public spending as part of the effort to rein in public sector deficits and debt. Health ministers from across the OECD and beyond met in October 2010 to discuss what should be done.

Big cuts in health spending have taken place recently in countries like Estonia, Iceland and Ireland. Retrenchment in some areas of health spending has taken place across southern and eastern Europe. Yet by and large, health spending has not been cut in most countries, and in many countries future spending is planned to be roughly the same as at present, at least for the next few years. Countries which have cut health spending have generally protected spending on prevention–one of the most cost-effective ways of "buying" better health. They have sought to protect access to high-quality care, for example, by agreeing to cuts in wages of health workers rather than reducing employment. They have reduced pharmaceutical spending, particularly by promoting generic use, and deferred new investment.

So changes in health spending help restore public finances? Not likely. The reason for the rapid growth in health spending has been that demand has been rising, due to new technologies, greater patient expectations and population ageing. These pressures continue. Holding spending constant will therefore seem like cuts in spending. Indeed, past experience suggests that holding health spending down for a few years is possible, but the underlying pressures eventually will overwhelm attempts to cap spending. The important challenge countries face is to reform their health systems to deliver high-quality health services to all at a reasonable cost. For more, read OECD work on health: www.oecd.org/health

Cutting costs in healthcare
Potential savings in public spending, % of GDP in 2017



Source: OECD Health Data 2009

Trimming pensions

Edward Whitehouse, Directorate for Employment, Labour and Social Affairs

Pensions are a major component of public expenditure, and a target for governments looking to streamline budgets. What are countries doing to manage costs at a time when populations are ageing at an accelerated pace?

It is unsurprising that pensions have been part of many governments' attempts to balance their books. Old-age and survivors' pensions are often the largest single item in budgets: public pension spending averages about 8% of GDP in OECD countries, or 16% of total government expenditure.

Pension spending faces upward pressure from the well known phenomenon of population ageing. There are currently around four people of working age (20-64) for every one of pensionable age (65+) in OECD countries. This ratio will fall to three in about 2025 and two in 2050. While all OECD countries are ageing, some countries are facing a greater demographic challenge than others. Japan, the demographically oldest, will have just 1.2 people of working age for every one of pension age in 2050, while Turkey will have more than three. The International Monetary Fund has calculated that the fiscal cost of ageing in the next 20 years will be nearly 10 times as large as the impact that the currrent crisis had on the public finances of the advanced G20 countries.

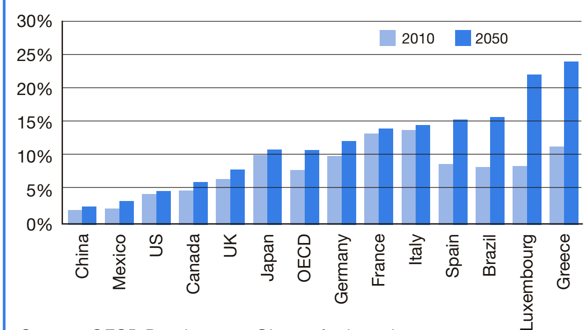
Many countries have already taken action to curtail future pension costs. The most visible change has been higher pensionable ages. From a low point of 62.5 years for men and 61.1 for women, the average pension age in OECD countries will increase to nearly 65 for both sexes in 2050. By that point, a number of OECD countries will have pension ages above 65 on current plans: 67 in Australia, Denmark, Germany, Iceland, Norway, the United States and 68 in the United Kingdom. Moving pension ages beyond 65 is also under serious consideration in Ireland and the Netherlands.

Financial sustainability remains an issue in many countries, with pension expenditures in seven countries projected in 2050 to exceed the highest figure today of 14% of GDP in Italy. This group includes Belgium, Italy, Luxembourg, Slovenia and Spain. France and Greece are also included, but these projections were made before their most recent pension reforms, which, in particular, make early retirement more difficult. Even in countries with relatively low public pension spending, such as Ireland and the United Kingdom, there have been moves to cut the costs of benefits for civil servants and other public-sector workers.

In other cases, the adequacy of benefits is an issue. Benefit cuts to make future pension costs more affordable may put older people at risk of poverty in the future. This is particularly the case in countries such as the Slovak Republic and Poland, where pension reforms significantly weakened the redistributive parts of retirement-income systems. It also holds in countries such as Germany and Japan, which have cut benefits across the board: the same proportional reduction for both low and high earners. In contrast, Finland, France and Sweden have protected low earners from the full force of cuts in benefits and maintained or improved old-age safety-net benefits. Australia and the UK have increased both pension ages and entitlements, with increased benefits targeting low-income pensioners.

Funding pensions

Public pension expenditure as % of GDP



Source: *OECD Pensions at a Glance*, forthcoming

Many countries have tried to encourage people to take out voluntary private pensions to complement meagre public retirement-income provisions for today's workers. Germany introduced a new type of private scheme with generous fiscal incentives: around two-thirds of the workforce joined. New Zealand's KiwiSaver is the first national scheme to use "automatic enrolment" of members. Workers have to actively opt out or else they are covered by the scheme; this expanded private-pension coverage includes from around 10% to 50% of the workforce. The UK will introduce similar arrangements in 2012; that will be the most important event of the year, ahead even of the Olympics, according to the former pensions minister earlier this year. Ireland has announced plans to follow suit.

In 2050 Japan will have just 1.2 people of working age for every one of pension age

The received wisdom has always been that reform is easier in times of plenty, when there are resources to compensate some of the losers. However, the contrasting mantra–"never waste a good crisis"–appears to have dominated pension policy in OECD countries. Since 2008, the pension reform process has, if anything, accelerated with many countries announcing major changes to retirement-income provision. But striking the right balance between benefit adequacy and fiscal sustainability remains a challenge.

Recommended links and references

OECD work on pensions: www.oecd.org/els/social/pensions

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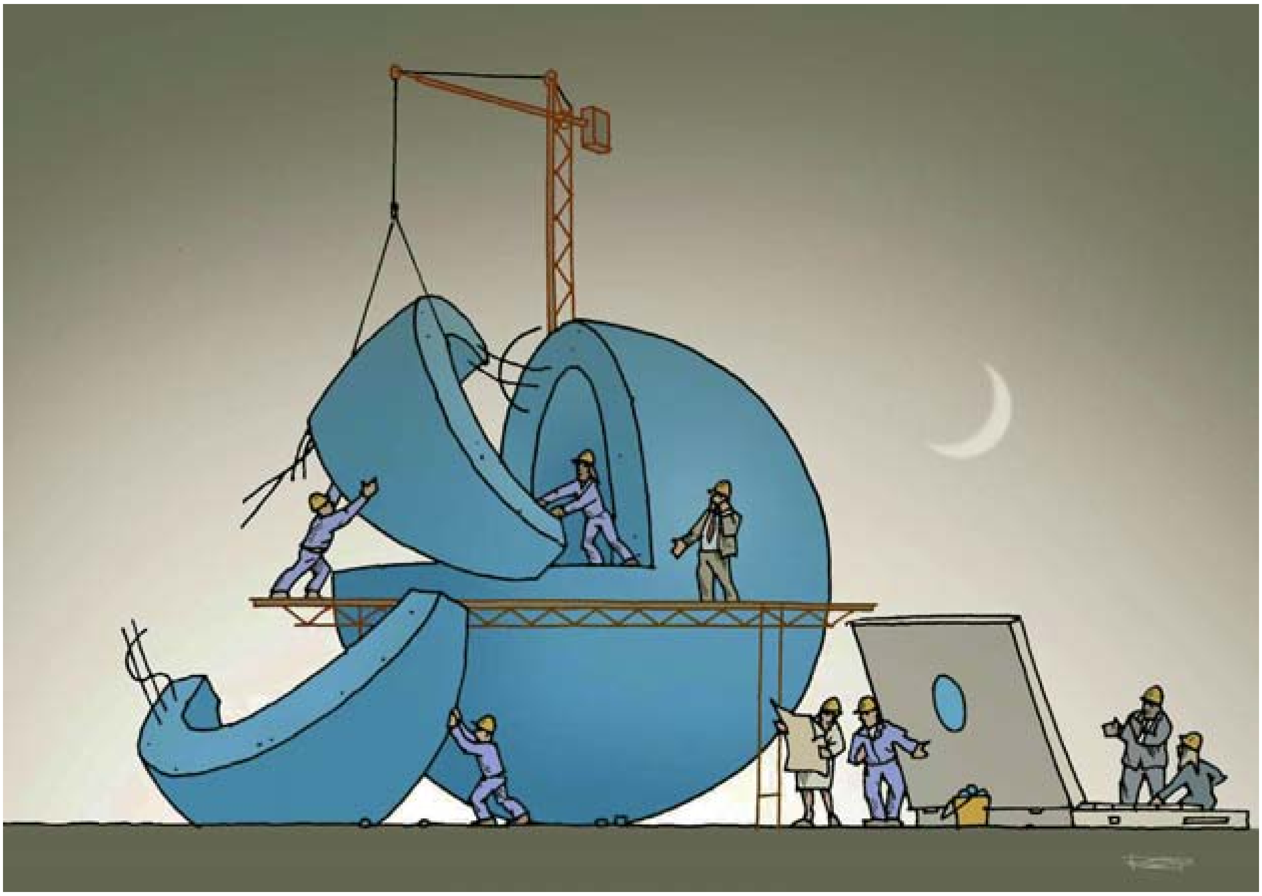
Boosting jobs and skills



Unemployment soared in the crisis, and creating jobs is now a major policy priority. But jobs alone will not be enough. A greater emphasis on skills will be needed for the recovery to last.

Alexandra managed to get back to work in Paris only three months after being made redundant in 2009. Impressive considering that the unemployment rate was over 10% at the time, one of the highest in the last two decades. And even more impressive given that Alexandra is 58, only two years younger than the age at which most French women retire from working.

But Alexandra's "exception française" may become the norm in the years ahead. The French government announced plans in 2009 to raise the minimum retirement age from 60 to 62 and the full pensionable age from 65 to 67. Despite widespread protests and strikes, which reflected public anxiety about the crisis more generally, the reforms were passed in November 2010. However, making people stay at work longer for a full state pension is only one part of the problem. The other is making sure they are able to keep working.

OECD analysis suggests that at the time of publication, unemployment had peaked in developed economies at 10%. But with the economic recovery still weak, private sector job creation remains feeble in most countries. And government spending cuts mean that the public sector cannot make up the gap because it is shedding jobs, too.

The short-term need to help the unemployed find work again is clear. Governments must also put in place longer-term policies to prepare for a fast-changing world.

For the crisis is likely to have changed the job market forever. Not only will people like Alexandra need to work longer, they will need to keep improving their skills too, both to stay in work and help firms improve their competitiveness.

The question is how. The past decade has already seen dramatic upheavals. The efficiency gains created by information technology have helped some firms thrive and boosted the growth of service industries. People acquired new strengths. But the rise in outsourcing has led to some of their skills and jobs being made redundant, as manufacturing firms shifted out of the developed economies to lower their costs.

At the same time, over the last 30 years the proportion of adults with university degrees has increased significantly. On average across OECD countries, 35% of 25 to 34-year-olds have completed tertiary education, compared with 20% of 55 to 64-year-olds. This has been good for the economy overall but has presented its own problems.

Prior to the recession, firms in some specialist sectors such as engineering and information technology warned of shortages of skilled workers. In other areas, competition for skilled jobs is increasing and some people ended up in jobs for which they were overqualified.

The policy challenge for countries is how to better anticipate and respond quickly to changes in demand for new skills and new jobs. For adults, this means investing more in life-long learning, and in active programmes that help vulnerable groups, such as younger workers, mothers and ethnic minorities, find work and stay in the labour market. Lessons from countries such as Germany, where unemployment has actually fallen in the crisis, should be drawn.

Teaching children to think outside the box and collaborate with others, even beyond national borders, will be needed as much as speaking a foreign language or using a computer

Schools must also respond more quickly to changes in the jobs market. Teaching children to think outside the box and collaborate with others, even beyond national borders, will be needed as much as speaking a foreign language or using a computer.

Thankfully, there are plenty of countries with education systems that others can learn from. According to the latest PISA survey, which tests the knowledge and skills of 15-year-olds, Korea has the best performing education system, closely followed by Finland. And these best-performing systems, which also include Canada and Japan, reflect students from various backgrounds, regardless of how well-off their parents are or whether they attend a private or state school.

According to OECD Secretary-General Angel Gurría, "Educational policies need to be based on a solid understanding, both of the development of skills, and also of how effectively economies use their talent pool, and of how better skills will translate into better jobs, higher productivity, and ultimately, better economic and social outcomes." And that means better prospects for people like Alexandra too.

Recommended links

For more on OECD work on boosting jobs and skills, see: http://bit.ly/dde7eY
To learn more about OECD work on PISA see: www.oecd.org/pisa
OECD studies on helping young people find work www.oecd.org/employment/youth

Any collar you want

© Vincent Kessler/Reuters

When the OECD was mandated to develop the Green Growth Strategy in June 2009, ministers specifically referred to the "green jobs" that such a strategy would support. But what exactly are "green jobs"?

The definition of a green job is squishy. Is someone who works in a plant that manufactures solar panels a "green-collar" worker or a blue-collar worker? What about a Ford worker producing low-emission cars? Does a banker who lends for environmental projects wear a green or white collar? Is a job "green" because of its effect on the environment or on growth, or both? Perhaps green jobs require new types of training. But would shifting to a green economy ultimately result in a net gain or a net loss of jobs? So far, no one has come up with satisfactory answers.

One recent analysis, co-authored by Sir Nicholas Stern* and published in *Climate Policy*, suggests that in the short term, switching to low-carbon technologies will lead to net job creation, because renewable energy sources are more labour-intensive than conventionally produced energy. But the study also suggests that workers laid-off from the "old" energy sector will probably not be able to find work quickly in the new sector, as they will need to upgrade, or maybe change, their skills. Over the medium term, jobs will be created in the construction sector, to retrofit old housing stock for instance, and there will be new markets for carbon traders and wind-power repair workers. Long-term, jobs in technological research and innovation will thrive.

A shift to a green economy will impose fundamental changes in the way we live, and that means in the way we work and train as well. To reinvent that old Ford expression, workers will be able to choose any collar they like, as long as it's green.

*Fankhauser, Samuel, Friedel Sehlleier, and Nicholas Stern (2008), "Climate change, innovation and jobs", in *Climate Policy* No 8, available at www.climatepolicy.com

Originally published in *OECD Observer* No 274, Oct 2009

Working for the recovery

© AFP

John Martin Director, OECD Directorate for Employment, Labour and Social Affairs

The crisis has had a huge impact on jobs and may have changed the labour market forever. John Martin, OECD Director of Employment, Labour and Social Affairs, explains the challenges facing policymakers in the years and decades ahead.

OECD: What impact has the crisis had on unemployment?
John Martin: The crisis is unlike anything we've experienced before. The oil crisis of the early 1970s led to massive hikes in unemployment in almost all OECD countries. This time the impact has been very different from country to country. At one end of the spectrum, there's been almost no increase in unemployment in countries like the Netherlands, Norway, Austria, Switzerland and Korea where joblessness is still at 3 to 4%. In Germany, unemployment has actually fallen. At the other end, more than one in five Spaniards in the labour force are out of work. Countries have also reacted in very different ways. In some, firms have carried out massive layoffs, like in Ireland, Spain and the United States. In others, firms have kept workers on the payroll but put them on shorter working hours. We've seen that in Belgium, Germany, France and Italy, and also outside Europe, in Japan and Korea.

Have labour laws been found wanting in any way?
The crisis has definitely raised a debate around labour laws that protect workers rather than jobs. The best illustration is Spain. It has traditionally had very high protection for workers on permanent contracts and much less for people on temporary contracts. This led to a growing dualisation of the labour market, also found in some other European countries like Italy, France and Greece.

The OECD has been arguing for many years that it's desirable to shift that balance: on the one hand there ought to be less protection for permanent workers and more for temporary workers–backed at the same time by a much more effective activation strategy. The Spanish government did not grasp this nettle before the crisis, but now it has moved significantly in that direction with its most recent reforms. In a sense the crisis highlighted the problem, and the markets and public opinion forced a change.

Some people are saying that European countries with less flexible labour markets, like Germany, seem to have come out better than more flexible countries like the US. Would you agree?
That comparison is overdrawn. There's no doubt that the way in which collective bargaining, unions and employers responded to the crisis in Germany was very different than in the US. That's due a lot to history, and the strengths of unions and employer associations and their ability to work together. But at the same time the German labour market became much more flexible in the years leading up to the crisis, and in particular the reforms by the Schroeder government, the so-called Hartz reforms, really did make a difference by making the labour market more flexible, and encouraging unions and employers to be more consensual in their negotiations when the crisis hit the economy in 2008.

With regard to the US, there are very few short-time working schemes in place, so it's not surprising that when the crisis hit, firms laid off workers in large numbers. A key issue is how quickly they will start to rehire. The economy has been in recovery for over a year, but the private sector has yet to start rehiring in anything like sufficient numbers to make inroads into the unemployment rate, which is stuck around 9.5%.

The real worry is that many of those people have been out of work for a long time: currently over 40% have been unemployed for over 6 months, close to a post-war high. There are two sides in this debate: one school of thought, exemplified by Narayana Kocherlakota, president of the Federal Reserve Bank of Minneapolis, says the main problem is that there has been a mismatch in the US economy between the skills that firms want and the skills that unemployed people have. On the other hand, economists like Paul Krugman are saying that there's always been some degree of skills mismatch, but in the current circumstances it's the drop in demand which has been the main cause of high unemployment. I have more sympathy with the Krugman school, at least in the short run. But the more entrenched high unemployment remains, the more the skills of those unemployed people atrophy, and the more difficult it is for them to be competitive in the labour market once firms start hiring again. And then you have high unemployment becoming structural, meaning that even an upturn won't make rapid inroads into reducing unemployment, and that's the real risk in the US at the moment.

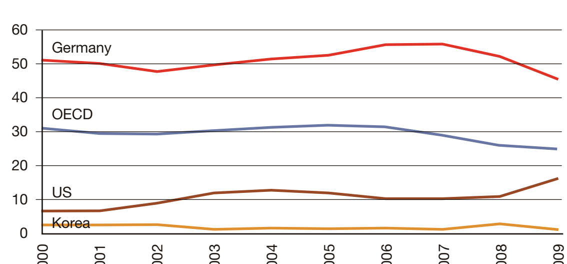
> You actually come out of a crisis with a higher underlying rate of unemployment and that's a big risk for countries like the US, Ireland, Spain and Iceland right now

When do you think the jobs situation will start to improve?
We really need to see when, as we all hope, the recovery becomes more robust. That's going to depend to some extent on resolving several problems in financial markets, government budgets, global trade issues and so on. But let's assume the world economy recovers more strongly than at present. The countries that have seen the

biggest rises in unemployment will face a new challenge in trying to bring it down to more acceptable levels. Past experience tells us that when you have big, sudden jumps in unemployment, it usually takes five to ten years to unwind much of that jump. And even when you do, in some cases you never get back to pre-crisis levels of unemployment. You actually come out of a crisis with a higher underlying rate of unemployment, and that's a big risk for countries like the US, Ireland, Spain and Iceland right now. In the US even the most optimistic commentators are talking about five years or more to get back to an unemployment rate of 5%. Many of these workers will find another job, but some could end up unemployed for years to come.

Long-term unemployment rose in the US

Number of people unemployed for over a year as % of all unemployed



Source: OECD, Labour Market Statistics database

http://dx.doi.org/10.1787/data-00320-en

If we look further ahead, what other issues in the job market need to be tackled?

Skills. Over the medium term, this is going to become very important. It's been overshadowed by the immediate effects of the crisis but looking ahead, particularly in the context of ageing populations and workforces and the rise of emerging economies, the OECD countries must continue investing in developing their skills. They are going to have to sort out mismatches in skills embodied in the workforce and the skills firms are demanding. That means putting more emphasis on skill formation and taking lifelong learning much more seriously as a policy goal.

The sad fact is that most investment in skilling ends by the time people are in their late 30s. In the future OECD countries will need to invest much more in mid-career, say in the 40-55 age bracket. That's going to be a big challenge for OECD countries for the next decade or two, and governments need to get the message across to workers that they need to think constantly about upgrading the value of their skills.

Recommended links

OECD (2010), *Employment Outlook 2010*, see www.oecd.org/els/employment/outlook

OECD Insights (2010), "Jobs–a continuing crisis", http://oecdinsights.org/2010/07/16/jobs-%E2%80%93-a-continuing-crisis

OECD Education Policy Forum: Investing in Skills for the 21st Century, 4-5 November 2010, www.oecd.org/education/ministerial/forum

Keeping Germany at work

© Thomas Peter/Reuters

No small achievement: Labour Minister **Ursula von der Leyen** points to Germany's relatively low unemployment

The crisis has bitten deep, but unemployment in Germany has fallen. How?

Unlike some of its European neighbours where joblessness has soared, Germany's unemployment rate actually declined by nearly a whole percentage point, from 7.9% at the start of the recession to 7% in May 2010. By contrast, unemployment for the OECD as a whole rose by 3 percentage points to 8.6%. Today, the German unemployment rate is well below the OECD average. To be sure, almost half of all jobseekers have been unemployed for more than a year in Germany, and structural unemployment is quite high by OECD standards. But the muted impact of the crisis on German jobs has raised interest among policymakers everywhere. And indeed, a close look shows that policies played a key role.

Take the large reductions in working time: these reductions were introduced to such an extent that average hours worked fell by 3.4%. Hourly labour productivity declined by 3.9%. The sheer size of adjustment in hours was made possible by several factors, including winding back the extensive use of overtime before the downturn and the sharp decline in demand in the exporting sector. The relatively strict employment protection regulations mixed with flexible work-time practices also played a role. The result was a form of "labour hoarding" in firms that largely spared the economy from an upsurge in unemployment.

Germany's ability to keep a lid on unemployment owes much to the shorter work-time policy called *Kurzarbeit*. New OECD estimates indicate that by the third quarter of 2009 over 200,000 jobs may have been saved as a result of *Kurzarbeit*. These estimates are somewhat smaller than the full-time equivalent of participation in short-time work (350,000), suggesting that *Kurzarbeit* ended up supporting at least some jobs that would have been maintained even in the absence of the subsidy. Yet, compared to other types of labour market programmes short-time work schemes appear to be fairly cost-effective.

However, other institutional arrangements also played their part, as a recent study by the Federal Employment Agency in Germany (IAB) shows. In fact, the overall decline in total hours worked during the 2008-09 period came to 4%, of which just 0.3 percentage points was due to a lower employment level. The rest of the reduction reflects lower average hours for other reasons, including employer-initiated reductions in working time and reduced over-time. In fact, employer-initiated reductions in working time within existing collective agreements represent a larger source of flexibility in average hours than *Kurzarbeit*. These reductions appear to account for approximately 40% of the recent reduction in working time and were associated with proportional reductions in pay, at least for hourly workers.

One of the most influential models for these contract provisions was Volkswagen during a recession in the early 1990s, when it tied working-time reductions to lower pay to avoid redundancies. Since that time, it has become standard practice in Germany for collectively negotiated employment contracts to specify an hour's band around the standard working week within which employers can vary working hours, while adjusting pay according to the standard hourly wage rate. This is intended to provide employers with room to adapt to temporary changes in demand and provide decent employment security at the same time. Even without *Kurzarbeit*, German employers would have achieved substantial reductions in average hours by cutting back on the volume of paid over-time work–this accounted for a fifth of the total reduction, according to the IAB study, and encouraging employees to use up any free time they were owed accounted for another fifth.

Less unemployment and holding on to workers' skills is clearly a positive thing, but can lead to a build-up of unviable jobs. Such labour hoarding could in turn raise the risk of a jobless recovery. Indeed, German GDP could expand by more than 7% in real terms without any increase in employment, provided hours worked per employee and hourly productivity were to rise back to their pre-crisis levels. However, achieving GDP growth on this scale is expected to take several years. As a result, employers may come under increasing pressure to restore productivity more quickly by reducing the size of their workforces. Indeed, competitive pressures are looming, as indicated by recent declines in hourly labour productivity. On the other hand, the country's powerful exporting industries that took the brunt of the global downturn may have built up sufficient capacity and resilience over the years to hold on to their workers for some time yet. Provided the global recovery gathers momentum, many of these retained jobs should become viable again, which will ease pressure on employers to adjust and stay competitive.

In the end, *Kurzarbeit* has been a successful policy for helping employers to hold on to skills and for keeping unemployment at bay during the crisis. The trouble is in an upturn, the same policy can end up locking skills into firms and interfering with the kind of labour market mobility that a growing economy needs. It can also end up protecting unviable jobs. As the crisis recedes and the recovery takes hold, *Kurzarbeit* will have to be phased out too.

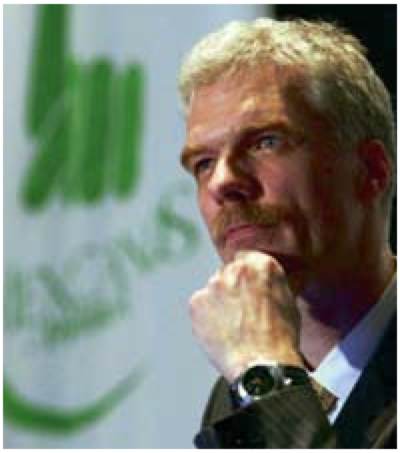
Recommended links

OECD (2010), *Employment Outlook*, Paris,
see www.oecd.org/employment/outlook

For more on this issue, please contact Alexander Hijzen
in the OECD Directorate for Employment, Labour and Social Affairs.

Originally published in OECD Observer No 281, Oct 2010.

The case for 21st century learning



© AFP

Andreas Schleicher
OECD Education Directorate

Anyone wondering why knowledge and skills are important to the future of our economies should consider two facts.

First, jobs: employment rates are higher among people with more education than among those with less. This has continued to be the case during the crisis. Also, in those OECD countries where college education has expanded most over recent decades, earning differentials for college graduates have continued to rise compared with school leavers, for instance. Their pay did not decrease, unlike that of low-skilled workers. So from a jobs perspective, it pays to study.

This is a good, concrete argument for skilling up. But the case for 21st century learning goes deeper than this and is more abstract. It is about how knowledge is generated and applied, about shifts in ways of doing business, of managing the workplace or linking producers and consumers, and becoming quite a different student from the kind that dominated the 20th century. What we learn, the way we learn it, and how we are taught is changing. This has implications for schools and higher level education, as well as for lifelong learning.

For most of the last century, the widespread belief among policymakers was that you had to get the basics right in education before you could turn to broader skills. It's as though schools needed to be boring and dominated by rote learning before deeper, more invigorating learning could flourish.

Those that hold on to this view should not be surprised if students lose interest or drop out of schools because they cannot relate what is going on in school to their real lives.

If you were running a supermarket instead of a school and saw that 30 out of 100 customers each day left your shop without buying anything, you would think about changing your inventory. But that does not happen easily in schools because of deeply rooted, even if scientifically unsupported, beliefs that learning can only occur in a particular way.

In 2010, the world is now more indifferent to tradition and past reputations of educational establishments. It is unforgiving to frailty and ignorant of custom or practice.

We live in a fast-changing world, and producing more of the same knowledge and skills will not suffice to address the challenges of the future. A generation ago, teachers could expect that what they taught would last their students a lifetime. Today, because of rapid economic and social change, schools have to prepare students for jobs that have not yet been created, technologies that have not yet been invented and problems that we don't yet know will arise.

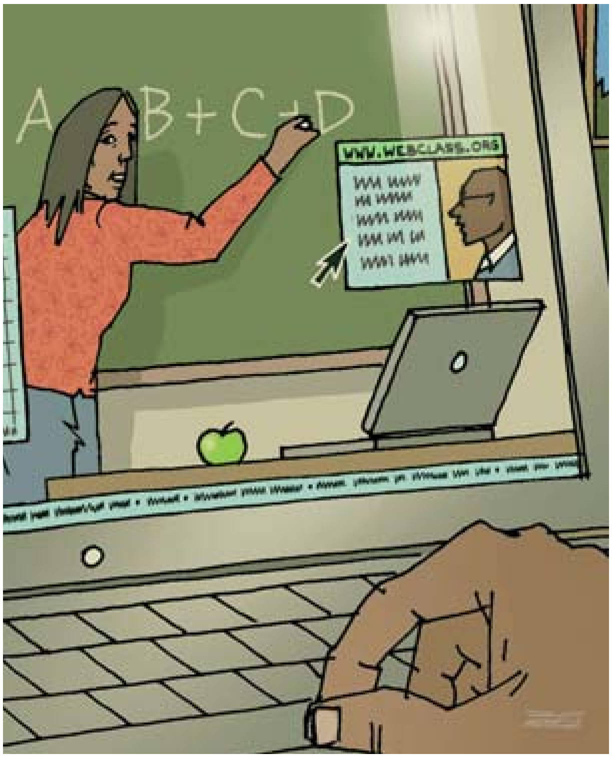
Think back 50 years: could educators then have predicted how the Internet, which emerged globally in 1994, or the mobile phone, which appeared a few years later, would change the world? These technologies have not just become tools of learning, but networking and knowledge sharing, as well as innovation and entrepreneurship.

How do we foster motivated, dedicated learners and prepare them to overcome the unforeseen challenges of tomorrow? The dilemma for educators is that routine cognitive skills, the skills that are easiest to teach and easiest to test, are also the skills that are easiest to digitize, automate or outsource. There is no question that state-of-the-art skills in particular disciplines will always remain important. However, educational success is no longer about reproducing content knowledge, but about extrapolating from what we know and applying that knowledge to novel situations.

Education today is much more about ways of thinking which involve creative and critical approaches to problem-solving and decision-making. It is also about ways of working, including communication and collaboration, as well as the tools they require, such as the capacity to recognise and exploit the potential of new technologies, or indeed, to avert their risks. And last but not least, education is about the capacity to live in a multi-faceted world as an active and engaged citizen. These citizens influence what they want to learn and how they want to learn it, and it is this that shapes the role of educators.

> We are seeing a shift from a world of stocks, where knowledge is stored up, to a world of flows, where knowledge is energised and enriched

Conventionally, our approach to problems was to break them down into manageable bits and pieces, confined to narrow disciplines, and then to teach students the techniques to solve them. Today,



however, knowledge advances by synthesizing these disparate bits. It demands open-mindedness, making connections between ideas that previously seemed unrelated and becoming familiar with knowledge in other fields. The Nobel Prize for Physics was awarded in 2010, for instance, to two UK scientists for their discovery of graphene, a new material with groundbreaking properties and potential applications. Known for their playful approach to physics, the two researchers' breakthrough came from a 2004 experiment involving a block of carbon and some scotch tape.

If we spend our whole lives in the silo of a single discipline, we cannot develop the imaginative skills to connect the dots or to anticipate where the next invention, and probable source of economic value, will come from. Yet most countries, with the possible exception of the Nordic countries, provide few incentives for students to learn and teachers to teach across disciplines.

Traditionally, you could tell students to look into an encyclopaedia when they needed information, and you could tell them that they could generally rely on what they found to be true. But today, literacy is about managing non-linear information structures. Consider the Internet. The more content knowledge we can search and access on the web, the more important the capacity to make sense out of this content becomes. This involves interpreting the frequently conflicting pieces of information that pop up on the web and assessing their value, a skill rendered essential by the appearance of the Internet.

Rather than just learning to read, 21^{st} century literacy is about reading to learn and developing the capacity and motivation to identify, understand, interpret, create and communicate knowledge. Only a few countries promote such a broad concept of literacy in their instructional practices and assessments, but more will surely follow.

Another changing tradition is for students to learn on their own and be tested at the end of the school year on what they have learned. The more interdependent the world becomes, the more collaborators and orchestrators must step in. Innovation in particular is the outcome of how we mobilise, share and link knowledge.

The knowledge world is no longer divided between specialists and generalists. A new group–let's call them "versatilists"–has emerged. They apply depth of skill to a progressively widening scope of situations and experiences, gaining new competencies, building relationships and assuming new roles. They are capable not only of constantly adapting, but also constantly learning and growing in a fast-changing world. In a flat world, our knowledge becomes a commodity available to everyone else. As columnist and author Thomas Friedman puts it, because technology has enabled us to act on our imaginations in ways that we could never before, the most important competition is no longer between countries or companies but between ourselves and our imagination.

Value is less and less created vertically through command and control–as in the classic "teacher instructs student" relationship–but horizontally, by whom you connect and work with, whether online or in person. In other words, we are seeing a shift from a world of stocks, where knowledge is stored up but not exploited, and so depreciates rapidly, to a world of flows, where knowledge is energised and enriched by the power of communication and constant collaboration. This will become the norm. Barriers will continue to fall as skilled people appreciate, and build on, different values, beliefs and cultures.

> Schools have to prepare students for jobs that have not yet been created, technologies that have not yet been invented and problems that we don't yet know will arise

Success will go to those individuals and countries that are swift to adapt, slow to resist and open to change. The task for educators and policymakers is to help countries rise to this challenge.

Recommended links

Watch "The high cost of low educational performance", talk by Andreas Schleicher at a Lisbon Council meeting, January 2010: www.youtube.com/watch?v=LsthK7oWpiO

OECD work on education, see: www.oecd.org/education

Top of the class

©Reuters/Jo Yong-hak

Are today's students prepared for the knowledge economy of the 21st century? What basic skills do they have, and how do different countries rank against each other when it comes to basic tasks such as reading, mathematics and science?

To answer these questions, the OECD developed PISA, the Programme for International Student Assessment, which evaluates the quality, equity and efficiency of school systems in some 70 countries that, together, make up 90% of the world economy. By testing between 4 500 and 10 000 15-year-old students in each country, PISA provides an internationally standardised assessment and has become a powerful tool for countries wanting to improve their education systems. Four assessments have been carried out since 2000.

Korea came out on top in the results from the latest PISA survey–conducted in 2009 and released in December 2010–thanks to particularly strong performances in reading and mathematics. Finland, which came in second, outperformed Korea in science. Interestingly, some 19 countries scored 500 or more in science, compared with just 14 countries in reading and mathematics. Some countries saw strong gains in reading literacy since 2000, notably Chile, Israel and Poland, though others, such as Ireland and Sweden, slipped back somewhat.

The score of the lowest performing OECD country, Mexico, shows that the gap between the highest and lowest performing OECD countries is more than the equivalent of two school years.

Also, for the first time, PISA 2009 tested Shanghai–China. Though not a country and so not strictly comparable, it nonetheless topped the class by a clear margin (see www.pisa.oecd.org). This performance shows what can be achieved with moderate economic resources and in a diverse social context.

The latest OECD PISA survey revealed several points, that good schools prioritised teacher pay over smaller class sizes, for instance. Moreover, in reading, girls outperform boys in every participating country. This is good news since throughout much of the 20th century, concern about gender differences in education focused on girls' underachievement. More recently, however, the scrutiny has shifted to boys' underachievement in reading. Boys still outperform girls in mathematics, while in the sciences, differences are small.

The education systems that have been able to secure strong and equitable learning outcomes, and to mobilise rapid improvements, show others what it is possible to achieve. Naturally, income levels influence educational success, but this only explains 6% of the differences in average student performance. The other 94% reflect the potential for public policy to make a difference.

Recommended links

For more on OECD PISA: www.pisa.oecd.org

See www.oecd.org/education

Student performance in OECD countries

Results of the OECD PISA 2009 survey

	Reading	Mathematics	Science	Change in reading score 2000-2009
Korea	539	546	538	15
Finland	536	541	554	-11
Canada	524	527	529	-10
New Zealand	521	519	532	-8
Japan	520	529	539	-2
Australia	515	514	527	-13
Netherlands	508	526	522	-
Belgium	506	515	507	-1
Norway	503	498	500	-2
Estonia	501	512	528	-
Switzerland	501	534	517	6
Poland	500	495	508	21
Iceland	500	507	496	-7
United States	500	487	502	-5
Sweden	497	494	495	-19
Germany	497	513	520	13
Ireland	496	487	508	-31
France	496	497	498	-9
Denmark	495	503	499	-2
United Kingdom	494	492	514	-
Hungary	494	490	503	14
Portugal	489	487	493	19
Italy	486	483	489	-1
Slovenia	483	501	512	-
Greece	483	466	470	9
Spain	481	483	488	-12
Czech Republic	478	493	500	-13
Slovak Republic	477	497	490	-
Israel	474	447	455	22
Luxembourg	472	489	484	-
Austria	470	496	494	-
Turkey	464	445	454	-
Chile	449	421	447	40
Mexico	425	419	416	3

Source: OECD PISA 2009

Decent work is not a slogan

© DR

Sharan Burrow
General Secretary, International Trade Union Confederation (ITUC)

At the Pittsburgh G20 Summit in September 2009, world leaders made the following statement: "We commit to implementing recovery plans that support decent work, help preserve employment, and prioritise job growth".

But just a few months later, with unemployment still substantially higher than before the crisis, many of them abandoned the stimulus policies needed to maintain and increase employment. The shift toward austerity is now a significant drag on the job market in most OECD countries. This article describes the measures that governments need to implement in order to get back on track, by prioritising decent work through public investment, social protection and respect for workers' rights.

The first step to solving the jobs crisis is acknowledging its gravity. Despite a modest recovery in economic output, unemployment rates remain well above pre-crisis levels. Furthermore, these official measures do not include workers who have dropped out of the labour force altogether or have been unable to enter it at all.

Not only are more workers unemployed, but many are unemployed for longer periods of time. Many jobless workers are exhausting whatever unemployment benefits they may receive and falling into poverty. The longer a worker is unemployed, the more his or her skills can deteriorate or become outdated; the risk is that cyclical unemployment from the recession will become long-term structural unemployment. But policymakers must not be allowed to claim that some such increase in the "natural rate of unemployment" could excuse their inaction. The appropriate response is a determined effort to get people back to work, or at least into training programmes with income support, before structural unemployment sets in.

A strong job market is essential to the majority of people who derive their income from employment. It is also a necessary, if not sufficient, condition for meeting other major economic challenges. Sustainable economic growth requires consumer spending to be financed by employment income rather than consumer credit. In that regard a strong job market is not some eventual, positive side-effect of economic recovery, but the engine of economic recovery.

Furthermore, additional employment income, and hence tax revenue, is the ultimate key to reducing government deficits. Conversely, attempts to reduce deficits by slashing spending–with corollary negative effects on employment–threaten to drag the global economy back into recession. The combined impact of reduced tax receipts, together with higher transfers through unemployment benefits, would lead, paradoxically, to yet higher deficits. Consequently, premature efforts to end fiscal stimulus by cutting deficits rather than through economic growth would actually end up worsening national debt situations.

Rather than prioritising targets to reduce budget deficits, limit inflation or increase exports, therefore, OECD governments should make creating jobs and reducing unemployment equally explicit or, if anything, more important public policy goals.

Output and employment can recover only given sufficient demand. With consumer spending, business investment and international trade still depressed, government expenditure remains an indispensible source of demand. Stimulus programmes must therefore be continued, but should be evaluated and revised to ensure that they support the largest amount of employment.

Public investments can and should also address longer-term challenges. Climate action and investment in green jobs can lay the basis for further high value-added investments by both public and private sectors in building the infrastructure for a low-carbon economy.

In addition to physical infrastructure, governments should invest in social infrastructure by providing quality public services. Expenditure on education and training, for example, contributes to aggregate demand and directly creates jobs. However, it can also engage and assist those workers who remain jobless. Periods of high unemployment can be considered the best time for workers to participate in formal education and training programmes outside the workplace.

> Sustainable economic growth requires consumer spending to be financed by employment income rather than consumer credit

A common argument heard in Europe is that European countries do not need fiscal stimulus because they already have relatively strong social programmes that serve as "automatic stabilisers". But programmes to stabilise the economy's routine ups and downs do not negate the need for additional stimulus to recover from the worst recession since the Great Depression. Stimulus and automatic stabilisers should not be viewed as substitutes; both are needed.

The government's own employees are an important segment of the job market. Cutting back public sector jobs and salaries will weaken consumer demand, and hence the wider economy. It would also set a lower standard for labour negotiations in the private sector, which stands to further undermine demand and growth.

The crisis has underscored the importance of social safety nets to protect citizens from economic circumstances beyond their control. Continuing high unemployment should prompt improvements in the accessibility, level and duration of unemployment benefits. Increased poverty should prompt stronger income-support programmes. The widespread loss of private savings during the stock market crash should prompt enhanced public pension benefits.

These programmes clearly make the most difference to those who are unemployed or retired. However, knowing that such safeguards are adequate would make all citizens more confident and more willing to make major purchases. At a macroeconomic level, programmes that automatically expand if the economy contracts provide much needed stability.

Minimum wages are an essential form of social protection for workers. They also help ensure that any tax benefits for employment income actually help low-income workers rather than allowing employers to pay lower pre-tax wages. At a macroeconomic level, minimum wages limit the possibility of deflation. Consequently, minimum wage schemes need to be broadened and, in view of the high consumption propensity of lower-income workers, minimum wages need to be raised.

Of course, society needs to do more than just ensure that people do not fall below minimum levels of income. The public policy goal should be a continuous improvement in economic conditions that benefits all people. Future growth should be based on wages rising along with productivity, to give workers a fair share of the wealth they produce and enough purchasing power to demand the output that our economy supplies.

Trade unions and collective bargaining serve this crucial economic purpose. In drafting and applying labour legislation, governments should seek to facilitate rather than impede workers joining unions. Governments should encourage collective bargaining. In particular, they should co-operate with the labour movement to develop structures for the growing number of agency and other precarious workers to meaningfully negotiate with their ultimate employers.

"Decent work" needs to be more than a slogan. It should be the focus of concerted public policy. Rather than maintain a dangerous shift towards austerity, governments must prioritise decent work through the essential measures described in this article–public investment, social protection and respect for workers' rights.

Recommended links and references

International Trade Union Confederation: www.ituc-csi.org

See also "Beating the jobs crisis" by Richard Trumka, president, AFL-CIO, in *OECD Observer* No 279, May 2010.

More on trade union work with the OECD at www.tuac.org

Mancession?

Unemployment in the OECD area climbed to 8.4% in the third quarter of 2010, up from 5.6% in 2007 Q3 prior to the global economic crisis. Despite the economic recovery having been underway for some time, workers are still suffering. Men have been hit harder than women: across the OECD area, male employment has fallen by 2.7% since the recession started, while the decline for women stood at a tenth of that, at 0.2%. Hence the "mancession" tag bloggers and commentators have used to characterise the jobs crisis.

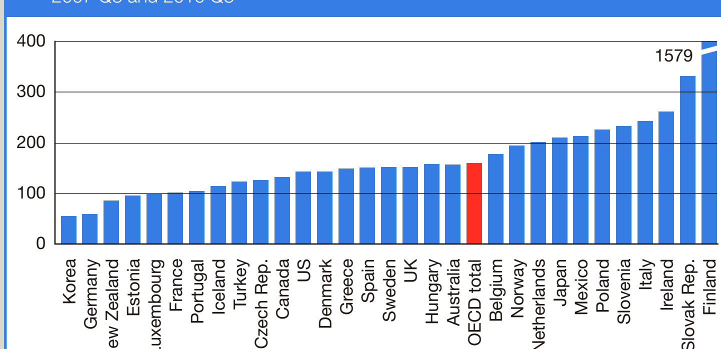
Why the difference? In large part, men are more likely to work in sectors of the economy that were more prone to initial job losses from this downturn and have been slower to recover in many countries, such as construction and manufacturing. By contrast, job losses have been less severe and recovery quicker in services in which women are heavily represented.

Focussing on countries where the unemployment rate remains substantially above its pre-crisis level, the rise in unemployment has been substantially greater for men than for women in most cases (see chart). In Ireland, for instance, 217 male jobs were lost for each 100 female jobs, but in New Zealand, female unemployment rose slightly more than male unemployment.

This article is updated from OECD Observer No 278, March 2010.

Gender and unemployment

Ratio between number of jobless males and females, changes between 2007 Q3 and 2010 Q3



Out of work: A portrait

© Shannon Stapleton/Reuters

"Being unemployed is frustrating, demeaning and, at this point, frightening." Anyone who has any doubt about the devastating effects unemployment can have will learn a lot from statements such as this one, captured in a recent survey undertaken by the John. J. Heldrich Center for Workforce Development at Rutgers University in the US. The Center polled 1,200 Americans over the age of 18 who were unemployed and looking for work at any time during the 12 months to August 2009. The result? "The Anguish of Unemployment", in at times revealing words and numbers.

53% of respondents feel that the US economy is in the midst of "fundamental and lasting changes". As one respondent puts it, "Articles in the papers say we 'baby boomers' will have to work for a few more years, especially since so many of us have lost half, if not more, in retirement 'funds'. Now, you tell me, how can I work for a few more years if I can't even get a job interview?!"

Of the 56% of respondents who said that they had not received any government unemployment benefits over the past 12 months, 48% said they were ineligible to receive unemployment benefits. 60% of those without jobs said they were given no advance warning about their layoff; 27% were told one month or less before they were laid off.

Little wonder that some 51% of respondents said that when people are laid off from work, the government should be responsible for helping them. In comparison, 17% said the employer should be responsible and 33% said the workers, themselves, should be responsible.

Importantly, 76% of respondents said that the economic situation has had "a major impact" on their families. "I do receive food stamps, but that doesn't help me get back and forth to the grocery store, or buy laundry detergent to wash clothes, or even to buy new clothes for a possible job interview," said one respondent.

Of the 43% of respondents who said they had received unemployment benefits, 83% said that they were "somewhat" or "very" concerned that those benefits would run out before they found another job.

"The lack of income and loss of health benefits hurts greatly, but losing the ability to provide for my wife and myself is killing me emotionally."

Of those surveyed, 70% said that they had postponed home improvements or a vacation, 63% said they had used money from savings set aside for other things or for retirement to make ends meet, and 56% said they had borrowed money from family or friends.

More than 60% of respondents reported a change in sleeping patterns, loss of sleep, or feeling restless and uneasy. Some 58% said family relations were strained, and 52% said that they avoid social situations with friends and acquaintances.

The Rutgers poll paints a depressing picture, but not one without hope. While 77% of those surveyed said that they have felt "stressed" and 68% said that they have felt "depressed" because of their situation, 66% reported that they felt "eager for a new start".

The full survey can be found at www.heldrich.rutgers.edu

Originally published in *OECD Observer* No 274, Oct 2009.

Looking after the future

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Off to a Good Start? Jobs for Youth **says that young people are more than twice as likely to be unemployed as the average worker. This is a waste of resources that today's economies can ill afford.**

Young people have suffered a disproportionate share of job losses during the global economic crisis. In the third quarter of 2010, the OECD-average youth unemployment rate represented 18.5% of the labour force aged 15/16-24, with nearly 3.5 million more youth having joined the ranks of the unemployed compared with the corresponding quarter of 2007.

But unemployment does not capture the full hardship for youth, as many of those who have left education do not even appear in labour market statistics. Youth unemployment rates in the OECD area are expected to stay high in 2011 before dropping slightly to about 17% in 2012. This is more than double the total unemployment rate, which stood at 8.6% in October 2010.

Complicating matters is the fact that young people after leaving school can face lower pay–up to 8% in some countries–than their peers 20 years into their careers. And young people leaving school in the coming years are more likely to struggle to find work than previous generations.

Countries cannot afford to waste their most valuable resources by allowing them to remain idle. The loss is compounded in countries with aging populations. But what can governments do to help young job-seekers find work?

Governments should emulate policies that have produced cost-effective results in other countries. For example, it is essential to target young people most at risk, including youths who leave school without a qualification, those from immigrant backgrounds or who live in disadvantaged areas.

Early intervention programmes and effective job-search assistance for different groups of youth have demonstrated positive results in countries such as in Denmark, the Netherlands and Japan. Job-search assistance programmes are found to be the most cost-effective for young people who are assessed as ready to work, and many OECD countries hired new staff in the crisis to better assist young job-seekers.

Apprenticeship, vocational education and training programmes appear to be efficient school-to-work pathways, particularly for secondary students. Governments should strengthen these programmes, as is done in Austria, Germany and Switzerland–and increasingly in Australia and in France. Governments could also use temporary subsidies to encourage firms to hire youth who have completed their apprenticeship, targeting in particular those lowest-skilled candidates and smaller firms.

These active measures should be complemented by temporary extensions of the safety net, which are vital to ward off poverty. For example, in its Recovery Act of 2009, the US provided federal funding to states to expand coverage of unemployment benefit eligibility for the jobless with short work histories, which covered younger workers.

The risks posed by a "scarred" generation have motivated many governments to take vigorous action, notably by scaling up funds for youth labour market programmes. In the context of today's fragile recovery and mounting fiscal pressures, there is a strong need to keep up momentum. But governments cannot do everything alone, and well co-ordinated support and incentives must come from employers, trade unions, NGOs, and other players.

Countries cannot afford to waste their most valuable resources by allowing them to remain idle

Improving labour market prospects for all youth should be at the top of the political agenda in all OECD countries in 2011. Our economies cannot afford to underestimate the size of the problem, and addressing it is essential for our future.

Recommended links and references

See www.oecd.org/employment/youth


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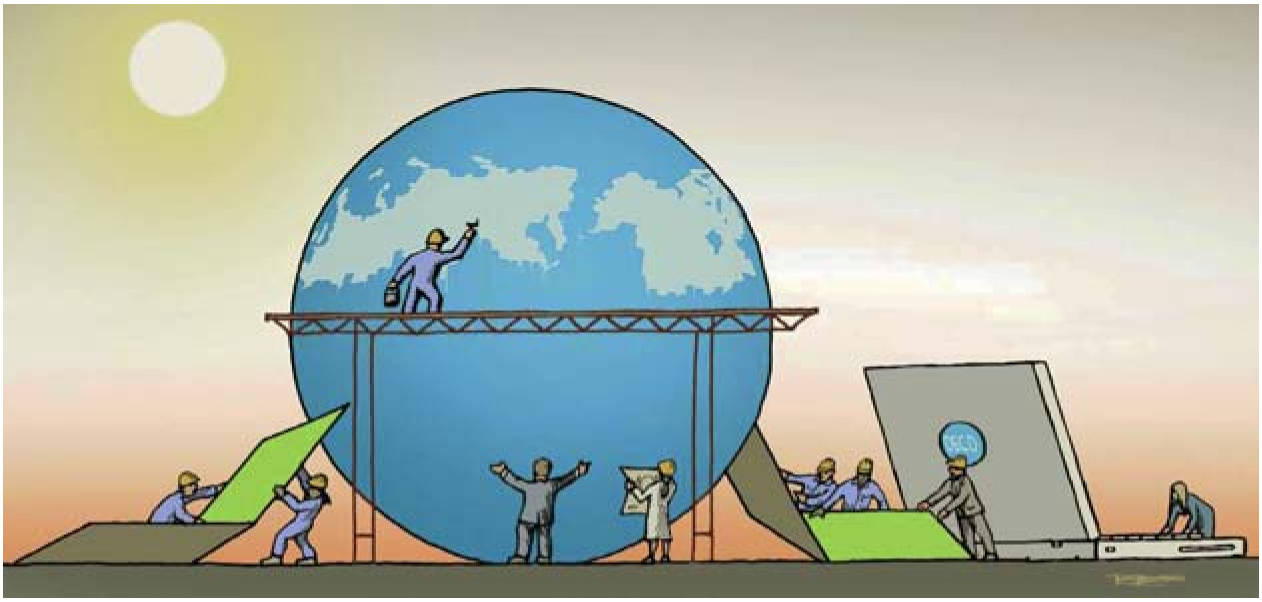
MY NAME IS MONEY.
MY TAX HAVENS ARE
HEAVEN CREATING HELL.
Every year, 125 billion euros are stolen from countries in the Southern Hemisphere.
125 billion euros that won't go to schools, free health centres or agriculture.
Let's help that money escape from those tax havens at aidonslargent.org
500
CCFD
TERRE
SOLIDAIRE

Strengthening governance, restoring trust



For more than two decades, the world's economic growth and development was largely fuelled by globalisation–the opening up of financial and product markets, and the integration into the world economy of the emergence of economies such as China, India and Brazil. This process was hit by an earthquake with the global financial crisis of 2008, an event which some have dubbed the "first crisis of globalisation".

The crisis revealed serious fissures in the globalising economy–including a failure of international governance and regulation to keep up with a world changed utterly. As livelihoods collapsed, public trust wavered, and people cried out for new, more secure management of their economies. The OECD supported these calls, and in 2009 warned against going back to business as usual. Now, changes are afoot.

It will be some time before new systems of governance are fully in place, but clues to their political direction are already clear. Look, for instance, at the G20 group, which brings developed countries and emerging economies around the same table, effectively superseding the role of the G8.

The financial crisis revealed failures of governance elsewhere, most notably in financial regulation, and within banks and financial institutions. Buoyed by the belief that they had effectively conquered risk, banks loaded up on lending, and shareholders and boards failed–or were perhaps unable–to understand the implications. After all, what government, or indeed individual, did not believe they too should benefit from the boom, whether by investing in new services or buying a new home?

Everyone knows the answer to that now, as taxpayers in many OECD countries will be paying the price for this recklessness and lack of vigilance for years to come. Regulators should have known better, but in many countries they too were blinded by the promising light of financial innovation. When the truth dawned as the crisis finally hit, the resulting collapse in trust between financial institutions paralysed lending to businesses, consumers and public authorities, deepening the ensuing recession. Only a massive joint effort by the world's governments through the G20 averted a complete collapse and possible depression.

The impact of the crisis has spurred governments and regulators into action for the long term too. Nationally and internationally, new financial regulations are being designed and implemented, although clearly more needs to be done, as banking conditions across the OECD area remain fragile. Other lessons of governance have also been drawn, leading to a new determination to tackle tax evasion and to stamp out corruption, led in no small way by OECD initiatives.

The need for such actions is clear. The cost of fighting one crisis has left governments hard pressed to manage their economies and ill-equipped to fight another crisis. Financial regulation needs to work and put banks on a firmer footing. Activities like tax evasion and bribery, which deprive governments of tax revenues, warp economic activity, and fuel inequality and underdevelopment, need to be eradicated. For the sake of keeping the trust of voters, governments also need to be able to reassure citizens that their affairs are in safe hands. They know that trust and good governance are essential for our economies to move forward. Failure to restore them could fuel a crisis even more serious than the one we've just been through.

Recommended links and references

For more on OECD's work on the crisis, see: "From crisis to recovery": www.oecd.org/crisisresponse

A new era of global co-operation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Gabriela Ramos,
OECD Chief of Staff
and G20 Sherpa

The economic crisis that struck in 2008 was a wake-up call for everyone, for our economic models, our ways of doing business and our international relations. It revealed just what a patchwork our world really is–our countries may share the same ambitions for progress but have different starting points and face different challenges along the way. The crisis drove home the message that the structure underlying global governance must change.

For a clear sign that world leaders have heeded this message, consider the involvement of leaders in the G20, which has helped move this grouping of developed, emerging and developing countries to the forefront in addressing global challenges. The OECD was quick to respond to its calls when the crisis started, notably by helping it forge breakthroughs in combating international tax evasion, and avoiding protectionism on trade and investment. The OECD has contributed substantially to the G20 process ever since.

But while the G20 has proven its worth by steering the world through the storm by bringing economies at different levels of development around the same table, it must now show it can set in motion a new governance for the post-crisis world. This will not be easy. To many countries, the "new normal" means higher deficits and public debt, higher unemployment and slow growth. It also means an international economy of multiple speeds, where policy requirements in one region may affect growth prospects in others. And it means the looming danger of unfinished reforms in the financial sector.

Addressing these challenges requires a consolidation of the G20's Framework for Strong, Sustainable and Balanced Growth. So much hinges on getting this crucial initiative right. Policy commitments need to be fulfilled, recognising that some options offer real opportunities from an international perspective. The Framework, and for that matter, the Mutual Assessment Process, promises to promote higher and more sustainable rates of growth. However, it faces important challenges, and this is where the experience of organisations such as the OECD must continue to show their value.

For a start, there is the job of securing a lasting recovery. This means advancing sound policies on the monetary and fiscal fronts that address sovereign debt problems and fiscal consolidation, while continuing to implement exit strategies from the extraordinary measures introduced to address the crisis. But it also means "going structural", as many advanced economies have run out of room for using fiscal or monetary expansionary measures.

Structural policies are the only option that can make the difference in terms of forging stronger, more sustainable growth. Such policies include enhancing social safety nets and investing in human capital in several fast-growing countries such as Brazil, China, Mexico and South Africa, and taking action to restore dynamism in advanced economies by bolstering markets, strengthening competition and reforming public finances and tax systems, not to mention introducing innovation strategies for all.

With the right approach, structural reforms could improve fiscal positions by 0.5% of GDP, freeing up resources for, say, more social spending. OECD evidence on this is compelling: a rise in social spending of a percentage point in GDP would reduce private savings by some 1.5% in GDP–more in poorer countries. Such actions would bolster growth within countries and reduce imbalances between them. It is here, in the structural field, where the OECD has its main comparative advantage.

Another priority is to avoid investment and trade protectionism. In contrast to past crises, this time major economies have resisted protectionist pressures and reaffirmed their commitments to keeping their markets open, thereby heeding the advice of international institutions such as the OECD. However, maintaining these commitments will be a challenge at a time when economies are faced with very high unemployment, high deficits, slow growth and price volatility. The OECD will continue to support the G20 by tracking these commitments and warning against protectionism.

> The G20 has proven its worth by steering the world through the storm. It must now show it can set in motion a new governance for the post-crisis world

Then there is the issue of unemployment, which is not only a policy challenge, but the tragic human legacy of the crisis. According to the OECD, over 16 million people joined the ranks of the unemployed since the crisis started, and the slow pace of recovery is not creating enough jobs to fill the gap. For this reason, we welcome the proposal under the French presidency of the G20 to deal with employment as a matter of urgency, by leaning on contributions such as the G20 Training Strategy, prepared by the ILO and OECD, as our combined expertise in promoting employment and skills–particularly among youngsters–will be important.

Members of the G20 wave during the family photo session at the G20 summit in Seoul, 12 November 2010. OECD Secretary-General Gurría is in the third row, second from the right.

© Jim Young/Reuters

The G20 global agenda would not be complete without addressing development. Here, the OECD and many other institutions worked hand in hand under the Korean Presidency, and the agreements reached in Seoul are steps in the right direction. The development agenda goes beyond aid and establishes an action plan that includes tax autonomy, food security, skills, infrastructure, knowledge sharing, investment and trade, among others. Its effective delivery could foster a development path that supports the Millennium Development Goals and promotes growth and resilience in developing countries, creating a more inclusive global economy.

Achievements so far, along with the ambitious agenda proposed by the French presidency–which addresses the international monetary system and volatile commodity prices along with anti-corruption and financial inclusion–augur well for the future of the G20 as a "major forum for economic discussions".

Beyond that, there are three areas where the G20 could enhance its contributions to the world economy.

First, it should adopt a "green" perspective in its deliberations and policy solutions. Following the encouraging results of COP 16 in Cancún, Mexico, this becomes a must. At the OECD, our Green Growth Strategy shows that there are clear options that not only boost the economy but also help the environment.

Second, the G20 should continue to rely on evidence and analysis from international organisations to frame the discussions and promote policy coherence among them. Working for the G20 has required participating institutions–the IMF, World Bank, World Trade Organization, ILO, Financial Stability Board and the OECD–to share information and perspectives, and collaborate more closely with each other. OECD Secretary-General Angel Gurría has called for more co-ordination, and cautioned against returning to the "silo" mentality that prevented organisations from looking at similar issues from different angles and contributed greatly to the financial crisis.

Better co-ordination does not mean more bureaucracy or permanent structures at the G20, but a continuous effort to work together and improve our co-operation. This sensible way of moving forward means we can harness knowledge, build new solutions and co-ordinate actions. After all, our organisations have the tools and expertise needed to light the path towards better policies for better lives.

Finally, the G20 needs a powerful follow-up mechanism to deliver on its promises and monitor actions. While driven by G20 members, this process can also benefit from the OECD's track record of peer review and learning from each other.

To be sure, the OECD has expanded its work with major emerging economies and, since 2007, has established a formal programme of enhanced co-operation. Working with these countries and supporting their policy agendas has been a priority for the organisation. This is now paying dividends as we expand our work with all G20 members.

The crisis has opened up a new era of co-operation, which the OECD is determined to foster. The G20 is a terrific forum for gathering people together, bringing in different angles and expertise, and cross-fertilising ideas. It has shown it can nimbly respond to urgent challenges. Now it must show it can patiently build solutions for the future. The OECD stands ready to help the G20 succeed.

For more on the G20 and the OECD, see www.oecd.org/g20

Fixing finance: Few easy answers

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William R. White
Chair of the OECD Economic and Development Review Committee

The financial system may be out of intensive care, but it would be wrong to assume it has fully recovered. Major questions remain over how banks operate and how they are regulated. The solutions aren't always obvious, but they must be found if we're to avoid another crisis.

The financial system of the advanced market economies went into shock in August of 2007, and had a near-death experience after the bankruptcy of Lehman Brothers in September 2008. The extraordinary efforts by central banks and governments that were required succeeded in stabilising the situation and restoring more or less normal financial conditions. That is certainly good news. Moreover, the experience led to sharply increased efforts to foster financial stability. This is attested to by the recent publications by the Basel Committee on Banking Supervision and the Financial Stability Board in particular, and by the commitments made by the G20 in Seoul in November 2010. That is more good news. Finally, the pursuit of financial stability has focused ever more sharply on systemic interactions between parts of the financial system, rather than on just the health of the individual pieces. In short, still more good news.

Yet, recognising these substantial efforts should not blind us to remaining problems. First, we must accept the fact that financial stability, like price stability, is not sufficient to ensure macroeconomic stability. We must continue our efforts to improve the framework for the conduct of monetary and fiscal policies, in particular to ensure more aggressive policy tightening in the upswing of the credit cycle, and to pursue structural reforms to foster sustainable growth.

Second, and the topic I want to focus on here, the financial system still suffers from a host of problems. Some of these are immediate, like the continuing impact on banks' behaviour of low interest rates; others are longer term, such as the question of what to do with banks that are "too big to fail". Regrettably, regardless of the timeframe, the solutions to many of these problems are by no means obvious.

Cheap rates obscure problems

Looking at the current situation, it is not at all clear that the policy efforts made to date have restored the financial systems of the advanced market economies to a state of rude health. Many banks face the need to roll over huge maturities in 2011 and 2012, and it is also not clear that capital levels–measured narrowly as equity–are adequate. The valuation of toxic assets, commercial and residential property, and now even the risk-free character of sovereign debt are all continuing sources of concern. Legal problems in the United States, not least about the adequacy of documentation of mortgage contracts, could also be a potential cause of significant future losses.

One way in which policymakers have contributed to the recapitalisation of the banking system has been to keep policy rates very low. This allows banks to fund themselves cheaply when investing in longer term instruments at higher yields. However, one has to wonder if the availability of such easy profits has allowed banks to avoid a more fundamental re-evaluation of their earlier, dangerous behaviour. With respect to dividend payouts, bonuses and momentum trading, for many banks in the wake of the crisis, it seems to have been a return to "business as usual". Moreover, what of the longer term implications of low interest rates for insurance companies and pension funds? Unable to meet statutory or other commitments, will they turn to still more risky investments to "gamble for resurrection"? Or might they even renege on previous commitments leading to a widespread decline in consumer confidence?

Anyone riding the yield curve is also exposed to a sudden rise in long-term interest rates and associated capital losses. If this results from strengthening economic growth, then at least there is an offsetting source of profits and increased confidence in the financial system. However, if the rate rise is due to a sudden shift in inflationary expectations, or a loss of confidence in the prospects for debt repayment, the damage done may be harder to manage. In the United States, the particular problem of "convexity hedging"–a technique used by holders of mortgage-backed securities to protect their investments against interest-rate changes–implies that any rise in long rates there might be more sudden and violent than elsewhere.

> There has been a marked reluctance to date to tackle the "too big to fail" problem

Looking to the medium term, other problems loom. Some of these arise from the nature of the crisis itself, not least that it was centred in the advanced market economies. These have seen a massive increase in government deficits and debt, and there will be a great temptation to "stuff" this debt into the regulated part of the financial system, exposing these economies to even more of the dangers noted above. Moreover many emerging market economies, with their higher interest rates and lower sovereign debt levels, have already been the recipients of massive capital inflows and associated increases in asset prices. Should this also turn into a "bubble" that bursts, financial systems everywhere will surely feel the impact. In response to such concerns, many emerging markets have already moved to impose capital controls, and more of this might be expected.

Other problems in the financial sector are actually a by-product of the policy response itself. Four issues can be raised, all of which are significant.

First, some of the regulations being proposed or introduced might well have downsides for allocational efficiency. For example, forcing all OTC trades–direct "over-the-counter" trading of financial instruments between parties–onto exchanges would lose many of the benefits of customisation. Closely related, the fact that different countries often pursue national agendas, and sometimes introduce conflicting requirements for internationally active institutions, could well create problems going forward.

Second, uncertainty about how the regulatory agenda will play out, and how individual financial institutions might be affected, could be affecting the willingness to grant credit. This is of material importance for the robustness of the recovery itself.

Third, while the attention to "systemic risk" in the reforms proposed to date has been welcome, these reforms by no means go far enough. In Basel III, most of the proposals for more and better capital are directed at preserving the health of individual institutions. Thus, they have a microprudential character. The continuing distinction between different kinds of risk, when the essence of a systemic crisis is how one form of risk morphs into another, also indicates that a truly fundamental rethink about systemic risk still has to be carried out. Also, there has been a marked reluctance to date to tackle the "too big to fail" problem–in other words, the issues of size, complexity and interconnectedness of firms and sectors that are generally believed to increase the risk of systemic failures. Indeed, given the various mergers and acquisitions arranged during the crisis, it could be contended that these problems are now even bigger than they were before.

A fourth issue arising from the policy measures taken to date has to do with the possible diminished "independence" of central banks. Central banks have been allowed to operate independently to date because their actions were not thought to have distributional implications. Distributional issues are generally reserved for the political realm. However, many central banks during the crisis did make decisions with distributional implications–whose debt to buy or not buy, who to save or not save, and so on. Indeed, the decision to keep policy rates low constitutes a massive redistribution from savers to creditors. Taken together with the recognition that central banks, regulators and treasuries must, in the future, interact much more closely, both to help avoid and to manage financial crises, the meaning of the word "independent" is now even less clear than it was before.

Irrational exuberance

Even supposing we can deal with these medium-term issues, other problems will present themselves over the longer term. Financial crises have been with us since time immemorial and, bar highly repressive regulation, this state of affairs seems likely to continue. However, we can still take steps to minimise the damage arising from these periods of "irrational exuberance". First, policy can "lean against the wind" more conscientiously, possibly by using both monetary tools and macroprudential instruments. Second, we should rethink how actively we use "safety nets"–like ultra-low interest rates-in downturns. It could be that "little" downturns are actually beneficial, not least because they clear out the underbrush of debt and thus help to prevent bigger downturns later. And third, we should make adequate preparations in advance of financial crises to better manage them when they–inevitably–occur.

At the international level, there remains even more work to do than at the domestic level. In particular, we need international agreements on resolution regimes for systemically important financial institutions, on how taxpayers might share the burden of debt in extremis, and agreements on international standards in a whole host of areas. There is no doubt that making such reforms happen will severely challenge the capacity of the current frameworks for international co-operation. Nevertheless, the effort must be made since the benefits would much outweigh the costs.

Recommended links and references

White, William (2010), "Is financial stability enough?" in *OECD Observer* No 276-277, www.oecdobserver.org/news/fullstory.php/aid/3137/

Blundell-Wignall, Adrian et al (2009), "The elephant in the room: the need to deal with what banks do", in *OECD Financial Market Trends*, see: http://oecd.org/dataoecd/13/8/44357464.pdf

OECD work on financial markets: www.oecd.org/finance

Financial reform: A start, but only a start

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Amy Domini
Founder and CEO
of Domini Social
Investments

Speculation and greed were at the heart of the global financial collapse. Reforms of financial regulation have gone some way to curbing their impact, but a lot more still needs to be done.

The collapse of global financial institutions that began with the meltdown of sub-prime mortgages in the US spread virally and devastated the lives of millions. At the height of the crisis, most economically developed countries felt forced to bail out the big banks in an effort to save what remained of their own national financial machinery. Often, those rescues came with few strings attached.

Ironically, when governments eventually did attempt to impose regulation, they found virulent opposition from the very institutions they had rescued. The result today is a smorgasbord of redress that, taken together, is as yet more aspirational than concrete. Still, it represents a start and, in many ways, a good start. But justice demands that we do more, and that every step be taken to prevent a recurrence.

What still needs to be done? To answer that, it helps to think about the root causes of the meltdown. These were, first, speculation and second, greed. Both are difficult, but not impossible, to fight. Knowing how they came to be gives us the tools.

An unexpected result of the dominant theory covering financial asset management, Modern Portfolio Theory (MPT), is the growth of speculation. Under MPT, in essence, risk reduction equals performance enhancement. By touting diversification as key to reducing risk, MPT promulgates the concept that risk can be mitigated through means other than due diligence and prudence. Accepting a premise that risk can be reduced through the purchase of "assets", such as commodity indexes or the collateralised debt obligation (CDO), fiduciaries peeled funds away from stocks and bonds, replacing them with economically useless and dangerously speculative products.

The scale of this transfer was, on a combined basis, massive. One of the most notorious examples is the synthetic CDO, which contains derivatives that themselves are tied to debt assets. In other words, the backing is theoretical in the extreme. By 2001, these had grown to an $80 billion market. That year, American Express took an $826 million loss from CDO operations, an amount equal to over 10% of the overall market. Moody's announced that 58% of the synthetic CDO pools it rated had exposure to WorldCom, Enron and Global Crossing, three famous companies then exposed as having scandalously failed to properly account to shareholders. Still, speculative fervour continued. By 2007, half a trillion dollars were in such investments. MPT trumped even Moody's warnings easily.

The secondary cause of the crisis was compensation structures that encouraged greed. Hedge fund founders being allowed to collect profits on other people's investments led to an ethic that was corrupting to the person and destructive of capitalism. It hasn't ended. In spite of all that has transpired over the last two years, managers with expertise in all sorts of new vehicles continue to be sought after and handsomely rewarded for success, fuelling greater greed–and speculation. Further, CEO compensation plans backfired. What began as a tactic to encourage corporate leaders to work to grow a company's value, and thereby benefit society and equity owners of the company, has devolved into a personal wealth attainment ploy.

What's changed so far in financial regulation? In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act addresses a broad range of structural issues. The act sets out the framework for constructive reforms. It establishes a Federal Insurance Office within the US Department of the Treasury, an inter-agency working group between several agencies (to provide a study), an Energy and Environmental Markets Advisory Committee, an office of the Investor Advocate within the Securities Exchange Commission (SEC), and the Bureau of Consumer Financial Protection. In other words, several new entities that might themselves create regulations have been born; it is a path, not a destination.

A few aspects of the act appear to address those two root causes of the global financial crisis–speculation and greed. The SEC has the authority to grant a pathway for investors who wish to nominate directors by allowing investors to place nominations on the ballot. If this authority is used, then it might allow shareholders to address a secondary cause of the meltdown, the greed factor and CEO compensation. Further, the SEC Investor Advisory Committee is now a permanent body. With this new status, it might press more strongly for expanded disclosure requirements (an important tool for watchdogs), as the less formal predecessor organisation has. Again, these are paths, not destinations.

Basel III, with its more global reach, seems to be trending towards greater specificity and impact than the US approach. To date, the Basel Committee raised the minimum common equity level of

Staff meeting in offices of moribund Lehman Brothers, Canary Wharf, London, 11 September, 2008

banks and set a counter-cyclical buffer, to be imposed by regulators as needed, containing risk-weighted assets. The real work is due by year-end and is expected to address the speculative nature of investing quite directly.

Anticipating that Basel III does transpire, we can expect to see leverage ratios lowered and standardised, which would directly reduce the opportunity for banks to over-extend the balance sheet. The Basel Committee, made up of members from 27 economically developed nations, includes representation from the United States. Because a core purpose of the committee is to harmonise banking regulations, this poses an excellent opportunity to address speculation. But Basel III is a banking organisation and, unfortunately, many hedge funds or other independent asset managers are beyond its reach.

> When governments eventually attempted to impose regulation, they found virulent opposition from the institutions they had rescued

The developed economies have laid out a path toward protection from another financial meltdown. But we have yet to walk it and, as we do, we must be deliberate. Even stronger steps than those already taken are possible. We are beginning to hear calls for an alternative financial asset management theory. This is beyond the scope of regulation. But regulators can begin to address the fiduciary standards whereby MPT thrives. Why not legislate an explicit duty of loyalty to the society in which the body of the beneficiary lives? After all, the beneficiary's financial well-being would not be well served by investments that bankrupt his fellow citizens.

In the meantime, regulators can try to reduce speculation. One idea began in 1972 when Nobel Laureate economist James Tobin suggested that even a small tax on currency spot conversions would slow speculation. Perhaps it is time to revive and expand the idea. Charging fees on gains from holding periods of less than 60 seconds would also dampen the velocity of trading. It is easy to argue that these ideas are absurd, but the cost of not taking bold action has risen to the trillions, when measured by losses the crisis created.

The response to the financial collapse thus far has been to establish new frameworks, and these are potentially of enormous importance. It is now up to those who hold the reins to seize the opportunity and both build the important protective structures so recently begun, and dismantle the root causes of the crisis: frameworks that encourage rampant speculation and boundless greed.

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Tax evasion: Ready when the call came

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Jeffrey Owens,
Director, OECD Centre for Tax Policy and Administration

When the G20 decided to get tough on tax evasion, several decades of OECD work suddenly became even more relevant than before. The growing determination to tackle evasion is helping to restore trust in tax systems and close off avenues for illegal activities.

Money laundering, misuse of corporate vehicles, terrorist financing, tax crimes and other inappropriate exploitation of weakly regulated financial markets for personal gain: all have changed in both nature and dimension. They pose threats to our economies, and global governance too. Today, financial abuse has the potential to threaten the strategic, political and economic interests of sovereign states. Widespread financial abuse undermines the integrity of the international financial system and raises major challenges for policymakers, financial supervisors and enforcement agencies.

Why have these trends worsened? One reason is the rapid development of global networks, electronic commerce and the information economy, helped by the removal of barriers between national markets. This has made financial services and investment more mobile. But as mobility increases, it also becomes harder for the authorities to keep up. Global markets create opportunities, but problems too, as policymakers try to maintain trust in the integrity of our institutions and tax systems.

Financial crimes thrive in a climate of secrecy, where normal good governance measures are undermined by a lack of transparency and a failure of financial centres to co-operate effectively with the law enforcement agencies of other countries.

Recent scandals following the financial meltdown have all revealed serious weaknesses in corporate governance and in certain market functions, which were harder to detect during the boom years. In contrast, an economy characterised by high standards of transparency and one in which company managers are accountable to their boards, and boards are, in turn, accountable to shareholders, is one where financial fraud and other financial crimes, including tax crimes, will be less likely to flourish. Even in countries like the US, where transparency had been considered to be a relatively strong feature of the economy, action has been taken to tighten financial standards.

Indeed, governments around the world have responded to these threats by developing legislation to detect and deter financial crimes, and by strengthening their law enforcement and tax enforcement capacity.

Money laundering has been criminalised in OECD countries and beyond. Financial institutions are required to report suspicious transactions. Stricter regulatory and supervisory measures have been put in place, for example, in the Basel III agreement. Access to beneficial ownership information–and trust formation rules–have been revisited and strengthened and have thereby improved tax transparency. Bank secrecy as a barrier to effective exchange of information has been removed, as in Austria, Luxembourg and Switzerland.

These national initiatives are reinforced by multilateral actions, particularly in the tax area. In 1998 the OECD launched its effort to address the problems raised by so-called "tax havens", as part of a broader initiative to counter harmful tax practices that deny governments and their citizens their rightful income from taxation. Essentially, this has meant promoting transparency and the effective exchange of information, for instance, between banks in offshore jurisdictions and tax officials.

The success of this multilateral initiative can be seen in the way OECD and other countries have worked to implement these higher standards.

The G20 summit in London, April 2009, can be seen as a decisive moment on the OECD's long journey towards better co-operation between tax authorities to counter offshore non-compliance. This journey started way back in 1977 when the OECD created its Working Party on Tax Avoidance and Evasion, which worked intensively over three decades to refine the OECD Model Tax Convention, so that it supported exchange of information and removed political barriers to it. In 2000, the group provided its report on improving access to bank information, which represented the start of a serious assault on bank secrecy for tax purposes. And in 2002, the Model Agreement on Information Exchange on Tax Matters was agreed between OECD and offshore centres, which now forms the basis for over 500 tax information exchange agreements around the world.

All of this work culminated in 2004 in the first major revision of the OECD Model Tax Convention, which made it clear that bank secrecy should not act as a barrier to effective exchange of information.

US President Barack Obama greets OECD Secretary-General Angel Gurría at the Pittsburgh G20 summit in September 2009.

In other words, by the time the G20 took up the question of tax havens and bank secrecy, all of the preparatory work had been done: we had the standards, we had a review mechanism, we had a Global Forum, and we had defensive measures. The G20 could therefore move beyond talk and take real action.

After London, the political support from the G20 convinced jurisdictions that the "era of bank secrecy" was drawing to an end. Nor was it enough merely to commit to the now universally endorsed transparency and exchange of information standards: tax jurisdictions also needed to implement them.

> The G20 summit in April 2009 can be seen as a decisive moment on the OECD's long journey towards better co-operation between tax authorities to counter offshore non-compliance

To help them, the Global Forum was restructured and made more inclusive; a peer review process was put in place so that participants could evaluate each other's progress, and a methodology and a timetable for the reviews agreed.

In September 2010, the Global Forum published the first eight Phase I peer reviews of the legal framework covering Bermuda, Botswana, the Cayman Islands, India, Jamaica, Monaco, Panama and Qatar. Some 64 recommendations for improvements were made. In the cases of Botswana and Panama, the deficiencies were considered sufficiently serious to prevent these countries from proceeding to Phase II; after all, there is little point in examining practical implementation issues if the required legal framework is not in place. By the end of 2014, all 90-plus members of the Global Forum will have undergone a Phase I and Phase II review.

Tax windfall

At the G20 meeting in Seoul in November, Chief Economist Pier Carlo Padoan presented a report on progress made in fighting international tax evasion, a major area of OECD work. The measures that have been taken, he said, are already helping countries to increase tax revenues. For instance, he estimated that Germany has already collected €4 billion from offshore evaders, and the UK an extra €600 million, a figure they expect to increase considerably. France has collected an extra €1 billion, while Italy has recouped €5 billion.

For more detail, read the full statement at http://bit.ly/hDn0X0

The Global Forum continues to detect new financial centres emerging–the latest are FYR Macedonia and Lebanon. Such new financial centres should not be allowed to gain a competitive advantage by failing to meet the standards that countries around the world are adhering to.

The battle to improve transparency and information exchange is starting to restore trust and integrity in our tax systems, but in addition, it has helped authorities to tackle other illicit activities, such as bribery, and we can expect closer co-operation between tax authorities and other law enforcement agencies in the fight against illicit activities. By shedding light on the shady parts of international financial markets, we have been able to close off avenues for all forms of illicit financing. In the long term, this can only make our economies stronger and cleaner.

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A new push on corruption

In the global fight against corruption, the OECD has helped forge some of the most important weapons. Now, in a new initiative, it is sitting down with its partners in the worldwide war on corruption to find ways to strengthen their collective armoury.

For something that happens behind closed doors, corruption hits the headlines surprisingly often. A few examples: a Swiss freight-forwarding company admits paying $49 million in bribes to government officials in Angola, Azerbaijan, Brazil, Kazakhstan, Nigeria, Russia and Turkmenistan; the former chief of a London financial firm is jailed for 21 months after confessing to paying bribes to win contracts in Costa Rica; in Ireland, four current and former politicians are charged with taking bribes to rezone land for construction. The list goes on.

"Corruption's an issue everywhere," says OECD Deputy Secretary-General Richard Boucher. "We can all think in our own country of legislators and judges and government officials who get picked up every year. So nobody can claim to be clean. People can claim to be working hard, but it's a constant struggle." The OECD has long played a leading part in that struggle. Along with other intergovernmental organisations, it's helped to create a panoply of international instruments that today seek to limit corruption and bribery, such as the OECD Anti-Bribery Convention and the United Nations Convention against Corruption.

And yet corruption continues. Does that mean that all these instruments don't work? Not necessarily. For one thing, it's extremely hard to keep up with the ever-changing face of corruption. "It is in the nature of the beast to change horns and to metastasise into different dimensions," says Maria Gavouneli, vice-chair of the OECD Working Group on Bribery. "The moment you have reached a certain solution, the problem has moved elsewhere." It's also clear that there are holes–or at least weaknesses–in the global set of rules and regulations.

And that, in part, is the inspiration for a new initiative by the OECD, which involves sitting down with other organisations and agencies involved in the anti-corruption fight with the aim of strengthening existing regulations and identifying what more needs to be done. The initiative is still at an early stage–the first meeting with potential partners was held in November 2010–but there is clear political momentum on the issue. One sign of this is the G20 decision to set up a working group on corruption, which is expected to show results in 2011 and which the OECD initiative will serve.

"We have a great many different tools in the OECD, but we also recognise that we don't have everything," says Mr Boucher. "And so we want to work with the other key players and partners, like the United Nations Office of Drugs and Crime (UNODC), the World Bank and NGOs like Transparency International, the Extractive Industries Transparency Initiative and the World Economic Forum, so that we get a full range of tools to cover all the key areas and ensure that they're mutually reinforcing."

Enemy with many faces

Corruption is not only widespread, it also takes many forms: "grand theft" by leaders like Indonesia's Suharto, who stole an

Richard Boucher, OECD Deputy Secretary-General

estimated $15 to $35 billion during his 30-year rule; the daily demands for small bribes that blight people's lives in many developing countries; the corrupt payments to politicians in exchange for activities like land re-zoning that crop up too often in some developed countries. And then there are the practices that facilitate corruption, like tax evasion, money laundering and illegal funnelling of funds abroad.

By its nature corruption is difficult to measure, but its impact is clear, especially on the lives of the poor. "The people who don't get their road, the people who don't have a teacher at their school because somebody in government is pretending to pay a teacher who doesn't show up. Those are the poorest people in the country," says Richard Boucher. "Other people find ways around corruption, and some people even find ways to profit from it. The poor don't."

Less visible, but just as corrosive, is its impact on governance, especially in fragile and developing states, says Ben Dickinson, who works on tax, corruption and development issues at the OECD.

All these impacts help explain why the fight against corruption has become such a high-profile issue in recent decades. But headlines about high-profile arrests tell only part of the story. In reality, much of the battle against corruption is far less dramatic and takes place

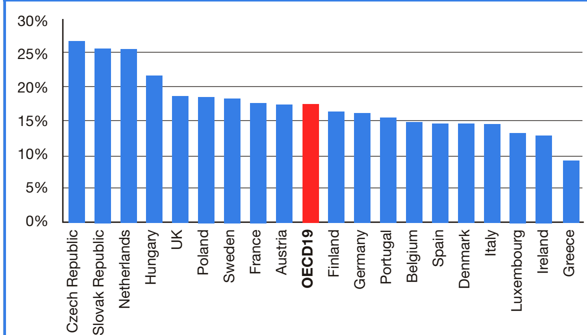
> Some people find ways around corruption, and some people even find ways to profit from it. The poor don't.

far from the courtroom. Some of it is highly technical, such as training tax officials to recognise bribes and corrupt payments. And much of it is focused on ideas like "inoculation" in public procurement and prevention by improving corporate governance.

"Think about the kind of corruption you usually hear about–

State and narrow

Public procurement, % of GDP, 2006



StatLink: http://dx.doi.org/10.1787/724227300453

Source: *OECD Government at a Glance 2009*

The purchase by the state and state-owned firms of goods, services and works is a major economic activity in most OECD countries. Its scale, along with the close interaction between the private and public sectors, make public procurement especially vulnerable to corruption. For instance, of the 19 countries examined in *OECD Government at a Glance*, just 3.4% of tenders were conducted through competitive bidding, whereas 14% were non-competitive (see the DOI link).

The OECD has pioneered guidelines on avoiding graft in public procurement.

See www.oecd.org/gov

it's the bridge that was built by a contractor who was chosen because he's somebody's brother-in-law," says Andrew Davies, who works on governance issues at the OECD. "But when you think about the public procurement process, that kind of problem comes at the end. There were also a lot of decisions that preceded that one–for example, whether the bridge was needed at all–that were also open to abuse." Much anti-bribery work thus focuses on ensuring that procurement decisions are taken transparently and accountably, with the aim of protecting civil servants from the risk of corruption.

The OECD has been working to extend this idea even more widely, including into intrusive lobbying, which was recently addressed by a set of OECD principles. "Private companies spend huge amounts of money to influence public officials in one way or another, and often public officials are very poorly equipped to deal with it–they're civil servants, after all," says Mr. Davies. "But there are ways to immunise, to protect civil servants against this kind of intrusive lobbying, for example by shedding light on contacts between lobbyists and public officials."

Prevention is an issue for businesses, too, and one that was highlighted–indirectly, at least–by the failures of corporate governance that led to the financial crisis. "Corporations are founded on the principle of there being a board to represent shareholders and oversee management," says Jim Colvin, who works on corporate governance issues at the OECD. "But if the shareholders aren't actually incentivised to monitor what's happening, the structure breaks down. Boards may also be part-timers, retired business people and so on, and not really that invested in their role. So you can end up with a group of managers who are effectively accountable to no one, and ultimately this can encourage corrupt practices."

Wider and deeper

The fact that the international community addresses corruption in so many ways and across so many instruments has benefits, but it has drawbacks too. Among the most significant are that the various sets of rules and guidelines don't always fit together very well, and don't carry the same weight.

"You have a lot of differences in terms of the depth and strength of the instruments," says Mathilde Mesnard, who is working on the new OECD anti-corruption initiative. "Some of our instruments have very detailed 'how to' implementation toolkits, and are accompanied by rigorous and well-established peer review processes. This is the case, for example, with the Anti-Bribery Convention or the more recent Guidelines on Public Procurement. Others are more like open-ended declarations that are not always closely monitored."

As Richard Boucher explains, one of the aims of the new initiative is to make sure existing international instruments are coherent and reinforce each other. The hope, ultimately, he says, is to create "what I'd call a toolkit–to bring together the tools that we have for people who want to fight corruption [...] in a solid block. We also want to include a user-friendly, flexible and comprehensive web-based tool," which would allow users to identify steps to fight corruption and to access reference instruments and examples of good practice.

The initiative could also lead to the creation of an international network for people involved in the fight against corruption "where countries can get together, compare experiences, support each other and get recognition for their achievements." That sort of knowledge sharing could be crucial for developing countries, according to Ben Dickinson. "The agenda for developing countries is not to be given another tome of policy prescriptions that they couldn't possibly deal with," he says. "The issue for developing countries these days is not what to do–they know that. It's how you get there."

As Mr. Boucher points out, it will take some time before the final outcome of the initiative becomes clear. In large part, the results will depend not on the OECD but on the countries and institutions that take part in the process. "How to put all this together will depend on the participants–we can't prescribe this," he says. "We've a table where everybody can meet, but where they decide to take it from there will be up to them."

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The Anti-Bribery Convention

The most recent meeting of the G20, in Seoul in November, marked a watershed in the global fight against corruption and brought renewed attention to the OECD's work in combating bribery of foreign public officials. The G20 agreed to an Anti-Corruption Action Plan which sets down key areas in which G20 countries can lead by example and build a common approach to an effective global anti-corruption regime. These include adopting and enforcing laws and other measures against international bribery and beginning, by 2012, the process of engagement with the OECD Working Group on Bribery and ratification of the OECD Anti-Bribery Convention.

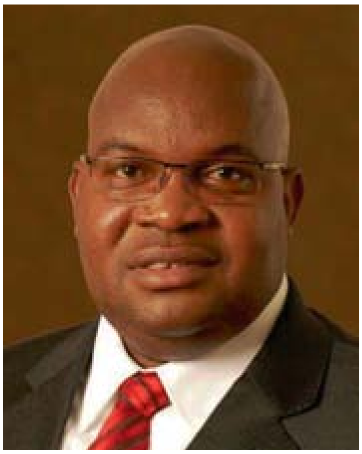
Decisions liked that have helped to provide fresh relevance for the OECD Anti-Bribery Convention, which entered into force in 1999 and was the first global instrument to fight corruption in cross-border business deals. The convention makes bribing a foreign public official a punishable crime in all signatories. It applies to both individuals and companies, and covers offering or promising a bribe, as well as actually giving one.

To date, the convention has been adopted by the 34 OECD countries, as well as Argentina, Brazil, Bulgaria and South Africa. Together, these countries account for nearly 90% of global outward flows of foreign direct investment. There has also been increasing participation from China, India, Indonesia and Thailand, while Russia has officially asked to join the convention in 2009.

The convention establishes an open-ended, peer-driven monitoring mechanism to ensure that the signatory countries meet their international obligations. The rigorous evaluation process, which Transparency International calls the "gold standard" of monitoring, is conducted by the OECD Working Group on Bribery. In 2010 a new phase of reviews got under way, with the publication of reports on the United States and Finland.

Visit: www.oecd.org/daf/nocorruption/convention

South Africa's fight against bribery



©South African Department for Public Service and Administration

Masenyani Richard Baloyi
Minister for Public Service and Administration

In 2007, South Africa signed up to the OECD Anti-Bribery Convention and joined the Working Group on Bribery in International Business Transactions, a group made up of representatives from all 38 signatory countries which monitors the convention's implementation and enforcement.

In June 2010, the working group completed its second-round evaluation of South Africa. It said South Africa has come far in fighting bribery but could do more. South Africa's minister for public service and administration, Masenyani Richard Baloyi, heads the South African delegation to the OECD's working group on bribery. We asked him about the evaluation and the role his country plays in the global fight against bribery and corruption.

OECD: Minister Baloyi, the working group just completed its second evaluation of your country's implementation and enforcement of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. What were the results of this evaluation?
Mr Baloyi: Well, on a very positive note, the working group says South Africa has a very strong legislative framework for combating foreign bribery under our Prevention and Combating of Corrupt Activities Act, which our government passed in 2004.

That said, convention countries are held to the highest standards, which is why working group reports are often very hard-hitting. This report is no different. In short, it says South Africa has taken positive steps but needs to step up its efforts to detect, investigate and prosecute cases of bribery in international business deals.

What were the group's main recommendations?
The recommendations are tough, but they do offer important ways in which we can improve our efforts to stop the bribery of public officials in other countries by South African individuals and companies in their cross-border business deals.

For instance, we need to do more to raise awareness of foreign bribery in our public and private sectors, and to increase law enforcement resources and training for those charged with enforcing our foreign bribery offence. We also need to make sure there is better coordination among our police and prosecution authorities, the group said. All of this, they feel, should help us better detect, investigate and prosecute cases of foreign bribery. The report also recommended that we do more to hold South African companies duly liable for committing this crime.

It sounds like implementing those recommendations will not happen overnight. How does South Africa plan to address the recommendations?
All of the OECD's recommendations were made in order to make our legal framework stronger, and to make it easier for us to protect our citizens and companies from the risks associated with foreign bribery. We're getting there. There are currently four foreign bribery investigations underway. This is progress.

So, of course, we welcome the recommendations. We will study the report and look for ways that we can apply them to our work here in South Africa.

Why is it important to South Africa to follow the OECD's advice in strengthening its anti-bribery framework?
It's true that being party to the Anti-Bribery Convention means a lot of work and, often, some pretty harsh advice.

But, as a member of the Working Group on Bribery, we get to sit at the table with 37 of our peers who, together, make up nearly two-thirds of the entire world's exports. Together, we have recognised how disruptive the bribery of foreign public officials in international business transactions is to the global market. If one of us cheats and lets our bribers off easily, then we all pay the price.

> South Africa has made giant strides in the fight against bribery and corruption. But we know we can—and will—do more.

Day-to-day, it means that South Africa has a better corporate reputation and investment climate. Our individuals and businesses are held to a higher standard; their clients can therefore have more confidence when doing business with them. That is a huge benefit.

South Africa is the only African country that has adopted the OECD Anti-Bribery Convention. What kind of responsibility comes with that role?
The consequences of foreign bribery are not just economic or financial. This crime also undermines good governance and stands in the way of sustainable development. In Africa, these are consequences that hit especially hard. We see firsthand the disruption that takes place when governments are undermined by bribing individuals and companies. And in almost every instance, those who are hurt most by this crime are the poorest and most vulnerable.

We hope to set an example for our neighbours, many of whom do business with other countries in the region. If they follow our lead–even if they are not party to the convention–then we can go far in reducing the levels of corruption in Africa. We also hope that, by properly enforcing the Anti-Bribery Convention, South Africa sends a message to the outside world that bribing African public officials is wrong and will not be tolerated.

What does South Africa add to the strength of the Anti-Bribery Convention?

Well, our economy is the biggest in Africa and one of the world's biggest up-and-coming markets. If we agree that these rules are important and should be followed, I think that lends real credibility and relevance to the OECD and the convention. And, our membership sets a good example for other non-OECD countries that are considering joining the convention, like China, India and Russia. Here, we are treated as equals. We carry the same weight of responsibility, but we also enjoy the same benefits.

Interview by Mary Crane, OECD

Recommended links and references

OECD (2010), *South Africa: Phase 2* (second-round evaluation of South Africa by the Working Group on Bribery), available at www.oecd.org/dataoecd/8/39/45670609.pdf

For more on the OECD Anti-Bribery Convention, see www.oecd.org/corruption

A new global governance?

"If this is a dream, then we can make it happen", proclaimed Jean-Marc Vittori, editorial writer for the daily newspaper *Les Échos*, speaking after the prestigious orators at the opening session of the Journées de l'économie 2010. This annual economic conference, held in Lyon on 9-11 November, brought together some 6 000 citizens with an interest in bettering their understanding of the economic mechanisms of our time. The first of roughly 50 topics for lectures and debates was international governance–a "dream" that has been formulated ever more frequently since the financial and economic crisis of 2008. In the background, the G20 and international organisations.

Christine Lagarde, the French minister for economics, finance and industry, began by outlining the main thrusts of the French presidency of the G20, between November 2010 and 2011: reform of the international monetary system, stabilisation of commodity prices and, more broadly, global governance. On this last point, Ms Lagarde expressed the wish that "the G20, which was so relevant and useful in a period of crisis–even if it is not totally legitimate and represents but two-thirds of the world's population, and even if it represents only 85% of global GDP–should afford an opportunity to provide for and institute mechanisms that can ensure better representation for all, increased legitimacy and effectiveness, perhaps by setting up a secretariat." Ms Lagarde also praised the "decisive" role played by the secretary-general of the OECD, Angel Gurría, in efforts to increase the transparency of uncooperative jurisdictions in the wake of the crisis.

"The OECD is there to help you in this shift of wealth, in this economic shift, in this shift of global power", proclaimed Mr Gurría forcefully to the rapt public that filled the auditorium of the Lyon labour exchange. The secretary-general also stressed the fragility of the current recovery. While the G20 had managed to avert the worst consequences of the crisis, he emphasised, co-operation was more necessary than ever, and every possible effort should be made to infuse government action with the "three Cs"–co-operation, co-ordination and coherence–in particular to deal with the "brutality of the markets" towards states, and "to ensure long-term growth and stability". Mr Gurría reiterated the vigorous support that the OECD had provided for the G20's recent work on issues from employment to protectionism to bank secrecy.

Michel Camdessus, honorary governor of the Banque de France, painted a picture of the fundamental renewal that could be expected from the IMF, which he had led for 13 years, in particular with regard to markets driven perilously by pecuniary gain. "The Fund's statutes should give it a mandate to monitor the financial sphere as well as the monetary sphere", he suggested. "Better global surveillance is necessary", he went on to say, "so that everyone plays by the rules". Moreover, the G20 could undergo a certain form of institutionalisation by means of international treaties.

This issue of the effectiveness of international co-operation lay at the heart of remarks by François Bourguignon, director of the Paris School of Economics. A former chief economist of the World Bank, Mr Bourguignon focused his remarks on development assistance. He denounced the growing tendency of countries, in recent years, to reduce their co-operation in the realm of aid, and even to harness it for their own advantage rather than for recipients. As a result, one of the priorities of the World Bank, as well as of the OECD Development Assistance Committee, should be to encourage a return to multilateralism–a vital prerequisite to aid efficiency. This would also demand strong political determination on the part of the G20 and development stakeholders.

"The difficulty is to globalise compromises", retorted Roger Guesnerie, an economics professor at the Collège de France and president of the Paris School of Economics. As for international organisations, Mr Guesnerie found that they often suffered from a lack of clarity as to their missions and legitimacy. He acknowledged that recent changes were leading to a certain weakening of states, and in his view this "entails considerable risk".

Still, for Mr Camdessus, some kind of new global governance had to be considered. "It's a crazy dream, and yet we've got to try it".

Éditions Autrement (2010), *Pour une gouvernance mondiale*, interviews with Christine Lagarde, Angel Gurría, Pascal Lamy, François Bourguignon and Michel Camdessus, conducted by Jean-Marc Vittori.

Reform needs transparency

© OECD

Huguette Labelle
Chair, Transparency International

To create financial reforms that work and to instil a culture of integrity in financial markets, political leaders need to demonstrate a real commitment to transparency and accountability.

When the scale of the global financial crisis became known in 2008, and governments around the world decided that only large bailouts would save the world from a depression as devastating as that which followed the crash of 1929, the hard questions as to why this was happening were put to one side. The immediate aftermath required triage on an epic scale for what we all now realise was a self-inflicted wound. Fraud, opacity and poorly enforced regulations had allowed housing bubbles in many countries to explode like unstoppable cluster bombs, wreaking chaos around the world.

Since then we have tried to answer those hard questions and work towards a global mechanism that ensures a similar crisis does not happen again. It is now accepted that transparency and accountability are prerequisites for a successful reform process. Only strong political will on the part of world leaders and their legislatures to improve transparency will make it possible to craft financial reforms that work and instil a culture of integrity into the financial markets.

Two years on, it still remains to be seen what level of transparency and accountability will be eventually hardwired into the financial and economic system. The G20 recommendations have to be followed by domestic implementation. In several areas a backroom culture still prevails, with limited public access to information, and thus restricted accountability of governments to their citizens and little space for civil society involvement.

However, there is some good news. We have seen the US Congress pass a financial reform bill that is an important move towards strengthening public oversight of financial risk taking and a contribution to a more accountable economy. The UK government introduced a Bribery Act this year that should be implemented in 2011. Likewise, the EU has agreed upon a European financial supervision framework that follows in the footsteps of the financial reform legislation in the US, even if the three new watchdogs for banking, insurance and securities have few direct powers. The move signals an intent to improve financial accountability.

For nearly 50 years the OECD has been at the forefront of helping developed economies respond to economic crises. As Secretary-General Angel Gurría succinctly puts it in his 2010 report: "The organisation's mission is essentially to work for a stronger, cleaner, fairer world economy". The OECD's Anti-Bribery Convention, introduced in 1997, has made a significant contribution to this by mandating that its now 38 signatories address corruption globally. Over the past six years Transparency International has been monitoring the effect of the convention and, in 2010, found that seven countries, responsible for nearly 30% of the world's exports, are now vigilant in enforcing the convention, an increase from four in the previous year.

Clearly, much remains to be done, but the convention has proved an important catalyst. Its future success depends on the collective commitment of all the parties to end foreign bribery.

> Despite much talk of cracking down on offshore financial centres and tax havens, it is still possible for individuals and companies to open secret accounts

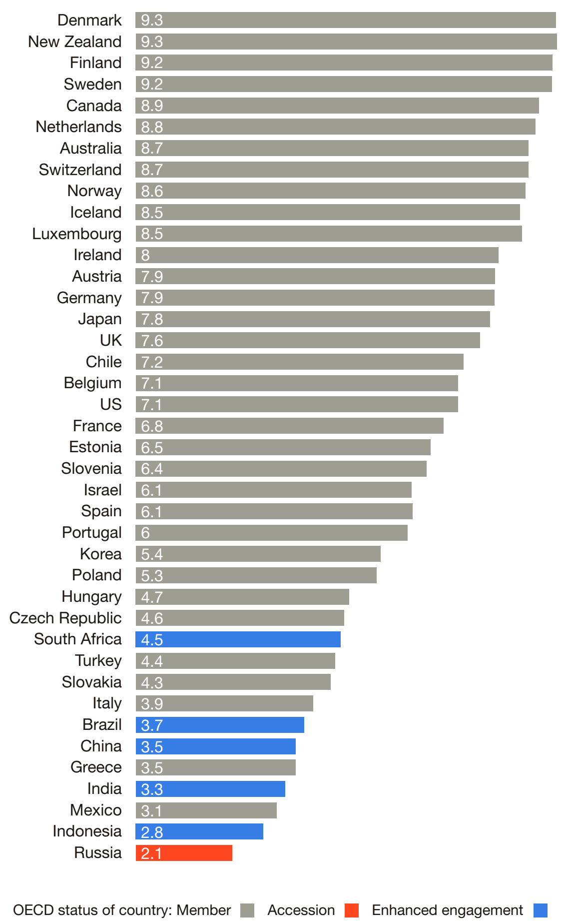
China, India and Russia, all major exporters whose roles in global commerce are steadily growing, are still not bound by the OECD convention, though China and Russia are signatories of the UN Convention against Corruption. One would hope they will commit to the provisions of the OECD convention, too. Both of these important conventions need to be seen as effective tools to limit corruption, and they need committed enforcement and strong monitoring mechanisms to ensure compliance.

The difficult economic environment is no excuse for governments, including OECD governments, to ignore their collective commitment to stop foreign bribery and implement reforms. Governments must take active roles in ensuring that financial markets operate with greater public transparency, from demanding the regular supervision of institutions that pose systemic risks due to their size or leverage, to subjecting auditing and financial services firms to far greater oversight.

Opacity breeds corruption. Despite much talk of cracking down on offshore financial centres and tax havens, it is still possible for individuals and companies to open secret accounts. Accountability in the private sector cannot be compromised. The G20 should insist that companies doing business in developing countries be obliged to promote, implement and report on the

Corruption perceptions

10 = very clean, 0 = highly corrupt



Source: Transparency International, 2010

anti-corruption measures they are taking, as well as on their internal corporate governance.

Recommended links and references

Transparency International (2009), "Anti-Corruption Assessment of the Global Crisis", www.transparency.org/content/download/46913/751707

Transparency International (2010), "Progress Report 2010: Enforcement of the OECD Anti-Bribery Convention", www.transparency.org/content/download/53670/856410/file/2010+PROGRESS+REPORT.pdf

Labelle, Huguette (2009), "A transparent roadmap to recovery", in *OECD Observer* No 273, June 2009; see www.oecdobserver.org/corruption

Transparency International: www.transparency.org

For more, see OECD work on corruption: www.oecd.org/corruption and financial markets: www.oecd.org/finance

Making multinationals more responsible

Companies worldwide will be given greater guidance and support on how to conduct their global business responsibly and report on their sustainability performance, thanks to a partnership between the Global Reporting Initiative (GRI) and the OECD.

The partnership, announced in December 2010, will help companies make greater use of the GRI Sustainability Reporting Framework and the OECD Guidelines for Multinational Enterprises, in a bid to bring more coherence and consistency to efforts by multinationals to act more responsibly and be more transparent about their sustainability.

Transparency through reporting on environmental, social and governance factors drives the sustainability of individual organisations and, ultimately, the global economy, GRI believes. Its Sustainability Reporting Framework, which is one of the world's most widely-used frameworks for producing sustainability reports, enables large and small companies, non-profit organisations and government bodies worldwide to assess their sustainability and disclose the results. GRI's goal is to make sustainability reporting a mainstream part of normal company reporting.

That goal was given a boost by teaming up with the OECD Guidelines for Multinational Enterprises, a comprehensive set of government-led recommendations covering all major areas of business ethics, including steps to obey the law, observe internationally-recognised standards and respond to societal expectations, for multinational enterprises operating in the 42 adhering countries. The MNE Guidelines are now being updated.

The OECD Guidelines for Multinational Enterprises and the GRI Sustainability Reporting Framework promote the same internationally agreed standards and principles for responsible business conduct, including social and human rights and economic and environmental matters. While the GRI Sustainability Reporting Framework provides guidance on how to measure sustainability performance, the OECD Guidelines for Multinational Enterprises establishes benchmarks to assess such performance.

The new memorandum of understanding linking the two initiatives aims to establish a three year programme to encourage companies to use both the OECD and GRI instruments. It outlines the way GRI and OECD can work together to improve synergies and strengthen cooperation in other areas of mutual interest.

For more detail, see www.oecd.org/daf/investment/guidelines and www.gri.org

Global business: To protect, respect and remedy

© AFP

John Ruggie
UN Secretary-General's Special Representative for Business and Human Rights

An update of the OECD's Guidelines for Multinational Enterprises is due in 2011. The changes will include stronger guidance for businesses on preventing human rights abuses, both in their own operations and in those of suppliers. Among those involved in the consultations is John Ruggie, the UN Secretary-General's Special Representative for Business and Human Rights. On a visit to the OECD, he discussed his "Protect, Respect and Remedy" framework for managing the relationship between business and human rights.

OECD: Why should corporations worry about human rights?
John Ruggie: It's a basic social expectation that businesses respect the dignity of people they interact with. Similarly, governments have a role to make sure that labour laws and consumer protection laws […] are enforced. Often they're not. But companies themselves realise they have a role to play to protect their own investment in the long run.

Are you concerned that this issue could be downplayed in difficult economic times?
I haven't seen that happen. I think companies know that the recession we're in is a temporary one, but the challenges they face in dealing with impacted individuals and communities is an ongoing and long-term one that they need to come to grips with.

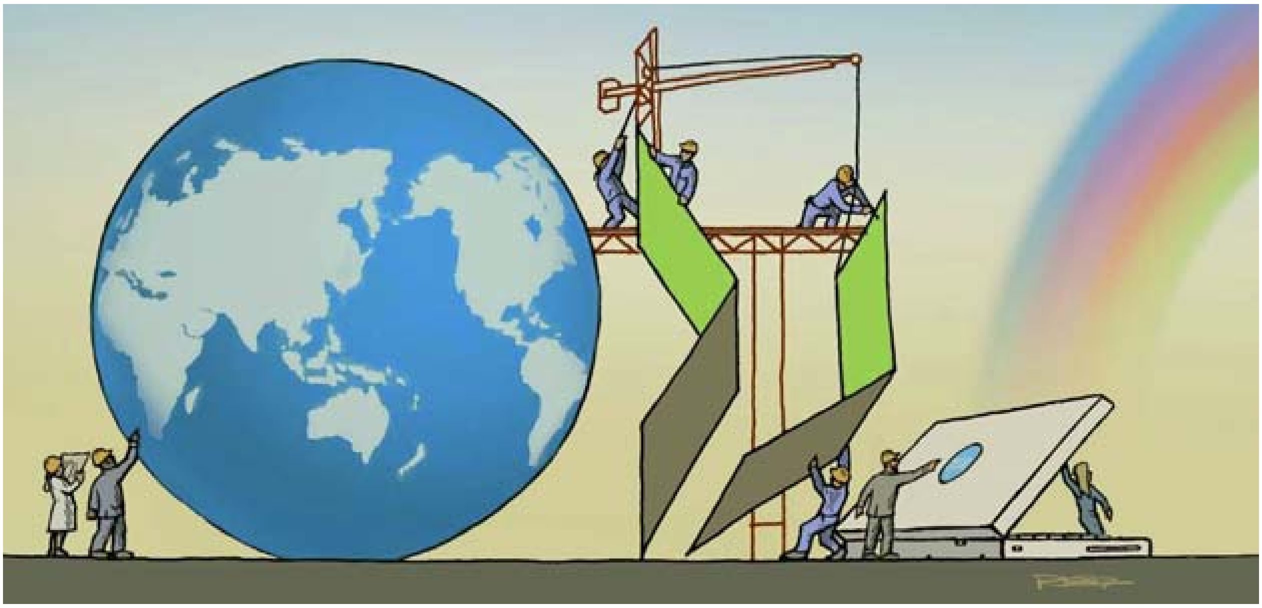
How can your "Protect, Respect and Remedy" framework help?
What I think is unique about the framework […] is, firstly, that it's conducted under the auspices of the UN and therefore has a certain global presence and legitimacy. Secondly, it clearly specifies the respective roles of governments and businesses, and doesn't try to get the two mixed up. What the advocacy community sometimes does is to lay on business itself all manner of responsibility for social outcomes, including things that governments ought to be doing. This framework clearly differentiates the respective roles of businesses and governments, and makes sure both play those roles.
How could the updated OECD guidelines help put your framework into operation?
You might describe the UN framework as a global umbrella. It's addressed to all UN member states, all 192 of them. It's addressed to all 7 000 transnational corporations, and it's addressed to national companies. The OECD guidelines have a more limited scope–[they] will put into operation in a more specific region of the world or set of industries and companies what the UN is laying out as a normative basis at the global level.

Recommended links and references
This is an edited transcript of Mr Ruggie's interview; for a longer version go to www.youtube.com/oecden

For more on the OECD MNE Guidelines, see www.oecd.org/daf/investment/guidelines


WANTED

Tapping new sources of growth



OECD countries need growth if they are to emerge from the crisis and create jobs. But where will that growth come from? Also, with challenges such as climate change and global development, how can cleaner, smarter economic activity be unleashed? Answering these questions may help us plot a path out of the crisis and build a safer future.

In the early 1960s when the OECD was created, you could buy a portable TV for $150 in the US, around the same price as you'd pay for an entry-level LCD television today. But 60 years ago, an average manufacturing worker would have had to work almost two weeks to pay for it, compared with less than a day at present. For many other products we use all the time, a comparison like this isn't even possible, since they didn't exist. In 50 years from now, there will be similar changes we can't yet imagine, and people may look back on call centres, shopping malls and the like with the same nostalgia presently reserved for the dirty, dangerous jobs of the past and the little shop on the corner with its limited range of overpriced merchandise. Although we can't predict what the future economy will be like in any great detail, we do have some idea about the forces likely to shape that economy and the sectors that could drive growth in the years to come. There may be spectacular inventions due to progress in science and technology or radical new ways of organising our lives and how we produce and consume, but many of the sources of growth will be more mundane. The basic categories won't change much either. We'll still need to be fed, clothed, housed, educated, transported, treated and entertained.

So what do we know, or what can we guess with a reasonable degree of confidence? For a start, there will be many more of us. This will be a source of growth in itself for the world economy, especially since people will, on average, be richer than today. And not just in OECD countries. That 1960s TV would have been built in the US, and most of its components would have been American. Since then, new world leaders in consumer electronics have appeared in places like Chinese Taipei, and new economic powerhouses are already emerging across the globe.

But emerging countries won't become rich by following the same path as countries that industrialised earlier. The environmental costs would be too high for a start and, to borrow a cliché, there simply are not enough planets to go around for that. Fortunately, new technologies are enabling developing countries to leap forward in their development, the spread of mobile phones being one example, even if the so-called digital divide remains an issue. All countries are now looking for forms of growth that use resources more efficiently. Energy and transport will be among the earliest drivers of greener growth, and this means changes that will affect everything, such as land values, urban planning, farming and where people live. New technologies will play a role in helping the world feed itself too.

Apart from being richer, more mobile and more numerous, the population will also be older. But the new elderly will have grown up with today's technologies, attitudes and social norms. They, or to be more precise, we, will expect to stay in our own homes as long as possible, so personal services, and specially-adapted housing and consumer products are likely to be in demand.

Discovering and developing new sources of growth will depend on developing the intellectual assets needed to create, promote, diffuse and adopt the intellectual and material innovations underpinning them. Policymakers have to take a lead, by tapping new sources of growth themselves, setting the regulatory ground to allow new breakthroughs to happen and breaking down inertias, whether institutional or economic, that prevent them. But most of all, they have to invest in innovation and skills. The OECD is working hard on areas that can help improve government policy, by setting out innovation and green growth strategies, examining market and regulatory incentives, overseeing rules on biotechnology, and much more. None of this would be possible without knowledge.

The roots that allow our future societies to flourish will, as ever, be education, research and training.

Recommended links and references

For more on OECD work on innovation and growth, see: www.oecd.org/ innovation/strategy

Read about "Going for growth and economic policy reforms": www.oecd.org/economics/goingforgrowth

See more on the OECD programme on the future: www.oecd.org/futures

Wanted: Women scientists

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It is a century since Marie Curie won two Nobel prizes, one for physics and the other for chemistry. How can more women be encouraged to work in science?

Marie Curie was one of the greatest scientists of the 20th century. Thanks to her discovery of radium, the Polish-French scientist paved the way for nuclear physics and cancer therapy. In 1903, as part of a trio she was the first woman to win a Nobel Prize, and was the first woman in Europe to receive a doctorate, both in physics. Eight years later, Ms Curie won the Nobel Prize for Chemistry. She was also decorated with several other awards, including in the US. Now, 100 years later, it seems that Marie Curie's achievements were exceptional indeed, not least from a gender point of view.

Not that women are absent from science; they are well-represented in higher education and research, for instance. Yet women tend to apply for research funding less often, for lesser amounts and to less prestigious bodies. Furthermore, female professional scientists are thinner on the ground, representing 25-35% of the research workforce. Why is this, particularly as there has been an increase in women graduates of science and engineering in recent years?

OECD science ministers have an interest in closing the gap between women's growing participation in higher education and research and their share in research jobs. Identifying ways of attracting, recruiting and retaining women in scientific careers is becoming important because of growing demand for science and technology professionals, an ageing scientific workforce and a declining interest in the subject among youth.

One reason cited for the low number of women in top science positions is the difficulties women have reconciling profession and child rearing, including the demands for mobility early in research careers. Available data confirm that women scientists and engineers are less successful than their male counterparts in travelling along the academic career path. Just over one-third of US university faculty are women but this figure is much lower in EU countries and in Australia, as well as Japan and Korea. Women also make up less than 20% of senior academic staff in the majority of EU countries. One effect of this is a scarcity of female role models among senior researchers and faculty to inspire other women to follow suit.

The story is not all bad. The population of female researchers has increased. In the EU, the number of men in science and engineering increased by 4.9% from 1998 to 2002, while the number of women rose 4.2%. Although women account for only 30% of science and engineering graduates in OECD countries, this is an average figure. True, less than 30% of graduates in computing and 40% of graduates in the physical sciences are women, but look again, and more than 60% of life science graduates in many OECD countries are women. In other words, women tend to concentrate on fields such as biology, medicine, agriculture and pharmaceuticals, with low representation in more maths-intensive fields like physics, computing and engineering.

One problem is that most women researchers in OECD countries work in the public sector, and men find work in industry. Government efforts plus new technologies and a growing push for diversity within industry are helping to close this gender gap. Some countries have implemented measures to increase the number of women graduates, and other countries have focused on keeping women in science after graduation.

Childcare is often a problem. Even in countries where governments provide this benefit, women want more independence and authority in the lab, OECD experts say.

This article was updated from *OECD Observer* No. 257, October 2006.

Roundtable: What new growth needs

The global economy has grown spectacularly over the past 50 years, despite several crises. Average living standards have improved worldwide. The ways we produce and consume have been transformed radically, and more people than ever have access to the basic necessities of life. But if progress is to continue to improve people's lives, several challenges have to be met. We cannot neglect the environmental impacts of wealthier lifestyles. Millions of people are still living in poverty, without enough to eat and without decent housing, healthcare or education. Climate change also compels us to find new sources of growth and cleaner ways of managing existing ones.

We asked a number of OECD experts from different policy backgrounds–economics, science and technology, development, agriculture and energy–to answer this question:

What issues and new means to address them are the most important for continued growth?

New, greener sources of growth?

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Giuseppe Nicoletti, Head of the Structural Policies Analysis Division, OECD Economics Department

Tensions between economic growth and the environment are putting strains on key global public goods such as water and the climate. Risks to development are rising as growth continues to draw on and erode the value of natural assets (consumption) at rates in excess of regeneration (saving). Depletion of natural capital is occurring at a more rapid pace in the developing world, but much of the demand which drives this depletion resides in the developed world.

These tensions may undermine the ability to sustain future growth for at least two reasons: substitution of physical capital for natural capital is increasingly costly–for example, more costly fishing fleets to catch increasingly scarce fish. And change doesn't necessarily follow a smooth, foreseeable trajectory. Things can shift suddenly and catastrophically, such as species depletion associated with unsustainable fisheries management.

The world economy will in part react spontaneously to these tensions, through increased prices or changing consumer preferences, for example. But this reaction would take a long time and would be insufficient to avoid the welfare losses associated with environmental degradation, because traditional economic tools, such as clear property rights or pricing mechanisms, are lacking or incomplete for many environmental goods and services such as climate or biodiversity.

In addition, current policy settings are either inadequate to deal with such imperfections or can even accentuate the tensions, especially in developing countries, for instance through the widespread use of fossil fuel subsidies (an issue that also applies to developed countries, as discussions at the G20 showed). There are also the traditional difficulties of dealing with low-probability and high-impact risks, and in implementing policies whose downsides are immediately apparent, but whose benefits are only seen in the longer term.

However, the growing recognition that we are in a "second best" world provides opportunities for policy reforms which generate both economic and environmental benefits.

More fundamentally, aside from these win-win policies, shifting towards green growth would require measures to mimic or to create missing markets, by using the likes of carbon pricing or taxation, as well as, in some cases, setting standards, regulations, and so on. It also means better informing consumers about environmentally friendly options and facilitating

> The quality of growth is at least as important as how fast we grow. The objective should be to consider in our growth strategies how to better incorporate things like natural capital, the value of ecosystem services or the costs of environmental damage.

innovation that would put the economy on a resource-efficient or low-carbon trajectory, thereby breaking our current dependence on "dirty" demand patterns and technologies. These policies would have a cost, but would increase the welfare of current and future generations.

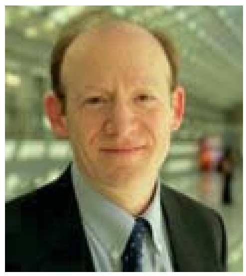
We should also harness the growth potential that arises from environmental concerns through environmentally-related innovation, and environmental goods and services industries.

Such a strategy would recognise that the quality of growth is at least as important as how fast we grow. In other words, the objective should be to consider in our growth strategies how to better incorporate things like natural capital, the value of ecosystem services or the costs of environmental damage. This also implies paying more attention to the implications of green growth policies, or the lack of them, for the distribution of income and wealth.

As the OECD has emphasised since the financial meltdown in 2008, the current crisis provides an incentive to change course and overcome some of the barriers to better policy. Governments recognised the need to develop all sources of growth when they adopted the OECD's Strategic Response to the Crisis in 2009. They must do more to make this dynamic happen. Some of the stimulus plans included "green" procurement, for instance. In 2011, as budget deficits are being reined in, instruments such as green taxes and cutbacks on environmentally harmful subsidies must be encouraged. Green growth could set us on a new path, if we recognise that there is no fundamental conflict between sustained growth and the environment, provided the right policies are implemented.

OECD work on green growth: www.oecd.org/greengrowth
See the OECD's Strategic Response to the Crisis, 2009: http://bit.ly/igkeQ6

Human ingenuity and the entrepreneurial spirit



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Andy Wyckoff, Director, OECD Science, Technology and Industry Directorate

Over half of the companies on the 2009 Fortune 500 list began during a recession or bear market. Downturns can breed innovation and entrepreneurship, and spark new and much needed sources of growth. There is, at the same time, heightened risk aversion and a scarcity of finance that limits the capacity of the innovation system to deliver.

One of the essential lessons in the OECD Innovation Strategy, issued to governments in May 2010, is that countries that harness innovation and entrepreneurship as engines for new sources of growth will be more likely to pull out of and stay out of recession. Governments can help by creating the environment and safeguarding the drivers of innovation, even in difficult times.

In the end, human ingenuity and the entrepreneurial spirit are the essence of innovation. While scientific and technical know-how is essential for advancing knowledge, more is required. Innovation also relies on broad and relevant education that builds entrepreneurial skills, initiative and creativity, and teaches individuals how to work as part of networked teams. Courses need to be adapted to equip students with the capacity to participate in the creation, diffusion and adaptation of innovations, where learning and applying new skills becomes necessary throughout their lives.

Science is vital to innovation, especially to generate "step changes," such as the invention of the transistor or the first vaccine. Fundamental R&D is mostly undertaken and funded by governments, and provides the foundation for future innovation. The Internet, which owes much to public investment, is a case in point. Governments should especially avoid cuts in basic R&D directed at social challenges, such as neglected diseases like malaria or renewable sources of energy. Tackling these can generate a double dividend of economic growth and improved welfare.

Data from the US shows that firms less than five years old accounted for nearly all increased employment in the private business sector over the last 25 years

New and young firms–frequently the offshoots of universities or large established businesses–are increasingly important and tend to be the source of radically new, disruptive innovations that upset existing business models, and boost both productivity and employment. Data from the US shows that firms less than five years old accounted for nearly all increased employment in the private business sector over the last 25 years.

What can governments do to nurture more of these "gazelles"? For a start, policies must do more than simplify administrative procedures for starting a business; they should promote an environment that enables firms to grow. They must provide portability of social benefits, such as pensions and health insurance, to encourage would-be entrepreneurs to take the risk of setting out on their own. Policies must also facilitate access to risk capital, which is all too scarce in the current environment.

Securing a solid infrastructure for innovation is also critical: high-speed broadband for example.

Policies to foster innovation will only deliver full results if they take into consideration the wide scope of activities that innovation brings together. Technology is important, but what counts at least as much is how to harness new, and sometimes unintended, knowledge in more productive ways. Kenyan mobile company Safaricom began offering its prepaid customers a service for sharing minutes. Quickly, the sharable minutes became a form of alternative currency as customers began using them to send money to relatives or pay for services, such as taxi rides. Safaricom launched a nationwide banking service that allows Kenyans to send money via SMS without the need for a bank account.

Policies that focus only on R&D miss out on such potential. The success of policy relies on enhancing the performance of the system as a whole and ironing out the weak links that can hurt performance.

This global aspect will become even more important in the years ahead, as new global players such as China, Brazil, India and South Africa shift the topography of ideas, and how they are traded and invested. For economies around the world, a good dose of innovation can deliver a double win. It can help drive a sustainable recovery, and deliver progress on social and environmental goals.

The OECD Innovation Strategy: www.oecd.org/innovation

Adapting to a new economic landscape–a window of opportunity for the developing world?

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Mario Pezzini, Director, OECD Development Centre

Over the last decade, the global economy has been undergoing some profound changes. The economic centre of gravity has shifted east and south to such an extent that by 2030, according to OECD Development Centre calculations, developing countries will account for nearly 60% of world GDP. India and China have received a lot of attention, but in fact improvement in economic performance has been shared among a large number of developing countries.

Whereas the 1980s and 90s were very much lost decades for most developing countries, registering low, stagnant or even negative growth rates, in the 2000s there was a sharp upturn in their economic performance. Even after the global financial crisis, the prospects for the majority of developing countries are much better than they have been for many decades–underpinned by better macroeconomic management in developing countries and more dynamic south-south trade, investment and co-operation. Although progress in human development has been uneven, there have also been some major unsung successes in terms of, for example, the reduction in infant mortality or the expansion of primary education.

> By 2030, according to OECD Development Centre calculations, developing countries will account for nearly 60% of world GDP

In reality, a new window of opportunity is opening up for global development. At the OECD Development Centre, we are following closely these new dynamics in the global economy, monitoring trends in south-south cooperation and investment, and exploring how policies and development strategy can be adapted to the new global environment in order to harness their benefits. For example, there is an increased focus on flows of development finance that go beyond traditional aid–remittances, private flows and domestic resource mobilisation (taxation)–to be leveraged to increase living standards in developing countries.

Despite a positive outlook, the challenges are still numerous. As this new global economy evolves, it is crucial that the poor living in more vulnerable developing countries are not left behind. At the same time, it is important to recognise that less than a quarter of the 1.3 billion people living under $1.25 a day live in low income and vulnerable countries–because of improving economic performance, the vast majority now live in middle income countries. This has major implications for policymakers, putting issues such as social protection and redistribution policies at the top of their agenda. The 2011 edition of *Perspectives on Global Development* will look at the social implications of this new economic landscape. Focusing on social cohesion, it will explore what it is that makes us feel part of a society or keeps us excluded from it, and what the paths to upward social mobility are.

OECD (2010), *Perspectives on Global Development 2010: Shifting Wealth*, OECD Development Centre, see www.oecd-ilibrary.org

OECD Development Centre: www.oecd.org/dev

Feeding 9 billion people in 2050

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Carmel Cahill, Senior Counsellor, OECD Trade and Agriculture Directorate

For most of human history, a large majority of the world's population depended on the land to earn a living, yet few people could be sure of always having enough to eat. Now, in OECD countries hardly anybody is a farmer, yet the main nutritional problem is obesity, we throw away up to a third of the food we buy, and more agricultural crops are used to produce biofuels. The same is starting to happen elsewhere too.

> Changes in policies and practices can encourage a shift towards sustainable means to produce and distribute enough food to satisfy the expanding demand without destroying the planet's resources

This has only taken a few decades. The main reason is innovation, and not just in farming technology and methods. Farm structures have been transformed, and there are now much fewer, but much bigger farms. Policies have changed as well, to encourage farmers to adopt new ways of working. New markets to trade what farmers produce have emerged, thanks to better communications and transport. Richer consumers have boosted demand.

Unfortunately, some of the old problems have yet to be solved. Almost a billion people are still hungry, and the cost of food is a major worry for many. It's not that food isn't available–agricultural production continues to outstrip population growth–rather that people are too poor to afford it. Even under the most conservative assumptions regarding demographic, socio-economic and environmental trends, the demand for food will expand significantly in the foreseeable future, at the same time as the land available to produce it is placed under greater strain from urbanisation, environmental degradation and other factors such as the demand for biofuels. Climate change presents new challenges, and water supplies in some parts of the world are increasingly under stress.

This doesn't mean the world faces a food shortage any time soon. Trends can be influenced. Farming has always been resourceful and inventive. Science and technology are exploring new solutions to the physical challenges. Changes in policies and practices can encourage a shift towards sustainable means to produce and distribute enough food to satisfy the expanding demand without destroying the planet's resources. If the broader challenge of bringing development to the poorest countries and reducing poverty can be met, food security will follow.

OECD work on agriculture
www.oecd.org/agriculture

Will peak oil be a guest or the spectre at the feast?

© DR

Fatih Birol, Chief Economist, International Energy Agency

The Copenhagen Accord, increased funding for low-carbon technologies as part of fiscal stimulus packages, and the G-20 and APEC commitments to eliminate fossil-fuel subsidies are important steps forward, but they fall well short of what is needed to meet climate goals. This is one of the many messages that resonate from the 2010 edition of the IEA's *World Energy Outlook*.

The central scenario in this year's *Outlook*–the New Policies Scenario–takes account of the policy commitments that have been announced by countries around the world. It sees world primary energy demand rising by 36% between now and 2035. Emerging economies, led by China, responsible for 36% of the increase, and India, 18% of the increase, are responsible for the vast bulk of the growth.

> If governments act more vigorously than currently planned to encourage more efficient use of oil and the development of alternatives, then the growth in oil demand might begin to slow down soon

Fossil fuels remain the dominant energy sources in 2035, though their share of the mix declines. Although these projections represent a tangible improvement on past trends, they point to a likely temperature rise of over 3.5°C in the long term, which, experts tell us, would have unacceptable implications for the planet.

In order to have a reasonable chance of achieving the Copenhagen Accord's goal of limiting the temperature increase to 2°C, the concentration of greenhouse gases needs to be stabilised at no higher than 450 ppm CO_2-eq. The *WEO-2010's* 450 Scenario sets out a roadmap for how the energy sector needs to evolve to meet this objective. It assumes vigorous implementation of Copenhagen Accord pledges to 2020 and much stronger action thereafter.
The measures that would need to be adopted–including improving vehicle efficiency, increasing deployment of electric vehicles and expanding the use of biofuels–would have important repercussions on the oil market. For example, oil production peaks at 86 mb/d just before 2020 in the 450 Scenario, as a result of weaker demand, falling briskly thereafter. Oil prices are lower than would otherwise be the case. Nonetheless, the main oil resource holders continue to benefit from growing oil exports and increasing oil-export revenues, as oil production in most non-OPEC regions is set to decline.

The message is clear: if governments act more vigorously than currently planned to encourage more efficient use of oil and the development of alternatives, then the growth in oil demand might begin to slow down soon and, as a result, we might see a fairly early peak in oil production. That peak would not be caused by resource constraints. But if governments do nothing, or little more than at present, then demand will continue to increase, supply costs will rise, the economic burden of oil use will grow, and the global environment will suffer serious damage.

International Energy Agency:
www.iea.org

City growth

John Mogk, Wayne State University Law School

© Shannon Stapleton/Reuters

There is growth potential in agriculture, and not just in the countryside. In fact, encouraging large-scale urban agriculture would plant the seeds of new growth and improve people's lives as well.

The most successful home front effort during the Second World War was the growing of "victory gardens" by residents in every city and town in the country. The United States Department of Agriculture reports that "victory gardens" produced an estimated 9 to 10 million tons of fruits and vegetables, more than 40% of the nation's crop, through the nearly 20 million gardens planted in American backyards. It also instilled the art of canning into urban life.

Today, distressed American cities can greatly benefit from urban agriculture once again, both economically and socially, as well as environmentally. Urban agriculture increases economic prosperity by creating jobs and developing new, local industries. Additionally, it improves the health and safety of residents by providing wholesome food and greater access to well-maintained green spaces, fostering a sense of community, building social capital and organisational capacity, and uniting residents around a common purpose. Urban agriculture improves the local environment by removing blight from vacant lots and returning a green landscape to the city's neighbourhoods.

There is an increasing demand for locally grown food in America, especially in restaurants and grocery stores. The US Department of Agriculture estimates that demand for locally grown food will rise from a $4 billion market in 2002 to a $7 billion market in 2012. Importantly, money spent on local agriculture stays within the local economy.

In Detroit, an enormous inventory of vacant land of nearly 50 square miles could provide wholesome vegetables and fruits for a large percentage of its population. Today, there is little, if any, demand for the city's vacant land for traditional urban uses.

Investing in urban agriculture is a smart business decision. Approximately every $1 invested in a community garden yields $6 worth of fruits and vegetables. Researchers in Ohio estimate that "urban farmers can gross up to $90,000 per acre by selecting the right crops and growing techniques." In Philadelphia it is estimated that "urban market gardens" earn up to $68,000 per half acre. Projections are that locally grown fruits and vegetables in Detroit could generate $200 million in sales and approximately 5,000 jobs.

When vacant land becomes clean, productive and more attractive to existing and new residents through agriculture, the city's housing values benefit and so, in turn, does its tax base. Access to quality food will promote healthier lifestyles for city residents. The lack of access to healthy and affordable food harms the health and well-being of Detroit residents, and contributes to both hunger and obesity, which pervade the city. While most Detroit streets are dotted with convenience and liquor stores, the city has no major food chains. The city's residents have limited access to food other than fast foods and poor quality, highly processed and highly caloric foods. Detroit ranks fifth in the US for its obesity rates, and the lack of access to healthy foods is one of the leading causes.

> Roughly every $1 invested in a community garden yields $6 worth of fruits and vegetables

Locally grown food is more nutritious than food shipped to the city. When produce is transported long distances and subjected to heavy chemical preservatives, it loses nutritional value. Furthermore, the recreational activity that gardening promotes leads to a healthier lifestyle, as well as healthy benefits from horticultural therapy.

The secondary effects of urban agriculture are potentially unparalleled. Farms and gardens imbue a sense of community, pride and belonging. Urban agriculture benefits youth education, tourism and community development through school programming, work programs and other agriculture-related activities. It can make the city attractive to new residents and improve the lives of current residents.

Cultivating blighted and unstable areas in Detroit could also reduce criminal activity. Vacant lots become illegal dumps for refuse and are gaping holes in the cityscape, while vacant houses are subject to trespass, vandalism and arson. Farms and gardens can increase safety, because the land will be occupied and monitored by those who farm and use it for agriculture-related activities, thereby reducing the need for the city to police and maintain the vacant property.

Local food production reduces the need for packaging, refrigeration, storage and transportation of food, decreasing energy usage and costs associated with the production of food. Additionally, harmful environmental problems can be minimised. Rooftop gardens, for example, are known for harnessing rainwater that can overwhelm urban sewage systems. They also keep buildings warmer in the winter and cooler in the summer, leading to reduced electricity usage and smaller utility bills. Furthermore, properly managed urban agriculture can turn wastewater and other agriculture by-products from agricultural activities, such as composting, into resources that can be recycled and used again.

Much has been said about the need to achieve economic justice in reshaping Detroit's economy for the 21st century by assuring that all residents benefit from future economic planning. No activity has greater potential for realising economic justice than urban agriculture, if city land is made available on a widespread basis to residents to help meet their nutritional needs. An important caution is that land being considered for agriculture should be tested for soil contamination, particularly lead, and remediated first before planting begins. Let the widespread growing begin!

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New growth doesn't have to cost the earth

James P. Leape
Director-General,
WWF International

WWF's *2010 Living Planet Report* demonstrates that we are currently using 50% more resources than the earth can provide. If we allow current trends to continue, by 2030 we will need two planets to support us. It's clear that "business-as-usual" is not the pathway to a prosperous future.

We must be able to develop and to grow our economy in ways that the earth can actually sustain. That means growth without carbon. It means using the earth's amazing larder of natural resources in ways that keep ecosystems healthy.
Leading companies are already recognising that in a world where land, water and other resources are increasingly scarce, a high-footprint business model is fraught with risk. And they are finding that sustainability solutions can be big business.

A recent report from banking giant HSBC predicts that the global market for low-carbon energy will almost treble over the next decade to some $2.2 trillion a year. China has set its sights on leading that market. It's now the largest manufacturer of wind turbines, solar panels and the most efficient grids, and is making big investments in electric cars and high-speed trains. President Hu Jintao has stated China must "seize pre-emptive opportunities in the new round of the global energy revolution".

> If governments redirected just a third of global fishery subsidies to rebuilding and effectively managing the world's fisheries, it would yield an increase in production of $34 billion annually

We are also seeing explosive growth in markets for commodities that are produced sustainably–seafood from well-managed fisheries or palm oil produced without cutting down valuable rainforest. In recent years the markets for these and some other certified sustainable products have grown by more than 50%.

Governments can unlock the potential of these new markets. They can set ambitious targets for reducing carbon emissions, targets for renewable energy, standards for energy efficiency and stronger management of public resources like fisheries and forests can help spur change. One priority is to eliminate the huge public subsidies that are taking us in the wrong direction–more than $500 billion for fossil fuels, for example. Ending those subsidies opens up the market to new industries. Redirecting some of those subsidies can accelerate the transition. To take one example, global fishery subsidies are reported to be $27 billion annually, and if governments were to redirect just one-third of these to rebuilding and effectively managing the world's fisheries, it would yield an increase in production of $34 billion annually.

Surely the defining challenge of this century is to find ways to meet the needs and aspirations of a growing population within the limits of this single planet. That is no mean task, but it offers abundant new opportunities for growth to those who offer solutions.

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Visit the WWF website at: http://wwf.panda.org

Fostering an ecosystem of innovation

© REUTERS/Charles Platiau

Charles Beigbeder
Chairman of Gravitation, Founder and Non-Executive Chairman of Poweo

What new sources of growth should we turn to in 2011 and beyond? For Charles Beigbeder, founder of Poweo, a leading private electricity operator in France, and founder of numerous innovative companies, these sources are to be found in a combination of major technological, cultural and demographic developments, though the government must also create a climate that is conducive to innovation.

***OECD Observer*: The hunt is on for new sources of growth. What major areas do you find promising?**
Charles Beigbeder: If I had to identify the up-and-coming industries on which we should place all our bets, because to spread them thin would get us nowhere, I would pick three. First, of course, are the inevitable "green techs"–the pillars of "green growth"–because we have got to fight against climate change, whether the climate sceptics like it or not.

We must become less energy-dependent on countries that are geopolitically fragile, and also become more competitive, since oil could easily soar to $200 a barrel. As a result, we must rid our economies of carbon by waging a genuine "green revolution", with energy efficiency in construction, transport and industry; renewable energies, where a huge number of things need to be done; recycling; biofuels, etc. These areas are starting to generate marked growth and vigorous job creation.

Second are industries involving biotechnologies and health-related technologies and services, for the very simple reason that people are living longer and hoping to live their lives in good health. It is obvious that healthcare spending in western countries is going to increase substantially. Here there is a market, untapped demand and vast growth potential for businesses. The needs include medical imaging techniques for earlier diagnosis of pathologies, autonomy assistance for patients and all imaginable services, the discovery of new molecules–or cocktails of molecules–that could treat pathologies, and particularly rare diseases, but also the scourge of cancer. The discovery of the genome 20 years ago makes it possible to fine-tune drug treatments for these pathologies. Thanks to genomic analysis, time can be saved in drug development. The process can be shortened by four to five years, which is thus a source of hope.

The third area I would cite is digital technology in general, or "infotechs". There are four billion mobile phone owners in the world. Telephones–"smart phones"–are getting increasingly intelligent. And then there are two billion web surfers. We have only scratched the surface of all the imaginable applications to make people's lives easier, and this is a real wellspring of growth.

"Innovation" is not only technological, but can also apply to management models or financial products. With regard to the latter, the crisis seems to have shown, in respect of derivatives, that innovation is not always a good thing. What is your view on this?
Naturally, innovation is not only technological. Oftentimes it is deregulation or re-regulation that allows new entrants to appear on the scene, as in energy, and tomorrow perhaps in railroads. There is a whole series of sectors that are blocked in certain developed countries, and in particular in France. These sectors are opening up to competition, and here, without even delivering any major technological innovation, it is possible to give final consumers a great deal. Lastly, competition spurs innovation, and that is a win-win situation.

On the issue of financial innovation, I think this ought not to be demonised. Finance is a means, it should not be an end. Finance for its own sake can be dangerous, but it is thanks to financial innovation that a vast number of businesses in industries of all sorts can find the capital to invest, create jobs and grow, to expand internationally and to innovate. Moreover, very often one impact of financial innovation is to limit volatility, which is rightly criticised. The more players there are on the market, the more arbitrage there is, and this reduces volatility. We must therefore be careful, because if there are too many impediments to financial innovation, volatility can increase. Clearly there must be rules, as Adam Smith said a long time ago. True liberals want the market economy to work, and so they want rules, and these rules must evolve because human intelligence is limitless, and because technologies evolve. It is no doubt for lack of appropriate rules that the crisis of 2008 took place.

> We must rid our economies of carbon by waging a genuine "green revolution"

How do you expect government policies to make the most of new sources of growth?
Given the weak recovery in certain European countries and the emergence of such competitors as China and India, we have no choice but to take the high road–that is to say, innovation.

European governments, in Germany and France for example, have pulled out every stop to foster innovation, and I was very happy to learn a few days ago that the ratio of research and development to GDP in France was 2.41%, having traditionally hovered around 2.1%. This resumption of R&D investment is very encouraging, especially since it is taking place despite the crisis. This is due to a series of measures, such as the research tax credit, which have prompted a whole series of businesses to innovate and invest in R&D. It is also the result of university autonomy reform in France, the development of competitiveness clusters and an entire range of measures. The ecosystem of public research/private research and innovation is starting to work. Things are beginning to gel in France, and that is very good news. Admittedly, the process is a slow one, and we have yet to see a significant impact on French growth figures.

> Oftentimes it is deregulation or re-regulation that allows new entrants to appear on the scene, as in energy

Things would undoubtedly move more quickly if improvements were made to tax and social charges affecting French businesses, which are not conducive to risk-taking and growth. Remember that the margins of French businesses, that is to say their gross operating surplus divided by added value, are a mere 31%, as opposed to 41% for their German counterparts and 42% for the British. Moreover, French businesses finance 67% of their capital investment from cash flow, whereas the corresponding ratio in Germany exceeds 100%. So there is a real structural problem in financing investment in France, and this adds to concerns over the state's inability to trim its deficits.

Lastly, in my opinion the financing of the French social protection system needs an overhaul. The social security institutions represent €1 trillion per year. That amount is funded by €800 billion in taxes and social security contributions, €100 billion from internal income and €100 billion in borrowing. What interests me here is the €800 billion in taxes and social security contributions: that's €500 billion in social security contributions paid in by employers and workers, levies, etc., plus €300 billion in taxes. That mix beggars belief. France's engine needs retuning, reducing the share of taxation and social security contributions that weighs upon labour. Perhaps this should be rebalanced to 400/400, or maybe the proportions should even be reversed. We would then bear what German businesses are asked to bear. Just imagine the boost that could give French entrepreneurs! Firms could then innovate a great deal more and participate fully in the growth which is truly within our reach.

Recommended links

See www.gravitationgroup.com and www.poweo.com

Read about OECD work on green technology: www.oecd.org/sti/ict/green-ict

Innovative lessons

Countries that harness innovation and entrepreneurship as engines for new sources of growth will be more likely to pull out and stay out of recession. Governments can help by creating the environment and safeguarding the drivers of innovation, even in difficult times. Sure enough, demand-side policies, from regulatory and tax reform to public procurement, clearly have a fundamental role to play. But there are specific measures too that governments have to consider.

The crisis represents a paradox for the innovation system because, although it creates opportunities as old ways of doing things are replaced by new ones through "creative destruction", there is at the same time risk aversion and a scarcity of finance that limits the capacity of the innovation system to deliver.

This problem, and the importance of innovation as a driver of growth, was recognised in many of the stimulus packages that were launched to offset the impact of the crisis. Many countries increased their public investment in education, research and infrastructure to strengthen their growth performance. But now, with the weight of fiscal deficits bearing down, there is a risk of such spending being cut. That would be a mistake. While cuts in such spending may provide short-term fiscal relief, it will hurt growth in the long term, not to mention the ability to deal with challenges such as climate change, hunger and disease, all of which require innovative solutions. [...]

In the end, human ingenuity and the entrepreneurial spirit are the essence of innovation. While scientific and technical know how are essential for advancing knowledge, more is required. Innovation also relies on broad and relevant education that builds entrepreneurial skills, initiative and creativity, and teaches how to work as part of networked teams. Courses need to be adapted to equip students with the capacity to participate in the creation, diffusion and adaptation of innovations, where learning and applying new skills becomes necessary throughout their lives.

Many governments should rethink the role that universities and public research organisations play in their economies. All too frequently, universities are viewed solely as education providers, and not as essential hubs of innovation. Universities and public research establishments provide links between players–businesses, governments and countries–and are often the anchor that local clusters use to participate in global networks. As cogs in the innovation machine, governments should grant them more independence, promote competition and an entrepreneurial spirit and strengthen their ability to compete at home and abroad.

Extract from Innovation: "Sensible strategies for sustainable recoveries", by Andrew Wyckoff and Dirk Pilat in OECD Observer No 279 May 2010

For new growth, watch this space

Claire Jolly, OECD International Futures Programme

Fifty-three years after the first satellite was launched on 4 October 1957, space-faring nations have moved from forming a very exclusive club of technologically advanced countries to a large group of states from every continent with a wide diversity of capabilities.

More than 50 countries have now launched and continuously operate a satellite, and at least 12 more intend to have their first satellite in orbit over the next five years.

Ten countries have so far demonstrated orbital launch capabilities, and seven countries–the US, Russia, China, Japan, India, Israel and Iran–and the European Space Agency (ESA) have independent operational launchers. Both Brazil and Korea aim to develop their own launchers over the next five years.

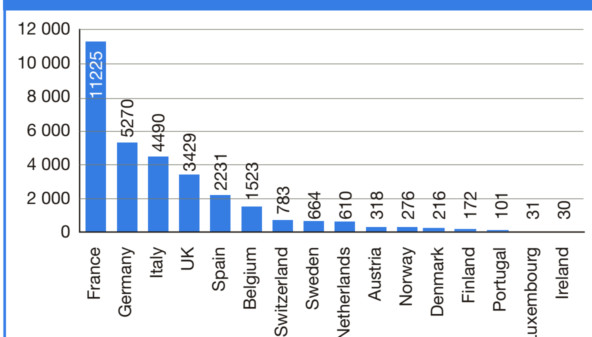
All are drawn by the unique promise that applying space technologies holds, from information dissemination and broadcasting to remote sensing, as well as the prospect of building skills and know-how.

There is also the fact that space is becoming an essential dimension of today's world economic infrastructure, and a source of economic growth and new jobs. We're all used to seeing satellite maps in weather forecasts, but space activities have reached such a stage of maturity that many applications are all around us, with most people probably being unaware of the spaceborne technologies they rely on.

Mobile phone calls bounce off satellites, as do thousands of TV channels. Satellite tracking allows transport companies to locate ships across the world's oceans, but also to tell us when the next bus is due. Automatic teller machines outside banks check your PIN code and other details via space.

Employment in the space industry

Full-time equivalents, 2009



Source: OECD (2011), The Space Economy at a Glance 2011 (forthcoming)

GPS navigation has created a whole new demand for sat-nav equipment and software, with already more than a billion users in 2010. The use of mobile location technologies in automotive and consumer applications, including smart phones, has been growing exponentially since the early 2000s. As pre-installed GPS navigation in vehicles becomes the norm and more consumer devices include navigation chipsets, the $30 billion market for global mobile location technologies could almost double by 2013.

> The $30 billion market for global mobile location technologies could almost double by 2013

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How happy are you?

Kate Scrivens, OECD Global Project on Measuring the Progress of Societies

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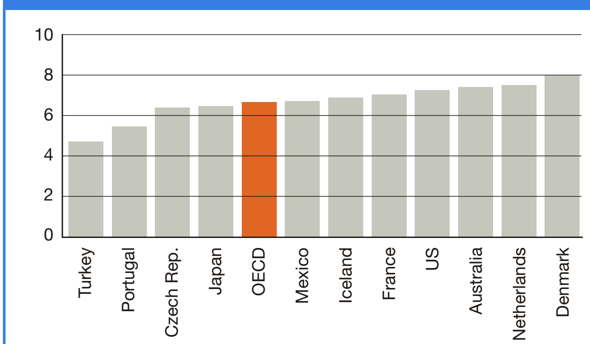
Economic growth is not an end in itself: higher levels of productivity and rising national income are only important insofar as they contribute to better standards of living and of improved well-being of people. This point is not new: the 1960 OECD Convention makes it quite explicit that growth is about improving people's well-being. However, while there are well-established methods for measuring economic growth–gross domestic product or national expenditure for instance–quantifying people's well-being is less straightforward.

How can you tell whether well-being levels, for a country as a whole or for specific groups of people, are improving? And how can the factors driving these gains be identified? While these are not easy questions to answer, there has been a mounting recognition in recent years that better measures of well-being and quality of life are needed to improve policymaking, and statisticians in the OECD have jumped to the task.

Well-being can mean different things to different people, so the first step towards measuring it is to agree on which elements to consider. Most people would say that happiness is an essential part of well-being; indeed there are some who say that it is the only aspect that matters. But measuring happiness can be complicated. For example, our moods can vary depending on personality, circumstances, even time of day. And happiness may only be shorthand for a broad range of aspects in people's subjective well-being, including positive experiences of joy or pride from achievements, and negative experiences from pain or sorrow.

Life satisfaction

OECD Society at a Glance 2009, Gallup World Poll 2006



Source: *OECD Society at a Glance 2009, Gallup World Poll 2006*

Social surveys in the US, Japan and Europe show that aggregate life satisfaction levels have remained more or less stable for decades, despite rising standards of living. Some researchers argue that once people have achieved a certain level of comfort, further improvements have little extra impact on their life-evaluations.

Measuring and interpreting happiness and other aspects of subjective well-being is a complex undertaking, and while some surveys have been done, few attempts have so far been made to incorporate these methods into government practice. Yet, it is becoming obvious that attempts to measure well-being must take into account how people actually feel about their own lives. The question is how.

> If people say they are happy despite living in poverty, should this mean their situation is no longer a policy concern?

After all, concentrating on subjective well-being alone poses a philosophical problem–if people say they are happy despite living in, say, poverty or isolation, should their situation cease to be a policy concern? Are people always the most reliable judges of their own well-being?

The best way to gain a balanced picture of well-being is to combine subjective measures with more objective data in the different areas of people's lives that contribute to their well-being. Such objective data would include material living standards, such as income, consumption and wealth; health; education; personal activities like paid and unpaid work; political issues; social relationships; environmental quality; and physical and economic security.

A further priority will be to produce more detailed statistics (micro-data), enabling us to look beyond national averages and understand differences between different geographic regions and social groups. By improving the quality, availability and timeliness of data in these different areas, we can achieve a better understanding of how changes in different parts of our lives are interconnected, and how they impact our overall well-being.

This type of information should lead to better design, targeting and implementation of government action, and to tangible improvements in well-being and economic performance. It is what better policies for better lives is about.

Recommended links and references

Measuring the progress of societies www.oecd.org/progress

Growth and development—for whom?

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Stephen Groff,
Deputy Director,
Development
Co-operation
Directorate

There are no silver bullets or magic potions for human development. Rather than trying to replicate past experience, we need to focus on new opportunities. Rather than attempting to apply policy prescriptions, we need to adapt general principles and guidelines to the local context. And we must address major new challenges—in particular, climate change—and build democratically accountable global institutions to deal with them. Our analysis must go deeper, and we must consider carefully the multi-dimensionality of development objectives.

The UN's Human Development Index, for instance, was one of the first serious attempts to broaden the debate around just how we measure development. Over time, the development community has moved from an initial, rather simplistic stance of increased GDP as synonymous with development, to an array of indicators for ranking how countries and people are faring. In recent years, the debate has become much more pronounced with the Stiglitz-Sen-Fitoussi commission and the OECD's work on measuring the progress of societies.

At the OECD we recognise how important measurements are; they are, quite simply, our means of defining success. And as such, we feel that it is vital to consider development outcomes in their multiple facets—not just poverty or income growth levels. Growth is a means to an end, and not an end in itself. The UN Human Development Report confirms this central truth, and also makes it clear that there is no single pathway to success. Each country must have the ownership, capacity and resources to find their own solutions to their own development challenges.

In this respect, it is very positive to see the G20's growing focus on development. Having attended the G20 Summit in Seoul last November, I was fortunate to witness as global leaders confirmed the challenge of closing development gaps as a core element of their economic co-operation.

This is good news for at least two reasons. First, the G20 countries are the largest global economies and major partners of low-income countries (LICs), and what they do matters a lot for the LICs' growth. Second, G20 countries bring to the development debate new perspectives and fresh ideas—in particular, they bring their own development experiences and skills, enriching the menu of options available to LICs for the design of their development strategies and policies.

In Seoul, the G20 adopted the Seoul Development Consensus for Shared Growth and an action plan comprising nine pillars to promote LICs' growth. The G20 is uniquely placed to provide leadership in advancing the international development agenda and achieving the MDGs. They can do this by: improving their own policies; sharing their development experiences; providing assistance to build capacity; and offering strategic guidance to international organisations, thereby enhancing the effectiveness of the multilateral system. It is essential that all these work together toward the ultimate objective of improving the impact of G20 policies on LICs' growth.

The OECD—like the G20—takes a comprehensive approach to development and to knowledge sharing, cross-fertilisation and policy coherence, placing development at the core of our work and engaging our full range of policy communities. With decades of experience in development, we are pleased to be mandated by the G20 to work closely with the UN, the World Bank and other international organisations, to contribute to implementing the action plan. We believe that our contributions will help the G20 to identify what works when promoting growth and poverty reduction, to better assess the impact of the G20's own policies on LIC growth, and to find ways of maximising positive impacts.

The G20 approach to development is underpinned by a fundamental belief in the core importance of growth. This is the right perspective as growth is a necessary component of development, but it is also important to remember that the rate of poverty reduction depends on the pattern, and not only the pace, of growth. One of the key messages of the HDR—and one that I know the G20 will heed—is that growth does not automatically equate to other aspects of development. Nor is there a minimum threshold of growth required for countries to develop.

At the OECD, we are keen to share our experience regarding what makes growth benefit the poor—something we have been exploring for years in the DAC and its Network on Poverty Reduction. More generally, we will continue to put a strong emphasis on measuring the progress of societies because people, as the HDR says, are the real wealth of nations.

This article adapted from OECDinsights.org, 22 November 2010.
For OECD work on poverty reduction, see www.oecd.org/dac/poverty
Measuring the progress of societies: www.wikiprogress.org/index.php/Global_Project
See www.oecd.org/development

Africa: A source of 21st century growth?

David Batt, Africa Partnership Forum, and **H-B. Solignac Lecomte**, OECD Development Centre

Is Africa finally on the move? The signs are promising. Rich in natural resources and with more than one billion people, it achieved five consecutive years of economic growth averaging more than 5% over 2004-08. In fact, private investment rose every year from 2000 to reach US$472.2 billion in 2008. And despite some fallout from the economic crisis that started in the OECD area in 2008 and brought African GDP per head to a virtual standstill in 2009, activity has started to ramp up again. Indeed, according to the 2010 OECD *African Economic Outlook*, growth should bounce back to over 5% in sub-Saharan Africa in 2011. Africa's success story over the last decade is linked to what has been happening in the wider global economy. The extraordinary rebalancing of the world economy, which the crisis accelerated ("shifting wealth"), has led to Asian drivers pushing prices and volumes of trade in traditional African exports. But Africa's success also owes much to what has been happening on the continent itself, including improved macro-economic and fiscal management in many countries, and less conflict and political instability.

Africa has been able to implement more ambitious policies too, notably in social and economic infrastructure investment. This has led to progress towards the UN Millennium Development Goals (MDGs), notably in girls' enrolment in primary education.

Nonetheless, the continent still faces enormous challenges in achieving key MDGs by 2015, particularly those relating to reducing maternal mortality, and improving access to clean water and sanitation.

African governments and people have been the main players behind this new era of progress, and their keeping it up and delivering more social progress will depend on good policies, not least in making the most effective use possible of fiscal revenues from natural resources and other expanding sectors. The valuable political stability the continent has worked hard to achieve in recent years should be preserved.

International partners have also had a key role to play, and can be expected to devote greater effort in ensuring Africa continues to move forward. This includes donors, who must honour their existing commitments to scale up development aid, particularly for the most fragile and poorest countries, and to help improve its effectiveness, as the OECD's Development Assistance Committee, whose members account for the lion's share of the world's bilateral official development assistance, has been arguing for some time. Meanwhile, aid has changed to embrace far more than just financial assistance, and nowadays emphasises the likes of local initiatives and empowerment, partnerships, policy coherence, accountability, monitoring performance, and much more. All partners must focus on wider challenges as well, such as containing climate change, which has had a major impact in Africa, fostering green growth strategies, technology sharing and innovation. Completing the Doha Development Round would also allow Africa new opportunities to trade, while taking further action to improve governance in areas such as taxation and anti-corruption initiatives would also help.

When the OECD was established in 1961, Article 1 of its founding convention gave it a mandate to promote growth and poverty reduction in non-member countries in the process of development. Indeed, the Development Assistance Committee and the OECD Development Centre were instituted as part of the new organisation, while in the mid-1970s the need for a sharper focus on Africa inspired the creation of the "Club de Sahel", now called the Sahel and West Africa Club. And in 2006, at the request of major developed countries and African partners, the Africa Partnership Forum was set up, with the OECD hosting its support unit. Today, this mission is reflected in a deepening and broadening of its work on Africa, in ever-closer partnerships with institutions such as the African Development Bank, the UN Economic Commission for Africa, the New Partnership for Africa's Development (NEPAD) and the Economic Commission of West African States. New joint reports have been launched in recent years to monitor progress more closely, including the *African Economic Outlook* and the *Mutual Review of Development Effectiveness*. Nor is this cross-cutting work confined to the OECD's development specialists, but draws on expertise across the whole range of OECD work, from tax and investment to trade and the environment. Indeed, African countries have looked to the OECD's green growth and innovation strategies as a rich source of experience, insights and policy guidance that they can adopt to expedite progress towards a stronger, cleaner and fairer economy.

The chill of the crisis may have been felt in Africa, but thanks to the recent years of growth, the continent has had the strength to deal with it. Africa is a region with great potential. Its progress in increasing school enrolment and in applying information and communications technology has been impressive. Its new generation of innovative entrepreneurs is ready to take full advantage of the shifting global landscape and the continent`s calmer, more stable, political scene. This, together with a recovery in developed country markets, bodes well for the future. For the OECD, just as for its partners in emerging markets such as Brazil, China and India, deepening links with today's dynamic, more open, Africa forms an integral part of our wider development strategy. It is part of our founding mission to deliver greater prosperity for all.

Recommended links and references

See www.oecd.org/development

African Partnership Forum: www.africapartnershipforum.org/

OECD Development Centre: www.oecd.org/dev

For more on development aid, see the new Development Co-operation Directorate/ DAC site: www.oecd.org/dac

Sahel and West Africa Club: www.oecd.org/swac

The development aid story

Over the past 50 years, the world has seen unprecedented welfare gains. But these gains have been uneven, and progress indicators may mask absolute numbers that have actually become worse. So while the proportion of people living in hunger halved between 1970 and 2007, and youth and adult literacy in developing countries increased by more than 10% between 1988 and 2000, around one billion people still suffer from hunger, and 1.4 billion live in extreme poverty.

At the same time, major crises–most recently, the global economic crisis–have a marked effect on developing countries which must also face urgent global challenges, such as food security, health and climate change.

Addressing these issues is a central part of OECD work: development is a founding mission of the organisation and part of its name. We know that successful development requires much more than aid. Trade, investment, security, human capital, tax co-operation and corruption are all fundamental issues that need to be addressed.

The Development Assistance Group was created in 1960 as a forum for consultations among donors, with 11 member countries. Following the creation of the OECD in September 1961, it was renamed the Development Assistance Committee (DAC), kicking off a very eventful history. This is mapped out with a new brochure, "The DAC: 50 years, 50 highlights", also online, spelling out its 50 years with an overview of 50 often cutting-edge achievements, linking development aid to gender equality, the environment, to resolving conflict, and simply calling on wealthier countries to step up to the plate.

The DAC helped to define the international aid agenda by supporting the 1964 UN aid targets, which called for countries to target 0.7% of national income as bilateral assistance to developing countries. In 1962, the DAC launched a series of peer reviews of development assistance efforts, and its first annual Development Co-operation Report was published, reporting on aid figures and development issues.

There were several challenges. Take the issue of tied aid, funds that are granted on condition that they be used to buy goods and services from the donor country. Ten DAC countries agreed as early as 1974 to untie bilateral development loans, and in 1991 the DAC teamed up with the export credit community to limit the use of tied aid. The proportion of untied aid has since risen, from 46% at the end of the century to 82% in 2008.

Gender is another front-burner. The DAC held its first meeting on the integration of women in development in 1975, and its 1989 Guidelines on Women in Development warned that attaining sustainable development is only possible when the needs and interests of both men and women are fully recognised in the planning and implementation of projects and programmes.

Beyond poverty reduction, the DAC broadened aid targets to fight corruption in procurement, and to tackle critical problems such as peace-building in conflict-affected, fragile states. In 2001, DAC work provided the basis for two special meetings on the complex reconstruction and relief challenges of Afghanistan (2002) and Iraq (2003), bringing seemingly polarised players to the table around common concerns of peace and security.

As early as 1986, the DAC assessed the potential environmental impact of aid projects. In 1995, the DAC called for a comprehensive development strategy with poverty reduction at its core; this laid the ground for the Millennium Development Goals (MDGs), established by the UN, the IMF, the World Bank and the OECD in 2000.

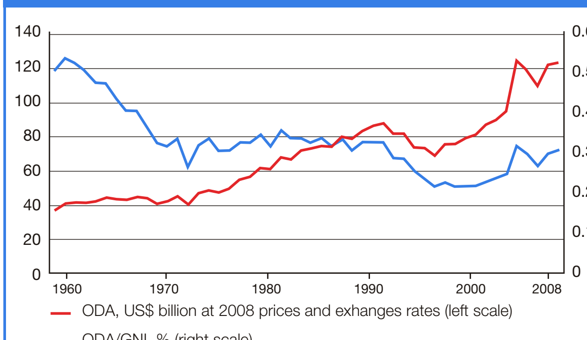
Since 2005, pumping up aid targets and pledges has again been the centre of attention, with international commitments to push for commitment to an ODA target of 0.51% of GNI. This has been accompanied by new initiatives to complement aid, in particular aid-for-trade programmes that encourage developing countries to take charge of their trade-related aid needs, and promotes open and transparent dialogue on what works and what doesn't.

Then, in 2008 at Accra, the policy debate shifted to the importance of aid effectiveness, and led to the Accra Agenda for Action, with commitments to improve co-ordination, mutual accountability and citizens' participation.

The emergence of China has also shaped the development agenda, and since 2008, the OECD has been working through the China-DAC study group to enhance development co-operation in Africa.

For more on the history of development aid at OECD, see www.oecd.org/dac and www.oecd.org/development

Development aid rose in dollars, but fell as % of gross national income



Notes: DAC is the Development Assistance Committee, whose 26 members are all OECD members. Total DAC excludes debt forgiveness of non-ODA claims in 1990, 1991 and 1992. Preliminary estimates for 2009.

ITALIA
Italian Trade Commission

Trade Promotion Section
of the Italian Embassy

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Investment Desk
parigi@ice.it

Rome Headquarter
Area Collaborazione Industriale
cooperazione@ice.it

www.italtrade.com

[What is ICE ?]

The Italian Trade Comission – ICE is the Government Agency entrusted with promoting trade, business opportunities and industrial cooperation between Italian and foreign companies.
Headquartered in Rome, Italy, the Italian Trade Comission – ICE operates through 117 branch offices in 87 countries and helps Italian and foreign companies to connect and develop business opportunities. Through the activity of the Investment Division, ICE promotes Italy as a location for foreign investments, highlighting opportunities; fostering partnerships between Italian and foreign companies, and providing prospect investors with information and advise. ICE is a member of the World Association of Investment Promoting Agencies – WAIPA and operates in collaboration with Italian Regional Governments, Trade Associations, Consortia, and with National Agency for Investment Attraction – INVITALIA.

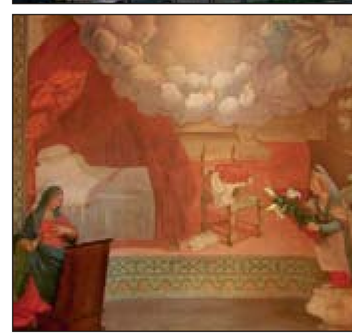
[Why Italy ?]

* A strategic position in Europe and in the Mediterranean Sea

At the heart of the **Mediterranean Sea**, Italy is the gateway to **436 million consumers** across the European Union, plus **240 million** in Northern Africa and the Middle East.

* A wide network of infrastructures

With 1 million km of roads, 16,300 km of rail network and a state of the art system of international ports, logistics platforms and interports, Italy ranks second among the most important countries in Europe for Maritime freight, and second also for passenger transport: **263 ports** distributed along **7,400 km** of coastline, **80 million passengers** per year, port traffic of 550 thousand ships.



* Know-how system

Italy offers an environment conducive to Innovation thanks to extensive network of high-quality **universities**, **public** and **private institutions**, and **science and technological parks** ensuring strong integration of research within industrial processes.
Italy has a long and acclaimed tradition of **excellence** in many fields, including **medicine, biomedical technology, instrumental and precision engineering, robotics, micro-electronics, ICT, aerospace, newmaterials and nanotechnology.**

* A friendly business environment

Following reform of Italian corporate law in 2003, the legal framework for companies is now one of the most modern and dynamic in Europe. In the past years, a broad reform of the Italian corporate tax system reduced corporate income tax rate to **27,5%.**

* High-qualified human resources

Companies investing in Italy can rely on an average of **300,000 graduates** per year and benefit from **sector-specific technical** and **managerial skills** and **patents/know how** (55%), as well as the capacity to set trends in different industries, such as fashion and design (53%).

* Quality of life and lifestyle

Italy ranks sixth among the world(s top countries brand in the Country Brand Index 2009, the international survey of the image of more than 40 countries in the world. Experts say : “Italy markets the very best of itself well : the cradle of gourmet cuisine and art, the romance of Venice, the history of Rome, the art and culture of Florence, the exclusivity of the south and even the beauty of its people.”

Italy also means: Renewable energy, Logistics, Life science, ICT

ONDRAF/NIRAS: radioactive waste management in Belgium

As a community service, ONDRAF/NIRAS manages all radioactive waste, now and in the future, by developing and implementing solutions with respect for society and the environment.

» With that aim in mind, ONDRAF/NIRAS has developed a waste management system that offers integral solutions based on equilibrium between technical, economic and social aspects, to avoid passing on excessive charges to future generations.

» Consequently, ONDRAF/NIRAS protects society and the environment against all possible harmful effects of radioactive substances arising from nuclear and non-nuclear activities.

» Since ONDRAF/NIRAS' mission covers a very large period of time, the agency takes this into consideration while accomplishing its mission and also pays attention to the evolving social, technical and economic context.

» To this end, ONDRAF/NIRAS works in a transparent and sound manner, with an open mind and in interaction with society.

ONDRAF/NIRAS observes the precaution principle while accomplishing its missions and develops sustainable solutions for the radioactive waste.

For the long-term management of radioactive waste ONDRAF/NIRAS manages two disposal programmes: one devoted to category A waste (short-lived low-level and medium-level waste), the other devoted to category B and C waste (high-level and/or long-lived waste).

» With the federal decision of 23 June 2006, the category A programme entered the project phase. The integrated project is developed as a whole, in close collaboration with the partnerships STORA (Dessel) and MONA (Mol), in such a way as to create a win-win situation for all stakeholders. Repository operation is scheduled to start in 2016.

» ONDRAF/NIRAS set up its so-called "Waste Plan" in 2009-2010, that is, a strategy-oriented package of initiatives related to the long-term management of category B and C waste and involving a societal dialogue. The accompanying environmental impact report is set up in compliance with the Belgian law of 13 February 2006 that transposes European directives 2001/42/CE and 2003/35/CE. It analyses alternatives to geological disposal, including their environmental impact. The Waste Plan should lend societal and political legitimacy to the B&C programme, enabling the Federal Government to take a decision-in-principle regarding the B&C solution to develop further, the decision-making process to follow, and the way to get the necessary societal support for implementing that solution.

ONDRAF/NIRAS

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Foresight at 50: Looking back at looking forward

Barrie Stevens, OECD International Futures Programme

"Time present and time past
Are both perhaps present in time future,
And time future contained in time past"
T.S. Eliot

Strategic foresight is an essential tool in any government's toolbox. It's what enables policymakers to anticipate developments better, encouraging them to be more creative in reflecting on their options, and offering them more time to prepare and set in train their programmes. It is an area in which some governments excel, while others perform less well. It is also an area subject to much misunderstanding and confusion.

Strategic foresight–scenarios, conditional projections, simulations, trend analysis and so on–is not about forecasting the future. Cases in which major future global events have been successfully forecast–both in terms of the nature of the events and their accurate timing–are as few as they are legend: see for example Shell International's long-term scenario planning, instigated well ahead of the 1973 oil crisis, which in the aftermath of the oil price hike left the company the strongest player in its field at the time. Forecasting is very often grossly inaccurate, and has frequently failed to predict major life-changing events–consider the emergence and devastating spread of AIDs, and the fall of the Berlin Wall, which few predicted even weeks before it happened. Or take the scale and timing of the financial crisis, whose effects are still being felt more than two years after Lehman's collapse. Some gurus, like George Soros, had warned it would come one day, but the timing and sheer impact surprised most people.

But this is forecasting, and when it comes to predicting one-off events, it is hard to get it right. Rather than trying to forecast the future, strategic foresight is about considering different paths along which the longer term future may unfold, and exploring the likely implications and consequences which may call for decisions or action at an early stage. Interesting examples include the work done over the last three decades, spelling out the relationship between population ageing and the long-term implications for financing public pensions and healthcare, or the greatly increased attention since the 1970s devoted to climate change, its possible consequences, and the need for internationally concerted action.

What in the realm of strategic foresight applies to governments also applies to intergovernmental organisations. Strategic foresight is key to their ability to anticipate events and draw the attention of their member states to the need for timely action. As the OECD celebrates its 50th anniversary, it can look back on a long history of foresight activities, many of them ground-breaking in their vision and impact.

Intriguingly, some of the big challenges facing OECD governments in the 1960s bear a striking resemblance to those of today; for example, the economic agenda was marked by large macro-economic imbalances and currency crises; there was social unrest in its various forms, such as anti-war demonstrations, industrial disputes, student protests, and movements against economic reforms, etc. There was armed conflict, too, with the Vietnam war.

But in several respects, the central preoccupations of governments in the 1960s differed from those of today's administrations. For instance, the foremost geopolitical threat of the time stemmed from the stand-off between the Soviet bloc and the West, a factor which was a key motivation behind the creation of the OECD as an economic complement of NATO. That threat has now all but gone, with new threats taking their place.

In the 1960s, the world economy was dominated by OECD countries, which generated some two-thirds of global GDP (now down to just half); on the political front, a number of OECD countries were deeply embroiled in efforts to end their colonialist policies. The great opportunities, on the other hand, were increasingly sought by governments in the promise held out by scientific progress and the "white heat" of technology. This fascination of governments with science and technology is largely what kindled the OECD's first tentative efforts in foresight.

As early as 1963 the organisation produced a substantial report on research and development trends in materials sciences, highlighting the potential impact of biological research and tentatively forecasting some of the wider implications of progress in the materials field. This was followed in 1966 by an influential report on potential economic implications of research and development trends in the energy field, including a long-range evaluation of natural energy resources and discussion of broader economic implications up to the year 2000 and beyond (see Erich Jantsch, *Technological Forecasting in Perspective*, OECD, 1967.) Then, two oil shocks and weakening OECD-wide economic performance led to alarm bells being sounded about the world's capacity to sustain itself on current rates of natural resource exploitation. This was the tone of the 1972 *The Limits to Growth*, commissioned by The Club of Rome, one of whose co-founders was the OECD's Alexander King.

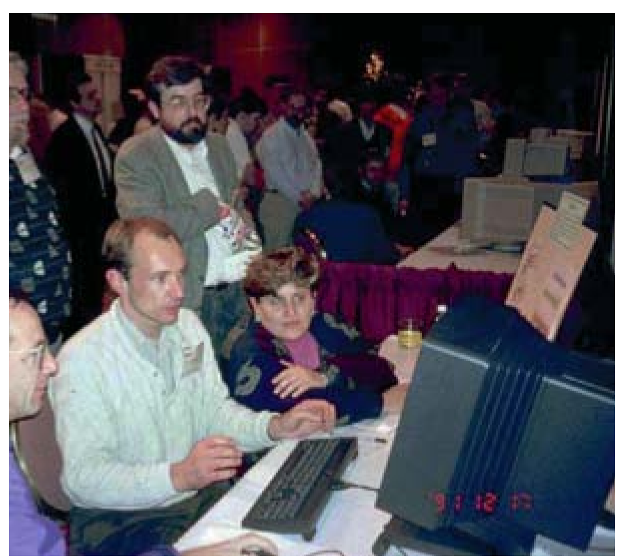
Strategic foresight is key to governments' ability to anticipate events

Interestingly, such concerns are experiencing a revival today–in somewhat different guise-in the OECD's Green Growth Strategy. But amid this Malthusian atmosphere the OECD launched in 1976 what was its first genuinely strategic foresight activity, called the Interfutures project. Its mandate was "to provide OECD member governments with an assessment of alternative patterns of longer-term world economic development in order to clarify their implications for the strategic policy choices open to them in the management of their own economies".

Characterising itself not as an exercise in prediction but as the exploration of an uncertain future, the Interfutures report put to policymakers a set of–what were at that time–bold and rather optimistic messages and recommendations: that contrary to *The Limits to Growth*, expansion could continue over the next 50 years without encountering insurmountable long-term physical limits at the global level; that to sustain economic growth in developed countries, it was necessary to accept structural change, albeit at a rate that is socially tolerable and politically possible; that the primary aim of co-operation among governments should be to seek greater efficiency by improving the functioning of international markets; and that a more harmonious development of developing countries was in everyone's long-term interest. Now, 35 years on, under the combined momentum of population growth, climate change and financial crisis, the pendulum is swinging back to global concerns about the earth's carrying capacity.

© AFP

Oil-la-la! A man stares at empty petrol pump in France during the 1970s oil crisis, which had a defining effect on strategic policy planning.

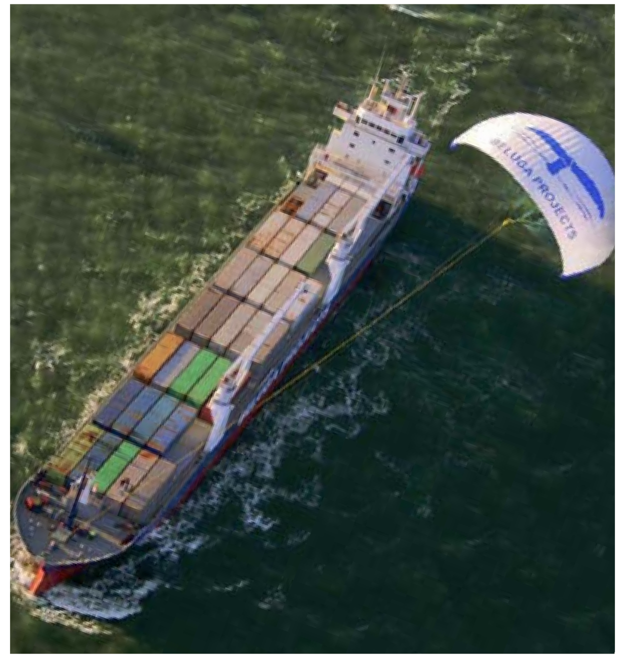


© Robert Cailliau/CERN/OECD Observer

Webman: Tim Berners-Lee, widely accredited as the "inventor" of the World Wide Web, demonstrates the web at the Hypertext '91 conference in San Antonio, Texas. His paper was rejected. His boss at CERN in Geneva, Mike Sendall, had described Berners-Lee's idea in 1989 as "vague but exciting". Connecting offices at first, the web software was eventually put out on the public domain in 1993. The rest is history.
Gillies, James (2000), "Whence the web", in OECD Observer No 224, January 2001, see www.oecdobserver.org

© Nicky Loh/Reuters

Facing the future: A robot mimicking the facial expressions of a human at the Taipei International Robot Show, Chinese Taipei, 19 October 2010. The life-sized head was designed to show basic emotions



Sail of the century: Innovation is also about redeploying old technologies in improved ways. Sails are a case in point, as shown in this new cargo ship, run by German firm, SkySails GmbH & Co. KG. See "Sailing into the future" on www.oecdobserver.org (Issue No 279 May 2010) and visit www.skysails.com

The more recent history of the organisation's strategic foresight has its roots in the creation in 1990 of the OECD International Futures Programme. What followed was more than two decades of workshops, conferences, projects and reports on broad themes such as long-term global economic prospects, the creative society, the future of China (which has emerged since, rather as our experts predicted), infrastructure and infrastructural risk, and emerging systemic risks. There were studies on the long-term development of air transport, food, biotechnology, satellite applications, and much more. The "hands-on" approach of many of these activities served to bring the value of strategic foresight work closer to the policymaking community, not least in some cases through its lasting impact on decision-making in governments. Strategic foresight most definitely can make a difference.

And the next 50?

So what about foresight and the next 50 years? At first sight, the next decades appear to be fraught with risks. Some examples: a world population set to reach around 9 billion by 2050, with all that that entails for food security, fresh water supplies and energy requirements; the prospect of slowing world economic growth, as populations in the OECD and some emerging economies age and many developing countries reach more mature stages of development; a world climate that could be registering an overall temperature increase of several degrees by 2100, with rising sea levels and significant shifts in precipitation patterns; an increasingly multi-polar, complex world whose management will require considerable political and institutional creativity and flexibility; and terrorist threats in various guises whose containment will prove highly demanding on governments' resourcefulness and ingenuity.

Fortunately, humankind's wherewithal to address these future challenges is likely to grow too. While globalisation will itself continue to promote interdependencies between countries and continents, it will also spawn increasingly networked, more effective forms of governance and international co-operation. Science and technology will likely continue to provide more solutions than problems, and societies will demonstrate the kind of robust adaptability they have shown throughout the many tests of history.

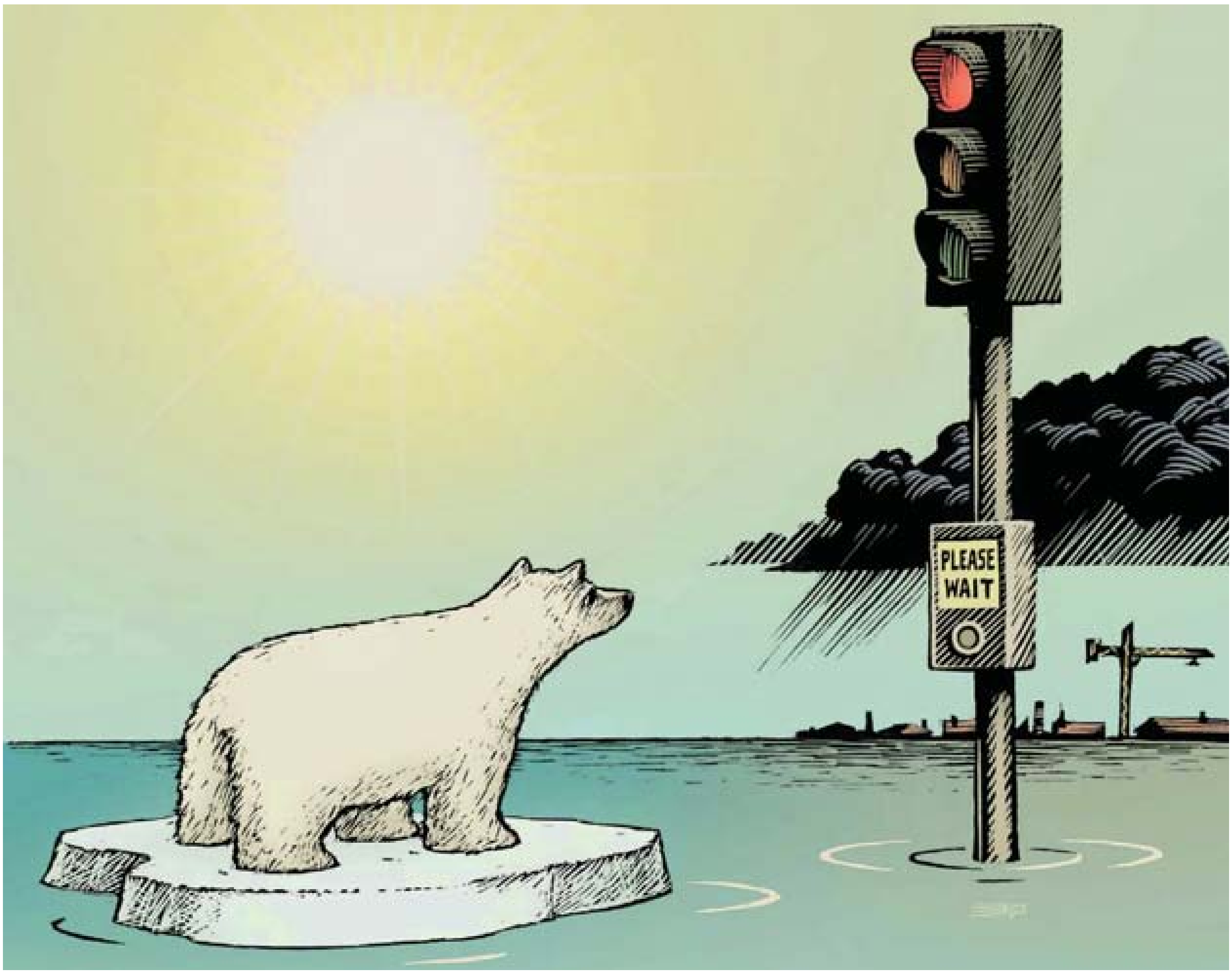
Steering the right course towards a stronger, cleaner and fairer world will be immensely challenging, not least for the OECD. But it can fall back on 50 years of experience in policymaking and on an impressive range of expertise and tools. Foresight has been a key part of that toolkit. And in a highly uncertain world such as we currently face, strategic foresight will be needed more than ever before both to chart and stay the course.

Recommended links

Visit www.oecd.org/futures

50 years of reconciling the economy, nature and society

Ron Gass*



The OECD's capacity for change, inspired more by professional pathfinding than by politics, has transformed it into a multi-disciplinary policy innovator that can continue to build signposts for the future.

A decade ago, the OECD coined a triangular OECD policy paradigm, involving the reconciliation of economic growth, environmental protection and social progress. Today this is reflected in a new policy objective of a "stronger, cleaner and fairer world", where cleaner refers both to the environment and governance. This goal appears in other various guises: the "green" growth strategy, sustainable development, the innovation strategy and indicators of social progress are just some recent examples.

This OECD paradigm, which is rooted in analytical work and policy propositions of intergovernmental committees and experts, has given new clout to the OECD in the post-crisis world, not only for its present membership, but also for emerging economies such as China, India and Brazil. The days are gone where one could stand on the principle that the market economy would in and of itself lead to the rational use of natural capital and to the good society.

What is it that brought the OECD's experts to this latest paradigm? The idea is not as new as people might think.

After the Second World War economics emerged as a dominant policy science, and the OECD was destined to become one of its citadels, trade and market-driven in the main. Whereas during the war the empirical scientific "method" had been widely used to influence strategic decisions, like operational research in the UK and the US, the policy impact of economics was mainly through theory, principally that of Keynes, who cast the focus on how governments can influence demand, and later, Friedman, who promoted the unfettered free markets. One cannot understand the professional culture of the OECD without coming to grips with the direct influence of such theories on policy, whereby one could be a university professor, a central banker or an official of the OECD as if in the same professional world. The fact that the organisation's members were classed as "countries" and not "states" in the OECD Convention helped ensure recruitment from different professional cultures. This interaction between the economic knowledge-base and policy has always been the organisation's strong card. A striking recognition of this strength is the work on tax havens where, as Eva Joly, a left-leaning European, has recorded in her recent book, *Les Héros Ordinaires*, the relevant OECD officials stuck to their professional guns against all the odds. That work enabled progress at the G20 in 2009 in breaking down bank secrecy, for instance.

The only serious challenge to the hegemony of economics in the OECD came from the natural sciences in the form of "systems analysis" based on long-term technological forecasting. In the 1960s, when science policy was close to government leaders, the natural scientists got closer to political decision-making. In the OECD, the newly formed Directorate for Scientific Affairs was a major factor in this movement, leading to the creation of the Club of Rome and an influential report, *Limits to Growth*. Though too hot to handle within the OECD, the organisation nonetheless established the Interfutures Programme, which thrives today in a new guise (see article by Barrie Stevens <>).

The systems analysts within natural sciences were probably the first to ring the ecological warning bell. The Bellagio Declaration on Planning (1968), a resolution by a group of futurologists convened by the OECD, set the stage for a debate on the "problems of contemporary society". As a result, an environmental committee was budded off from the science policy sector, and is now the OECD's guardian of "green growth".

Although the OECD economic establishment was at first hostile to the Malthusian implications of *Limits to Growth*, a reconciliation between the ecologists and the economists emerged in the form of concepts such as the "polluter pays" principle in the 1970s, which recently found new use in the BP oil rig disaster in the Gulf of Mexico in 2010. Today, a similar professional reconciliation among economists and ecologists seems to be taking place in relation to climate change and biodiversity.

Likewise the professional culture of the OECD opened up the road to "human capital", becoming a cornerstone of economic and social advancement. The space race and the Russian sputnik provoked a western response which resulted in the OECD setting up the Office for Scientific and Technical Personnel in 1956. This office developed the argument that economic growth depended on the generation of human capital, so that expenditures on education should be considered as investment rather than consumption. After a debate with leading economic theorists, the turning point was the OECD Policy Conference on Economic Growth and Investment in Education convened by the Kennedy administration in Washington DC in 1961.

But the cold notion of human capital has its limits–as demonstrated by the student revolts of 1968, when the OECD Centre for Educational Research and Innovation organised a dialogue with OECD student groups. The message that emerged is still relevant today: education, and in particular universities, have a creative role to play in rapidly changing democratic societies, as well as providing human capital for the economy. Education would from then on be about producing, as much as acquiring, knowledge.

This creative role of human capital is continuously stressed in the recently issued report, *OECD Innovation Strategy*, which is rightly seen as a key stage of recovery from the contemporary crisis.

This broad, systematic view of innovation first appeared on the OECD agenda during the political controversy concerning technological gaps between Europe and the US. Experts had reached the broad conclusion that it was the management of the innovation process, rather than technology as such, that explained the gaps. Equally important, technologies were rapidly spreading through international trade and investment. Such global technological interdependence is crucial today, with the emerging economies taking the path Japan took in the 1960s and 1970s and Korea in the 1990s.

Subsequently, the Directorate for Scientific Affairs went further in exploring the long-term economic and social impacts of the new, pervasive technologies, bringing Nikolai Kondratiev–long-term waves of change–and Joseph Schumpeter–entrepreneurship and innovation–into OECD analysis. The current Innovation Strategy goes further by looking not only at long-term economic growth and entrepreneurship, but also at how innovation can help meet social challenges such as climate change, health and poverty.
The strategy also calls for the "empowerment" of individuals to innovate, and includes "bottom up"–regional and local–territorial policies to build more creative societies.

Now that the notion that the market economy could of itself lead to the good society is no longer credible, various societal concepts are being put forward by the politicians of OECD countries, such as the "Big Society" of the UK and the "Caring Society" of Japan. Both go beyond the welfare state as a distributor of cash benefits by national bureaucracies, involve the civil society and local communities in the delivery of welfare, and lean on ideas such as an active society, or active labour market programmes of the kind promoted by the OECD.

The OECD has long pursued the objective of open and fair societies. The fundamental reason for this is that, in democracies, differences in income and wealth, without which a capitalist market economy cannot function, are legitimised politically by the redistribution of income and equality of opportunity, in education, redistribution through taxation and social policies, gender equality, intergenerational social mobility, and so on.

But the new creative society adds to this by promoting not only an entrepreneurial culture but individual responsibility too. In reality, job destruction and job creation are increasingly dependent on new enterprises, both in the private sector and in the social or non-profit sector. The creation of the OECD Centre for Entrepreneurship, SMEs and Local Development responds to this need, and the trend is also present in emerging and developing economies, for example in micro-finance. These developments in the "social economy" have become indispensable buffers to cushion the shock of a much faster job-destruction/job-creation process propelled by globalisation, and are complementary to the state and the private sector in delivering new social services and driving progress (*Reconciling Economy and Society-Towards a Plural Economy*, OECD, 1996).

Now, as university tuition fees are being re-introduced in some countries, education is again being classified by some governments as consumption, and being pedalled as part of individual responsibility, which arguably backtracks on government's societal achievements.

Growth and progress

The rise and fall of civilisations is, of course, an historical reality. Yet the Enlightenment, with the advent of triumphant science, ushered in the conviction of the inevitability of progress, at least in the Western world. On the contemporary scene, amid the rubble of the Berlin Wall, Francis Fukuyama hypothesised about the "end of history"–that is to say, the final and irreversible triumph of liberal capitalism. The recent crisis has put paid to that, and the issue of human progress is back on the geo-political table.

We now appear to be in a world in which China, India, Brazil, the Islamic world and the West are now not only in geo-political competition, but in a race to find a balance in the economic, ecological and social paradigm. According to Samuel Huntington, this may lead to a "clash of civilisations". All the more reason for the OECD and other groupings, particularly the G20, to bolster co-operation as a bulwark against that risk.

Two things follow. First, while the ecological issue is central, a slow or negative growth path is not politically viable. But nor is headlong growth that depletes natural capital and erodes society. The only option is an innovative pattern of balanced growth. Toynbee, in his final, monumental analysis of world progress (*Mankind and Mother Earth*, 1976) foresees this challenge. He goes so far as to assert that neglect of the environmental and societal dimensions will lead to decline.

The OECD's response to the present crisis shows how much the organisation has changed since the oil-shock recessions of the 1970s. Whereas the well-known McCracken report (*Towards Full Employment and Price Stability*, 1977) proposed a strictly macroeconomic strategy to remove obstacles to growth, the response to the 2008 crisis includes structural policies covering innovation, jobs and green growth too. And the OECD-driven Global Project on Measuring the Progress of Societies is preparing new sets of indicators to provide a more holistic picture of human progress (Stiglitz, Joseph, *OECD Observer*, N°. 272, April 2009).

But the biggest challenge is not so much the numbers as the analytical techniques needed to make sense of them for policymaking. The contemporary crisis has once again demonstrated the policy pertinence of macroeconomics, including the "return" of Keynes, while not abandoning Friedman. Nevertheless, the systemic complexity of problems such as energy, water, demography, climate and biodiversity–not to mention governance and money!–is also reviving the policy role of systems analysis.

As the OECD celebrates its 50th anniversary, its professionalism is challenged by the systemic complexity that globalisation has brought with it. A balance between the three legs of the triangular paradigm cannot be achieved without fundamental policy trade-offs. The goal of economic growth may be a *sine qua non*, but is not an "open sesame", to human progress. Again, the OECD lifted the organisation out of the European framework with authority to contribute to the economic expansion of other countries. Fifty years on, countries like China, India and Brazil–with others on the road–have become the engines of growth in the global economy, yet for them too the environmental and social problems are already formidable. There is no escaping the complex reconciliation of the economy, nature and society. The OECD, with its uniquely professional, multidisciplinary culture, has a good chance of setting up the relevant policy signposts.

*Ron Gass joined the organisation in 1958. He originally worked in scientific affairs and became director of Social Affairs, Manpower and Education in 1974, where he pioneered work on lifelong learning and innovation. Ron Gass retired from the organisation in 1988, and currently consults for various organisations.

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A majestic start: How the OECD was won

It would be easy to think that the organisation created in 1961 was the inevitable next stage in the evolution of the OEEC, the European body originally set up to administer the Marshall Plan in 1947. But the OECD did not simply replace the OEEC. Nor was its creation inevitable or easy.

When ministers from the world's most powerful countries met informally at the Hotel Majestic in Paris on 12 January 1960, two faults of etiquette alerted participants to a profound shift in political and economic leanings. Ministers from the six founding members of the European Community, along with the seven members of the European Free Trade Association and the United States, had agreed to meet prior to the annual ministerial meeting of the Organisation for European Economic Co-operation. As they cast their eyes round the table to find their seats, which were arranged alphabetically, it was noticed that the US and French delegations had taken seats beside one another. This apparent disregard for protocol was interpreted by the other delegates as a sign of special understanding between the French and Americans, who had decided to form a united front against an extension of the OEEC Code of Liberalisation as it stood. The second slight on the meeting was felt by OEEC Secretary-General René Sergent, who had not even been invited.

> The main purpose of the OECD would be to co-ordinate the provision of aid to underdeveloped countries, and offer consultation on economic and trade policy beyond Europe

Sergent no doubt knew what was afoot. The OEEC was losing steam as the economic steward of Europe. This prodigy of the Marshall Plan had been successful in rebuilding Europe after the war. But that job was long done. Europe was not only restored, but thriving, enjoying an economic renaissance without parallel in its history.

By the end of the 1950s, some countries had become disenchanted with the organisation, and felt that it had outlived its usefulness.

Management of the balance-of-payment systems in post-war Europe had been the core purpose of the OEEC. Woven into the fabric of its mandate was the Code of Liberalisation, by which European countries agreed to lower quotas on inter-European trade.

The Hotel Majestic, where the agreements to create the OECD were forged. Located near the Arc de Triomphe, on Avenue Kléber, a few kilometres across town from the OEEC (and now OECD headquarters) at La Muette, the Hotel Majestic had already been the venue of many historic events, including during the First and Second World Wars, and from May 1968 was the venue of much delayed peace talks between North Vietnam and the US on the Vietnam war, culminating in an agreement signed at the hotel on 27 January 1973. The hotel later became an international conference centre (our photo) when it again welcomed the OECD, this time to host the annual OECD Forum from 2003 to 2006. The magnificent building is currently being renovated as a hotel, this time under The Peninsula banner, due to open in 2013.

When France decided in 1958 to abolish quotas on 90% of its private trade, European countries had reached a point where they had effectively abolished all quotas among themselves. On New Year's Eve of that same year, J.F. (Flint) Cahan, the deputy secretary-general of the OEEC, wrote to his superior: "1959 will present even greater opportunities for achievement. After such a resounding demonstration of the importance of the OEEC, as that which we have just had. . . I can no longer doubt that our troubles over the Free Trade Area will shortly be resolved". Indeed these troubles would be resolved, but like the pronouncement of the ancient oracles, not as one expected.

The OEEC had become a battleground of various internal interests, and was losing its shape.

Discussion over a Free Trade Area (FTA) was a sore point with the Benelux countries, which had tabled the idea four years earlier, and were annoyed over the failure of the OEEC to address it. Their aim was to progress from the removal of quotas to the lowering and eventual elimination of tariffs. For this reason, the Low Countries became known as "the Low Tariff Club".

> Departments operated as fiefdoms as the OEEC had been reduced to sorting out Europe's trade squabbles

Frustration finally boiled over, and the club made their acceptance of the 90% liberalisation target contingent upon serious discussion of the tariff issue. They furthermore called upon the six foreign ministers of the European Coal and Steel Community to look into the problem. The first breach had been opened.

In spite of Cahan's optimism, 1959 was not a good year for everyone. The US was beset by a low trade surplus and a vertiginous balance-of-payments deficit. In 1957, the trade surplus reached an historic high of $8.6 billion, and the current account deficit was just $0.4 billion. Two years later, trade surplus fell to $2.6 billion, pushing the current account deficit up to $4.5 billion. What the US needed above all was to boost exports, but all the signs indicated a withering enthusiasm in Europe for a pure FTA. The Eisenhower administration detected in the hum of diplomatic machinery the elevation of new barriers to US imports. A second breach had opened.

Other geopolitical factors were also at play. The Americans' abstention from a UN vote on the Algerian question embittered the French, who threatened to withdraw their Mediterranean fleet from NATO command. But an even greater threat came from communism, which was making deep inroads into southeast Asia and Latin America; the Soviet's military front would fast become an economic one.

The US ambassador to NATO, Randolph Burgess, warned of Soviet economic expansion in the Third World. He strongly advised against the "destruction or substantial impairment of the OEEC" as that would amount "to handing the Soviets a tremendous victory on a silver platter." A new, expanded, instrument was necessary to act as a breakwater against this danger.

The US also diagnosed an increasing myopia in European vision. To Washington it appeared that the OEEC had been reduced to sorting out European trade squabbles. On the subject of the December 1957 summit between Eisenhower, McMillan, de Gaulle and Adenauer, the US deputy undersecretary of state for economic affairs, Douglas Dillon sent a private memo to Christian Herter, the undersecretary of state, in which Dillon expressed his concern that "to limit the summit declaration to trade would be beneath the dignity of world leaders."

Afraid that a tremendous opportunity was about to be missed, Dillon went to Eisenhower directly, telling the president that "the western summit meeting offers a great opportunity to demonstrate convincingly the determination of the leaders of the free world to patch up the European trade quarrel and to move ahead with measures to mobilise and co-ordinate assistance from the industrialised countries to the less developed areas."

This idea would quickly take hold. The suggestion, however, that these two tasks–aid and defence–could be conferred upon NATO sat uncomfortably with the US State Department. For two reasons: linking foreign aid to defence issues might embarrass friendly governments, and it also gave Europe leverage to increase aid and lower defence. It was not a job for NATO; an entirely new institution should be created.

The fractious meeting at the Hotel Majestic had split into opposing camps: the founders of the European Community–"the Group of Six", the seven members of the European Free Trade Association (EFTA), and French and Americans. The outcome of the meeting at the Majestic was a resolution to mould these interests into a "Group of Four on Economic Organisation". The task of the G4 was to see what could be salvaged from the OEEC and used to create a body that would deal not only with European and Atlantic economic issues, but devise policies to aid less developed countries. This reconstituted organisation would bring the US and Canada, who were already OEEC observers, on board as full members. It would also set to work straight away on bringing in Japan.

A G4 report, presented on 7 April 1960, recommended the reconstitution of the OEEC into a wholly new entity, to be named the Organisation for Economic Co-operation and Development. The word "development" was chosen deliberately to underline that the main purpose of the OECD would be to co-ordinate the provision of aid to underdeveloped countries, and offer consultation on economic policy and trade beyond Europe.

This vision of global leadership was subsequently given powerful political support by the newly elected and youthful President John F. Kennedy in his first state of the union address in January 1961 and in a statement following his country's ratification of the OECD Convention two months later (see next article).

But still, the OECD project was not welcome by everyone. The most hostile reactions came from EFTA members, especially the Swiss, and supported by Sweden and Norway, who viewed the new organisation as a "diktat" by the larger powers in an attempt to make the EEC the sole European authority. France, though in the G4 vanguard, was not particularly convinced that the new project had a solid future.

But they knew something had to be done, particularly given the erosion of Sergent's authority because of his seeming inability to put the OEEC house in order. Internal squabbles were rife as departments operated like fiefdoms, with little concern for the broader goals of the organisation. Top posts remained vacant because appointment committees refused to give ground over their choice of candidates. The organisation lost skills too, as senior staff started to take up attractive jobs elsewhere. When the head of trade, Marc Ouin, accepted a position with Renault, OEEC officials were stunned.

It is again changing with new realities, by taking on more members, stepping up its relations with emerging markets, and heightening its role and responsibilities in the G20

Ministers moved quickly to prevent a complete collapse of morale. On 22-23 July 1960, they convened in Paris to initial a draft convention for the OECD. Danish Finance Minister Thorkil Kristensen was appointed secretary-general, a choice considered by many as likely to reassure nervous smaller members. The final draft was signed on 14 December 1960, barely a few weeks after the election of John F. Kennedy as president of the United States. His rise to power was key, for in the words of Kristensen after his assassination in 1963, few people did quite as much as Kennedy did to get the OECD off to a confident start.

And to be sure, within the first few years of the OECD, the mood had swung to optimism. As Anker Randsholt, who was brought in by Kristensen to launch and edit the *OECD Observer*, recalls, the organisation had "the highest reputation you could imagine. The OECD was something new, Europe was beginning to breathe again, seeing what co-operation did...There were standing ovations!"

Yet, far from being a smooth transition as many would have it, the birth of the OECD was neither easy nor initially welcomed by all parties. Still, what emerged from the process was a strong and healthy body.

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OECD headquarters today: Chateau de la Muette and the Conference Centre

Today, after years of relatively inward-looking analysis which earned the organisation the rather unflattering tag as a rich-man's club, and a reputation for being remote from the interests of the wider world, the OECD is spreading its wings and reasserting itself as a player on the wider global stage.

It is again changing with new realities, by taking on more members, stepping up its relations with emerging markets, and heightening its role and responsibilities in the G20, which brings together major developed and emerging markets. Is it more than a majestic coincidence that the host of the G20 during the OECD's 50th anniversary should be France?

Nor, as the OECD turns 50, should this new-found momentum be underestimated in consolidating the future of the organisation as a global body capable of influencing the world economy for the better, or as Kennedy and other founders intended, to carry the hopes for development of people everywhere.

In a New Year's letter dated 1959, just half a year before the OECD Convention was drafted and a year before it was signed, Flint Cahan wrote: "we all know that countries and organisations who cannot escape from their pasts are doomed, one day, to die. This [. . .] need not be the fate of organisations, provided they are sufficiently adept at adapting themselves to changed circumstances."

As recent history shows, the OECD has learned its own lessons well.

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Statement by John F. Kennedy, on the ratification of the OECD Convention, 23 March 1961; see page 100

John F. Kennedy's vision

US President Kennedy with Thorkil Kristensen, the OECD's first secretary-general in 1961

In his first state of the union address on 30 January 1961, John F. Kennedy saw the newly formed OECD as an organisation that would "provide for.... the hopes for growth of the less developed lands." The president expanded on this vision in this statement on the ratification of the OECD, issued on 23 March 1961.

On behalf of the United States, I have ratified the convention establishing the Organisation for Economic Co-operation and Development. I have done so with great satisfaction, and with expectations that the Organisation for Economic Co-operation and Development will become one of the principal institutions through which we pursue the great aim of consolidating the Atlantic Community. As I said in my inaugural address, "United, there is little we cannot do in a host of cooperative ventures. Divided, there is little we can do–for we dare not meet a powerful challenge at odds and split asunder."

In giving its advice and consent to this act of ratification, the United States senate has affirmed the intention of the United States to enter upon a new era of co-operative enterprise with our Atlantic partners. We face a broad spectrum of common economic problems.

And OECD should prove a useful forum in which the member states can consider and act together on a number of the vital questions.

Among these challenging problems, none is more urgent than that of helping the less developed countries in their quest for economic growth and stability. The countries represented in OECD have a common interest, and a common responsibility in this task. For they are among those fortunate enough to have earned the capital and the skills required for such programs. And they share with all humanity the hope and determination that the less developed peoples will succeed in their valiant efforts to achieve sustained economic progress.

Next week the Development Assistance Group, which is soon to become the Development Assistance Committee of the OECD, will meet in London. As an indication of the importance I attach to all phases of the work of OECD, I have instructed George W. Ball, our under-secretary of state for economic affairs, to represent the United States at this meeting.

The subject matter of this meeting represents one of the central tasks of OECD. I look forward to the development of joint approaches, and joint solutions, in which each of the member countries will assume its fair share of our common responsibility. I am confident that this meeting will represent a substantial forward step in this effort.

Recommended links and references

This speech is available online at: http://www.presidency.ucsb.edu/ws/?pid=8546, thanks to John T. Woolley and Gerhard Peters, *The American Presidency Project* [online].

Kennedy's 1961 State of the Union message to Congress: www.presidency.ucsb.edu/ws/index.php?pid=8045

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OECD

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- Do women have sufficient access to the worlds of finance, politics and business?
- What are the green/job-rich success stories?
- What are the secrets of the best places to work?
- Why have reforms advanced in some places and stalled in others?
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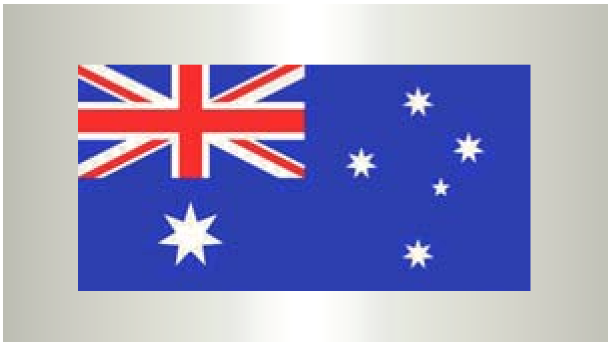
Green Growth Governance
Development Talent Innovation Happiness
Investment Jobs Trust

Country snapshots

OECD and partner countries

104	Australia
106	Austria
108	Belgium
110	Brazil
112	Canada
114	Chile
116	China
118	Czech Republic
120	Denmark
122	Estonia
124	Finland
126	France
128	Germany
130	Greece
132	Hungary
134	Iceland
136	India
138	Indonesia
140	Ireland
142	Israel
144	Italy
146	Japan
148	Korea
150	Luxembourg
152	Mexico
154	Netherlands
156	New Zealand
158	Norway
160	Poland
162	Portugal
164	Russian Federation
166	Slovak Republic
168	Slovenia
170	South Africa
172	Spain
174	Sweden
176	Switzerland
178	Turkey
180	United Kingdom
182	United States

Australia



Economy	2009*	1960*	
GDP (US$ bn)	869.7	122.6	1960-2009: +463%
GDP growth (annual growth in %)	1.2	..	
GDP per capita (US$)	39172	11937	1960-2009: +172%
Population (thousands)	21244	10275	1960-2009: +107%
Budget deficit (% of GDP)	-4.0	..	
Public debt (% of GDP)	19.2	..	
All-in tax rate (average worker, % of labour cost)	26.9	30.6	2000-2008: -12%
Society			
Employment rate (% of labour force)	72.0	58.0	1966-2009: +24%
Unemployment rate (% of labour force)	5.6	1.4	1960-2009: +294%
Women as % of labour force	45.6	28.1	1964-2009: +62%
Poverty rate (% of population)	12.4	..	
Life expectancy (years)	81.5	70.9	1960-2008: +15%
Health expenditure (total, % of GDP)	8.5	3.8	1963-2007: +124%
Self-employed (% of employment)	11.7	15.1	1990-2008: -22%
Hours worked (annual hours per worker)	1690	1814	1978-2009: -7%
Spending on education (total, % of GDP)	5.2	5.2	1995-2007: 0%
New sources of growth			
R&D expenditure (% of GDP)	2.0	1.0	1984-2006: +96%
Broadband access (subscriptions / 100 inhabitants)	23.3	..	
Renewable energy (% of energy supply)	5.3	8.8	1971-2008: -40%
CO_2 emissions (tonnes per capita)	18.5	10.9	1971-2008: +69%
Globalisation			
Trade (goods and services % of GDP)	24.5	14.0	1960-2008: +76%
Development aid (% of GNI)	0.3	0.3	1995-2009: -15%
Foreign-born population (% of population)	25.0	23.0	1995-2007: +8%
FDI stock (outward, US$ bn)	290	30	1990-2007: +850%

* or nearest available year

Snapshots

- GDP in Australia rose by 463% between 1960 and 2009.
- General government debt came to 19.2% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 5.6%, below the OECD average of 8.1%; in 1960 it was 1.4%.
- Women made up 45.6% of the labour force, up 62% since 1964, and slightly above the OECD average.
- Self-employment, at 11.7%, was below the OECD average of 15.8%.
- Some 23.3% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 5.3% of Australia's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.3% of GNI.

Other highlights

The Australian economy, fuelled by the mining boom, should grow robustly in 2011 and 2012 at a rate of between 3.5 and 4%. Strong growth, driven by gains in terms of trade and dynamic investment, will reduce unemployment. But further monetary tightening may be needed for a non-inflationary recovery and the fiscal consolidation plan must be pursued. – *OECD Economic Outlook 2010*

Australia is one of only two OECD countries that levy no social security contributions at all on employees. – *OECD Taxing Wages 2009*

In education, Australia was ranked 6th overall in the PISA 2009 survey, the same as in 2006. – *OECD PISA 2009 at a Glance*

Australia has introduced a new requirement whereby unemployed early school-leavers aged under 21 must undertake education and/or paid employment or voluntary experience to qualify for unemployment benefits. – *OECD Employment Outlook 2010*

Australia is one of two OECD countries where the share of private pensions in total expenditures on old-age benefits exceeds 50%. The average share of private pensions in the total is a little over 20%.

More than 70% of young adults enter tertiary programmes.
– *OECD Factbook 2010*

There has been remarkable progress in reducing tobacco consumption, cutting by half the percentage of adults who smoke daily (from 35.4% in 1983 to 16.6% in 2007), which is one of the lowest in OECD countries, behind only Sweden and the US.
– *OECD Health Data 2010: Australia*

In 2006, net Official Development Assistance to Oceania reached US$1.1 billion of which US$279 million was for Papua New Guinea and US$205 million for the Solomon Islands. Australia was the biggest net ODA donor (43%) to Oceania. – *OECD Development Aid at a Glance 2008*

In June 2010 legislation was passed to extend and amend the country's mandatory renewable energy target for electricity, with the objective of achieving 20% of electricity from renewables by 2020. – *IEA World Energy Outlook 2010*

See www.oecd.org/australia

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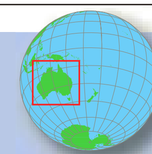
Country information



Joined the OECD: 1971

Head of Government: Prime Minister Julia Gillard

Ambassador to the OECD: Christopher Langman

Delegation website: www.dfat.gov.au/missions/countries/froe.html

Government: Australian Labor Party

Next major election: By 30 November 2013

Parliament website: www.aph.gov.au

Main employer group: Australian Chamber of Commerce and Industry (ACCI)

Main trade union: Australian Council of Trade Unions (ACTU)

Capital city: Canberra

National holiday: 26 January

Austria

Economy	2009*	1960*	
GDP (US$ bn)	320.9	63.7	1960-2009: +313%
GDP growth (annual growth in %)	-3.9	..	
GDP per capita (US$)	38368	9036	1960-2009: +248%
Population (thousands)	8366	7048	1960-2009: +19%
Budget deficit (% of GDP)	-4.3	..	
Public debt (% of GDP)	72.7	..	
All-in tax rate (average worker, % of labour cost)	48.8	47.3	2000-2008: +3%
Society			
Employment rate (% of labour force)	71.6	68.4	1994-2009: +5%
Unemployment rate (% of labour force)	4.8	2.4	1960-2009: +98%
Women as % of labour force	46.5	38.4	1968-2009: +21%
Poverty rate (% of population)	6.6	..	
Life expectancy (years)	80.5	68.7	1960-2008: +17%
Health expenditure (total, % of GDP)	10.5	4.3	1960-2008: +144%
Tertiary graduation rate (% of population)	22.1	9.7	1995-2007: +127%
Self-employed (% of employment)	13.8	14.2	1990-2008: -3%
Hours worked (annual hours per worker)	1621	1654	1995-2009: -2%
Spending on education (total, % of GDP)	5.4	6.2	1995-2007: -13%
New sources of growth			
R&D expenditure (% of GDP)	2.7	1.1	1981-2009: +148%
Broadband access (subscriptions / 100 inhabitants)	22.1	..	
Renewable energy (% of energy supply)	25.8	10.9	1971-2008: +137%
CO_2 emissions (tonnes per capita)	8.3	6.5	1971-2008: +28%
Globalisation			
Trade (goods and services % of GDP)	56.5	28.3	1970-2008: +100%
Development aid (% of GNI)	0.3	0.3	1995-2009: +12%
Foreign-born population (% of population)	14.2	11.2	1998-2007: +26%
FDI stock (outward, US$ bn)	156	5	1990-2007: +3187%

* or nearest available year

Snapshots

- GDP in Austria rose by 313% between 1960 and 2009.
- General government debt came to 72.7% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 4.8%, below the OECD average of 8.1%; in 1960 it was 2.4%.
- Women made up 46.5% of the labour force, up 21% since 1960, and slightly above the OECD average.
- Self-employment, at 13.8%, was below the OECD average of 15.8%.
- Some 22.1% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 25.8% of Austria's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.3% of GNI.

Other highlights

The recovery gained momentum in the second quarter of 2010, driven by the increase in world trade and strong economic growth in Germany, Austria's largest trading partner. Capacity utilisation rose towards its long-term average level and investment picked up. Employment growth spread to the manufacturing sector, but most newly created jobs are still in lower-productivity services. – *OECD Economic Outlook 2010*

After several years of declining numbers, asylum seeking increased in 2008, and this trend accelerated in 2009. – *OECD International Migration Outlook 2010*

Austria is one of the member countries where students' academic achievements are most affected by their families'socio-economic background. – *OECD Economic Surveys: Austria 2009*

Science and engineering degrees represent 31% of all new degrees, well above the OECD average. – *OECD Science, Technology and Industry Outlook 2010*

Graduation rates from medical education programmes have consistently been above the OECD average , resulting in high and rising numbers of doctors. – *OECD Health at a Glance 2009*

In education, Austria was ranked 25th overall in the PISA 2009 survey, down eleven places from 2006. – *OECD PISA 2009 at a Glance*

At 10.5%, Austria is among countries with the highest rates of total health spending as a share of GDP. – *OECD Health Data 2010: Austria*

In 2008, Austria had 4.6 practising physicians per 1,000 population, compared with an average of 3.2 in OECD countries. But it had 7.5 nurses per 1,000 population, compared with an OECD average of 9.0. – *OECD Science, Technology and Industry Outlook 2010*

Renewable energy features prominently in Austria's energy policy. Austria's long-term policy has resulted in a well-balanced mix of energy sources in which renewables account for 21.3% of total primary energy supply (TPES), one of the highest in the OECD area. – *OECD Energy Policies of IEA Countries: Austria 2009*

Austria makes extensive use of solar water heaters, relative to other countries. – *IEA/OECD World Energy Outlook 2010*

See www.oecd.org/austria

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Country information

Joined the OECD: 1961

Head of Government: Federal Chancellor Werner Faymann

Ambassador to the OECD: Wolfgang Petritsch

Delegation website: www.bundeskanzleramt.at/oecd

Government: Coalition of the Social Democratic Party of Austria and the Austrian People's Party

Next major election: 2013

Parliament website: www.parlament.gv.at

Main employer groups: Federation of Austrian Industry, Austrian Chamber of Commerce

Main trade unions: Austrian Trade Union Federation, Austrian Federal Chamber of Labour

Capital city: Vienna

National holiday: 26 October

Belgium

Economy	2009*	1960*	
GDP (US$ bn)	391.1	82.8	1960-2009: +284%
GDP growth (annual growth in %)	-2.8	..	
GDP per capita (US$)	36245	9051	1960-2009: +233%
Population (thousands)	10542	9153	1960-2009: +15%
Budget deficit (% of GDP)	-5.7	..	
Public debt (% of GDP)	100.4	..	
All-in tax rate (average worker, % of labour cost)	56.0	57.1	2000-2008: -2%
Society			
Employment rate (% of labour force)	61.6	53.1	1983-2009: +16%
Unemployment rate (% of labour force)	7.9	3.3	1960-2009: +141%
Women as % of labour force	45.0	30.7	1960-2009: +47%
Poverty rate (% of population)	8.8	..	
Life expectancy (years)	79.8	69.8	1960-2007: +14%
Health expenditure (total, % of GDP)	10.2	3.9	1970-2008: +162%
Self-employed (% of employment)	14.2	18.1	1990-2008: -21%
Hours worked (annual hours per worker)	1550	1670	1983-2009: -7%
Spending on education (total, % of GDP)	6.1	6.1	2000-2007: +0%
New sources of growth			
R&D expenditure (% of GDP)	1.9	1.5	1983-2008: +27%
Broadband access (subscriptions / 100 inhabitants)	29.0	..	
Renewable energy (% of energy supply)	4.4	0.1	1974-2008: +4300%
CO_2 emissions (tonnes per capita)	10.4	12.1	1971-2008: -14%
Globalisation			
Trade (goods and services % of GDP)	85.3	47.8	1970-2008: +78%
Development aid (% of GNI)	0.6	0.4	1995-2009: +44%
Foreign-born population (% of population)	13	10	1995-2007: +34%

* or nearest available year

Snapshots

- GDP in Belgium rose by 284% between 1960 and 2009.
- General government debt came to 100.4% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 7.9%, below the OECD average of 8.1%; in 1960 it was 3.3%.
- Women made up 45.0% of the labour force, up 47% since 1960, and slightly above the OECD average.
- Self-employment, at 14.2%, was below the OECD average of 15.8%.
- Some 29.0% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 4.4% of Belgium's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.6% of GNI.

Other highlights

After an unusually strong growth in exports and stockbuilding in early 2010, the economy slowed despite supportive fiscal and monetary policies. Retail sales recovered strongly, and industrial production increased sufficiently to bring capacity utilisation back towards its long-term average. – *OECD Economic Outlook 2010*

Employment increased towards the end of 2009 in response to higher labour demand in the services sector.

Ageing in public service is an issue: almost 45% of the central government workforce is over 50 compared with just over 20% of the total labour force.

Belgium was one of the countries with the highest regional inequality in youth unemployment.
– *OECD Factbook 2010*

Belgium is one of six OECD countries where the total of employee and employer social security contributions exceeds one-third of total labour costs. Also, Belgium is the OECD country that levies the highest taxes on the labour income of single taxpayers with low, average or high earnings. Also the tax burden faced by married couples is among the highest in the OECD. – *OECD Taxing Wages 2010*

In education, Belgium was ranked 10th overall in the PISA 2009 survey, down one place from 2006. – *OECD PISA 2009 at a Glance*

Science and engineering degrees represented 23% of new degrees in 2007, marginally above the OECD average, and in 2008 HRST occupations accounted for 32.5% of total employment.

In 2008, gross expenditure on R&D (GERD) was a relatively low 1.9% of GDP, although it has grown in constant terms in recent years. In that year, business expenditure on R&D (BERD) was a steady 1.3%. R&D expenditure in the pharmaceutical industry exceeds the OECD average. – *OECD Science, Technology and Industry Outlook 2010*

See www.oecd.org/belgium

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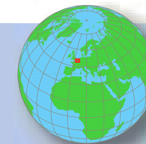

Joined the OECD: 1961

Head of Government: Prime Minister Yves Leterme

Ambassador to the OECD: Chris Hoornaert

Government: Coalition led by the Christian Democratic and Flemish (CD&V) Party, the Flemish Liberals and Democrats (Open VLD), the Reformist Movement (MR), the Socialist Party (PS) and the Humanist Democratic Centre (CDH)

Next major election: June 2014

Parliament website: www.lachambre.be; www.senate.be

Main employer group: Federation of Enterprises in Belgium (FEB)

Main trade unions: Confederation of Christian Trade Unions of Belgium (ACV-CSC), General Federation of Belgian Labour (ABVV-FGTB), General Confederation of Liberal Trade Unions of Belgium (ACLBV-CGSLB)

Capital city: Brussels

National holiday: 21 July

Brazil

Economy	2009*	1960*	
GDP (US$ bn)	1984.4	974.8	1991-2009: +67%
GDP growth (annual growth in %)	-0.2	..	
GDP per capita (US$)	10466	6410	1991-2009: +31%
Population (thousands)	193734	72744	1960-2009: +166%
Budget deficit (% of GDP)	-3.5	..	
Society			
Employment rate (% of labour force)	68.3	67.1	1992-2008: +2%
Unemployment rate (% of labour force)	7.3	9.4	2001-2008: -22%
Life expectancy (years)	72.2	62.7	1980-2006: +15%
Self-employed (% of employment)	31.9	38.2	1992-2008: -16%
Spending on education (total, % of GDP)	5.2	3.7	1995-2007: +41%
New sources of growth			
R&D expenditure (% of GDP)	1.1	0.8	1994-2008: +33%
Renewable energy (% of energy supply)	44.4	56.4	1971-2007: -21%
CO_2 emissions (tonnes per capita)	1.9	0.9	1971-2008: +105%
Globalisation			
FDI stock (outward, US$ bn)	136	69	2004-2007: +97%

* or nearest available year

Snapshots

- GDP in Brazil rose by 67% between 1991 and 2009.
- Unemployment stood at 7.3%, below the OECD average of 8.1%; in 2001 it was 9.4%.
- Self-employment, at 31.9%, was above the OECD average of 15.8%.
- Renewable energy accounted for 44.4% of Brazil's energy supply, compared with 7.1% for the OECD.

Other highlights

The Brazilian economy has slowed markedly from the strong growth rates seen earlier in 2010. It is expected to rebound, however, as income gains and resilient credit expansion sustain private consumption. Massive infrastructure projects should help lift growth rates anew in the coming years.

Inflation is projected to hover above the target mid-point of 4.5% over the next two years, as labour markets remain tight and the price effects of the recent significant currency appreciation dissipate. – *OECD Economic Outlook 2010*

The global crisis has put considerable pressure on domestic credit markets. Brazil's interbank market came to a standstill following the demise of Lehman Brothers in mid- September 2008, despite the fact that the country's banking system had limited exposure to the toxic assets that were at the core of the international credit crunch.

Oil and gas revenue is currently shared among the federal government, the states and the municipalities on a derivation basis (i.e. revenue accrues to the jurisdiction where the fields are located). As a result of the geographical distribution of production, revenue is concentrated in the state of Rio de Janeiro and in its municipalities, which together accounted for about 45% of royalty and special participation revenue in 2008. Only a small percentage of these revenues (4%) is shared among non-producing states and municipalities through a Special Fund. – *OECD Economic Surveys: Brazil 2009*

Brazil has a below OECD-average employment rate for women despite increases since the mid-1990s in excess of those recorded for men. However, it is the only non-OECD country where employment rates for youths are above the OECD average. – *OECD Factbook 2010*

In practice, most compulsory schooling is provided by public institutions. Enrolments in independent private schools exceed 10% only in Brazil, Mexico and Portugal. – *OECD Highlights from Education at a Glance 2010*

In energy, Brazil is the world's largest producer of ethanol from sugar cane. Flex-fuel vehicles, which are capable of running on any combination of ethanol and gasoline, accounted for 40% of the car fleet in Brazil in 2009, compared with only about 4% in the United States. – *IEA World Energy Outlook 2010*

Brazil is increasingly involved in patent development in waste management, water pollution control and renewable energy. In 2008 it published 26 806 scientific articles; at 141 per million population, this indicator is well below the OECD average but has increased sharply over the past two years. – *OECD Science, Technology and Industry Outlook 2010*

See www.oecd.org/brazil

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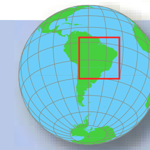

Head of State: President Dilma Rousseff

Government: Workers' Party

Next major election: October 2014

Parliament website: www2.camara.gov.br/english

Main employer group: CNI

Main trade unions: Central Única dos Trabalhadores (CUT), Landless Workers' Movement (MST)

Capital city: Brasilia

National holiday: 7 September

Canada

Economy	2009*	1960*	
GDP (US$ bn)	1280.3	203.7	1960-2009: +401%
GDP growth (annual growth in %)	-2.5	..	
GDP per capita (US$)	38923	11156	1960-2009: +174%
Population (thousands)	33368	18256	1960-2009: +83%
Budget deficit (% of GDP)	-4.8	..	
Public debt (% of GDP)	83.4	..	
All-in tax rate (average worker, % of labour cost)	31.3	33.2	2000-2008: -5%
Society			
Employment rate (% of labour force)	71.5	63.1	1976-2009: +13%
Unemployment rate (% of labour force)	8.3	7.0	1960-2009: +19%
Women as % of labour force	47.9	26.8	1960-2009: +79%
Poverty rate (% of population)	12.0	..	
Life expectancy (years)	80.7	71.3	1961-2007: +13%
Health expenditure (total, % of GDP)	10.4	5.4	1960-2008: +93%
Self-employed (% of employment)	9.1	9.5	1990-2008: -4%
Hours worked (annual hours per worker)	1699	2049	1961-2009: -17%
Spending on education (total, % of GDP)	6.2	6.7	1995-2007: -9%
New sources of growth			
R&D expenditure (% of GDP)	2.0	1.2	1981-2009: +63%
Broadband access (subscriptions / 100 inhabitants)	29.6	..	
Renewable energy (% of energy supply)	16.5	15.3	1971-2008: +8%
CO_2 emissions (tonnes per capita)	16.5	15.5	1971-2008: +7%
Globalisation			
Trade (goods and services % of GDP)	34.3	21.0	1970-2008: +63%
Development aid (% of GNI)	0.3	0.4	1995-2009: -20%
Foreign-born population (% of population)	20.1	17.2	1995-2007: +16%
FDI stock (outward, US$ bn)	522	85	1990-2007: +515%

* or nearest available year

Snapshots

- GDP in Canada rose by 401% between 1960 and 2009.
- General government debt came to 83.4% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 8.3%, below the OECD average of 8.1%; in 1960 it was 7.0%.
- Women made up 48% of the labour force, up 79% since 1960, and slightly above the OECD average.
- Self-employment, at 9.1%, was below the OECD average of 15.8%.
- Some 29.6% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 16.5% of Canada's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.3% of GNI.

Other highlights

The economic recovery has slowed sharply as a result of waning expansion of external demand and a retrenchment in household spending growth. Activity is nevertheless projected to progress at a moderate pace through 2011-12 as employment prospects and external demand gradually pick up again. Business investment is expected to remain robust. Substantial economic slack should keep inflation pressures subdued.

Sustained strength in the exchange rate continues to pose challenges for the manufacturing sector.

With the construction and public sectors accounting for over half of the jobs created since the trough, employment gains are expected to ease. – *OECD Economic Outlook 2010*

In Canada, the tax wedge–a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee–for single parents at two-thirds of the average wage level decreased by 8.2 percentage points. – *OECD Taxing Wages 2009*

Canada has continued to see growth in pharmaceutical spending significantly above the average of OECD countries.
– *OECD Health at a Glance 2009*

In education, Canada was ranked 4th overall in the PISA 2009 survey, down one place from 2006. Canada spends 6.2% of its GDP on all levels of education which is higher than the OECD average of 5.8% and is eighth highest across the OECD.

The percentage of manufacturing firms collaborating on innovation activities is above average, and in 2008 a relatively high 9% of GERD was financed from abroad. Almost 30% of patents were developed with foreign co-inventors in 2005-07. –*OECD Science, Technology and Industry Outlook 2010*

Biodiesel use is projected to reach 765 million litres by 2019. Domestic biodiesel production continues to be mainly based on other feedstocks such as tallow and other animal fat. It is projected to grow continuously over the projection period. – *OECD-FAO Agricultural Outlook*

See www.oecd.org/canada

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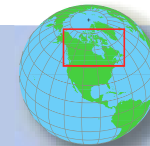

Joined the OECD: 1961

Head of Government: Prime Minister Stephen Harper

Ambassador to the OECD: Judith A. LaRocque

Delegation website: www.canada-oecd.gc.ca

Government: Conservative Party

Next major election: 2 May 2011

Parliament website: www.parl.gc.ca

Main employer group: The Canadian Chamber of Commerce

Main trade unions: Canadian Labour Congress, Confederation of National Trade Unions

Capital city: Ottawa

National holiday: 1 July

Chile

Economy	2009*	1960*	
GDP (US$ bn)	243.2	116.5	1995-2009: +68%
GDP growth (annual growth in %)	-1.5	..	
GDP per capita (US$)	14560	8087	1995-2009: +43%
Population (thousands)	16970	7647	1960-2009: +122%
Budget deficit (% of GDP)	5.3	..	
Public debt (% of GDP)	5.2	..	
Society			
Employment rate (% of labour force)	56.1	55.0	1996-2009: +2%
Unemployment rate (% of labour force)	7.8	6.3	1996-2008: +23%
Life expectancy (years)	78.8	72.5	1990-2009: +9%
Health expenditure (total, % of GDP)	6.9	5.3	1995-2008: +30%
Spending on education (total, % of GDP)	6.4	5.1	1995-2007: +27%
New sources of growth			
Broadband access (subscriptions / 100 inhabitants)	9.6	..	
Renewable energy (% of energy supply)	21.8	20.8	1971-2007: +5%
CO_2 emissions (tonnes per capita)	4.4	2.1	1971-2008: +104%
Globalisation			
Trade (goods and services % of GDP)	43.1	28.1	1995-2008: +53%
FDI stock (outward, US$ bn)	33	11	2000-2007: +193%

* or nearest available year

Snapshots

- GDP in Chile rose by 68% between 1995 and 2009.
- General government debt came to 5.2% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 7.8%, below the OECD average of 8.1%; in 1996 it was 6.3%.
- Some 9.6% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 21.8% of Chile's energy supply, compared with 7.1% for the OECD.

Other highlights

Chile joined the OECD in 2010. The economy has embarked on a strong recovery. Supported by high copper prices and strong domestic demand, the pace of growth is projected to remain high in 2011 and 2012. Inflation is likely to temporarily exceed the central bank's inflation target of 3% in the second half of 2010 and early 2011, but then fall back gradually. – *OECD Economic Outlook 2010*

The coverage of unemployment compensation systems is low as is generally the benefit level. However, efforts have been made to improve income support to formal-sector job losers. – *OECD Employment Outlook 2010*

The Chilean salmon industry has emerged as a major exporter on world markets, helped by low tariffs and an open FDI regime. The increase in exports went hand in hand with falling prices on world markets and deteriorating sanitary conditions on the salmon farms. Exports soared from $50 million in 1989 to 2.4 billion in 2008 and Chile became the world's second-largest exporter of farmed salmon (after Norway). – *OECD Economic Surveys: Chile 2010*

The infant mortality rate in Chile, as in other OECD countries, has fallen greatly over the past decades. It stood at 7 deaths per 1 000 live births in 2008, above the OECD average of 4.7.

In Chile, the obesity rate among adults, based on actual measures of height and weight, was 24.5% in 2003 (latest year available). This is lower than for the US (33.8% in 2008) but equal to the UK (24.5% in 2008). – *OECD Health Data 2010: Chile*

In education, Chile was ranked 32^{nd} overall in the PISA 2009 survey. – *OECD PISA 2009 at a Glance*

Chile places a high value on education and training, with upper secondary graduation rates up from 46% in 1995 to 71% in 2007.

Some 24% of the population aged 25-64 had tertiary-level qualifications in 2008, below the OECD average. However, a relatively high 18% of all new degrees, close to the OECD average, were in the science and engineering disciplines in 2007.

Participation in post-compulsory education is now rising, as is investment in pre-schooling. – *OECD Science, Technology and Industry Outlook 2010*

Energy supply per capita in Chile (1.9 toe/capita) doubled over the period 1971-2007. – *OECD Factbook 2010*

See www.oecd.org/chile

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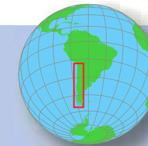


Joined the OECD: 2010

Head of State: President Sebastián Piñera

Ambassador to the OECD: Raul Saez

Delegation website: www.minrel.gov.cl

Government: Coalition for Change (Coalición por el Cambio)

Next major election: 2013 (presidential and parliamentary)

Parliament website: www.congreso.cl

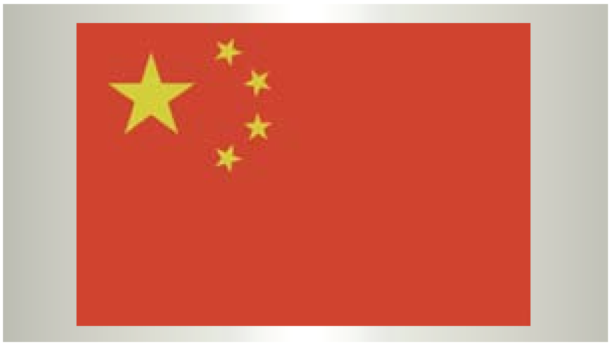
Main employer group: Confederation of Production and Trade (CPC)

Main trade union: Unitary Confederation of Workers (CUT)

Capital city: Santiago

National holiday: 18 September

China (People's Republic of)



Economy	2009*	1960*	
GDP (US$ bn)	7926.5	..	
GDP per capita (US$)	5970	..	
Population (thousands)	1345751	645927	1960-2009: +108%
Budget deficit (% of GDP)	-1.2	..	
Society			
Life expectancy (years)	73.0	67.8	1982-2005: +8%
New sources of growth			
R&D expenditure (% of GDP)	1.5	0.7	1991-2008: +110%
Renewable energy (% of energy supply)	12.3	40	1971-2007: -69%
CO_2 emissions (tonnes per capita)	4.9	1.0	1971-2008: +413%
Globalisation			
FDI stock (outward, US$ bn)	116	53	2004-2007: +120%

* or nearest available year

Snapshots

- China's expenditure on R&D, at 1.5% of GDP, is below the OECD average of 2.3%
- Renewable energy accounted for 12.3% of China's energy supply, compared with 7.1% for the OECD.

Other highlights

Over the five years to 2008, the Chinese economy has grown at an unprecedented pace of about 11% per annum on average, before the upward revision to GDP as a result of the second Economic Census. While the expansion lost momentum in the course of 2008, China has weathered the global economic crisis remarkably well and is at the forefront of the world economy's recovery. – *OECD Economic Surveys: China 2010*

The restructuring of China's economy and efficiency gains have made it the world's second largest economy after the US. – *OECD Science, Technology and Industry Outlook 2010*

With the impact of the stimulus plan fading, China's vigorous expansion slowed during the first half of 2010, but has picked up somewhat since then. This renewed buoyancy is projected to continue in 2011-12, as faster domestic demand offsets a renewed slowdown in exports, stabilising the current account surplus at around 5.5% of GDP. An acceleration in non-food prices is expected to be offset by an easing in food price inflation, resulting in a stabilisation of inflation at slightly above 3%.

Although the current account surplus is not projected to increase, further external adjustment will not be aided by the weakening of the effective exchange rate that has occurred despite a modest appreciation of the renminbi against the dollar in recent months. – *OECD Economic Outlook 2010*

In education, 15-year-olds from Chinese city regions performed strongly in OECD PISA Survey 2009, with Shanghai in particular topping the scores. – *OECD Pisa at a glance 2009*

The increase in China's energy consumption between 2000 and 2008 was more than four times greater than in the previous decade.

China now accounts for 28% of global industrial energy demand, a sharp increase on its 16% share in 2000. Between 2009 and 2025 China will have added new capacity equivalent to the current installed capacity of the United States. China devoted about 40% of its $586 billion stimulus package to green projects, including support for wind and solar power, which has helped to turn the country into the world's biggest market for renewables. – *OECD Science, Technology and Industry Scoreboard 2009*

China is projected to remain the world's largest user of solar water heaters. In 2008, about 80% of the world's installed solar collector area was in China. – *IEA World Energy Outlook 2010*

China has been the world's largest exporter of information technology goods since 2004 with exports growing by 30% a year from 1996 to almost $360 billion in 2007. – *OECD Factbook 2010*

Access to telecommunications networks increased by 164% in the OECD area as a whole in the last decade. In China, growth in access reached 986 % in the last decade. – *OECD Science, Technology and Industry Scoreboard 2009*

See www.oecd.org/china

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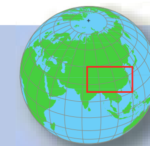


Head of Government: Premier Wen Jiabao

Government: Communist Party of China

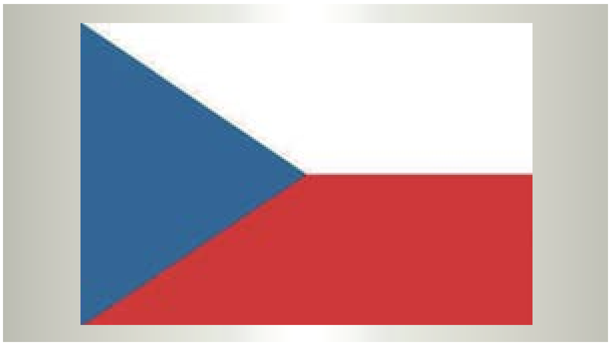
Next major election: March 2013

Parliament website: www.npc.gov.cn

Capital city: Beijing

National holiday: 1 October

Czech Republic



Economy	2009*	1960*	
GDP (US$ bn)	264.6	142.9	1995-2009: +44%
GDP growth (annual growth in %)	-4.1	..	
GDP per capita (US$)	25236	13833	1995-2009: +45%
Population (thousands)	10271	9660	1960-2009: +6%
Budget deficit (% of GDP)	-5.7	..	
Public debt (% of GDP)	42.4	..	
All-in tax rate (average worker, % of labour cost)	43.4	42.7	2000-2008: +2%
Society			
Employment rate (% of labour force)	65.4	69.0	1993-2009: -5%
Unemployment rate (% of labour force)	6.7	0.8	1990-2009: +762%
Women as % of labour force	42.9	46.9	1975-2009: -9%
Poverty rate (% of population)	5.8	..	
Life expectancy (years)	77.3	70.6	1960-2008: +9%
Health expenditure (total, % of GDP)	7.1	4.7	1990-2008: +51%
Tertiary graduation rate (% of population)	34.9	12.6	1995-2007: +178%
Self-employed (% of employment)	16.2	9.4	1993-2008: +71%
Hours worked (annual hours per worker)	1942	2064	1993-2009: -6%
Spending on education (total, % of GDP)	4.6	5.1	1995-2007: -10%
New sources of growth			
R&D expenditure (% of GDP)	1.5	1.0	1995-2008: +54%
Broadband access (subscriptions / 100 inhabitants)	12.9	..	
Renewable energy (% of energy supply)	5.1	..	
CO_2 emissions (tonnes per capita)	11.2	15.4	1971-2008: -27%
Globalisation			
Trade (goods and services % of GDP)	74.8	41.5	1990-2008: +80%
Foreign-born population (% of population)	6.2	4.3	1998-2007: +44%
FDI stock (outward, US$ bn)	9	0	1995-2007: +2377%

* or nearest available year

Snapshots

- GDP in the Czech Republic rose by 44% between 1995 and 2009.
- General government debt came to 42.4% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 6.7%, below the OECD average of 8.1%; in 1990 it was 0.8%.
- Women made up 42.9% of the labour force, down 9% since 1975, and slightly below the OECD average.
- Self-employment, at 16.2%, was above the OECD average of 15.8%.
- Some 12.9% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 5.1% of the Czech Republic's energy supply, compared with 7.1% for the OECD.

Other highlights

Exports continue to drive the recovery in real GDP, which is set to grow by 2.4% in 2010 and 2.8% in 2011, with domestic demand more subdued because of the weak labour market and fiscal consolidation. By 2012 the economy is likely to be growing by 3.2%. Temporary inflationary pressures are coming from energy prices and housing costs, but the inflation target of 2% should be achieved. – *OECD Economic Outlook 2010*

Migration accounts for almost all of population growth. Net migration over 2007-8 reached 0.8% of the total population, which ranks it among the highest in the OECD. – *OECD International Migration Outlook 2010*

The Czech Republic is one of only three OECD member countries where a married average worker with two children faces a personal income tax burden less than zero, at -5.4%.
– *OECD Taxing Wages 2009*

Across OECD countries, the average poverty rate was about 11% in the mid-2000s. In the Czech Republic, the poverty rate is below 6%.

The Czech Republic was the only country experiencing a strong increase in labour productivity growth in 2001-2008 compared to the period 1995-2000. – *OECD Factbook 2010*

The Czech Republic reports one of the lowest incidence rates of AIDS among EU countries (2.8 per million population).
– *OECD Health at a Glance: Europe 2010*

In education, the Czech Republic was ranked 22nd overall in the PISA 2009 survey, down eight places from 2006.
– *OECD PISA 2009 at a Glance*

On average across OECD countries, graduation rates from university-level education have increased by 21 percentage points over the past 13 years. Between 2000 and 2008 the most significant increases were reported in the Czech Republic and Switzerland, where the rate almost tripled over the period. – *OECD Highlights from Education at a Glance 2010*

See www.oecd.org/czechrepublic

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Country information

Joined the OECD: 1995

Head of State/Government: President Václav Klaus; Prime Minister Petr Nečas

Ambassador to the OECD: Karel Dyba

Delegation website: www.mzv.cz/oecd

Government: Coalition led by the Civic Democratic Party

Next major election: 2014

Parliament website: www.psp.cz, www.senat.cz

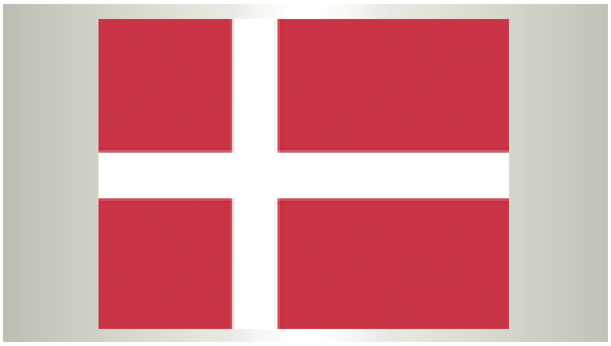
Main employer group: Confederation of Industry of the Czech Republic

Main trade union: Czech-Moravian Confederation of Trade Unions (CMKOS)

Capital city: Prague

National holiday: 28 October

Denmark



Economy	2009*	1960*	
GDP (US$ bn)	203.6	50.9	1960-2009: +217%
GDP growth (annual growth in %)	-4.7	..	
GDP per capita (US$)	36869	11104	1960-2009: +165%
Population (thousands)	5473	4580	1960-2009: +20%
Budget deficit (% of GDP)	-2.5	..	
Public debt (% of GDP)	51.8	..	
All-in tax rate (average worker, % of labour cost)	41.2	44.3	2000-2008: -7%
Society			
Employment rate (% of labour force)	75.7	70.3	1983-2009: +8%
Unemployment rate (% of labour force)	6.1	2.0	1960-2009: +213%
Women as % of labour force	47.9	31.8	1960-2009: +51%
Poverty rate (% of population)	5.3	..	
Life expectancy (years)	78.8	72.4	1960-2008: +9%
Health expenditure (total, % of GDP)	9.7	7.9	1971-2007: +23%
Tertiary graduation rate (% of population)	47.3	25.2	1995-2007: +88%
Self-employed (% of employment)	8.8	11.7	1990-2008: -25%
Hours worked (annual hours per worker)	1563	1884	1970-2009: -17%
Spending on education (total, % of GDP)	7.1	6.2	1995-2007: +14%
New sources of growth			
R&D expenditure (% of GDP)	2.7	1.0	1981-2008: +162%
Broadband access (subscriptions / 100 inhabitants)	37.1	..	
Renewable energy (% of energy supply)	18.5	1.8	1971-2008: +928%
CO_2 emissions (tonnes per capita)	8.8	11.1	1971-2008: -21%
Globalisation			
Trade (goods and services % of GDP)	53.7	30.0	1966-2008: +79%
Development aid (% of GNI)	0.9	1.0	1995-2009: -9%
Foreign-born population (% of population)	6.9	4.8	1995-2007: +45%
FDI stock (outward, US$ bn)	180	25	1995-2007: +628%

* or nearest available year

Snapshots

- GDP in Denmark rose by 217% between 1960 and 2009.
- General government debt came to 51.8% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 6.1%, below the OECD average of 8.1%; in 1960 it was 2.0%.
- Women made up 47.9% of the labour force, up 51% since 1960, and above the OECD average.
- Self-employment, at 8.8%, was below the OECD average of 15.8%.
- Some 37.1% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 18.5% of Denmark's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.9% of GNI.

Other highlights

The recovery is expected to gain strength gradually as world trade expands, and to become broad-based as private domestic demand improves. With still substantial slack in the economy, inflation is set to remain subdued. Employment has been growing since the start of 2010, driven by public-sector and, more recently, private-sector demand. – *OECD Economic Outlook 2010*

The average number of jobs held per worker in Denmark is the highest in Europe: almost six jobs in Denmark, compared to four jobs on average in EU-25. More than 70% of people in Denmark think that changing jobs every few years is good, compared with 40% in the EU. – *OECD Jobs for Youth: Denmark 2009*

Unemployment rates are about 4 percentage points higher among the foreign-born compared to the native-born. – *OECD International Migration Outlook 2010*

Between 2000 and 2009, the tax wedge–a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee–decreased for all family types in Denmark. – *OECD Taxing Wages 2009*

Denmark has one of the lowest rates of income inequality. – *OECD Factbook 2010*

In Denmark, 84.5% of health spending was funded by public sources in 2007, the second highest among OECD countries (after Luxembourg), and significantly higher than the OECD average of 72.8%. – *OECD Health Data 2010: Denmark*

In education, Denmark was ranked 15th overall in the PISA 2009 survey, up two places from 2006. – *OECD PISA 2009 at a Glance*

Enrolment rates for 20-29 year-olds indicate the number of people attending tertiary education. Enrolment rates were 30% or more in Denmark, compared to the OECD average of 25%. – *OECD Highlights from Education at a Glance 2010*

Denmark's R&D inputs translate into solid outcomes. It has a comparatively high 60 triadic patents per million population and its 1 359 scientific articles per million population are well above the average. – *OECD Science, Technology and Industry Outlook 2010*

See www.oecd.org/denmark

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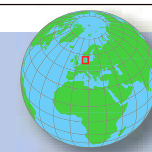

Joined the OECD: 1961

Head of Government: Prime Minister Lars Løkke Rasmussen

Ambassador to the OECD: Poul Erik Dam Kristensen

Delegation website: www.oecddelegationen.um.dk

Government: Coalition of the Liberal Party (Venstre) and Conservative

Next major election: 2011

Parliament website: www.ft.dk

Main employer groups: Confederation of Danish Industry, Danish Employers' Confederation

Main trade unions: Danish Confederation of Trade Unions (LO, Danmark), Danish Confederation of Professional Associations (AC), Salaried Employees' and Civil Servants' Confederation (FTF)

Capital city: Copenhagen

National holiday: 5 June

BETTER POLICIES FOR BETTER LIVES IN DENMARK

Denmark: Efficient e-Government for Smarter Public Service Delivery

This review is the first to analyse e-government at the country level using a revised framework designed to capture the new challenges faced by countries today. It highlights the richness of initiatives and actions taken by Denmark in relation to a number of areas, including the impact of e-government on public sector modernisation and efficiency efforts, the impact of e-government organisational structure and arrangements on e-government development and administration, the need to address issues related to user take-up and the assessment of benefits realisation of e-government projects. As these are not unique to Denmark, but are commonly shared by a number of OECD countries, the study provides useful tools to support e-government policy making in all OECD countries.

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Estonia

Economy	2009*	1960*	
GDP (US$ bn)	26.3	9.8	1995-2009: +96%
GDP per capita (US$)	19636	6803	1995-2009: +110%
Population (thousands)	1340	1216	1960-2009: +10%
Society			
Employment rate (% of labour force)	63.5	62.0	2002-2009: +3%
Unemployment rate (% of labour force)	5.6	9.7	1997-2008: -42%
Life expectancy (years)	73.9	70.1	1989-2008: +5%
Health expenditure (total, % of GDP)	6.1	5.9	1999-2008: +3%
Self-employed (% of employment)	7.7	3.2	1990-2008: +141%
Hours worked (annual hours per worker)	1969	1987	2000-2008: -1%
Spending on education (total, % of GDP)	5.0	5.8	1995-2007: -13%
New sources of growth			
Renewable energy (% of energy supply)	10.7	2.0	1990-2007: +435%
CO_2 emissions (tonnes per capita)	13.1	22.7	1990-2008: -42%
Globalisation			
Trade (goods and services % of GDP)	77.7	71.9	1995-2008: +8%
FDI stock (outward, US$ bn)	6	0	2000-2007: +2283%

* or nearest available year

Snapshots

- GDP in Estonia rose by 96% between 1995 and 2009.
- Unemployment stood at 5.6%, below the OECD average of 8.1%; in 1997 it was 9.7%.
- Self-employment, at 7.7%, was below the OECD average of 15.8%.
- Renewable energy accounted for 10.7% of Estonia's energy supply, compared with 7.1% for the OECD.

Other highlights

Estonia joined the OECD in December 2010. Rebalancing of the economy continues in 2010, with consumption still weak while exports grow strongly. 2012 should see a return of robust growth in consumer spending. GDP growth is projected at 3.4% in 2011 and about 4% in 2012. Headline inflation accelerated in the second half of 2010. Constrained by high unemployment and ongoing slack in the economy, core inflation will pick up only gradually.

Fiscal policy remains under tight control and the general government deficit is assumed to stay below the 3% of GDP.
The overall employment rate, which peaked at 70% in 2008–higher than the OECD average of 67%–had declined by 6 percentage points by June 2009. – *OECD Economic Outlook 2010*

Estonia has an above OECD-average employment rate for women, rising at a somewhat quicker pace than that of men since the mid-1990s. – *OECD Factbook 2010*

Total health spending accounted for 6.1% of GDP in Estonia in 2008, lower than the OECD average of 9%. Health spending per capita in Estonia grew, in real terms, by an average of 8.8% per year between 2000 and 2008, faster than the OECD average of 4.2% per year.

Estonia reported one of the highest AIDS incidence rates among EU countries. In 2008, 25-50 new cases per million population were reported. – *OECD Health at a Glance: Europe 2010*

In Estonia less than 2% of tertiary students are foreign, compared with, say, Australia, where international students represent 20.6% of tertiary students. – *OECD Highlights from Education at a Glance 2010*

The share of production in high-tech sectors and knowledge-intensive services is still relatively low, and the share of high-tech products in exports has slowed. – *OECD Economic Survey of Estonia 2009*

Research is strongly concentrated in the University of Tartu and Tallinn University of Technology, which together stand for around 70% of all R&D output in Estonian higher education institutions (including publications, patents, defended PhDs and income from contract research). Smaller higher education institutions, including most professional higher education institutions, vocational education schools and private institutions, contribute only to a very minor extent to carrying out research. – *OECD Reviews of Tertiary Education: Estonia 2007*

See www.oecd.org/estonia

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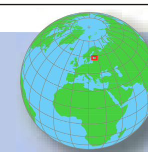

Joined the OECD: 2010

Head of Government: Prime Minister Andrus Ansip

Ambassador to the OECD: Marten Kokk

Delegation website: www.oecd.vm.ee

Government: Coalition led by the Reform Party

Next major election: 2015

Parliament website: www.riigikogu.ee

Main employer group: Estonian Employers Confederation

Main trade union: Estonian Trade Union Confederation

Capital city: Tallinn

National holiday: 24 February

Finland

Economy	2009*	1960*	
GDP (US$ bn)	185.3	35.5	1960-2009: +334%
GDP growth (annual growth in %)	-8.0	..	
GDP per capita (US$)	34716	8019	1960-2009: +261%
Population (thousands)	5327	4430	1960-2009: +20%
Budget deficit (% of GDP)	-2.3	..	
Public debt (% of GDP)	52.6	..	
All-in tax rate (average worker, % of labour cost)	43.5	47.8	2000-2008: -9%
Society			
Employment rate (% of labour force)	68.4	72.1	1963-2009: -5%
Unemployment rate (% of labour force)	8.3	1.5	1960-2009: +466%
Women as % of labour force	49.1	44.8	1960-2009: +10%
Poverty rate (% of population)	7.3	..	
Life expectancy (years)	79.9	69.0	1960-2008: +16%
Health expenditure (total, % of GDP)	8.4	3.8	1960-2008: +121%
Tertiary graduation rate (% of population)	48.5	20.3	1995-2007: +139%
Self-employed (% of employment)	12.8	15.6	1990-2008: -17%
Hours worked (annual hours per worker)	1652	2061	1960-2009: -20%
Spending on education (total, % of GDP)	5.6	6.3	1995-2007: -10%
New sources of growth			
R&D expenditure (% of GDP)	4.0	1.2	1981-2009: +246%
Broadband access (subscriptions / 100 inhabitants)	26.7	..	
Renewable energy (% of energy supply)	25.2	27.3	1971-2008: -8%
CO_2 emissions (tonnes per capita)	10.6	8.6	1971-2008: +23%
Globalisation			
Trade (goods and services % of GDP)	45.0	25.0	1970-2008: +80%
Development aid (% of GNI)	0.5	0.3	1995-2009: +73%
Foreign-born population (% of population)	3.8	2.0	1995-2007: +91%
FDI stock (outward, US$ bn)	116	11	1990-2007: +932%

* or nearest available year

Snapshots

- GDP in Finland rose by 334% between 1960 and 2009.
- General government debt came to 52.6% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 8.3%, above the OECD average of 8.1%; in 1960 it was 1.5%.
- Women made up 49.1% of the labour force, up 10% since 1960, and above the OECD average.
- Self-employment, at 12.8%, was below the OECD average of 15.8%.
- Some 26.7% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 25.2% of Finland's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.5% of GNI.

Other highlights

The economy has rebounded strongly on the back of sharply recovering exports, and unemployment has started to recede. Activity will continue to benefit from firm world trade growth, while renewed confidence and lower unemployment will support domestic demand, leading to robust investment and output growth in the years ahead. – *OECD Economic Outlook 2010*

As part of recent fiscal stimulus measures, various benefits (maternity, parental and sickness allowance) have been increased, and unemployment benefits were temporarily increased in the summer of 2009. – *OECD Employment Outlook 2010*

2008 was a top year for migration in Finland with the largest net immigration figures since the country attained independence. In 2009, the numbers dropped noticeably as a result of the recession. – *OECD International Migration Outlook 2010*

Between 2000 and 2009, the tax wedge–a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee–decreased for all family types in Finland. – *OECD Taxing Wages 2009*

In education, Finland was ranked 1st overall in the PISA 2009 survey, the same as in 2006, and students tend to perform well regardless of their own background or the school they attend. Large proportions of students perform at the highest levels of reading proficiency, and relatively few students at the lower levels. – *OECD PISA 2009 at a Glance*

Health spending as a share of GDP is lower in Finland than in all other Nordic countries. Cancer mortality rates for the total population were the lowest in Finland, Switzerland and Sweden compared with other European countries, at under 150 deaths per 100 000 population. – *OECD Health at a Glance: Europe 2010*

Enrolment rates for 20-29 year-olds indicate the number of people attending tertiary education. Enrolment rates were 30% in Finland, compared to the OECD average of 25%. – *OECD Highlights from Education at a Glance 2010*

Finland's strong R&D investment is reflected in 64 triadic patents per million population in 2008, almost double the OECD average. With 1 573 scientific articles per million population in 2008, Finland ranks third among OECD countries and contributed 0.5% of the world share of scientific publications. – *OECD Science, Technology and Industry Outlook 2010*

See www.oecd.org/finland

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OECD (2010), Public Governance Reviews: Finland 2010, Paris

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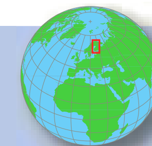


Joined the OECD: 1969

Head of State/Government: President Tarja Halonen; Prime Minister Mari Kiviniemi

Ambassador to the OECD: Antti Kuosmanen

Delegation website: www.finoecd.org

Government: Coalition led by Prime Minister Mari Kiviniemi (Centre Party)

Next major election: April 2011

Parliament website: www.parliament.fi

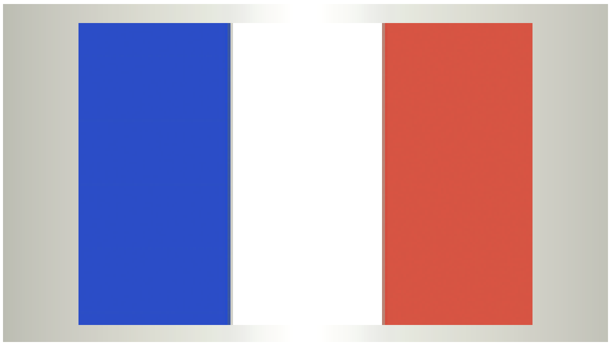
Main employer group: Confederation of Finnish Industries (EK)

Main trade unions: Confederation of Unions for Professional and Managerial Staff in Finland (AKAVA), Central Organisation of Finnish Trade Unions (SAK), The Finnish Confederation of Professionals (STTK)

Capital city: Helsinki

National holiday: 6 December

France



Economy	2009*	1960*	
GDP (US$ bn)	2172.1	395.9	1960-2009: +330%
GDP growth (annual growth in %)	-2.6	..	
GDP per capita (US$)	33679	8666	1960-2009: +216%
Population (thousands)	62149	45684	1960-2009: +36%
Budget deficit (% of GDP)	-8.2	..	
Public debt (% of GDP)	87.1	..	
All-in tax rate (average worker, % of labour cost)	49.3	49.6	2000-2008: -1%
Society			
Employment rate (% of labour force)	64.1	64.3	1968-2009: 0%
Unemployment rate (% of labour force)	7.4	1.3	1960-2008: +476%
Women as % of labour force	47.6	34.8	1960-2008: +37%
Poverty rate (% of population)	7.1	..	
Life expectancy (years)	81.2	70.3	1960-2009: +16%
Health expenditure (total, % of GDP)	11.2	3.8	1960-2008: +195%
Self-employed (% of employment)	9.0	13.2	1990-2008: -32%
Hours worked (annual hours per worker)	1554	2048	1970-2009: -24%
Spending on education (total, % of GDP)	6.0	6.6	1995-2007: -9%
New sources of growth			
R&D expenditure (% of GDP)	2.0	1.9	1981-2008: +6%
Broadband access (subscriptions / 100 inhabitants)	30.4	..	
Renewable energy (% of energy supply)	7.5	8.6	1971-2008: -13%
CO_2 emissions (tonnes per capita)	5.7	8.2	1971-2008: -30%
Globalisation			
Trade (goods and services % of GDP)	27.7	13.5	1960-2008: +105%
Development aid (% of GNI)	0.5	0.5	1995-2009: -16%
Foreign-born population (% of population)	8.5	7.3	1999-2007: +15%
FDI stock (outward, US$ bn)	1292	110	1990-2007: +1073%

* or nearest available year

Snapshots

- GDP in France rose by 330% between 1960 and 2009.
- General government debt came to 87.1% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 7.4%, below the OECD average of 8.1%; in 1960 it was 1.3%.
- Women made up 47.6% of the labour force, up 37% since 1960, and above the OECD average.
- Self-employment, at 9%, was below the OECD average of 15.8%.
- Some 30.4% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 7.5% of France's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.5% of GNI.

Other highlights

Following a mild slowing of activity in recent months, real GDP growth is projected to pick up slowly towards an annualised pace of 2% by 2012, led by business investment and exports. The unemployment rate has peaked but is set to decline only slightly, while price pressures will remain subdued, with underlying inflation at about 1% per year.

Although the increase in long-term unemployment is worrying, policymakers have avoided past mistakes during this recession by resisting the promotion of early-retirement schemes and, more generally, have sought to maintain the attachment of displaced workers to the labour market. – *OECD Economic Outlook 2010*

France is one of six OECD countries where the total of employee and employer social security contributions exceeds one-third of total labour costs. – *OECD Taxing Wages 2009*

French people over 65 are also more reliant on public funding for their incomes–through public pensions and safety-net benefits–than all OECD countries bar Hungary. – *OECD Pensions at a Glance 2009*

Diseases such as obesity are now making themselves felt, and socio-economic disparities play a role. Women with poor education in France are almost three times more likely to be overweight than more educated women. Unlike in most OECD countries, significant disparities are present in men too, with poorly educated men 1.6 times more likely to be overweight than more educated ones. – *OECD Obesity and the Economics of Prevention: Fit not Fat – France Key Facts 2010*

In education, France was ranked 17th overall in the PISA 2009 survey, up three places from 2006. The average gap in performance between students from different socio-economic backgrounds is greater in France and New Zealand than in other OECD countries, where it is at least 30% wider than the OECD average. – *OECD PISA 2009 at a Glance*

The share of public expenditure on health to GDP is high, at 8.7% of GDP compared with 3.7% and 2.7% of GDP, respectively, in Korea and Mexico. – *OECD Factbook 2010*

France ranks third for foreign direct investment (FDI), both inward and outward, with an FDI stock of $1 292 billion. – *OECD Economic Surveys: France 2009*

See www.oecd.org/france

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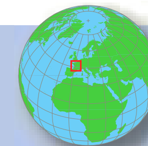

Joined the OECD: 1961

Head of State: President Nicolas Sarkozy

Ambassador to the OECD: Roger Karoutchi

Delegation website: www.delegfrance-ocde.org

Government: Union for a Popular Movement (UMP) and New Centre

Next major election: April-May 2012 (presidential)

Parliament website: www.parlement.fr

Main employer groups: MEDEF, CGPME

Main trade unions: CFDT, CGT, Workers' Force (FO), CFTC, CFE-CGC, UNSA, FSU

Capital city: Paris

National holiday: 14 July

Germany

Economy	**2009***	**1960***	
GDP (US$ bn)	2969.6	669.2	1960-2009: +235%
GDP growth (annual growth in %)	-4.7	..	
GDP per capita (US$)	36270	9191	1960-2009: +195%
Population (thousands)	82807	72815	1960-2009: +14%
Budget deficit (% of GDP)	-3.2	..	
Public debt (% of GDP)	76.5	..	
All-in tax rate (average worker, % of labour cost)	52.0	54.0	2000-2008: -4%
Society			
Employment rate (% of labour force)	70.4	66.9	1970-2009: +5%
Unemployment rate (% of labour force)	7.8	1.0	1960-2009: +653%
Women as % of labour force	46.1	37.8	1960-2009: +22%
Poverty rate (% of population)	11.0	..	
Life expectancy (years)	80.2	69.1	1960-2008: +16%
Health expenditure (total, % of GDP)	10.5	6.0	1970-2008: +75%
Tertiary graduation rate (% of population)	23.4	13.9	1995-2007: +68%
Self-employed (% of employment)	11.7	9.8	1991-2008: +19%
Hours worked (annual hours per worker)	1390	1548	1991-2009: -10%
Spending on education (total, % of GDP)	4.7	5.1	1995-2007: -8%
New sources of growth			
R&D expenditure (% of GDP)	2.6	2.4	1981-2008: +12%
Broadband access (subscriptions / 100 inhabitants)	30.3	..	
Renewable energy (% of energy supply)	8.4	1.2	1971-2008: +600%
CO_2 emissions (tonnes per capita)	9.8	12.5	1971-2008: -22%
Globalisation			
Trade (goods and services % of GDP)	44.1	17.2	1970-2008: +157%
Development aid (% of GNI)	0.4	0.3	1995-2009: +14%
FDI stock (outward, US$ bn)	1249	131	1990-2007: +855%

* or nearest available year

Snapshots

- GDP in Germany rose by 235% between 1960 and 2009.
- General government debt came to 76.5% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 7.8%, below the OECD average of 8.1%; in 1960 it was 1.0%.
- Women made up 46.1% of the labour force, up 22% since 1960, and above the OECD average.
- Self-employment, at 11.7%, was below the OECD average of 15.8%.
- Some 30.3% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 8.4% of Germany's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.4% of GNI.

Other highlights

The economy is recovering strongly on the back of the improvement in world trade. Private consumption, investment and government spending on infrastructure have also been strong. The labour market continues to remain resilient and unemployment has now fallen to its lowest level since reunification. Although annual growth is expected to slow somewhat over the projection horizon, the pre-crisis real GDP level will be reached in the course of 2011. – *OECD Economic Outlook 2010*

About 94 500 persons were naturalised in 2008, a 16% decline over 2007 and the lowest level since the late 1990s. In particular, the take-up of German citizenship among immigrants from Turkey and their children has continuously declined in recent years. – *OECD International Migration Outlook 2010*

A single person at the average wage level without children is liable to an average tax plus contributions burden of 41.3% in Germany, the second highest in the OECD. – *OECD Taxing Wages 2009*

The German pension system has so far been less affected by the crisis than many other OECD countries. Replacement rates for low-earners are the lowest in the OECD at 43%. – *OECD Pensions at a Glance 2009*

Total health spending (public and private) accounted for 10.5% of GDP in Germany in 2008, 1.5 percentage points higher than the average of 9.0% in OECD countries. – *OECD Health Data: Germany 2009*

In Germany, students are more likely to graduate from programmes that lead to vocationally oriented tertiary education, or tertiary-type B. Germany was ranked 9th overall in the PISA 2009 survey, up three places from 2006. – *OECD Highlights from Education at a Glance 2010*

Germany is the largest exporter and importer of information and communications technology goods in Europe. – *OECD Science, Technology and Industry Scoreboard 2009*

In terms of innovation outcomes, triadic patents were an above-average 73 per million population in 2007, and at 12.1%, Germany had the third highest share of triadic patent families, after the US and Japan. – *OECD Science, Technology and Industry Outlook 2010*

See www.oecd.org/germany

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Country information

Joined the OECD: 1961

Head of Government: Federal Chancellor Angela Merkel

Ambassador to the OECD: Johannes Westerhoff

Delegation website: www.paris-oecd.diplo.de

Government: CDU/CSU and FDP

Next major election: 2013

Parliament website: www.bundestag.de

Main employer groups: BDI, BDA

Main trade union: DGB

Capital city: Berlin

National holiday: 3 October

Greece

Economy	2009*	1960*	
GDP (US$ bn)	334.7	45.6	1960-2009: +479%
GDP growth (annual growth in %)	-2.0	..	
GDP per capita (US$)	29724	5473	1960-2009: +329%
Population (thousands)	11252	8327	1960-2009: +35%
Budget deficit (% of GDP)	-12.7	..	
Public debt (% of GDP)	120.2	..	
All-in tax rate (average worker, % of labour cost)	42.4	38.5	2000-2008: +10%
Society			
Employment rate (% of labour force)	61.2	54.9	1983-2009: +12%
Unemployment rate (% of labour force)	8.9	6.1	1960-2009: +46%
Women as % of labour force	39.8	32.1	1961-2009: +24%
Poverty rate (% of population)	12.6	..	
Life expectancy (years)	80.0	69.9	1960-2008: +14%
Health expenditure (total, % of GDP)	9.7	5.4	1970-2007: +80%
Tertiary graduation rate (% of population)	17.7	13.9	1995-2007: +27%
Self-employed (% of employment)	35.1	47.7	1990-2008: -26%
Hours worked (annual hours per worker)	2119	2194	1983-2009: -3%
New sources of growth			
R&D expenditure (% of GDP)	0.6	0.2	1981-2007: +278%
Broadband access (subscriptions / 100 inhabitants)	17.0	..	
Renewable energy (% of energy supply)	5.1	7.8	1971-2008: -35%
CO_2 emissions (tonnes per capita)	8.3	2.8	1971-2008: +196%
Globalisation			
Trade (goods and services % of GDP)	28.3	14.4	1960-2008: +97%
Development aid (% of GNI)	0.2	0.1	1996-2009: +28%
FDI stock (outward, US$ bn)	32	6	2000-2007: +441%

* or nearest available year

Snapshots

- GDP in Greece rose by 479% between 1960 and 2009.
- General government debt came to 120.2% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 8.9%, above the OECD average of 8.1%; in 1960 it was 6.1%.
- Women made up 39.8% of the labour force, up 24% since 1960, and below the OECD average.
- Self-employment, at 35.1 %, was above the OECD average of 15.8%.
- Some 17.0% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 5.1% of Greece's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.2% of GNI.

Other highlights

Economic activity is contracting, in large part reflecting the sizeable fiscal consolidation under way. The economy is expected to return to positive growth by 2012 as the impact of structural reforms takes hold and external demand strengthens. Headline inflation has edged up, largely due to tax hikes, but should trend downwards given economic slack and rising unemployment.

The rigorous implementation of the Economic Policy Programme agreed in May with the European Commission (EC), European Central Bank (ECB) and the International Monetary Fund (IMF) would stabilise the level of public debt and boost competitiveness. – *OECD Economic Outlook 2010*

Between 1998 and 2008, growth of service imports among OECD countries was highest in Greece. – *OECD Factbook 2010*

Immigration contributes considerably to total population growth. In 2005-2007, more than 17% of children born in Greece had foreign nationality. The birthrate has been declining and there is negative net growth in the population. – *OECD International Migration Outlook 2010*

Between 2000-2009, the personal income tax burden has increased across all family types. – *OECD Taxing Wages 2009*

In education, Greece was ranked 29th overall in the PISA 2009 survey, the same as in 2006. – *OECD PISA 2009 at a Glance*

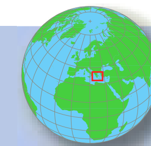
There are more physicians per capita in Greece than in any other OECD country, with six practising physicians per 1 000 population in 2008, well above the OECD average of 3.2. On the other hand, there were only 3.4 nurses per 1 000 population in Greece in 2008, a much lower figure than the average of 9 in OECD countries. Greece maintains the highest level of smoking in Europe, with close to 40% of the adult population smoking daily. – *OECD Health at a Glance Europe 2010*

Greece makes extensive use of solar water heaters, relative to other countries. – *OECD World Energy Outlook 2010*

Greece has considerably reduced air pollutant emission intensities since 2000, showing a relative decoupling from economic growth. Improvements in vehicle fleet and fuel quality have helped reduce emissions of volatile organic compounds (VOCs). – *OECD Environmental Performance Reviews: Greece 2009*

See www.oecd.org/greece

Country information



Joined the OECD: 1961

Head of Government: Prime Minister George Papandreou

Ambassador to the OECD: Nikolaos Tatsos

Government: Panhellenic Socialist Movement (PASOK)

Next major election: 2013

Parliament website: www.hellenicparliament.gr

Main employer group: Hellenic Federation of Enterprises (SEV)

Main trade union: Greek General Confederation of Labour (GSEE)

Capital city: Athens

National holiday: 25 March, 28 October

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Hungary

Economy	2009*	1960*	
GDP (US$ bn)	197.8	103.5	1995-2009: +42%
GDP growth (annual growth in %)	-6.3	..	
GDP per capita (US$)	19765	10025	1995-2009: +47%
Population (thousands)	10021	9984	1960-2009: +0%
Budget deficit (% of GDP)	-4.3	..	
Public debt (% of GDP)	85.2	..	
All-in tax rate (average worker, % of labour cost)	54.1	54.6	2000-2008: -1%
Society			
Employment rate (% of labour force)	55.4	58.0	1992-2009: -4%
Unemployment rate (% of labour force)	10.1	9.9	1992-2009: +1%
Women as % of labour force	46.1	46.3	1992-2009: 0%
Poverty rate (% of population)	7.1	..	
Life expectancy (years)	73.8	68.0	1960-2008: +9%
Health expenditure (total, % of GDP)	7.3	7.0	1991-2008: +4%
Tertiary graduation rate (% of population)	29.4	28.8	2004-2007: +2%
Self-employed (% of employment)	12.3	20.4	1992-2008: -40%
Hours worked (annual hours per worker)	1989	2228	1980-2009: -11%
Spending on education (total, % of GDP)	4.9	5.4	1995-2007: -8%
New sources of growth			
R&D expenditure (% of GDP)	1.0	1.5	1990-2008: -31%
Broadband access (subscriptions / 100 inhabitants)	17.8	..	
Renewable energy (% of energy supply)	6.1	2.9	1971-2008: +110%
CO_2 emissions (tonnes per capita)	5.3	5.8	1971-2008: -9%
Globalisation			
Trade (goods and services % of GDP)	81.7	33.4	1991-2008: +145%
Foreign-born population (% of population)	3.8	2.8	1995-2007: +37%
FDI stock (outward, US$ bn)	18	0	1995-2007: +6227%

* or nearest available year

Snapshots

- GDP in Hungary rose by 42% between 1995 and 2009.
- General government debt came to 85.2% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 10.1%, above the OECD average of 8.1%; in 1992 it was 9.9%.
- Women made up 46.1% of the labour force, almost unchanged since 1992, and above the OECD average.
- Self-employment, at 12.3%, was below the OECD average of 15.8%.
- Some 17.8% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 6.1% of Hungary's energy supply, compared with 7.1% for the OECD.

Other highlights

Economic growth resumed in 2010 and was mainly fuelled by robust external demand, while private consumption and investment continued to fall. Growth is projected to gain momentum as domestic demand gradually recovers. Headline inflation is expected to stabilise around the medium-term target of 3%. After a slippage in the general government deficit for 2009 and a further deterioration in the first half of 2010, temporary measures have been imposed to meet the deficit targets. Further tax cuts will take place from 2011.

The employment rate has improved somewhat and, despite a slight rebound in the participation rate, the unemployment rate has declined moderately from a peak reached in the first quarter of 2010. – *OECD Economic Outlook 2010*

Hungary has the highest negative population growth rate among OECD countries, although international migration movements, both inward and outward, play a limited role compared to other OECD countries. – *OECD International Migration Outlook 2010*

Hungary is one of six OECD countries where the total of employee and employer social security contributions exceeds one-third of total labour costs. – *OECD Taxing Wages 2009*

The strong rise in pharmaceutical spending has been one of the factors behind the rise in total health spending in Hungary as well as in many other OECD countries. In 2008, spending on pharmaceuticals accounted for 31.6% of total health spending in Hungary, the highest share among all OECD countries.

Alcohol consumption in Hungary is among the highest in OECD countries, with a consumption of 12.6 litres of alcohol per adult in 2007, alongside France. The average among OECD countries was 9.4 litres per adult. – *OECD Health Data 2010: Hungary*

Hungary reports one of the lowest incidences of AIDS among EU countries. – *OECD Health at a Glance: Europe 2010*

In education, Hungary was ranked 20th overall in the PISA 2009 survey, up one place from 2006.

At the primary level, the ratio of students to teaching staff is fewer than 11 in Hungary, compared with an OECD average of 16 students per teacher. – *OECD Highlights from Education at a Glance 2010*

See www.oecd.org/hungary

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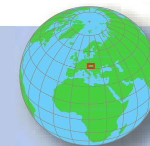


Joined the OECD: 1996

Head of Government: Prime Minister Viktor Orbán

Ambassador to the OECD: István Mikola

Government: Fidesz-KDNP

Next major election: 2014

Parliament website: www.parlament.hu/angol/angol.htm

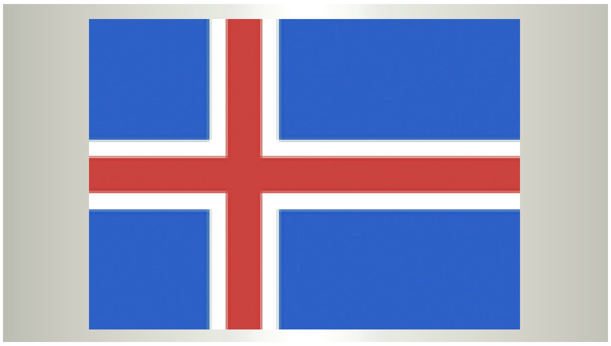
Main employer groups: MGYOSZ, VOSZ

Main trade unions: MSZOSZ, LIGA

Capital city: Budapest

National holiday: 15 March, 20 August, 23 October

Iceland



Economy	2009*	1960*	
GDP (US$ bn)	12.0	1.6	1960-2009: +542%
GDP growth (annual growth in %)	-6.8	..	
GDP per capita (US$)	37573	9245	1960-2009: +272%
Population (thousands)	304	176	1960-2009: +73%
Budget deficit (% of GDP)	-15.7	..	
Public debt (% of GDP)	119.5	..	
All-in tax rate (average worker, % of labour cost)	28.3	26.2	2000-2008: +8%
Society			
Employment rate (% of labour force)	78.9	79.9	1991-2009: -1%
Unemployment rate (% of labour force)	3.0	1.4	1961-2009: +403%
Women as % of labour force	47.4	45.6	1991-2009: +4%
Poverty rate (% of population)	7.1	..	
Life expectancy (years)	81.3	72.9	1960-2008: +12%
Health expenditure (total, % of GDP)	9.6	3.0	1960-2009: +220%
Tertiary graduation rate (% of population)	63.1	33.2	2000-2007: +90%
Self-employed (% of employment)	12.7	20.3	1991-2008: -38%
Hours worked (annual hours per worker)	1716	2158	1970-2009: -20%
Spending on education (total, % of GDP)	7.8	7.1	2000-2007: +10%
New sources of growth			
R&D expenditure (% of GDP)	2.7	0.6	1981-2008: +312%
Broadband access (subscriptions / 100 inhabitants)	32.8	..	
Renewable energy (% of energy supply)	82.4	46.7	1971-2008: +76%
CO_2 emissions (tonnes per capita)	6.9	6.8	1971-2008: +1%
Globalisation			
Trade (goods and services % of GDP)	45.9	44.1	1970-2008: +4%
FDI stock (outward, US$ bn)	27	0	1990-2007: +36206%

* or nearest available year

Snapshots

- GDP in Iceland rose by 542% between 1960 and 2009.
- General government debt came to 119.5% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 3.0%, below the OECD average of 8.1%; in 1961 it was 1.4%.
- Women made up 47.4% of the labour force, up 4% since 1991, and above the OECD average.
- Self-employment, at 12.7%, was below the OECD average of 15.8%.
- Some 32.8% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 82.4% of Iceland's energy supply, compared with 7.1% for the OECD.

Other highlights

After the deep recession of the past two years, Iceland is making progress and laying the foundations for durable economic growth. The recovery is projected to get under way in the second half of 2011, led by planned privately-driven investment in large energy projects and strengthening private consumption expenditure. Inflation is projected to fall below the 2.5% target of monetary policy. The authorities are implementing tight adjustment policies in line with the programme supported by the IMF Stand-By Arrangement. – *OECD Economic Outlook 2010*

Iceland's three main banks, which accounted for 85% of the banking sector, were put into receivership in October 2008. – *OECD Economic Surveys: Iceland 2009*

Unemployment has increased relatively sharply in Iceland, but there may a somewhat lower risk of seeing structural unemployment rise than in other OECD countries. – *OECD Employment Outlook 2010*

Iceland's fishing industry is an important economic sector–accounting, in recent years, for 7% of GDP and over 30% of merchandise exports–and is part of the country's national identity. In addition, its fisheries policy is often regarded as a model to follow. – *OECD Economic Surveys: Iceland 2009*

Iceland's public expenditure on law, order and defence, as a share of GDP, was among the lowest in the OECD, alongwith Luxembourg and Ireland. – *OECD Factbook 2010*

In 2008, life expectancy at birth for the whole population in Iceland stood at 81.3 years, almost two years above the OECD average of 79.4 years. – *OECD Health Data 2010: Iceland*

In education, Iceland was ranked 11th overall in the PISA 2009 survey, up eight places from 2006. – *OECD PISA 2009 at a Glance*

In 2007 Iceland had the highest graduation rates in first-stage university courses (more than 50%), of which only 13% were science and engineering degrees, well below the OECD average. – *OECD Science, Technology and Industry Outlook 2010*

In energy, renewable sources represent over 82% of energy supply in Iceland. – *OECD Factbook 2010*

In Iceland, where there are favourable geological conditions and efficient hot water distribution networks, 88% of all households use geothermal (produced mostly in combined heat and power plants). – *IEA/OECD World Energy Outlook 2010*

See www.oecd.org/iceland

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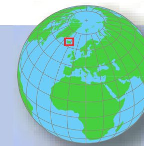
Country information



Joined the OECD: 1961

Head of Government: Prime Minister Jóhanna Sigurdardóttir

Ambassador to the OECD: Berglind Ásgeirsdóttir

Delegation website: www.iceland.org/fr/

Government: Coalition government of the Social Democratic Alliance and Left-Green Movement, led by the Social Democratic Alliance

Next major election: 2013

Parliament website: www.althingi.is

Main employer group: Confederation of Icelandic Employers (SA)

Main trade union: Icelandic Confederation of Labor (ASÍ)

Capital city: Reykjavik

National holiday: 17 June

India

Economy	2009*	1960*	
GDP (US$ bn)	3297.8	..	
GDP growth (annual growth in %)	7.7	..	
GDP per capita (US$)	2780	..	
Population (thousands)	1160813	683329	1981-2009: +70%
Budget deficit (% of GDP)	-9.6	..	
Society			
Life expectancy (years)	63.4	60.3	1995-2006: +5%
New sources of growth			
R&D expenditure (% of GDP)	0.9	0.7	1996-2008: +28%
Renewable energy (% of energy supply)	29.2	62.9	1971-2007: -54%
CO_2 emissions (tonnes per capita)	1.3	0.4	1971-2008: +252%
Globalisation			
FDI stock (outward, US$ bn)	44	3	2000-2007: +1590%

* or nearest available year

Snapshots

- Renewable energy accounted for 29.2% of India's energy supply, compared with 7.1% for the OECD.
- The Indian economy is expected to grow at more than 8% in 2011 and 2012.
- Indian inflation reached over 11% in 2010, but is expected to fall below 6% in 2011 and 2012.
- The Indian population has grown by 70% to nearly 1.2 billion since 1981.
- Since 1971, per capita CO2 emissions have increased by 252%.

Other highlights

The Indian economy expanded very strongly in early 2010. The agricultural sector enjoyed a sharp rebound, following a return of normal rainfall patterns, while the recovery in the non-agricultural sector continued to strengthen. More recently, activity has eased from its unusually strong pace and there are now signs that the economy is shifting from the recovery phase to one of sustained high growth.

The recovery in the agricultural sector has helped to damp inflation, which appears to have peaked and is expected to continue to moderate in the near term. – *OECD Economic Outlook 2010*

Nevertheless, with domestic demand strong and the current account deficit widening, a steadfast commitment to timely fiscal consolidation (from a deficit of over 10% of GDP) and further moves to normalise the stance of monetary policy will be important for ensuring balanced growth ahead.

There has been a reduction in poverty from 46% of the population in 1987 to 36% in 2000, though this compares poorly with 17% for China in 2001 and 8% in Brazil (2002) for instance.

In 2007, services accounted for 53% of India's GDP (the largest contributor to GDP) compared to 41% in China.
– *OECD Globalisation and Emerging Economies 2008*

India has already capitalised on its large educated population to become a major exporter of computer and information services. India's share of patents co-invented with the US is at least twice as high as the share co-invented with EU countries. – *OECD Science, Technology and Industry Outlook 2010*

In January 2010, the Indian government launched the Jawaharlal Nehru National Solar Mission, which aims to install 20 GW of solar power (including PV, CSP and solar lanterns) by 2022. The Solar Mission includes rural electrification (about 400 million people in India still lack access to electricity).

India is the world's fourth-largest energy consumer with a total primary energy demand of 621 Mtoe in 2008, or equivalent to the primary demand of Brazil, Indonesia and Saudi Arabia combined.
– *IEA World Energy Outlook 2010*

See www.oecd.org/india

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Country information

Head of Government: Prime Minister Manmohan Singh

Government: The United Progressive Alliance (UPA), led by the Indian National Congress (INC)

Next major election: 2012

Parliament website: www.parliamentofindia.nic.in

Main employer groups: CII, FICCI

Main trade union: INTUC

Capital city: New Delhi

National holiday: 26 January

Indonesia

Economy	2009*	1960*	
GDP (US$ bn)	909.7	..	
GDP growth (annual growth in %)	4.6	..	
GDP per capita (US$)	3980	..	
Population (thousands)	229965	93058	1960-2009: +147%
Budget deficit (% of GDP)	-1.8	..	
Society			
Life expectancy (years)	70.5	70.0	2005-2008: +1%
New sources of growth			
Renewable energy (% of energy supply)	31.2	76.0	1971-2007: -59%
CO_2 emissions (tonnes per capita)	1.7	0.2	1971-2008: +709%
Globalisation			
FDI stock (outward, US$ bn)	0	0	2004-2007: -447%

* or nearest available year

Snapshots

- Renewable energy accounted for 31.2% of Indonesia's energy supply, compared with 7.1% for the OECD.
- Real GDP growth is expected to stay at or above 6% in 2011 and 2012.
- Headline inflation is expected to reach 6.4% in 2011.
- Per capita CO2 emissions have risen by over 700% since 1971.

Other highlights

Robust domestic consumption and investment continue to drive the economy forward. External surpluses are narrowing as a result of weak foreign demand and buoyant import growth. Strong domestic demand is also putting upward pressure on inflation. Activity is projected to maintain momentum in 2011, buttressed by resilient private consumption and resurgent investment, and ease marginally in 2012. The 2011 draft state budget envisages cuts in energy subsidies, making it less vulnerable to swings in international energy prices and freeing resources for growth-enhancing programmes. – *OECD Economic Outlook 2010*

Indonesia managed to weather the global economic crisis that began in 2007 remarkably well compared to most other ASEAN countries: the economy grew by 4.6% in 2009.

Government spending on education has risen considerably over the last ten years, and Indonesia's education expenditure-to-GDP ratio now exceeds the average of regional peers, although it is still significantly lower than that of OECD countries. – *OECD Economic Survey of Indonesia 2010*

In Indonesia, there can be huge price differences between remote regions and the rest of the country, even for basic goods. For example, the price of one kilogram of rice in Paniai, a remote village in Papua, is more than double that in East Java. – *OECD Southeast Asian Economic Outlook 2011*

36% of the population is currently 20 years old or less. Educational attainment has increased markedly for primary school but remains low for secondary and higher levels of education.

Poverty has declined since 1998 but remains high, with a poverty rate of 13.3% of the population in 2010, concentrated in rural areas. In addition to the rural-urban divide, wide disparities also exist between women and men. – *OECD Economic Survey of Indonesia 2010*

It is the world's fourth most populous country and by far the largest economy in the Association of Southeast Asian Nations (ASEAN). Indonesia experiences frequent electricity blackouts and only 65% of the population has access to electricity, which places a severe constraint on development. Indonesia is the world's leading steam-coal exporter. – *IEA/OECD World Energy Outlook 2010*

See www.oecd.org/indonesia

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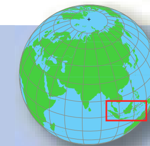


Head of State: President Susilo Bambang Yudhoyono

Government: Democratic Party (PD), with the Party of Functional Groups (Golkar), the National Mandate Party (PAN), the Prosperous Justice Party (PKS), the National Awakening Party (PKB) and the United Development Party (PPP)

Next major election: 2014

Parliament website: www.dpr.go.id

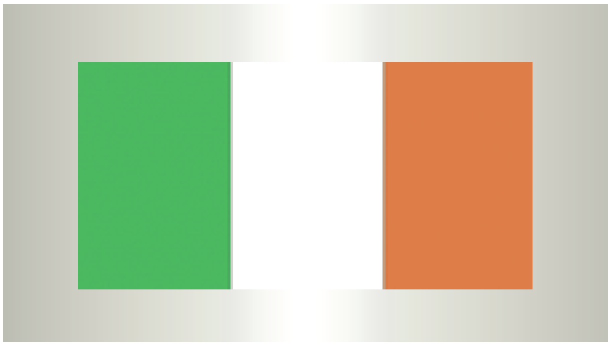
Main employer group: KADIN

Main trade union: KSBSI

Capital city: Jakarta

National holiday: 17 August

Ireland



Economy	2009*	1960*	
GDP (US$ bn)	179.3	16.0	1960-2009: +785%
GDP growth (annual growth in %)	-7.6	..	
GDP per capita (US$)	41116	5634	1960-2009: +483%
Population (thousands)	4298	2832	1960-2009: +52%
Budget deficit (% of GDP)	-12.2	..	
Public debt (% of GDP)	72.7	..	
All-in tax rate (average worker, % of labour cost)	22.9	28.9	2000-2008: -21%
Society			
Employment rate (% of labour force)	62.5	58.0	1961-2009: +8%
Unemployment rate (% of labour force)	12.0	5.7	1960-2009: +112%
Women as % of labour force	45.9	26.7	1961-2009: +72%
Poverty rate (% of population)	14.8	..	
Life expectancy (years)	79.9	70.0	1960-2008: +14%
Health expenditure (total, % of GDP)	8.7	3.7	1960-2008: +135%
Tertiary graduation rate (% of population)	45.0	30.5	2000-2007: +48%
Self-employed (% of employment)	17.3	24.9	1990-2008: -31%
Hours worked (annual hours per worker)	1549	1981	1983-2009: -22%
Spending on education (total, % of GDP)	4.7	5.2	1995-2007: -11%
New sources of growth			
R&D expenditure (% of GDP)	1.4	0.7	1981-2008: +114%
Broadband access (subscriptions / 100 inhabitants)	19.5	..	
Renewable energy (% of energy supply)	3.7	0.6	1971-2008: +517%
CO_2 emissions (tonnes per capita)	9.8	7.3	1971-2008: +35%
Globalisation			
Trade (goods and services % of GDP)	78.3	38.5	1970-2008: +104%
Development aid (% of GNI)	0.5	0.3	1995-2009: +89%
Foreign-born population (% of population)	15.7	7.8	1998-2007: +102%
FDI stock (outward, US$ bn)	146	28	2000-2007: +422%

* or nearest available year

Snapshots

- GDP in Ireland rose by 785% between 1960 and 2009.
- General government debt came to 72.7% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 12.0%, below the OECD average of 8.1%; in 1960 it was 5.7%.
- Women made up 45.9% of the labour force, up 72% since 1961, and slightly above the OECD average.
- Self-employment, at 17.3%, was above the OECD average of 15.8%.
- Some 19.5% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 3.7% of Ireland's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.5% of GNI.

Other highlights

The economy is undergoing massive adjustment in banking, the housing market, the government budget and the labour market, leaving a large impact on public debt and unemployment. After two years of deep recession, activity reached a bottom in the first half of 2010. A mild recovery is projected to be driven by exports, while domestic demand is likely to remain sluggish. The government intends to continue policies to bring the fiscal accounts closer to balance and to restore competitiveness. The banking restructuring strategy comes at a high cost for the public finances and is creating stress in the Irish sovereign debt market. – *OECD Economic Outlook 2010*

Ireland was hit particularly hard by the bursting of a property bubble, with employment in construction down by 37% in the year to mid-2009. – *OECD Insights, From Crisis to Recovery*

In 2009 Ireland, saw its first negative net migration since the mid-1990s. In 2008, there were 3 900 applicants for asylum (600 were recognised), the lowest number since 1997. – *OECD International Migration Outlook 2010*

Infant mortality rates in Ireland have fallen dramatically over the past few decades, to one of the lowest rates globally, with 3.1 deaths per 1,000 live births in 2007. – *OECD Health Data 2009: Ireland*

In education, Ireland was ranked 17th overall in the PISA 2009 survey, down seven places from 2006. – *OECD PISA 2009 at a Glance*

For the 26 OECD countries with comparable data, about 10% of young people graduate from vocationally oriented tertiary education (tertiary-type B). In Ireland, this rate is over 20%.

Ireland is one of the only countries where financial rewards from tertiary education benefit women more than men. – *OECD Highlights from Education at a Glance 2010*

The growth of energy consumption in the transport, residential and tertiary sectors has resulted in CO2 emissions per capita well above the OECD average. Waste generation per capita is among the highest in the OECD. – *OECD Environmental Performance Review: Ireland 2010*

See www.oecd.org/ireland

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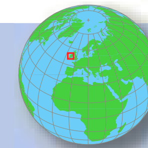

Joined the OECD: 1961

Head of Government: Prime Minister (Taoiseach) Enda Kenny

Ambassador to the OECD: Paul Murray

Government: Fine Gael/Labour coalition

Next major election: Expected 2015/16

Parliament website: www.oireachtas.ie

Main employer group: Irish Business and Employers Confederation (IBEC)

Main trade union: Irish Congress of Trade Unions

Capital city: Dublin

National holiday: 17 March

Israel

Economy	2009*	1960*	
GDP (US$ bn)	206.6	115.2	1995-2009: +67%
GDP growth (annual growth in %)	0.8	..	
GDP per capita (US$)	27764	21443	1995-2009: +25%
Population (thousands)	7170	2114	1960-2009: +239%
Budget deficit (% of GDP)	-2.4	..	
Budget deficit (% of GDP)	-5.8	..	
Public debt (% of GDP)	79.2	..	
All-in tax rate (average worker, % of labour cost)	21.7	29.0	2000-2008: -25%
Society			
Employment rate (% of labour force)	59.8	50.9	1985-2008: +18%
Unemployment rate (% of labour force)	6.1	4.8	1980-2008: +27%
Life expectancy (years)	81.1	71.8	1971-2008: +13%
Health expenditure (total, % of GDP)	7.8	5.5	1975-2008: +42%
Tertiary graduation rate (% of population)	36.9	29.4	2002-2007: +25%
Hours worked (annual hours per worker)	1943	1952	2004-2008: 0%
Spending on education (total, % of GDP)	7.4	8.4	1995-2007: -12%
New sources of growth			
R&D expenditure (% of GDP)	4.9	2.3	1991-2008: +110%
Renewable energy (% of energy supply)	3.5	3.0	1985-2007: +17%
CO_2 emissions (tonnes per capita)	8.6	4.7	1971-2008: +86%
Globalisation			
Trade (goods and services % of GDP)	40.8	32.7	1995-2008: +25%
FDI stock (outward, US$ bn)	48	3	1995-2007: +1590%

* or nearest available year

Snapshots

- GDP in Israel rose by 67% between 1995 and 2009.
- General government debt came to 79.2% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 6.1%, below the OECD average of 8.1%; in 1980 it was 4.8%.
- Renewable energy accounted for 3.5% of Israel's energy supply, compared with 7.1% for the OECD.

Other highlights

Recovery from the relatively mild downturn has already tightened the labour market and growth may be running somewhat above potential by the end of 2012. Annual inflation is currently well within the 1-3% target band but is likely to trend towards the upper limit. – *OECD Economic Outlook 2010*

In the latest available internationally comparable breakdown of public spending, defence accounted for 17% of total spending, which is similar to that on education and higher than that on health. Combined with interest payments on public debt, this implies that primary civilian spending is low compared with OECD countries. As of 2008 it was 33% of GDP, which at that time was lower than the vast majority of OECD countries. – *OECD Economic Surveys: Israel 2010*

Poverty rates in Israel are higher than in any OECD country. Many low-skilled Jewish and Arab workers, Palestinian cross-border workers and workers from overseas are employed at wages close to or even below the minimum wage, and the presence of cheap foreign labour exerts downward pressure on wages at the bottom end of the distribution. – *Reviews of Labour Market and Social Policies: Israel 2010*

The age structure is relatively youthful, with a sizeable 44% of the population below the age of 25. – *OECD Review of Agricultural Policies 2010: Israel*

Israel was ranked 30th overall in the PISA 2009 survey. – *OECD PISA 2009 at a Glance*

Israel has a high level of educational attainment: in 2008 44% of the population aged 25-64 had a tertiary qualification. In an attempt to keep Israel's leading scientists from leaving the country, the government recently approved the creation and funding of 30 centres of academic excellence.

Israel had the highest gross expenditure on R&D (GERD) in 2008 at 4.9% of GDP. – *OECD Science, Technology and Industry Outlook 2010*

The country's high proportion of later graduations corresponds to the time spent in mandatory military service before embarking on tertiary studies. As a result, the median age of graduation from a university-level (tertiary-type A) programme is 27, two years above the OECD average. – *OECD Highlights from Education at a Glance 2010*

Israel is unique among developed countries in that 94% of agricultural land is state-owned and only 6% is in private hands. – *OECD Review of Agricultural Policies 2010: Israel*

See www.oecd.org/israel

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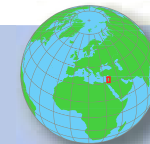


Joined the OECD: 2010

Head of Government: Prime Minister Benjamin Netanyahu

Ambassador to the OECD: Nimrod Barkan

Government: Coalition led by the Likud Party

Next major election: 2012

Parliament website: www.knesset.gov.il

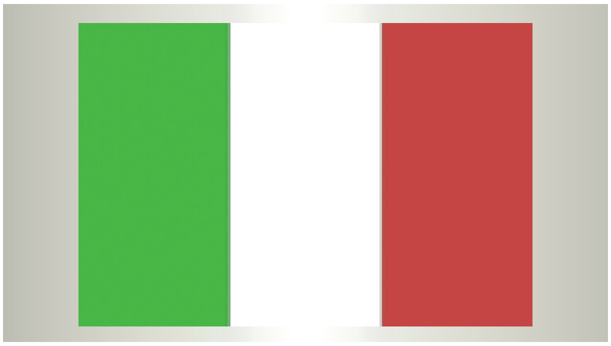
Main employer group: Manufacturers' Association of Israel (MAI)

Main trade union: The Histadrut (General Federation of Laborers in Israel)

Capital city: Jerusalem

National holiday: 10 May 2011; moving date according to the Jewish Calendar (5th of Iyar)

Italy



Economy	**2009***	**1960***	
GDP (US$ bn)	1921.6	390.5	1960-2009: +279%
GDP growth (annual growth in %)	-5.0	..	
GDP per capita (US$)	31887	7779	1960-2009: +222%
Population (thousands)	58934	50200	1960-2009: +17%
Budget deficit (% of GDP)	-5.5	..	
Public debt (% of GDP)	127.7	..	
All-in tax rate (average worker, % of labour cost)	46.5	46.9	2000-2008: -1%
Society			
Employment rate (% of labour force)	57.5	52.0	1970-2009: +10%
Unemployment rate (% of labour force)	7.9	5.7	1960-2009: +39%
Women as % of labour force	40.5	30.9	1960-2009: +31%
Poverty rate (% of population)	11.4	..	
Life expectancy (years)	81.5	69.8	1961-2007: +17%
Health expenditure (total, % of GDP)	9.5	7.3	1988-2009: +30%
Tertiary graduation rate (% of population)	35.0	19.0	2000-2007: +84%
Self-employed (% of employment)	25.7	28.7	1990-2008: -10%
Hours worked (annual hours per worker)	1773	1859	1980-2009: -5%
Spending on education (total, % of GDP)	4.5	4.6	1995-2007: -3%
New sources of growth			
R&D expenditure (% of GDP)	1.2	0.9	1981-2008: +38%
Broadband access (subscriptions / 100 inhabitants)	20.5	..	
Renewable energy (% of energy supply)	8.2	5.6	1971-2008: +46%
CO_2 emissions (tonnes per capita)	7.2	5.4	1971-2008: +33%
Globalisation			
Trade (goods and services % of GDP)	29.1	15.7	1970-2008: +86%
Development aid (% of GNI)	0.2	0.2	1995-2009: +6%
FDI stock (outward, US$ bn)	520	60	1990-2007: +764%

* or nearest available year

Snapshots

- GDP in Italy rose by 279% between 1960 and 2009.
- General government debt came to 127.7% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 7.9%, below the OECD average of 8.1%; in 1960 it was 5.7%.
- Women made up 40.5% of the labour force, up 31% since 1960, and below the OECD average.
- Self-employment, at 25.7%, was above the OECD average of 15.8%.
- Some 20.5% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 8.2% of Italy's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.2% of GNI.

Other highlights

After one of the deepest recessions in the OECD area, Italy's economy has begun a moderate recovery. Investment and exports will lead the upturn in demand. Unemployment may be near its peak, but as use of the Cassa Integrazione wage support schemes unwinds it may not fall very fast. Household income growth will remain sluggish and depend on a recovery in self-employment income, which dropped severely during the downturn. – *OECD Economic Outlook 2010*

The employment rate in Italy is well below average for OECD countries. Measured on the population aged 15-64, only 59% of Italians are employed, compared with an EU average of 67% and an OECD average of 69%. The gap between female and male employment has been falling faster in Italy than in most other countries, but remains relatively high by OECD standards. – *OECD Economic Survey of Italy 2009*

Public spending on old-age and survivors' benefits has been the highest of OECD countries for some time. Pensions also account for the largest share of total public spending in OECD countries, with pensions taking nearly 30% of the budget, compared with an OECD average of 16%. – *OECD Pensions at a Glance 2009*

The obesity rate among adults, based on self-reported height and weight, was 9.9% in 2008, up from 7% in 1994. The average for the 21 OECD countries with self-reported data was 14.9% in 2008. – *OECD Health Data 2010: Italy*

In education, Italy was ranked 26th overall in the PISA 2009 survey, up two places from 2006. Compulsory school education in Italy produces poor results in terms of 15-year olds' performance on PISA tests, compared with other OECD countries, despite a relatively high level of expenditure. – *OECD PISA 2009 at a Glance*

Overall educational attainment in Italy is low, with 14% of the workforce qualified at the tertiary level in 2008.

Between 1998 and 2008, Italy had a stable 12.5 triadic patents per million population, and it had a relatively low 1.5% country share in triadic patent families. Its 743 scientific articles per million population in 2008 were around the OECD average; output has grown by a robust average annual 4% since 1998. Italy's share in world scientific publishing was 2% in 2008. – *OECD Science, Technology and Industry Outlook 2010*

See www.oecd.org/italy

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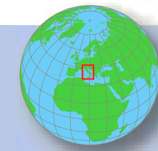


Joined the OECD: 1961

Head of Government: Prime Minister Silvio Berlusconi

Ambassador to the OECD: Carlo Maria Oliva

Delegation website: www.rappocse.esteri.it

Government: Coalition led by Prime Minister Silvio Berlusconi

Next major election: 2013

Parliament website: www.parlamento.it

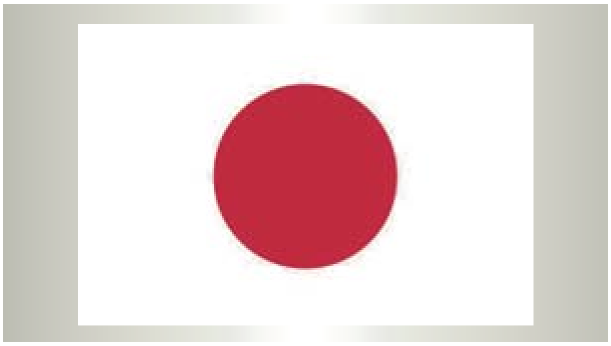
Main employer groups: Confindustria (General Confederation of Italian Industry), Italian Banking Association (ABI)

Main trade unions: Italian General Confederation of Labour (CGIL), Italian Confederation of Workers' Trade Unions (CISL), Italian Labour Union (UIL)

Capital city: Rome

National holiday: 2 June

Japan



Economy	2009*	1960*	
GDP (US$ bn)	4139.6	453.4	1960-2009: +640%
GDP growth (annual growth in %)	-5.2	..	
GDP per capita (US$)	33850	4808	1960-2009: +448%
Population (thousands)	127395	94302	1960-2009: +35%
Budget deficit (% of GDP)	-7.4	..	
Public debt (% of GDP)	192.8	..	
All-in tax rate (average worker, % of labour cost)	29.5	24.8	2000-2008: +19%
Society			
Employment rate (% of labour force)	70.0	45.4	1962-2009: +54%
Unemployment rate (% of labour force)	5.1	1.7	1960-2009: +205%
Women as % of labour force	42.0	40.7	1960-2009: +3%
Poverty rate (% of population)	14.9	..	
Life expectancy (years)	82.7	67.8	1960-2008: +22%
Health expenditure (total, % of GDP)	8.1	3.0	1960-2007: +170%
Tertiary graduation rate (% of population)	38.8	25.4	1995-2007: +53%
Self-employed (% of employment)	13.0	22.3	1990-2008: -42%
Hours worked (annual hours per worker)	1714	2243	1970-2009: -24%
Spending on education (total, % of GDP)	4.9	5.0	1995-2007: -1%
New sources of growth			
R&D expenditure (% of GDP)	3.4	2.3	1981-2008: +47%
Broadband access (subscriptions / 100 inhabitants)	24.8	..	
Renewable energy (% of energy supply)	3.2	2.7	1971-2008: +19%
CO_2 emissions (tonnes per capita)	9.0	7.2	1971-2008: +25%
Globalisation			
Trade (goods and services % of GDP)	17.4	10.2	1970-2008: +70%
Development aid (% of GNI)	0.2	0.3	1995-2009: -34%
FDI stock (outward, US$ bn)	543	201	1990-2007: +169%

* or nearest available year

Snapshots

- GDP in Japan rose by 640% between 1960 and 2009.
- General government debt came to 192.8% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 5.1%, below the OECD average of 8.1%; in 1960 it was 1.7%.
- Women made up 42.0% of the labour force, up 3% since 1960, and slightly below the OECD average.
- Self-employment, at 13.0%, was below the OECD average of 15.8%.
- Some 24.8% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 3.2% of Japan's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.2% of GNI.

Other highlights

Japan has responded to slowing growth with two fiscal packages in late 2010, which will support activity in 2011, with annual growth projected to reach 1.75%. As the impact of the fiscal stimulus fades, stronger private domestic demand, underpinned by improving labour market conditions and high corporate profitability, will support the expansion through 2012. Nevertheless, deflation is projected to continue, with unemployment remaining above its pre-crisis level.

The economic impact of the global crisis has been large, with GDP declining from peak to trough by more than 8%, yet the unemployment rate increased only modestly by 0.6 percentage points. The weak response of unemployment to the decline in aggregate demand reflects the high degree to which Japanese firms have held on to their workers during the downturn. This can be explained by the relative flexibility of hours and wages in Japan. – *OECD Economic Outlook 2010*

Between 2000-2009, the personal income tax burden increased across all family types in Japan. – *OECD Taxing Wages 2009*

In the year to April 2009, industrial production fell by 30% in Japan, compared to 20% in the euro area.

In education, Japan was ranked 3rd overall in the PISA 2009 survey, up four places from 2006. – *OECD PISA 2009 at a Glance*

Japan is the OECD's "oldest" country in demographic terms, with just 2.6 people of working age for every person aged over 65, compared with an OECD average of 4. – *OECD Pensions at a Glance 2009*

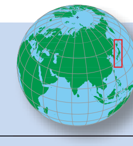
The country with the highest life expectancy was Japan, at 82.7 years, compared to the OECD average of 79.2 years. – *OECD Factbook 2010*

In Japan, one-third or more of top performers in science come from less advantaged social backgrounds, compared with a quarter for many other OECD countries. – *OECD Highlights from Education at a Glance 2009*

Solar heating is projected to meet 23% of the heating demand in Japan in 2035. – *IEA World Energy Outlook 2010*

See www.oecd.org/japan

Country information



Joined the OECD: 1964

Head of Government: Prime Minister Naoto Kan

Ambassador to the OECD: Motohide Yoshikawa

Delegation website: www.oecd.emb-japan.go.jp/home/english.htm

Government: Coalition led by the Democratic Party of Japan

Next major election: 2013

Parliament website: www.shugiin.go.jp/index.nsf/html/index_e.htm; www.sangiin.go.jp/eng/index.htm

Main employer group: Nippon-Keidanren

Main trade union: Japanese Trade Union Confederation (RENGO)

Capital city: Tokyo

National day: Emperor's Birthday, currently 23 December

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Korea

Economy	**2009***	**1960***	
GDP (US$ bn)	1324.4	72.1	1970-2009: +1485%
GDP growth (annual growth in %)	0.2	..	
GDP per capita (US$)	27169	2235	1970-2009: +948%
Population (thousands)	48747	25012	1960-2009: +95%
Budget deficit (% of GDP)	-1.8	..	
Public debt (% of GDP)	32.6	..	
All-in tax rate (average worker, % of labour cost)	20.3	16.3	2000-2008: +25%
Society			
Employment rate (% of labour force)	62.9	59.2	1980-2009: +6%
Unemployment rate (% of labour force)	3.6	8.1	1963-2009: -55%
Women as % of labour force	41.6	34.8	1963-2009: +19%
Poverty rate (% of population)	14.6	..	
Life expectancy (years)	79.9	52.4	1960-2008: +52%
Health expenditure (total, % of GDP)	6.5	3.9	1980-2008: +67%
Self-employed (% of employment)	31.3	39.5	1990-2008: -21%
Hours worked (annual hours per worker)	2256	2876	1980-2008: -22%
Spending on education (total, % of GDP)	7.0	6.1	1995-2007: +15%
New sources of growth			
R&D expenditure (% of GDP)	3.4	1.8	1991-2008: +91%
Broadband access (subscriptions / 100 inhabitants)	33.5	..	
Renewable energy (% of energy supply)	1.5	0.6	1971-2008: +150%
CO_2 emissions (tonnes per capita)	10.3	1.6	1971-2008: +551%
Globalisation			
Trade (goods and services % of GDP)	53.5	17.7	1970-2008: +202%
Development aid (% of GNI)	0.1	0.1	2009-2009: 0%
FDI stock (outward, US$ bn)	75	32	2004-2007: +132%

* or nearest available year

Snapshots

- GDP in Korea rose by 1485% between 1970 and 2009.
- General government debt came to 32.6% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 3.6%, below the OECD average of 8.1%; in 1963 it was 8.1%.
- Women made up 41.6% of the labour force, up from 34.8% in 1963, and below the OECD average.
- Self-employment, at 31.3%, was above the OECD average of 15.8%.
- Some 33.5% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 1.5% of Korea's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.1% of GNI.

Other highlights

Although Korea's strong recovery from the 2008 global recession slowed in the latter half of 2010, double-digit export growth and buoyant domestic demand are projected to boost growth to 5% by late 2011. The decline in unemployment to less than 3.5% in mid-2010 and high capacity utilisation are putting upward pressure on wages and inflation. – *OECD Economic Outlook 2010*

At 11.8%, the personal average tax rate is among the lowest in the OECD. – *OECD Taxing Wages 2009*

Total health spending accounted for 6.5% of GDP in Korea in 2008, the third lowest share among OECD countries, and 2.5 percentage points lower than the OECD average of 9%.

Suicide rates in Korea have increased rapidly. Male rates almost tripled from 12 deaths per 100 000 in 1990 to 32 in 2006, almost twice the OECD average of 18. The rate for females (13 per 100 000) is the highest among OECD countries. – *OECD Health Data 2010: Korea*

The level of education attainment among young people is very high: 97% of 25 to 34-year-olds have completed upper secondary education and 53% have tertiary education. Korea was among top performers in the OECD's latest PISA survey of reading literacy among 15-year olds.

In education, Korea was ranked 2nd overall in the PISA 2009 survey, the same as in 2006. – *OECD PISA 2009 at a Glance*

Korea has one of the highest rates of spending on educational institutions, with at least 7% of GDP accounted for by public and private spending on educational institutions. In lower secondary education, Korea has 35 students per class, compared with an average class size of 24 students for the OECD area. – *OECD*

Highlights from Education at a Glance 2010

The "Green New Deal" policy was launched in January 2009 as a part of an economic recovery package. Some KRW 50 trillion have been invested to create 960 000 jobs from 2009 to 2012 in, for example, environmentally-friendly transportation networks, water management and river rehabilitation, clean energy, green IT, and waste-to-energy. – *OECD Interim Report of the Green Growth Strategy 2010*

See www.oecd.org/korea

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Country information

Joined the OECD: 1996

Head of State: President Lee Myung-bak

Ambassador to the OECD: Hur Kyung-Wook

Delegation website: http://oecd.mofat.go.kr

Government: Grand National Party

Next major election: December 2012 (presidential)

Parliament website: www.assembly.go.kr

Main employer group: The Federation of Korean Industries

Main trade union: Federation of Korean Trade Unions

Capital city: Seoul

National holiday: 15 August

Luxembourg

Economy	2009*	1960*	
GDP (US$ bn)	41.7	4.8	1960-2009: +531%
GDP growth (annual growth in %)	-3.7	..	
GDP per capita (US$)	83802	15419	1960-2009: +317%
Population (thousands)	475	314	1960-2009: +51%
Budget deficit (% of GDP)	-2.3	..	
Public debt (% of GDP)	18.0	..	
All-in tax rate (average worker, % of labour cost)	35.9	37.5	2000-2008: -4%
Society			
Employment rate (% of labour force)	65.2	58.6	1983-2009: +11%
Unemployment rate (% of labour force)	4.0	0.1	1974-2009: +6031%
Women as % of labour force	43.4	27.0	1970-2008: +60%
Poverty rate (% of population)	8.1	..	
Life expectancy (years)	80.6	69.4	1960-2008: +16%
Health expenditure (total, % of GDP)	7.2	3.1	1970-2006: +132%
Self-employed (% of employment)	5.9	9.1	1990-2008: -35%
Hours worked (annual hours per worker)	1601	1778	1983-2009: -10%
New sources of growth			
R&D expenditure (% of GDP)	1.6	1.7	2000-2008: -2%
Broadband access (subscriptions / 100 inhabitants)	31.9	..	
Renewable energy (% of energy supply)	2.4	0.2	1972-2008: +1100%
CO_2 emissions (tonnes per capita)	21.3	45.1	1971-2008: -53%
Globalisation			
Trade (goods and services % of GDP)	156.5	81.3	1970-2008: +93%
Development aid (% of GNI)	1.0	0.4	1995-2009: +177%
Foreign-born population (% of population)	36.2	30.9	1995-2007: +17%
FDI stock (outward, US$ bn)	73	5	1995-2007: +1450%

* or nearest available year

Snapshots

- GDP in Luxembourg rose by 531% between 1960 and 2009.
- General government debt came to 18.0% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 4.0%, below the OECD average of 8.1%; in 1974 it was 0.1%.
- Women made up 43.4% of the labour force, up 60% since 1970, and slightly below the OECD average.
- Self-employment, at 5.9%, was below the OECD average of 15.8%.
- Some 31.9% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 2.4% of Luxembourg's energy supply, compared with 7.1% for the OECD.
- Development aid came to 1.0% of GNI.

Other highlights

A recovery is under way, led by private domestic demand. Exports of financial services should start to contribute more strongly to growth as financial market conditions improve. Activity is projected to grow faster than the euro area average, although uncertainties remain regarding the future of the dominant financial sector in the medium term. – *OECD Economic Outlook 2010*

Although the financial crisis had a strong impact on Luxembourg's economy at the end of 2008, the unemployment rate has levelled off in recent years at about 4% of the labour force. Out of all OECD countries, Luxembourg has the highest percentage of foreigners in relation to its total population, and this percentage is rising steadily.

Foreign residents play a key role in Luxembourg's labour force, but not as great as their proportion of the total population would suggest. This is partly due to the large number of cross-border workers (nearly 150 000), who accounted for 43.8% of total employment in 2008 (as against 20% in 1990). The French are the largest group (47%), followed by Belgians (23%) and Germans (23 %). – *OECD International Migration Outlook 2010*

Between 2000 and 2009, the tax wedge–a measure of the difference between the total cost to an employer of employing someone and that person's net take-home pay–decreased for all family types in Luxembourg. – *OECD Taxing Wages 2009*

In education, Luxembourg came 28th overall in the PISA 2009 survey, down five slots from 2006 (see article in this Yearbook). – *OECD PISA 2009 at a Glance*

In healthcare, the number of CT and MRI exams per capita is above average in Luxembourg.

In comparison to other European countries, children in Luxembourg are among the least likely to exercise regularly.
– *OECD Health at a Glance Europe: 2010*

Luxembourg has the highest per capita CO_2 emissions in the OECD. – *OECD Economic Surveys: Luxembourg 2010*

See www.oecd.org/luxembourg

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Country information

Joined the OECD: 1961

Head of Government: Prime Minister Jean-Claude Juncker

Ambassador to the OECD: Georges Santer

Government: Christian Social People's Party and Socialist Party

Next major election: 2014

Parliament website: www.chd.lu

Main employer groups : FEDIL, UEL

Main trade unions: OGBL/LCGB

Capital city: Luxembourg

National holiday: 23 June

Mexico

Economy	2009*	1960*	
GDP (US$ bn)	1535.2	173.1	1960-2009: +572%
GDP growth (annual growth in %)	-6.5	..	
GDP per capita (US$)	15233	4570	1960-2009: +137%
Population (thousands)	107551	37877	1960-2009: +184%
Public debt (% of GDP)	36.7	..	
All-in tax rate (average worker, % of labour cost)	15.1	12.6	2000-2008: +20%
Society			
Employment rate (% of labour force)	59.4	58.0	1991-2009: +3%
Unemployment rate (% of labour force)	5.2	3.8	1970-2009: +38%
Women as % of labour force	37.5	19.8	1970-2009: +90%
Poverty rate (% of population)	18.4	..	
Life expectancy (years)	75.3	57.5	1960-2009: +31%
Health expenditure (total, % of GDP)	5.9	4.4	1990-2008: +34%
Self-employed (% of employment)	33.9	31.9	1990-2008: +6%
Hours worked (annual hours per worker)	1857	1822	1991-2009: +2%
Spending on education (total, % of GDP)	5.7	5.1	1995-2007: +13%
New sources of growth			
R&D expenditure (% of GDP)	0.4	0.2	1993-2007: +87%
Broadband access (subscriptions / 100 inhabitants)	9.2	..	
Renewable energy (% of energy supply)	9.6	16.8	1971-2008: -43%
CO_2 emissions (tonnes per capita)	3.8	1.9	1971-2008: +97%
Globalisation			
Trade (goods and services % of GDP)	29.4	8.7	1970-2008: +239%
FDI stock (outward, US$ bn)	45	22	2004-2007: +106%

* or nearest available year

Snapshots

- GDP in Mexico rose by 572% between 1960 and 2009.
- General government debt came to 90.6% of GDP for the OECD; public sector debt was 36.7% for Mexico.
- Unemployment stood at 5.2%, below the OECD average of 8.1%; in 1970 it was 3.8%.
- Women made up 37.5% of the labour force, up 90% since 1970, and below the OECD average.
- Self-employment, at 33.9%, was above the OECD average of 15.8%.
- Some 9.2% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 9.6% of Mexico's energy supply, compared with 7.1% for the OECD.

Other highlights

The Mexican economy has embarked on a vigorous recovery, which started in 2009 on the back of strong export growth. Activity is projected to grow by 5% in 2010, before slowing somewhat to a bit below 3.5% in 2011, as export dynamics normalise. The reliance on exports to the US market, where the recovery has weakened, is a source of risk. – *OECD Economic Outlook 2010*

Simulation evidence for Mexico suggests that the negative impact of the crisis of 2008-09 on formal employment is likely to be much larger than that during previous crisis episodes – *OECD Employment Outlook 2010*

Due to the economic crisis, migration flows from and through Mexico to the United States fell markedly in 2009. Stricter enforcement by the US also contributed to this decrease.

Migration continues to be dominated by the outflow of Mexican migrants and Central and South American transit migrants to the United States. Recently emigration of skilled Mexicans to the United States has increased. – *OECD International Migration Outlook 2010*

At 15.3%, the tax wedge–a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee–for a single person at the average wage level in Mexico is among the lowest (15.3%) in the OECD.
Mexico is one of five OECD member countries where the personal income tax burden increased across all family types between 2000-2009. – *OECD Taxing Wages 2009*

In education, Mexico was ranked last of all OECD countries in the 2009 PISA survey of performance among 15-year-olds. Most compulsory schooling is provided by public institutions, though enrolments in independent private schools exceed 10%. – *OECD Highlights from Education at a Glance 2010*

With 46% of health spending paid from public sources in 2008, Mexico and the United States have the lowest public share in overall health spending of all OECD countries. The OECD average was 72.8%. – *OECD Health Data 2010: Mexico*

Mexico has one of the lowest levels of R&D spending in the OECD area as a percentage of GDP. R&D intensity (GERD as a percentage of GDP) in 2009 was just 0.4%, compared to an average of 2.3% for the OECD. – *OECD Economic Surveys: Mexico 2010*

See www.oecd.org/mexico

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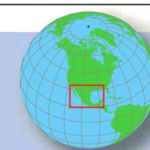


Joined the OECD: 1994

Head of State/Government: Felipe de Jesús Calderón Hinojosa

Ambassador to the OECD: Agustín García-López Loaeza

Delegation website: www.sre.gob.mx/ocde/

Government: PAN

Next major election: 2012

Parliament website: www.congreso.gob.mx

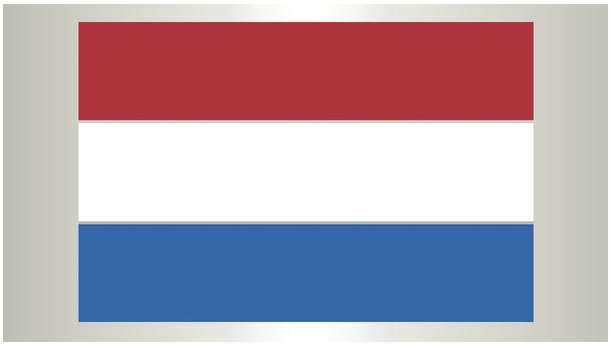
Main employer groups: Grupo Carso, Grupo Bimbo, FEMSA, Grupo Bal, CEMEX, Grupo Modelo

Main trade unions: SNTE, CTM, CROM, STRM, STPRM, SNTSS

Capital city: Mexico City

National holiday: 15 September

Netherlands



Economy	2009*	1960*	
GDP (US$ bn)	675.2	125.7	1960-2009: +318%
GDP growth (annual growth in %)	-3.9	..	
GDP per capita (US$)	40852	10944	1960-2009: +193%
Population (thousands)	16418	11487	1960-2009: +43%
Budget deficit (% of GDP)	-4.5	..	
Public debt (% of GDP)	69.4	..	
All-in tax rate (average worker, % of labour cost)	45.0	39.7	2000-2008: +13%
Society			
Employment rate (% of labour force)	75.8	56.7	1971-2009: +34%
Unemployment rate (% of labour force)	2.8	0.7	1960-2008: +284%
Women as % of labour force	45.6	27.5	1975-2008: +66%
Poverty rate (% of population)	7.7	..	
Life expectancy (years)	80.3	73.5	1960-2009: +9%
Health expenditure (total, % of GDP)	9.9	6.9	1972-2008: +43%
Tertiary graduation rate (% of population)	42.8	28.5	1995-2007: +50%
Self-employed (% of employment)	13.2	11.6	1990-2008: +13%
Hours worked (annual hours per worker)	1378	1424	1987-2009: -3%
Spending on education (total, % of GDP)	5.6	5.4	1995-2007: +4%
New sources of growth			
R&D expenditure (% of GDP)	1.8	1.8	1981-2008: +0%
Broadband access (subscriptions / 100 inhabitants)	37.1	..	
Renewable energy (% of energy supply)	4.5	0.3	1975-2008: +1400%
CO_2 emissions (tonnes per capita)	10.8	9.8	1971-2008: +10%
Globalisation			
Trade (goods and services % of GDP)	72.6	42.5	1969-2008: +71%
Development aid (% of GNI)	0.8	0.8	1995-2009: +1%
Foreign-born population (% of population)	10.7	9.1	1995-2007: +18%
FDI stock (outward, US$ bn)	877	107	1990-2007: +720%

* or nearest available year

Snapshots

- GDP in the Netherlands rose by 318% between 1960 and 2009.
- General government debt came to 69.4% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 2.8%, below the OECD average of 8.1%; in 1960 it was 0.7%.
- Women made up 45.6% of the labour force, up 66% since 1975, and slightly above the OECD average.
- Self-employment, at 13.2%, was below the OECD average of 15.8%.
- Some 37.1% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 4.5% of the Netherlands' energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.8% of GNI.

Other highlights

As the temporary growth spurt in the first half of 2010 fades, the economy is becoming more reliant on the recovery in world trade. Private consumption is likely to be subdued by fiscal tightening, a fragile housing market and pension funds' recovery measures. Low capacity utilisation will prevent more than a gradual pick-up in business investment. – *OECD Economic Outlook 2010*

The Netherlands rank among the top tier of OECD exporters in information and communications technologies, which reached a total of $815 billion in 2008 for the OECD as a whole.

In employment, over 25% of all those working were in part-time jobs. – *OECD Factbook 2010*

Between 2000-2009 , the tax wedge–a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee–decreased strongly by 8.7 percentage points for single workers and by 6 percentage points for married couples where the principal earner earns the average wage and the spouse earns two-thirds of the average wage.

Between 2000-2009, the personal income tax burden increased across all family types in the Netherlands. – *OECD Taxing Wages 2009*

The share of people working in the health and social sectors in 2008 is highest in the Netherlands and Nordic countries, accounting for 15% or more of total employment.

Obesity more than doubled in the Netherlands between 1988 and 2008. Meanwhile, healthcare reform in the Netherlands in 2006 resulted in the government heavily regulating the market for compulsory health insurance: insurers are obliged to accept anybody and the insurance premium is unrelated to individual risks. – *OECD Health at a Glance: Europe 2010*

In education, the Netherlands came 6th in the PISA 2009 global survey of performance among 15-year-olds. At least 90% of Dutch students are enrolled in learning for a period of 14 or more years. – *OECD Highlights from Education at a Glance 2010*

The Netherlands has one of the strongest patent intensities of all OECD countries. In 2008, it had 66 triadic patents per million population, well above the OECD average. It also had 1 331 scientific publications per million population, the eighth highest in the OECD, and accounted for 1.3% of world output. – *OECD Science, Technology and Industry Outlook 2010*

See www.oecd.org/netherlands

References

OECD (2010), **Better Regulation in Europe: Netherlands 2010**, Paris

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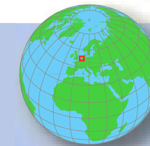
OECD (2010), **Higher Education in Regional and City Development: Amsterdam, The Netherlands 2010**, Paris

OECD (2010), **Reviews of Migrant Education: Netherlands 2010**, Paris

OECD (2009), **Energy Policies of IEA Countries: Netherlands 2008**, Paris

Country information



Joined the OECD: 1961

Head of Government: Prime Minister Mark Rutte

Ambassador to the OECD: Edmond H. Wellenstein

Delegation website: www.oeso.nlvertegenwoordiging.org

Government: Coalition led by the VVD and the PVV/CDA

Next major election: 2014

Parliament website: www.tweedekamer.nl

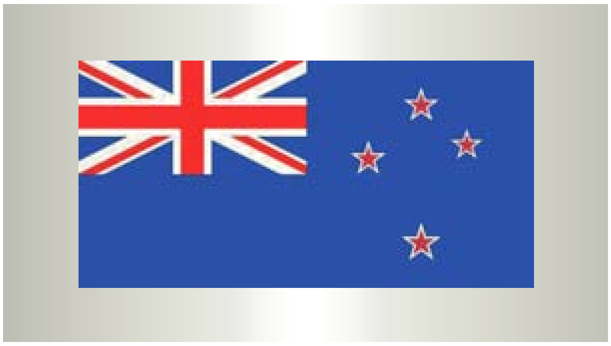
Main employer groups: VNO/NCW

Main trade unions: FNV/CNV

Capital city: Amsterdam

National holiday: 30 April

New Zealand



Economy	2009*	1960*	
GDP (US$ bn)	124.9	30.5	1960-2009: +230%
GDP growth (annual growth in %)	-0.4	..	
GDP per capita (US$)	29176	12817	1960-2009: +86%
Population (thousands)	4224	2382	1960-2009: +77%
Budget deficit (% of GDP)	-1.2	..	
Public debt (% of GDP)	34.5	..	
All-in tax rate (average worker, % of labour cost)	21.2	19.4	2000-2008: +9%
Society			
Employment rate (% of labour force)	72.9	72.3	1986-2009: +1%
Unemployment rate (% of labour force)	6.2	0.1	1960-2009: +5227%
Women as % of labour force	47.0	24.8	1960-2009: +90%
Poverty rate (% of population)	10.8	..	
Life expectancy (years)	80.4	71.1	1961-2008: +13%
Health expenditure (total, % of GDP)	9.8	5.2	1970-2008: +88%
Tertiary graduation rate (% of population)	47.6	32.7	1995-2007: +46%
Self-employed (% of employment)	17.3	19.7	1990-2008: -12%
Hours worked (annual hours per worker)	1729	1836	1986-2009: -6%
Spending on education (total, % of GDP)	5.9	5.9	2007-2007: 0%
New sources of growth			
R&D expenditure (% of GDP)	1.2	1.0	1981-2007: +22%
Broadband access (subscriptions / 100 inhabitants)	23.2	..	
Renewable energy (% of energy supply)	33.9	..	
CO_2 emissions (tonnes per capita)	7.7	4.8	1971-2008: +61%
Globalisation			
Trade (goods and services % of GDP)	32.8	23.7	1970-2008: +38%
Development aid (% of GNI)	0.3	0.2	1995-2009: +27%
Foreign-born population (% of population)	21.6	16.5	1998-2007: +31%
FDI stock (outward, US$ bn)	15	8	1995-2007: +96%

* or nearest available year

Snapshots

- GDP in New Zealand rose by 230% between 1960 and 2009.
- General government debt came to 34.5% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 6.2%, below the OECD average of 8.1%; in 1960 it was 0.1%.
- Women made up 47.0% of the labour force, up 90% since 1960, and above the OECD average.
- Self-employment, at 17.3%, was above the OECD average of 15.8%.
- Some 23.2% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 33.9% of New Zealand's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.3% of GNI.

Other highlights

Growth slowed in 2010, mainly as high indebtedness and economic uncertainty weigh on households and firms. A major earthquake in September exacerbated near-term weakness, though providing a boost to activity as reconstruction gathers pace. The recovery will become self-sustaining as businesses hire and invest to meet reviving export and consumer demand.
– *OECD Economic Outlook 2010*

OECD foreign-born population shares are growing rapidly. New Zealand, at 4%, has registered a particularly high change in the immigrant share of the population. – *OECD Society at a Glance 2009*

New Zealand is one of only two OECD countries that levy no social security contributions at all on employees. – *OECD Taxing Wages 2009*

In healthcare, New Zealand is one of the lowest per capita spenders on pharmaceuticals, at just over 50% of the OECD average. This reflects a regulatory system that promotes the use of generics and the use of single supplier tenders to help reduce pharmaceutical prices. – *OECD Health at a Glance 2009*

In 2008, New Zealand had 2.5 practising physicians per 1 000 population, well below the OECD average of 3.2. There were 9.7 nurses per 1 000 population in New Zealand in 2008, a slightly higher figure than the average of 9 in OECD countries. – *OECD Health Data 2010: New Zealand*

In education, New Zealand was ranked 5th overall in the PISA 2009 survey, down one place from 2006. – *OECD PISA 2009 at a Glance*

Gross domestic expenditure on R&D was 1.2% of GDP in 2007, slightly up from 1% in 2000, but this still leaves New Zealand among the bottom ten OECD countries and well below the OECD average of 2.3%. – *OECD Science, Technology and Industry Outlook 2010*

Modern renewable, mostly biomass, accounted for about one-fifth of total industrial sector heat demand in New Zealand in 2008, one of the highest shares in the OECD area. – *IEA World Energy Outlook 2010*

See www.oecd.org/newzealand

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OECD (2008), **Reviews of Tertiary Education: New Zealand 2008**, Paris

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Guillemette, Y. (2010), "Structural Policies to Overcome Geographical Barriers and Create Prosperity in New Zealand", OECD Economics Department Working Papers, No. 696

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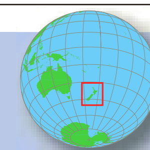


Joined the OECD: 1973

Head of Government: Prime Minister John Key

Ambassador to the OECD: Rosemary Banks

Delegation website: www.nzembassy.com/france

Government: Coalition led by the National Party, with the ACT party, the United Future Party and the Māori Party

Next major election: Expected November 2011

Parliament website: www.parliament.govt.nz

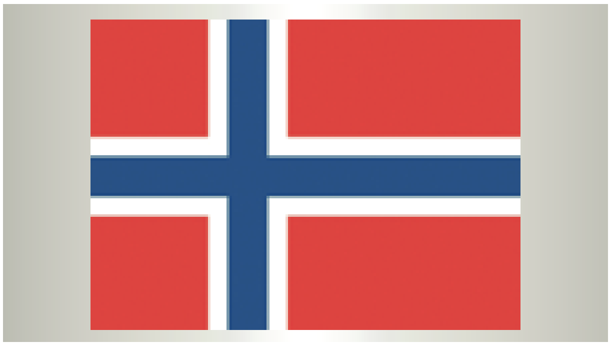
Main employer group: BusinessNZ

Main trade union: New Zealand Council of Trade Unions (NZCTU)

Capital city: Wellington

National holiday: 6 February

Norway



Economy	2009*	1960*	
GDP (US$ bn)	266.5	36.8	1960-2009: +414%
GDP growth (annual growth in %)	-1.4	..	
GDP per capita (US$)	55187	10266	1960-2009: +289%
Population (thousands)	4735	3581	1960-2009: +32%
Budget deficit (% of GDP)	9.6	..	
Public debt (% of GDP)	49.5	..	
All-in tax rate (average worker, % of labour cost)	37.7	38.6	2000-2008: -2%
Society			
Employment rate (% of labour force)	76.5	64.6	1972-2009: +18%
Unemployment rate (% of labour force)	3.2	1.2	1960-2009: +165%
Women as % of labour force	47.8	29.0	1960-2009: +64%
Poverty rate (% of population)	6.8	..	
Life expectancy (years)	80.6	73.8	1960-2008: +9%
Health expenditure (total, % of GDP)	8.5	2.9	1960-2008: +193%
Tertiary graduation rate (% of population)	43.4	26.2	1995-2007: +65%
Self-employed (% of employment)	7.8	11.3	1990-2008: -31%
Hours worked (annual hours per worker)	1407	1995	1962-2009: -29%
Spending on education (total, % of GDP)	5.5	5.9	1995-2007: -7%
New sources of growth			
R&D expenditure (% of GDP)	1.6	1.2	1981-2008: +39%
Broadband access (subscriptions / 100 inhabitants)	33.9	..	
Renewable energy (% of energy supply)	43.4	40.9	1971-2008: +6%
CO_2 emissions (tonnes per capita)	7.9	6.0	1971-2008: +31%
Globalisation			
Trade (goods and services % of GDP)	38.4	37.0	1970-2008: +4%
Development aid (% of GNI)	1.1	0.9	1995-2009: +23%
Foreign-born population (% of population)	9.5	5.5	1995-2007: +72%
FDI stock (outward, US$ bn)	143	11	1990-2007: +1213%

* or nearest available year

Snapshots

- GDP in Norway rose by 414% between 1960 and 2009.
- General government debt came to 49.5% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 3.2%, below the OECD average of 8.1%; in 1960 it was 1.2%.
- Women made up 47.8% of the labour force, up 64% since 1960, and above the OECD average.
- Self-employment, at 7.8%, was below the OECD average of 15.8%.
- Some 33.9% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 43.4% of Norway's energy supply, compared with 7.1% for the OECD.
- Development aid came to 1.1% of GNI.

Other highlights

The economic recovery in mainland Norway (that is, not including the energy sector offshore), following a shallower recession than elsewhere, is projected to continue and gradually strengthen. For the first time in several years, public expenditure will not provide a strong boost to activity; private investment and consumption will be the main sources of demand growth. As from 2011, mainland GDP will be growing sufficiently rapidly to reduce excess capacity and by 2012 demand pressure will start to push inflation upwards again. – *OECD Economic Outlook 2010*

At around 40% of total GDP, Norway's public spending is around the OECD average, but places a relatively strong emphasis on social protection, health and education spending. A new pension system with longevity adjustment and a flexible retirement age from 62 onwards, based on actuarially neutral adjustments, will be phased in from 2011.The early retirement system has been reformed for the private sector. No agreement was reached to reform the early retirement system for the public sector. – *OECD Economic Policy Reforms 2010: Going for Growth*

In terms of health spending per capita, Norway ranked the second highest among OECD countries in 2008 (after the US), with spending of $5 003 (adjusted for purchasing power parity), well above the OECD average of $3 060. – *OECD Health Data 2010: Norway*

In 2008, immigration to Norway continued at record-high levels. Net immigration of foreign nationals was 43 600 in 2008, 4 000 more than in the previous record year of 2007, adding almost 1% to the overall population. – *OECD International Migration Outlook 2010*

Norway's performance on innovation outcomes is mixed. Scientific output is high: its 1 356 scientific articles per million population in 2008 places it among the top ten OECD countries. However, the 26 triadic patents per million population is below average. –*OECD Science, Technology and Industry Outlook 2010*

On the energy front, while oil and gas production is the most important industrial activity, an offshore renewable energy is also emerging strong. The world's first large-scale prototype floating wind turbine—the 2.3 MW Hywind prototype—started operation in 2009 in Norway. – *IEA World Energy Outlook 2010*

See www.oecd.org/norway

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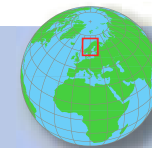
Country information



Joined the OECD: 1961

Head of Government: Prime Minister Jens Stoltenberg

Ambassador to the OECD: Harald Neple

Delegation website: www.norway-oecd.org

Government: Coalition led by the Labour Party

Next major election: 2013

Parliament website: www.stortinget.no

Main employer groups: The Confederation of Norwegian Enterprises (NHO), The Federation of Norwegian Commercial and Service Enterprises (HSH), The Employers' Association Spekter

Main trade unions: The Norwegian Confederation of Trade Unions (LO), The Confederation of Unions for Professionals, Norway (UNIO), The Confederation of Vocational Unions (YS), The Federation of Norwegian Professional Associations (AF)

Capital city: Oslo

National holiday: 17 May

Poland

Economy	2009*	1960*	
GDP (US$ bn)	727.1	310.6	1995-2009: +84%
GDP growth (annual growth in %)	1.8	..	
GDP per capita (US$)	18125	8116	1995-2009: +86%
Population (thousands)	37863	29406	1960-2009: +29%
Budget deficit (% of GDP)	-6.4	..	
Public debt (% of GDP)	58.5	..	
All-in tax rate (average worker, % of labour cost)	39.7	43.1	2000-2008: -8%
Society			
Employment rate (% of labour force)	59.3	59.9	1992-2009: -1%
Unemployment rate (% of labour force)	8.2	6.5	1990-2009: +26%
Women as % of labour force	45.0	45.1	1992-2009: 0%
Poverty rate (% of population)	14.6	..	
Life expectancy (years)	75.6	67.8	1960-2008: +12%
Health expenditure (total, % of GDP)	7.0	4.8	1990-2008: +46%
Tertiary graduation rate (% of population)	49.0	34.4	2000-2007: +42%
Self-employed (% of employment)	22.9	27.2	1990-2008: -16%
Hours worked (annual hours per worker)	1966	1988	2000-2009: -1%
Spending on education (total, % of GDP)	5.3	5.2	1995-2007: +2%
New sources of growth			
R&D expenditure (% of GDP)	0.6	0.9	1990-2008: -31%
Broadband access (subscriptions / 100 inhabitants)	12.1	..	
Renewable energy (% of energy supply)	6.0	1.6	1971-2008: +275%
CO_2 emissions (tonnes per capita)	7.8	8.7	1971-2008: -10%
Globalisation			
Trade (goods and services % of GDP)	42.0	22.9	1990-2008: +83%
FDI stock (outward, US$ bn)	19	1	1995-2007: +3492%

* or nearest available year

Snapshots

- GDP in Poland rose by 84% between 1995 and 2009.
- General government debt came to 58.5% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 8.2%, slightly above the OECD average of 8.1%; in 1990 it was 6.5%.
- Women made up 45.0% of the labour force, almost unchanged since 1992, and slightly above the OECD average.
- Self-employment, at 22.9%, was above the OECD average of 15.8%.
- Some 12.1% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 6.0% of Poland's energy supply, compared with 7.1% for the OECD.

Other highlights

A strong recovery is under way, thanks to booming exports, a recovery in private and public consumption and stock rebuilding. Poland was one of just a few OECD countries not to register a decline in GDP in 2009 and 2010; its economy grew by 1.9% in real terms. Real GDP growth is projected to be sustained by infrastructure investments, partly financed by EU funds, and driven to some extent by the 2012 European soccer championship (which it will co-host with Ukraine).

After bottoming in summer 2010, inflation is projected to rise, pointing to the need for an early start to monetary tightening, given the long lags involved. The general government deficit is likely to ease to below 7% of GDP in 2011. Barriers to entrepreneurship have recently been lowered with the creation of a one-stop shop for start-ups and the possibility to suspend activity when needed. – *OECD Economic Outlook 2010*

Poland was one of eleven OECD member countries where the average income tax burden decreased for all family types between 2000 and 2009. – *OECD Taxing Wages 2009*

The number of doctors per capita is the second lowest in Poland; it is lowest in Turkey.

Poland has one of the lowest incidence rates of AIDS among EU countries. – *OECD Health at a Glance: Europe 2010*

In education, Poland was ranked 11th overall in the PISA 2009 survey, up seven places from 2006. – *OECD PISA 2009 at a Glance*

In Poland, 30% of 20-29 year-olds were enrolled in tertiary education in 2008, above the OECD average of 25%. – *OECD Highlights from Education at a Glance 2010*

Poland's gross expenditure on R&D (GERD) was 0.6% of GDP in 2008, down from 0.9% in 1990 when data were collected for the first time. Poland's GERD per capita at $104 (adjusted for purchasing power parities) is the fourth lowest in the OECD area. – *OECD Science, Technology and Industry Outlook 2010*

In 1995 Polish exports were still skewed towards traditional industries such as textiles, basic metals, wood and extraction activities. The following decade, however, saw a striking change in export specialisation. Vehicles, boilers and machinery, and electrical and electronic equipment, represented almost 40% of Polish exports in 2007, against only 17% in 1995. – *OECD Economic Surveys: Poland 2010*

See www.oecd.org/poland

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Country information

Joined the OECD: 1996

Head of State/Government: President Bronislaw Komorowski, Prime Minister Donald Tusk

Ambassador to the OECD: Pawel Wojciechowski

Delegation website: www.paryzoecd.polemb.net

Government: Coalition of the Civic Platform and Polish Peasant Party

Next major election: 2011 (parliamentary), 2015 (presidential)

Parliament website: www.sejm.gov.pl, www.senat.gov.pl

Main employer groups: Pracodawcy RP, PKPP Lewiatan, ZRP, BCC

Main trade unions: NSZZ Solidarnosc, OPZZ, FZZ

Capital city: Warsaw

National holiday: 3 May

Portugal

Economy	2009*	1960*	
GDP (US$ bn)	261.2	33.6	1960-2009: +469%
GDP growth (annual growth in %)	-2.6	..	
GDP per capita (US$)	24568	3795	1960-2009: +375%
Population (thousands)	10625	8858	1960-2009: +20%
Budget deficit (% of GDP)	-6.7	..	
Public debt (% of GDP)	86.3	..	
All-in tax rate (average worker, % of labour cost)	37.6	37.3	2000-2008: +1%
Society			
Employment rate (% of labour force)	66.3	67.1	1974-2009: -1%
Unemployment rate (% of labour force)	9.5	1.9	1960-2009: +398%
Women as % of labour force	47.0	18.2	1960-2009: +159%
Poverty rate (% of population)	12.9	..	
Life expectancy (years)	79.3	63.9	1960-2008: +24%
Health expenditure (total, % of GDP)	9.9	2.5	1970-2006: +296%
Tertiary graduation rate (% of population)	42.6	14.9	1995-2007: +186%
Self-employed (% of employment)	24.1	29.4	1990-2008: -18%
Hours worked (annual hours per worker)	1719	1940	1986-2009: -11%
Spending on education (total, % of GDP)	5.6	5.0	1995-2007: +11%
New sources of growth			
R&D expenditure (% of GDP)	1.5	0.3	1982-2008: +435%
Broadband access (subscriptions / 100 inhabitants)	17.9	..	
Renewable energy (% of energy supply)	18.2	19.6	1971-2008: -7%
CO_2 emissions (tonnes per capita)	4.9	1.7	1971-2008: +198%
Globalisation			
Trade (goods and services % of GDP)	37.7	22.9	1970-2008: +65%
Development aid (% of GNI)	0.2	0.2	1995-2009: -8%
Foreign-born population (% of population)	6.1	5.4	1995-2007: +13%
FDI stock (outward, US$ bn)	68	20	2000-2007: +242%

* or nearest available year

Snapshots

- GDP in Portugal rose by 469% between 1960 and 2009.
- General government debt came to 86.3% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 9.5%, above the OECD average of 8.1%; in 1960 it was 1.9%.
- Women made up 47.0% of the labour force, up 159% since 1960, and above the OECD average.
- Self-employment, at 24.1%, was above the OECD average of 15.8%.
- Some 17.9% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 18.2% of Portugal's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.2% of GNI.

Other highlights

The economy is expected to be very weak in the rest of 2010 and into 2011, due to strong fiscal consolidation and tight credit conditions. Growth is expected to resume in 2012 as external demand and wage moderation support exports and investment. Unemployment is set to rise further. – *OECD Economic Outlook 2010*

Portugal's slowdown in growth is due to a marked deterioration in trend productivity. Productivity growth fell to 0.8% on average between 2001 and 2006 from 2.0% between 1995 and 2000. – *OECD Economic Surveys: Portugal 2010*

Portugal has introduced a temporary programme called the Programa Iniciativa Emprego during 2009 and 2010, which eliminates employer social contributions for net new hires of long-term unemployed or young people (aged up to 35 years looking for their first job) for the first three years of employment. – *OECD Employment Outlook 2010*

Portugal has reduced its infant mortality rate by over 90% since 1970, and by 2007 had one of the lowest rates in the OECD area. Adults in central and eastern European countries, along with Portugal, report the lowest rates of good or very good health. In Portugal, less than half of all adults consider themselves to be in good health.

The country had one of the highest AIDS incidence rates among EU countries in 2008, along with Estonia, Latvia and Spain, at 25-50 new cases per million population. – *OECD Health at a Glance: Europe 2010*

In education, Portugal was ranked 23rd in the 2009 OECD PISA survey of performance among 15-year-olds, up four places from 2006. – *OECD Education at a Glance 2010*

Innovation is an important plank of policy and since the mid-1990s, the country has seen some of the fastest increases in R&D expenditure in the OECD, with average annual rises of over 10%. – *OECD Factbook 2010*

See www.oecd.org/portugal

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Country information

Joined the OECD: 1961

Head of State/Government: President Aníbal Cavaco Silva, Prime Minister José Sócrates

Ambassador to the OECD: Eduardo Ferro Rodrigues

Delegation website: www.portugal-ocde.com

Government: Socialist Party

Next major election: 5 June 2011

Parliament website: www.parlamento.pt

Main employer group: AIP

Main trade union: UGT

Capital city: Lisbon

National holiday: 10 June

Russian Federation

Economy	2009*	1960*	
GDP (US$ bn)	2262.7	919.8	1995-2009: +66%
GDP growth (annual growth in %)	-7.9	..	
Population (thousands)	140874	119906	1960-2009: +17%
Budget deficit (% of GDP)	-5.3	..	
Society			
Employment rate (% of labour force)	68.4	60.3	1999-2008: +13%
Life expectancy (years)	67.9	68.8	1962-2008: -1%
Self-employed (% of employment)	7.3	6.8	1995-2008: +7%
Hours worked (annual hours per worker)	1997	1933	1992-2008: +3%
Spending on education (total, % of GDP)	7.4	2.9	2000-2007: +153%
New sources of growth			
R&D expenditure (% of GDP)	1.0	2.0	1990-2008: -49%
Renewable energy (% of energy supply)	3.3	..	
CO_2 emissions (tonnes per capita)	11.2	14.7	1990-2008: -24%
Globalisation			
Trade (goods and services % of GDP)	26.5	27.6	1995-2008: -4%
FDI stock (outward, US$ bn)	370	2	1995-2007: +15196%

* or nearest available year

Snapshots

- GDP in the Russian Federation rose by 66% between 1995 and 2009.
- Self-employment, at 7.3%, was below the OECD average of 15.8%.
- Renewable energy accounted for 3.3% of Russia's energy supply, compared with 7.1% for the OECD.
- Per capita CO2 emissions have dropped by 24% since 1990.
- Life expectancy at birth in Russia has declined from 68.8 years in 1962 to 67.9 years in 2008.

Other highlights

The post-crisis economic recovery has been solid but unspectacular, and growth of 4-4.5% is expected to reduce the degree of slack in the economy, with the output gap closing in 2012. Inflation has been pushed higher by a food price shock, but underlying pressures are likely to remain contained. The current account surplus is projected to roughly halve between 2010 and 2012 as import volume growth outstrips that of exports by a large margin. Public expenditure restraint is expected to shrink the budget deficit to near zero by 2012, with public debt levels remaining low. – *OECD Economic Outlook 2010*

Russia has a high level of academic attainment, with 54% of the population aged 25-64 qualified at the tertiary level in 2002. The 25% of science and engineering degrees as a percentage of all new degrees and doctorates per capita were both higher than the OECD average. – *OECD Science, Technology and Industry Outlook 2010*

Class sizes in primary school are smaller than the OECD average of about 22 students per class. – *OECD Highlights from Education at a Glance 2010*

Over the last decade, the share of business-funded R&D in the higher education and government sectors increased significantly in the Russian Federation. – *OECD Science, Technology and Industry Scoreboard 2009*

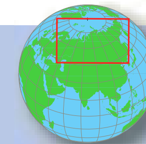
As for energy, after falling steeply in the 1990s, primary energy demand grew at an average rate of 1.3% per year from 2000, making it the third-largest consumer of primary energy in the world in 2008.

As a key exporter of gas, it accounts for more than one-quarter of European gas supply.

Due to the curtailing of oil output in Saudi Arabia, in 2009 Russia became the world's leading oil producer, at 10.2 mb/d. Many of its largest fields are in decline, however. – *IEA World Energy Outlook 2010*

See www.oecd.org/russia

Country information



Head of State: President Dmitry Medvedev

Government: United Russia

Next major elections: December 2011 (parliamentary); 2012 (presidential)

Parliament website: www.duma.gov.ru

Main employer groups: RSPP, OPORA (SMEs)

Main trade unions: FNPR, VKT, KTR

Capital city: Moscow

National holiday: 12 June

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Slovak Republic

Economy	**2009***	**1960***	
GDP (US$ bn)	121.6	44.1	1993-2009: +107%
GDP growth (annual growth in %)	-4.7	..	
GDP per capita (US$)	22446	8280	1993-2009: +104%
Population (thousands)	5397	3994	1960-2009: +35%
Budget deficit (% of GDP)	-5.9	..	
Public debt (% of GDP)	39.8	..	
All-in tax rate (average worker, % of labour cost)	38.9	41.7	2000-2008: -7%
Society			
Employment rate (% of labour force)	60.2	59.8	1994-2009: +1%
Unemployment rate (% of labour force)	12.1	13.6	1994-2009: -12%
Women as % of labour force	43.9	44.4	1994-2009: -1%
Poverty rate (% of population)	8.1	..	
Life expectancy (years)	74.8	70.6	1960-2008: +6%
Health expenditure (total, % of GDP)	7.8	5.8	1997-2008: +34%
Tertiary graduation rate (% of population)	38.9	15.0	1995-2007: +159%
Self-employed (% of employment)	13.8	6.3	1994-2008: +118%
Hours worked (annual hours per worker)	1693	1852	1994-2009: -9%
Spending on education (total, % of GDP)	4.0	4.7	1995-2007: -15%
New sources of growth			
R&D expenditure (% of GDP)	0.5	1.6	1990-2008: -71%
Broadband access (subscriptions / 100 inhabitants)	11.6	..	
Renewable energy (% of energy supply)	5.1	..	
CO_2 emissions (tonnes per capita)	6.7	8.6	1971-2008: -22%
Globalisation			
Trade (goods and services % of GDP)	84.2	58.5	1993-2008: +44%
Foreign-born population (% of population)	6.8	2.5	2001-2007: +171%
FDI stock (outward, US$ bn)	2	0	1995-2007: +1061%

* or nearest available year

Snapshots

- GDP in the Slovak Republic rose by 107% between 1993 and 2009.
- General government debt came to 39.8% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 12.1%, above the OECD average of 8.1%; in 1994 it was 13.6%.
- Women made up 43.9% of the labour force, compared with 44.4% in 1994, and slightly above the OECD average.
- Self-employment, at 13.8%, was below the OECD average of 15.8%.
- Some 11.6% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 5.1% of the Slovak Republic's energy supply, compared with 7.1% for the OECD.

Other highlights

The economy is recovering at a strong pace, driven by net exports, but domestic demand remains more subdued. In 2011, fiscal consolidation and somewhat slower demand from Slovakia's main trading partners are expected to slightly moderate growth to around 3.5%. Real GDP is envisaged to accelerate again in 2012 (to 4.5% growth) with a gradual improvement in the labour market.

The budget deficit turned out to be 8% of GDP in 2009 and is expected to deteriorate somewhat further in 2010, substantially worse than planned. – *OECD Economic Outlook 2010*

Annual GDP growth for the OECD averaged 3.1% in the three years to 2008. Over this period, the Slovak Republic substantially outperformed the OECD average, with an annual growth rate of 7% or more. – *OECD Factbook 2010*

Illegal migration asylum seeking continues to decline. Asylum seekers fell from 2 600 in 2007 to 900 in 2008. Just 22 received refugee status. – *OECD International Migration Outlook 2010*

The Slovak Republic is one of only three OECD member countries where a married average worker with two children faces a personal income tax burden less than zero, at -5.3%. – *OECD Taxing Wages 2009*

In 2008, spending on pharmaceuticals accounted for 28.1% of total health spending in the Slovak Republic, the third highest proportion among OECD countries, and well above the OECD average of 17.1%. – *OECD Health Data 2010: Slovak Republic*

The Slovak Republic has one of the lowest incidences of AIDS among EU countries. – *OECD Health at a Glance: Europe 2010*
The Slovak Republic was ranked 24th in the 2009 OECD PISA survey of performance among 15-year-olds. Education spending comes to $4 000 per student or less each year for primary,

secondary and tertiary education, compared with an OECD-wide figure of $9 195 per student. – *OECD Highlights from Education at a Glance 2010*

The Slovak Republic performs above average on some indicators of human resources in science and technology. Science and engineering degrees accounted for 24% of all new degrees, exceeding the OECD average. Science and technology occupations feature strongly in total employment, with women holding 60% of these jobs. – *OECD Science, Technology and Industry Outlook 2010*

See www.oecd.org/slovakrepublic

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Kalužná, D. (2008), "Main Features of the Public Employment Service in the Slovak Republic," OECD Social, Employment and Migration Working Papers, No. 72

Country information

Joined the OECD: 2000

Head of Government: Prime Minister Iveta Radičová

Ambassador to the OECD: Iveta Hricová (Acting)

Delegation website: www.oecdparis.mfa.sk

Government: Coalition led by the SDKÚ-DS, with the SAS, MOST-HÍD and KDH

Next major election: 2014

Parliament website: www.nrsr.sk

Main employer group: National Union of Employers

Main trade union: Confederation of Trade Unions of the Slovak Republic

Capital city: Bratislava

National holiday: 1 September

Slovenia

Economy	2009*	1960*	
GDP (US$ bn)	56.0	29.1	1996-2009: +54%
GDP growth (annual growth in %)	-8.1	..	
GDP per capita (US$)	27405	14752	1996-2009: +51%
Population (thousands)	2020	1580	1960-2009: +28%
Budget deficit (% of GDP)	-5.8	..	
Public debt (% of GDP)	29.8	..	
Public debt (% of GDP)	44.1	..	
All-in tax rate (average worker, % of labour cost)	42.9	46.3	2000-2008: -7%
Society			
Employment rate (% of labour force)	67.5	63.4	2002-2009: +6%
Unemployment rate (% of labour force)	4.4	6.9	1996-2008: -36%
Life expectancy (years)	78.8	72.1	1987-2008: +9%
Health expenditure (total, % of GDP)	8.3	7.5	1995-2008: +11%
Tertiary graduation rate (% of population)	20.2	17.8	2005-2007: +13%
Self-employed (% of employment)	14.1	15.8	2002-2008: -11%
Hours worked (annual hours per worker)	1687	1698	2005-2008: -1%
Spending on education (total, % of GDP)	5.6	5.6	2007-2007: 0%
New sources of growth			
R&D expenditure (% of GDP)	1.7	1.6	1993-2008: +4%
Renewable energy (% of energy supply)	10.4	9.2	1990-2007: +13%
CO_2 emissions (tonnes per capita)	8.3	7.3	1986-2008: +14%
Globalisation			
Trade (goods and services % of GDP)	69.2	50.9	1995-2008: +36%
FDI stock (outward, US$ bn)	7	0	1995-2007: +1369%

* or nearest available year

Snapshots

- GDP in Slovenia rose by 54% between 1996 and 2009.
- General government debt came to 44.1% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 4.4%, below the OECD average of 8.1%; in 1996 it was 6.9%.
- Self-employment, at 14.1%, was below the OECD average of 15.8%.
- Renewable energy accounted for 10.4% of Slovenia's energy supply, compared with 7.1% for the OECD.

Other highlights

The recovery has mainly been driven by rising exports so far. Growth should rebalance gradually towards private domestic demand through 2011 and 2012. The unemployment rate has yet to stabilise as government short-time work measures are being phased out and activity remains subdued. Considerable economic slack should keep inflation in check. – *OECD Economic Outlook 2010*

Slovenia is an export dependent country with around two-thirds of its manufacturing output destined for foreign markets.

The OECD's product market regulation indicator confirms the overall business friendly environment, despite a slightly less liberal stance than the OECD average.

Slovenia has a high employment rate compared to the OECD average, but the labour force participation rate of the elderly is low by comparison. The employment situation of youth has improved markedly in recent years with labour force participation of those aged 15 to 29 rising from 52% in 2003 to 61% in mid-2008 and unemployment falling from 12.3% to 7.4%.

In 2002-05 Slovenia created and closed down fewer enterprises than in many other EU countries, whereas the survival rate (average life time) ranked among the highest in the EU area. – *OECD Economic Surveys: Slovenia 2009*

Compared with a typical OECD country, relative income poverty is lower in Slovenia and it has decreased over the 1997-2007 period. In the years 2005 through 2007 the share of persons with less than 50% of the Slovenian median income stood at a stable 6-7% and those with less than 60% of the median at 12%. This compares to OECD average income poverty rates of around 11 and 17%, respectively. – *OECD Reviews of Labour Market and Social Policies: Slovenia 2009*

The mortality rate in Slovenia has fallen by more than 30%, a decline that is greater than the EU average. – *OECD Health at a Glance: Europe 2010*

Slovenia was ranked 16th in the 2009 OECD PISA survey of performance among 15-year-olds. Slovenian students favour vocationally oriented tertiary education, or tertiary-type B. – *OECD Highlights from Education at a Glance 2010*

Slovenia displayed a comparative advantage of 2% in trade in medium-high technologies and benefited from an increase of 4 percentage points in the contribution of this sector to the manufacturing trade balance in 2007. – *OECD Science, Technology and Industry Scoreboard 2009*

See www.oecd.org/slovenia

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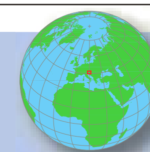

Joined the OECD: 2010

Head of State: President Danilo Türk

Ambassador to the OECD: Andrej Rant

Government: Social Democrats led by Borut Pahor

Next major election: 2012

Parliament website: www.dz-rs.si

Main employer groups: Association of Employers of Slovenia, Chamber of Commerce and Industry of Slovenia, Chamber of Craft and Small Business of Slovenia

Main trade unions: Association of Free Trade Unions of Slovenia, Confederation of Trade Unions of Slovenia PERGAM, Trade Union Confederation 90 of Slovenia, Confederation of Public Sector Trade Unions

Capital city: Ljubljana

National holiday: 25 June

BETTER POLICIES FOR BETTER LIVES IN SLOVENIA

OECD Reviews of Labour Market and Social Policies: Slovenia 2009

This report analyses the main challenges for labour market and social policies in Slovenia and considers the available policy options from the perspective of OECD countries' experience. It finds that Slovenia has one of the most equal income distributions in the world and a tradition of social dialogue. However, its unemployment insurance and employment service system are not sufficient to deal effectively with the present economic crisis and the country is also faced with rapid population ageing and a low employment rate among 55-to-64 year olds. This report makes recommendations to deal with these issues.

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South Africa

Economy	2009*	1960*	
GDP (US$ bn)	493.5	..	
GDP growth (annual growth in %)	-1.8	..	
GDP per capita (US$)	10136	..	
Population (thousands)	50110	17396	1960-2009: +188%
Budget deficit (% of GDP)	-7.3	..	
New sources of growth			
R&D expenditure (% of GDP)	0.9	0.8	1983-2007: +13%
Renewable energy (% of energy supply)	10.3	..	
CO_2 emissions (tonnes per capita)	6.9	7.7	1971-2008: -10%
Globalisation			
FDI stock (outward, US$ bn)	66	15	1990-2007: +339%

* or nearest available year

Snapshots

- Renewable energy accounted for 10.3% of South Africa's energy supply, compared with 7.1% for the OECD.
- Real GDP is expected to remain above 4% in 2011 and 2012.
- The South African population has grown by 188% since 1960.
- Inflation is expected to remain below 5% in 2011 and 2012.
- Per capita CO2 emissions have dropped by 10% since 1971.

Other highlights

Economic growth is expected to gain traction, led by domestic demand, while fast import growth is likely to widen the current account deficit. Inflation should remain within the target range in the context of a lingering negative output gap. Already programmed expenditure restraint combined with a projected cyclical recovery in revenues will shrink the budget deficit.
– OECD Economic Outlook 2010

South Africa's downturn was fairly shallow: the peak-to-trough fall in output was smaller than in most OECD countries and emerging market economies. On a sectoral basis, the most important offset to the negative dynamics that took hold in manufacturing and mining was construction, which held up well through the recession. This was primarily a function of public investment, in part linked to the preparations for the 2010 World Cup and associated transport projects.

South Africa's indicators for human resources in science and technology are weak. It has 1.5 researchers per thousand employment and 16% of science and engineering degrees in all new degrees. *– OECD Science, Technology and Industry Outlook 2010*

High rates of illness in the working age population sap labour supply. Although overall adult infection rates have stabilised and rates among younger adults appear to have declined, South Africa has more people living with HIV than any other country in the world, and more than a quarter of pregnant women are HIV positive.

Young blacks are the most likely of all to be jobless. Racial disparities in unemployment rates have been very persistent.

South Africa tends to score relatively poorly on broad indices of environmental conditions, especially in the area of greenhouse gas emissions. This is due to its industrial structure and its heavy reliance on coal for electricity generation.
– OECD Economic Survey of South Africa 2010

South Africa has pledged to reduce emissions by 35% below business-as-usual scenarios by 2020.
– *IEA World Energy Outlook 2010*

See www.oecd.org/southafrica

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Country information

Head of State: President Jacob Zuma

Government: African National Congress

Next major election: 2014

Parliament website: www.parliament.gov.za

Main employer group: Business Unity South Africa (BUSA)

Main trade unions: COSATU, FEDUSA, NACTU

Capital city: Pretoria

National holiday: 27 April

Spain

Economy	2009*	1960*	
GDP (US$ bn)	1499.6	168.9	1960-2009: +524%
GDP growth (annual growth in %)	-3.7	..	
GDP per capita (US$)	32650	5547	1960-2009: +327%
Population (thousands)	44511	30455	1960-2009: +46%
Budget deficit (% of GDP)	-9.6	..	
Public debt (% of GDP)	62.4	..	
All-in tax rate (average worker, % of labour cost)	37.8	38.6	2000-2008: -2%
Society			
Employment rate (% of labour force)	60.6	57.8	1972-2009: +5%
Unemployment rate (% of labour force)	18.1	1.5	1960-2009: +1105%
Women as % of labour force	43.8	25.0	1970-2009: +76%
Poverty rate (% of population)	14.1	..	
Life expectancy (years)	81.2	69.8	1960-2008: +16%
Health expenditure (total, % of GDP)	9.0	1.5	1960-2008: +500%
Tertiary graduation rate (% of population)	32.4	23.9	1995-2007: +36%
Self-employed (% of employment)	17.7	25.8	1990-2008: -32%
Hours worked (annual hours per worker)	1654	2040	1970-2009: -19%
Spending on education (total, % of GDP)	4.8	5.3	1995-2007: -9%
New sources of growth			
R&D expenditure (% of GDP)	1.4	0.4	1981-2008: +238%
Broadband access (subscriptions / 100 inhabitants)	21.2	..	
Renewable energy (% of energy supply)	7.5	6.5	1971-2008: +15%
CO_2 emissions (tonnes per capita)	7.0	3.5	1971-2008: +99%
Globalisation			
Trade (goods and services % of GDP)	29.5	12.9	1970-2008: +129%
Development aid (% of GNI)	0.5	0.2	1995-2009: +89%
Foreign-born population (% of population)	13.4	3.2	1998-2007: +322%
FDI stock (outward, US$ bn)	591	37	1995-2007: +1516%

* or nearest available year

Snapshots

- GDP in Spain rose by 524% between 1960 and 2009.
- General government debt came to 62.4% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 18.1%, above the OECD average of 8.1%; in 1960 it was 1.5%.
- Women made up 43.8% of the labour force, up 76% since 1970, and equal to the OECD average.
- Self-employment, at 17.7%, was above the OECD average of 15.8%.
- Some 21.2% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 7.5% of Spain's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.5% of GNI.

Other highlights

Output is expected to remain flat in the second half of 2010 and to grow by 1% in 2011 and by 1.75% in 2012. The unemployment rate is projected to decline to 16.5% by the end of 2012 while consumer price inflation may fall to below 0.5% once the effect of increased VAT rates drops out.

Budgetary consolidation at all levels of government is projected to result in a decline of the government deficit from 9% of GDP in 2010 to 6.25% in 2011 and to 4.5% in 2012. The turmoil in euro area financial markets has raised funding costs. – *OECD Economic Outlook 2010*

Productivity, which typically falls during a recession, actually rose sharply because labour shedding has been so great relative to the fall of output.

Although the decline in output during the recession was smaller than the OECD average, the rise in unemployment has been above average. – *OECD Employment Outlook 2010*

During the current economic downturn, 85% of job losses in Spain concerned temporary workers.

The foreign-born population in 2008 accounted for 14.1% of the total population, compared to 4.9% in the year 2000. This is the highest rate of growth of the foreign-born population over a short period observed in any OECD country since the Second World War. In Europe, only Germany has more immigrants. – *OECD Insights, From Crisis to Recovery 2010*

At 19.7%, the personal average tax rate in is among the lowest in the OECD. – *OECD Taxing Wages 2009*

Spain has one of the highest AIDS incidence rates in the EU, with 25-50 new cases per million population. – *OECD Health at a Glance: Europe 2010*

Spain slipped one slot from 2006 to rank 27 in the 2009 OECD PISA survey of performance among 15-year-olds. – *OECD PISA 2009 at a Glance*

Concentrated Solar Power technologies have evolved rapidly over the past few years and several advanced technology systems are now being installed, mainly in the United States and Spain.
– *IEA World Energy Outlook 2010*

See www.oecd.org/spain

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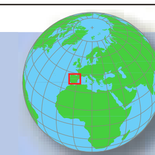

Joined the OECD: 1961

Head of Government: José Luis Rodríguez Zapatero

Ambassador to the OECD: Cristina Narbona Ruiz

Delegation website: www.maec.es/subwebs/representaciones/OCDE/

Government: Spanish Socialist Workers' Party (PSOE)

Next major election: 2012

Parliament website: www.congreso.es

Main employer group: CEOE

Main trade unions: CCOO, UGT, USO

Capital city: Madrid

National holiday: 12 October

BETTER POLICIES FOR BETTER LIVES IN SPAIN

OECD Reviews of Regional Innovation: Catalonia, Spain

This review of regional innovation assesses how to improve Catalonia's current strategy and actions in order to boost its innovation system through both its own programmes and those of Spain and the European Union. It finds that with over seven million inhabitants and a GDP of around EUR 204 billion, Catalonia is not only an important region within Spain, but within the OECD as well. Indeed, its economic output is similar to countries like Portugal and Norway. The region experienced massive population growth over the past decade, due to immigration, which in part drove GDP growth. However, Catalonia's productivity is slipping, relative to other OECD regions, necessitating the transition to a productivity-driven growth model through a stronger regional innovation system. The region has successfully strengthened its research base, with investments in R&D having increased four-fold over the past decade. Catalonia is now mobilising actors across the innovation system in regional centres, such as Barcelona, to improve productivity and address social challenges.

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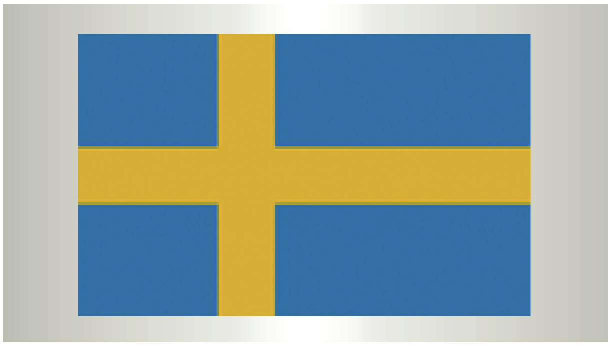
Sweden



Economy	**2009***	**1960***	
GDP (US$ bn)	352.6	85.0	1960-2009: +238%
GDP growth (annual growth in %)	-5.1	..	
GDP per capita (US$)	37747	11351	1960-2009: +175%
Population (thousands)	9198	7485	1960-2009: +23%
Budget deficit (% of GDP)	-2.0	..	
Public debt (% of GDP)	51.9	..	
All-in tax rate (average worker, % of labour cost)	44.6	50.1	2000-2008: -11%
Society			
Employment rate (% of labour force)	72.2	71.1	1963-2009: +2%
Unemployment rate (% of labour force)	8.3	1.7	1960-2009: +383%
Women as % of labour force	47.6	36.7	1963-2009: +30%
Poverty rate (% of population)	5.3	..	
Life expectancy (years)	81.4	73.1	1960-2009: +11%
Health expenditure (total, % of GDP)	9.4	6.8	1970-2008: +38%
Tertiary graduation rate (% of population)	39.9	24.0	1995-2007: +66%
Self-employed (% of employment)	10.4	9.2	1990-2008: +13%
Hours worked (annual hours per worker)	1610	1899	1960-2009: -15%
Spending on education (total, % of GDP)	6.3	6.0	1995-2007: +4%
New sources of growth			
R&D expenditure (% of GDP)	3.8	2.2	1981-2008: +72%
Broadband access (subscriptions / 100 inhabitants)	32.4	..	
Renewable energy (% of energy supply)	32.6	20.4	1971-2008: +60%
CO_2 emissions (tonnes per capita)	5.0	10.2	1971-2008: -51%
Globalisation			
Trade (goods and services % of GDP)	50.5	22.9	1960-2008: +121%
Development aid (% of GNI)	1.1	0.8	1995-2009: +46%
Foreign-born population (% of population)	13.4	10.5	1995-2007: +27%
FDI stock (outward, US$ bn)	327	51	1990-2007: +545%

* or nearest available year

Snapshots

- GDP in Sweden rose by 238% between 1960 and 2009.
- General government debt came to 51.9% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 8.3%, slightly above the OECD average of 8.1%; in 1960 it was 1.7%.
- Women made up 47.6% of the labour force, up 30% since 1963, and above the OECD average.
- Self-employment, at 10.4%, was below the OECD average of 15.8%.
- Some 32.4% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 32.6% of Sweden's energy supply, compared with 7.1% for the OECD.
- Development aid came to 1.1% of GNI.

Other highlights

The economy has recovered strongly from the recent recession. Solid, though more moderate, growth is expected to continue as external demand gains momentum. Unemployment is projected to decline, but rather slowly. Core inflation is expected to remain subdued, amid low wage pressures and still ample spare capacity. – *OECD Economic Outlook 2010*

In 2005, on average in OECD countries, public social expenditure amounted to 21% of GDP. In Sweden, public social spending is about 29% of GDP.

Income inequality in Sweden is among the lowest in the OECD. – *OECD Factbook 2010*

The increase in migration inflows to Sweden exceeded the record high of 2007 by reaching 101 200 in 2008. Total net immigration, with 45 300 emigrants from Sweden, amounted to 55 900. In 2008, 13.8% of the Swedish population was foreign-born, an increase by 4.2% from 2007, and 562 100 (6.1%) were foreign citizens. – *OECD International Migration Outlook 2010*

Sweden employs more resources in the health sector than most other OECD countries. In 2006 (latest year available), Sweden had 3.6 practising physicians per 1 000 population, compared with an average of 3.2 in OECD countries in 2008. Sweden also had 10.8 nurses per 1 000 population in 2006, compared with an OECD average of 9.0 in 2008. – *OECD Health Data 2010: Sweden*

Cancer is the second leading cause of mortality in EU countries, but Sweden has one of the lowest cancer mortality rates in the EU. – *OECD Health at a Glance: Europe 2010*

In education, Sweden was ranked 21st overall in the PISA 2009 survey, down eight places from 2006. Performance on human resources in science and technology (HRST) indicators is strong. In 2008 its 11 researchers per 1 000 employment was the fourth highest in the OECD area, and the 25% of science and engineering degrees in all new degrees was above the OECD average. The 1 558 scientific articles per million population in 2008 were exceeded by only three countries. – *OECD Science, Technology and Industry Outlook 2010*

In Sweden, 63% of total heat demand in 2008 was supplied by renewables, compared with only 1% in the UK for instance. It is the largest consumer of wood and wood waste for district heating. – *IEA World Energy Outlook 2010*

See www.oecd.org/sweden

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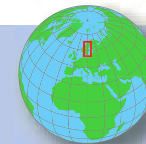


Joined the OECD: 1961

Head of Government: Prime Minister Fredrik Reinfeldt

Ambassador to the OECD: Mats Ringborg

Delegation website: www.swedenabroad.com/oecd

Government: The Alliance (Moderate Party, Centre Party, Liberal Party, Christian Democrats) led by Fredrik Reinfeldt (Moderate Party)

Next major election: 2014

Parliament website: www.riksdagen.se

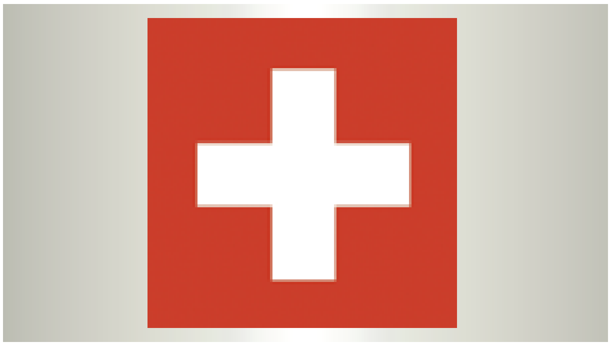
Main employer group: Confederation of Swedish Enterprise

Main trade unions: The Swedish Trade Union Confederation (LO), The Swedish Confederation of Professional Associations (SACO), The Swedish Confederation of Professional Employees (TCO)

Capital city: Stockholm

National holiday: 6 June

Switzerland



Economy	2009*	1960*	
GDP (US$ bn)	348.8	90.5	1960-2009: +189%
GDP growth (annual growth in %)	-1.9	..	
GDP per capita (US$)	44725	16989	1960-2009: +102%
Population (thousands)	7628	5328	1960-2009: +43%
Budget deficit (% of GDP)	-0.7	..	
Public debt (% of GDP)	42.2	..	
All-in tax rate (average worker, % of labour cost)	29.5	30.0	2000-2008: -2%
Society			
Employment rate (% of labour force)	79.2	78.2	1991-2009: +1%
Unemployment rate (% of labour force)	4.1	0.0	1960-2009: +8943%
Women as % of labour force	45.4	34.1	1960-2009: +33%
Poverty rate (% of population)	8.7	..	
Life expectancy (years)	82.2	71.4	1960-2008: +15%
Health expenditure (total, % of GDP)	10.7	4.9	1960-2008: +118%
Tertiary graduation rate (% of population)	31.4	9.5	1995-2007: +232%
Self-employed (% of employment)	11.1	11.8	1991-2008: -6%
Hours worked (annual hours per worker)	1640	1698	1991-2008: -3%
Spending on education (total, % of GDP)	5.5	6.0	1995-2007: -8%
New sources of growth			
R&D expenditure (% of GDP)	3.0	2.1	1981-2008: +44%
Broadband access (subscriptions / 100 inhabitants)	35.6	..	
Renewable energy (% of energy supply)	20.4	15.5	1971-2008: +32%
CO_2 emissions (tonnes per capita)	5.7	6.1	1971-2008: -8%
Globalisation			
Trade (goods and services % of GDP)	50.8	31.4	1970-2008: +62%
Development aid (% of GNI)	0.5	0.3	1995-2009: +37%
Foreign-born population (% of population)	24.9	21.4	1995-2007: +17%
FDI stock (outward, US$ bn)	658	66	1990-2007: +896%

* or nearest available year

Snapshots

- GDP in Switzerland rose by 189% between 1960 and 2009.
- General government debt came to 42.2% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 4.1%, below the OECD average of 8.1%; in 1960 it was 0.0%.
- Women made up 45.4% of the labour force, up 33% since 1960, and slightly above the OECD average.
- Self-employment, at 11.1%, was below the OECD average of 15.8%.
- Some 35.6% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 20.4% of Switzerland's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.5% of GNI.

Other highlights

Economic activity has gained significant momentum on the back of the global recovery, and then a strong pick-up in domestic demand growth from the middle of 2010. As the output gap closes, economic growth gradually slows to potential through the projection period. Unemployment will continue to decline slowly in 2011 and 2012 while inflation is projected to rise slightly above 1%. – *OECD Economic Outlook 2010*

Over 25% of all those in employment were working part-time in 2008. Private expenditure on old-age benefits exceeds 3.5% of GDP; this is among the highest in in the OECD area, matched only by Australia, Denmark, Iceland and the Netherlands. – *OECD Factbook 2010*

Preliminary data for 2009 show a sharp decline in immigration, in particular of immigrants from the enlarged European Union. Between January and September 2009, long-term immigration from the EU/EEA declined by about 23% compared with the corresponding period in 2008. Overall, net immigration during this period has been at its lowest level since the introduction of free movement in 2002. – *OECD International Migration Outlook 2010*

Between 2000 and 2009, the tax wedge–a measure of the difference between the total cost to an employer of employing someone and that person's net take-home pay–decreased for all family types in Switzerland. – *OECD Taxing Wages 2009*

Switzerland has one of the lowest cancer mortality rates in Europe, at under 150 deaths per 100 000 population. – *OECD Health at a Glance: Europe 2010*

In education, Switzerland was ranked 8th overall in the PISA 2009 survey. Swiss students are relatively strongly oriented to vocational tertiary education, or tertiary-type B. – *OECD Highlights from Education at a Glance 2010*

Switzerland is one of the world's leaders in nanotechnology, particularly in nano materials and devices. Patent intensity in particular has increased over recent years. In 2008, its 113 triadic patents per million population and its 1 770 scientific articles per million population were the highest in the OECD area. Switzerland ranks in the top three countries on scientific publications in environmental sciences. – *OECD Science, Technology and Industry Outlook 2010*

See www.oecd.org/switzerland

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Country information

Joined the OECD: 1961

Head of State: President Micheline Calmy-Rey

Ambassador to the OECD: Stefan Flückiger

Delegation website: www.eda.admin.ch/paris_ocde

Government: Collegial coalition government, the four main parties being the Swiss People's Party (SVP), the Swiss Democratic Party (SP), the Liberals (FDP) and the Christian Democrat People's Party (CVP)

Next major elections: 23 October 2011 (federal election of the National Council); December 2011 (election of the Federal Council)

Parliament website: www.parlament.ch

Main employer groups: economiesuisse (Swiss Business Federation), Confederation of Swiss Employers

Main trade unions: Travail Suisse, Swiss Federation of Trade Unions

Capital city: Bern

National holiday: 1 August

Turkey

Economy	2009*	1960*	
GDP (US$ bn)	1040.3	95.7	1960-2009: +726%
GDP growth (annual growth in %)	-4.7	..	
GDP per capita (US$)	14469	3487	1960-2009: +200%
Population (thousands)	75643	27438	1960-2009: +176%
All-in tax rate (average worker, % of labour cost)	39.7	40.4	2000-2008: -2%
Society			
Employment rate (% of labour force)	44.3	54.9	1988-2009: -19%
Unemployment rate (% of labour force)	14.0	9.5	1960-2009: +48%
Women as % of labour force	27.6	29.5	1988-2009: -6%
Poverty rate (% of population)	17.5	..	
Life expectancy (years)	73.6	48.3	1960-2008: +52%
Health expenditure (total, % of GDP)	6.0	2.2	1975-2007: +173%
Self-employed (% of employment)	39.0	61.0	1990-2008: -36%
Hours worked (annual hours per worker)	1918	2086	1970-2004: -8%
New sources of growth			
R&D expenditure (% of GDP)	0.7	0.2	1990-2008: +201%
Broadband access (subscriptions / 100 inhabitants)	9.0	..	
Renewable energy (% of energy supply)	9.5	31.0	1971-2008: -69%
CO_2 emissions (tonnes per capita)	3.7	1.1	1971-2008: +224%
Globalisation			
Trade (goods and services % of GDP)	26.1	4.0	1970-2008: +550%
FDI stock (outward, US$ bn)	12	4	2000-2007: +233%

* or nearest available year

Snapshots

- GDP in Turkey rose by 726% between 1960 and 2009.
- Unemployment stood at 14.0%, above the OECD average of 8.1%; in 1960 it was 9.5%.
- Women made up 27.6% of the labour force, down 6% since 1988, and well below the OECD average.
- Self-employment, at 39.0%, was well above the OECD average of 15.8%.
- Some 9.0% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 9.5% of Turkey's energy supply, compared with 7.1% for the OECD.

Other highlights

The recovery which started in the second quarter of 2009 has remained strong during 2010. GDP growth is projected to remain above 5% in 2011 and 2012 as a post-crisis rebound of exports, consumption and investment tapers off.

The authorities have announced that both fiscal and monetary policy will be tightened gradually, and a prudent medium-term economic programme was published in October 2010. – *OECD Economic Outlook 2010*

Turkey waives employer social contributions for the first five years of employment for employers that hire women or youth (18-29 years) who have been unemployed for at least six months. – *OECD Employment Outlook 2010*

Since the mid-1990s, R&D expenditure in real terms has been growing the fastest (among OECD countries) in Turkey and Portugal, both with average annual growth rates above 10%.

Life expectancy in OECD countries was the lowest in Turkey, at 73.6 years. However, it has increased sharply since 1960, rapidly catching up with the OECD average. – *OECD Factbook 2010*

Between 2000 and 2009, the average income tax burden decreased for all family types in Turkey. – *OECD Taxing Wages 2009*

The infant mortality rate in Turkey has fallen dramatically over the past few decades, but remains almost four times higher than the OECD average of 4.7. – *OECD Health Data 2010: Turkey*

The number of doctors per capita is lowest in Turkey. – *OECD Health at a Glance: Europe 2010*

In education, Turkey was ranked 31st overall in the PISA 2009 survey, the same as in 2006. – *OECD PISA 2009 at a Glance*

Turkey is one of two OECD countries where the graduation rates for boys exceed those for girls, the other being Switzerland. – *OECD Highlights from Education at a Glance 2010*

Unlike in most OECD countries, green taxes rose as a percentage of GDP in Turkey in 2000-2008, reflecting reforms focused on shifting tax towards consumption. – *OECD Factblog*

As a rapidly growing importer of oil, Turkey has effectively used its close proximity to around 75% of the world's oil reserves to foster key pipeline links, notably the Baku-Tbilisi-Ceyhan (BTC) crude oil pipeline from the Caspian region and the Kirkuk-Ceyhan crude oil pipeline from Iraq. – *IEA Energy Policies of IEA Countries: Turkey 2009*

See www.oecd.org/turkey

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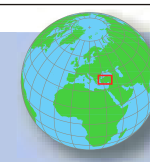


Joined the OECD: 1961

Head of State: President Abdullah Gül

Ambassador to the OECD: Ahmet Erozan

Delegation website: http://oecd.pr.mfa.gov.tr

Government: Justice and Development Party (AKP)

Next major election: 12 June 2011

Parliament website: www.tbmm.gov.tr

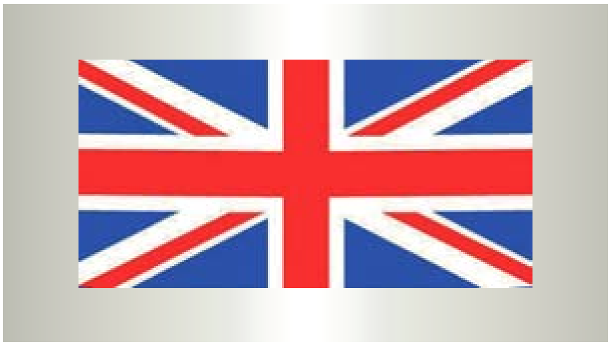
Main employer groups: The Union of Chambers and Commodity Exchanges of Turkey (TOBB), Turkish Confederation of Employer Associations (TISK), Turkish Industrialists' and Businessmen's Association (TÜSIAD)

Main trade union: Confederation of Turkish Trade Unions (TÜRK-İŞ)

Capital city: Ankara

National holiday: 29 October

United Kingdom



Economy	2009*	1960*	
GDP (US$ bn)	2256.8	568.1	1960-2009: +206%
GDP growth (annual growth in %)	-5.0	..	
GDP per capita (US$)	36538	10847	1960-2009: +159%
Population (thousands)	61858	52372	1960-2009: +18%
Budget deficit (% of GDP)	-12.6	..	
Public debt (% of GDP)	72.4	..	
All-in tax rate (average worker, % of labour cost)	32.8	32.6	2000-2008: +1%
Society			
Employment rate (% of labour force)	70.6	65.9	1984-2009: +7%
Unemployment rate (% of labour force)	7.7	1.4	1960-2009: +470%
Women as % of labour force	46.7	33.4	1960-2009: +40%
Poverty rate (% of population)	8.3	..	
Life expectancy (years)	79.7	70.8	1960-2007: +13%
Health expenditure (total, % of GDP)	8.7	3.9	1960-2008: +123%
Tertiary graduation rate (% of population)	38.7	37.4	2000-2007: +4%
Self-employed (% of employment)	13.4	15.1	1990-2008: -11%
Hours worked (annual hours per worker)	1646	1943	1970-2009:-15%
Spending on education (total, % of GDP)	5.8	5.2	1995-2007: +12%
New sources of growth			
R&D expenditure (% of GDP)	1.8	2.4	1981-2008: -25%
Broadband access (subscriptions / 100 inhabitants)	29.5	..	
Renewable energy (% of energy supply)	2.8	..	
CO_2 emissions (tonnes per capita)	8.3	11.1	1971-2008: -25%
Globalisation			
Trade (goods and services % of GDP)	30.4	21.8	1970-2008: +40%
Development aid (% of GNI)	0.5	0.3	1995-2009: +82%
Foreign-born population (% of population)	10.2	6.9	1995-2007: +46%
FDI stock (outward, US$ bn)	1841	229	1990-2007: +703%

* or nearest available year

Snapshots

- GDP in the United Kingdom rose by 206% between 1960 and 2009.
- General government debt came to 72.4% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 7.7%, below the OECD average of 8.1%; in 1960 it was 1.4%.
- Women made up 46.7% of the labour force, up 40% since 1960, and above the OECD average.
- Self-employment, at 13.4%, was below the OECD average of 15.8%.
- Some 29.5% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 2.8% of the United Kingdom's energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.5% of GNI.

Other highlights

The economy is recovering from the recession, supported by growing domestic demand and rising exports. The substantial but necessary fiscal tightening and weak real income growth create headwinds and growth is projected to remain subdued in 2011. The recovery will gain a bit more momentum in 2012 when exports are expected to increase further and business investment to grow more robustly. Unemployment is set to fall gradually.

The government's ambitious medium-term plan has significantly reduced fiscal risks and could, in combination with efficiency improvements in health spending and structural reforms, support growth in the longer term. (The UK's general government deficit should ease below 10% of GDP in 2011.)

Employment has started to pick up, but will be sluggish as public employment is set to fall and firms can initially meet rising demand through productivity gains and increases in average working hours. Real house prices increased earlier in 2010, although the housing market continued weak, as reflected in survey indicators of price expectations from the Royal Institute of Chartered Surveyors, for example. – *OECD Economic Outlook 2010*

The total number of foreign citizens in the UK in 2009 reached 4.4 million (around 7.2% of the population). Almost half of all foreigners were European, of which 827 000 came from the ten most recent Eastern European accession countries. Around a quarter were Asians, mostly from India (293 000) and Pakistan (178 000). The number of African citizens rose to 609 000.
– *OECD International Migration Outlook 2010*

Between 2000 and 2009, the United Kingdom was one of eleven OECD member countries where the average income tax burden decreased for all family types. – *OECD Taxing Wages 2009*

In education, the UK was ranked 14th in the PISA 2009 survey, up two slots since 2006. – *OECD PISA 2009 at a Glance*

In the UK, the unemployment rate for 20-24 year-old non-students with less than upper secondary education attainment is 15% or more. International students represent 14.7% of tertiary students in the country. At primary level, the average class in a public institution has at least four more students than one in a private institution. – *OECD Highlights from Education at a Glance 2010*

See www.oecd.org/uk

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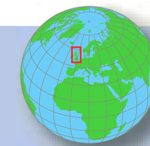

Joined the OECD: 1961

Head of Government: Prime Minister David Cameron

Ambassador to the OECD: Dominic Martin

Delegation website: http://ukoecd.fco.gov.uk/en/

Government: Conservative/Liberal Democrat coalition

Next major election: On or before 11 June 2015

Parliament website: www.parliament.uk

Main employer group: Confederation of British Industry

Main trade union: Trades Union Congress

Capital city: London

BETTER POLICIES FOR BETTER LIVES IN THE UNITED KINGDOM

Better Regulation in Europe: United Kingdom 2010

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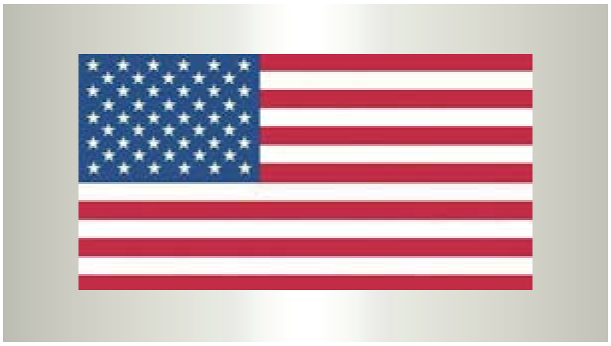
United States



Economy	2009*	1960*	
GDP (US$ bn)	14043.9	2509.5	1960-2009: +355%
GDP growth (annual growth in %)	-2.6	..	
GDP per capita (US$)	45674	13890	1960-2009: +168%
Population (thousands)	307212	180671	1960-2009: +70%
Budget deficit (% of GDP)	-11.2	..	
Public debt (% of GDP)	84.4	..	
All-in tax rate (average worker, % of labour cost)	30.1	30.4	2000-2008: -1%
Society			
Employment rate (% of labour force)	67.6	62.0	1960-2009: +9%
Unemployment rate (% of labour force)	9.3	5.5	1960-2009: +67%
Women as % of labour force	47.3	33.3	1960-2009: +42%
Poverty rate (% of population)	17.1	..	
Life expectancy (years)	77.9	69.9	1960-2007: +11%
Health expenditure (total, % of GDP)	16.0	5.2	1960-2008: +208%
Tertiary graduation rate (% of population)	36.5	32.7	1995-2007: +12%
Self-employed (% of employment)	7.0	8.8	1990-2008: -20%
Hours worked (annual hours per worker)	1768	1948	1960-2009: -9%
Spending on education (total, % of GDP)	7.6	6.6	1995-2007: +16%
New sources of growth			
R&D expenditure (% of GDP)	2.8	2.3	1981-2008: +18%
Broadband access (subscriptions / 100 inhabitants)	26.4	..	
Renewable energy (% of energy supply)	5.3	..	
CO_2 emissions (tonnes per capita)	18.4	20.7	1971-2008: -11%
Globalisation			
Trade (goods and services % of GDP)	15.2	5.6	1970-2008: +170%
Development aid (% of GNI)	0.2	0.1	1995-2009: +96%
Foreign-born population (% of population)	13.6	9.3	1995-2007: +47%
FDI stock (outward, US$ bn)	3451	617	1990-2007: +460%

* or nearest available year

Snapshots

- GDP in the United States rose by 355% between 1960 and 2009.
- General government debt came to 84.4% of GDP, compared with 90.6% for the OECD.
- Unemployment stood at 9.3%, above the OECD average of 8.1%; in 1960 it was 5.5%.
- Women made up 47.3% of the labour force, up 42% since 1960, and above the OECD average.
- Self-employment, at 7.0%, was below the OECD average of 15.8%.
- Some 26.4% of inhabitants have broadband access, compared with an OECD average of 24.2%.
- Renewable energy accounted for 5.3% of the United States' energy supply, compared with 7.1% for the OECD.
- Development aid came to 0.2% of GNI.

Other highlights

After turning around briskly in the second half of 2009 and into the early part of this year, US economic growth slowed in the second and third quarters of 2010. Fiscal support continues to be substantial (with a general government deficit close to 9% of GDP), though the effect of the stimulus on growth is diminishing and is assumed to turn negative in future quarters. The pace of the recovery is projected to remain moderate through 2011-2012 as households continue to rebuild net worth and the unemployment rate declines slowly. – *OECD Economic Outlook 2010*

Employment continues to expand, but at a pace that is too slow to increase the employment-population ratio and recover the ground lost during the recession. Unemployment will be around 9.5% in 2011. – *OECD Employment Outlook 2010*

The United States is one of only three OECD member countries where a married average worker with two children faces a personal income tax burden less than zero, at –2.4%. – *OECD Taxing Wages 2009*

With nearly one in four seniors living in poverty, it has the fifth highest old-age poverty in the OECD. – *OECD Pensions at a Glance 2009*

The US spends 16% of its GDP on health care, followed by France (11.2%) and Switzerland (10.7%). – *OECD Health Data 2010: United States*

In education, the US was ranked 19th in the PISA 2009 survey, up six slots from 2006. – *OECD PISA 2009 at a Glance*
The US accounts for 28% of all doctorates awarded in the OECD area. Science and engineering degrees are 15% of all new degrees, which is below the OECD average.

The country accounts for 43% of all pharmaceutical patents, half of all medical patents and almost 20% of all environmental patents. – *OECD Science, Technology and Industry Outlook 2010*

A leader in renewable energy, ethanol use for fuel is projected to increase to 77 bnl by 2019, but to remain below the 2019 mandate of 102 bnl. – *OECD-FAO Agricultural Outlook 2010*

See www.oecd.org/us

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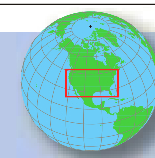

Joined the OECD: 1961

Head of State: President Barack Obama

Ambassador to the OECD: Karen Kornbluh

Delegation website: http://usoecd.usmission.gov

Government: Democratic Party

Next major election: 2012

Parliament websites: www.house.gov/ www.senate.gov

Main employer group: United States Council for International Business

Main trade unions: AFL-CIO

Capital city: Washington, DC

National holiday: 4 July

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- What must be done to improve skills and cut unemployment?
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- What sources of growth can best build a cleaner, more prosperous future?
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