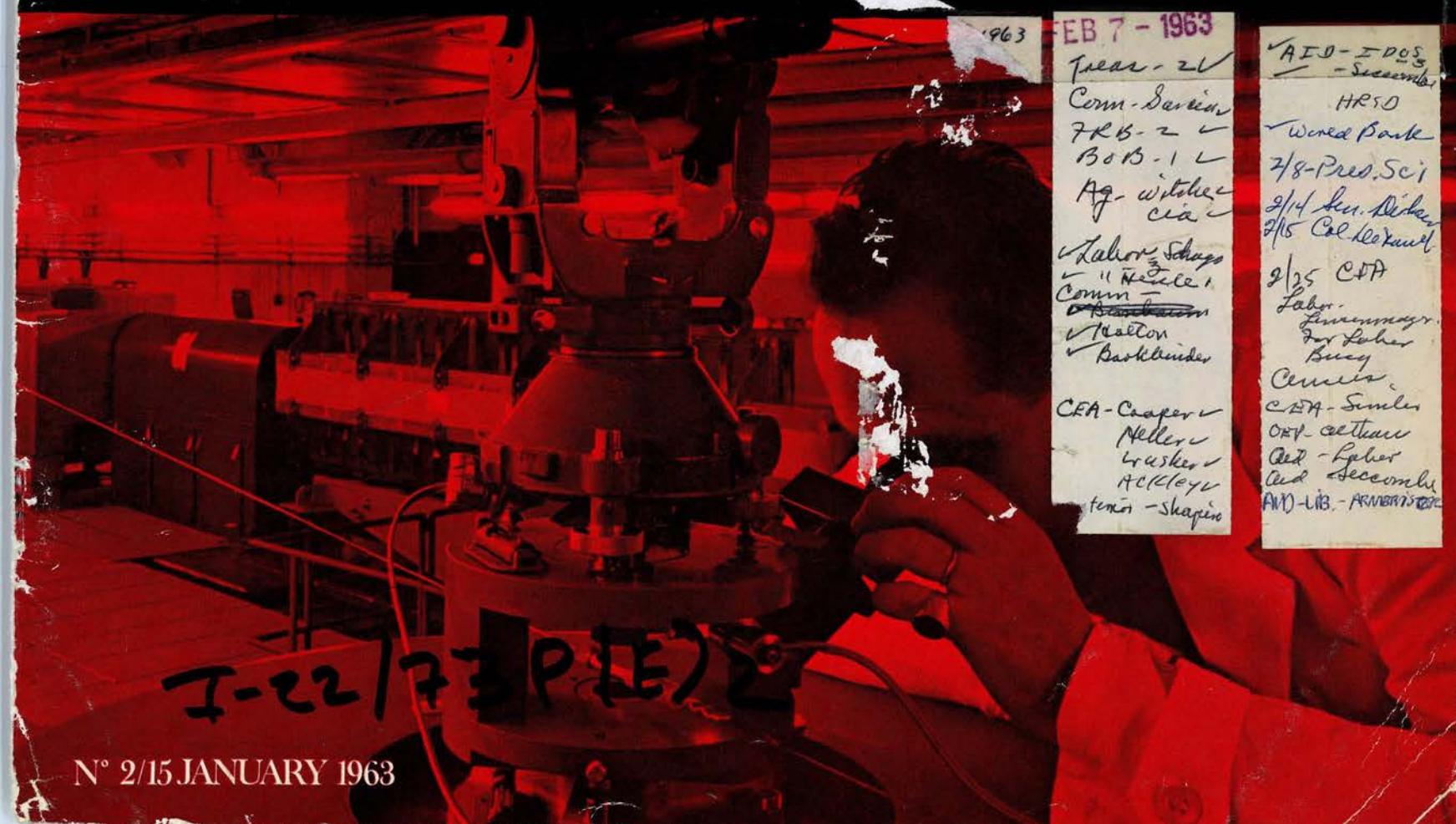


the

OECD OBSERVER

POLICIES FOR GROWTH AND PRICE STABILITY. SCIENCE INVESTMENT FOR THE FUTURE. PILOT EXPERIMENT IN TECHNICAL CO-OPERATION. THE WORKER GOES ABROAD. JOINT RESEARCH ON NUCLEAR ENERGY. NEW FISH MARKETS.



1963 FEB 7 - 1963

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the OECD OBSERVER

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STATEMENT BY THE MINISTERIAL COUNCIL

Directives for 1963

The Ministerial Council of the O.E.C.D., meeting in Paris on 27th and 28th November, 1962, under the Chairmanship of the Honourable Donald M. Fleming, of Canada, reviewed the economic prospects for its 20 Member countries in Europe and North America and the world-wide responsibilities of the O.E.C.D. community.

The Ministers undertook this review and surveyed progress towards the growth target they defined last year, basing themselves on comprehensive studies in the Organisation.

In the United States there is unemployed labour and unutilised capacity. There is a clear need for action to stimulate demand.

Production in some European countries is now growing less rapidly than last year, but no country is expecting a substantial slowing-down in the growth of production next year.

The Organisation will continue to keep the situation closely under review. Ministers agreed that should the need to take expansionary measures arise later on, it would be important for Member countries to act quickly and in concert.

There has been a substantial improvement in the international competitive position in the United States, in Canada, and in the United Kingdom. This will contribute increasingly to a better balance in international payments. National authorities will continue their close co-operation to moderate the remaining elements of imbalance. In particular, further efforts are needed to ensure that capital flows assist rather than

impede the restoration of balance of payments equilibrium, account being taken of the situation in the various countries. It should be noted that large resources are available to deal with temporary balance of payments difficulties.

Prices and costs have been rising in Europe. The rise needs to be halted without restrictive policies which might arrest sound economic expansion.

Continued economic growth without undesirable rises in costs and prices could be facilitated by adequate incomes policies and measures to secure mobility of productive resources. A report on costs and prices will be published.

Ministers had before them a first report which will be published on some problems related to the collective target of 50 per cent growth in real national product during the decade from 1960 to 1970, set by the Ministerial Council in 1961. While this objective is well within the physical capabilities of the Member countries, experience over the first two years of the decade points to the need for a better and fuller use of economic resources for this purpose.

Referring to last year's communiqué, Ministers reaffirmed the special desirability of rapid growth in all Member countries in process of development and confirmed the importance which they attach to the continuation of the efforts of the Organisation in this field. In this context they stressed the importance of the work to be done by the consortia established to support the development policies of Greece and Turkey.

The Ministers noted with satisfaction the conclusions

of the first annual review of the aid policies of the Members of the Development Assistance Committee.

They recognised the need for further concerted action to increase the volume and effectiveness of aid to developing countries and to relate it more closely to the development efforts of the benefiting countries themselves.

Aid programmes should be a well-established part of the policy of every developed Member country.

The Ministers noted with satisfaction the decision taken on the establishment of a Development Centre, the work of which will have to be prepared by the Organisation.

In the field of trade important tasks lie ahead. If the less developed countries are to achieve a substantial improvement in their standards of living, efforts in the field of aid must be supplemented by policies designed to increase their foreign exchange earnings and provide expanding markets for their products, including manufactured articles. To this end, Ministers have recommended that Member countries, in the framework of the Organisation, should work towards policies which take full account of the interdependence of trade and aid.

In the light of the development of the negotiations on the enlargement of the E.E.C. and of the perspectives

opened by the United States Trade Expansion Act, the Organisation will have to consider how it could best contribute to the expansion of world trade on a multilateral and non-discriminatory basis, as provided for in the Convention.

Substantial adaptations in the fields of agriculture, industry and manpower will be necessary to facilitate economic growth and the expansion of trade. In view of its general competence in economic matters, O.E.C.D. can usefully help Member countries to co-operate in this task.

The Ministers noted the statement published by the O.E.C.D. Ministers of Agriculture. Their work will strengthen co-operation through the O.E.C.D. in the fields of agricultural policy, international agricultural trade and food aid to the less-developed countries.

Recognising the increasing importance of science and technology in their many relations with economic life, the Ministers noted the work undertaken by the Organisation in this field pursuant to the Convention. They instructed the Organisation to prepare a Ministerial-level meeting on co-operation with regard to scientific policy and research, to be called within the next year.

MINISTERIAL RESOLUTION ON THE CO-ORDINATION OF TRADE AND AID POLICY

Adopted by the Council at its 32nd meeting on 27th November, 1962

The Council...

... I. RECOMMENDS

that Member countries, by co-operation in the Organisation, seek to formulate concerted policies which are designed to further the economic development of the less-developed countries, and which take full account of the interdependence of trade and aid, having in mind :

(a) the need to increase the earnings of the less-devel-

oped countries from their exports of both primary products and of manufactured goods;
(b) the need to integrate aid programmes more closely with other efforts aimed at stabilising and expanding foreign exchange earnings of less-developed countries and thus facilitating their efforts to achieve balanced and steady economic growth.

II. INSTRUCTS

(a) the Organisation to examine existing policies in these fields, to determine the means of implementing the above Recommendation and to take the necessary steps to give it effect, taking full account of the work of

other international organisations;
(b) the Executive Committee to guide and co-ordinate the work pursuant to this Recommendation, and to report to the Council as soon as possible.

THE NEW STEP FORWARD

By general consent, the second Ministerial Council meeting of the O.E.C.D., held at the end of November, 1962, provided some encouraging pointers for the future of Western economic co-operation.

The lines laid down by the Ministers for this future progress were broad but positive. They fell under three headings : the current economic outlook; relations with the developing countries; and activities in the scientific field.

The Ministers' survey of the present situation, and of progress to date towards the 50% growth target set at the previous year's meeting, showed that economic expansion is tending to slow down, though this does not mean that a recession is in sight; also, that inflationary symptoms exist in some continental European countries. The next step in this field is to correct these tendencies where they threaten growth and employment. An all-out effort is to be made for the best and fullest use of economic resources. Means are to be found to halt inflationary pressures without putting a brake on economic expansion; this will be helped where possible by the evolution of appropriate incomes policies and by securing the mobility of productive resources.

In the aid policy field, the next step is to be a comprehensive study of the economic relations, in the widest sense, between the O.E.C.D. countries and the rest of the world — and in particular with the developing countries. In the case of the latter, it will be necessary to study trends in their export of raw materials and manufactured products. The consumption of raw materials in the industrialised countries is not likely to rise as fast as total production, since much of that production either involves a low raw material content or consists of services. Besides the problems of the provision of financial aid, therefore, it will be necessary to accept some degree of competition in manufactured goods — in textiles, for example — deriving from the developing countries; it will be necessary to go further than this and to examine market possibilities for an increasing range of these manufactured products.

Finally, the Ministers felt that there exists a need for a policy and strategy for science and scientific research as an instrument of economic activity. In conditions of full employment economic growth depend to a large extent on increased productivity : better machinery, better methods, better training and adaptation of the remaining reserves of manpower. The Organisation will prepare a Conference of Science Ministers to take place during 1963. At this Conference Ministers will plan the rational distribution of scientific research and the possibilities of setting up joint research undertakings such as are at present operated by the O.E.C.D. European Nuclear Energy Agency.

These are the main lines on which the Organisation will base its efforts during the year to come.

The seemingly intractable obstacles to international co-operation in agriculture — national barriers to trade in agricultural produce and the lagging behind of farm incomes in the overall economic expansion — were studied at a separate meeting of O.E.C.D. Ministers of Agriculture one week before the Ministerial Council Meeting.

As a result of this meeting the Organisation will in future help Member countries in devising policies to ensure the contribution of agriculture to general economic growth while at the same time enabling agriculture to benefit from this growth; this double objective is largely dependent on the successful transfer of surplus farm-workers to other sectors of the economy running short of manpower. It will also aim at the promotion of healthier conditions for trade in agricultural products, taking into account the interests of both importing and exporting countries. The principle will be supported that programmes for the use of food in economic development will be coordinated with overall aid programmes and with development plans in receiving countries. Finally, the Organisation will continue to promote intellectual investments in higher education and research, vocational training, advisory and information work.

Thorkil Kristensen,
Secretary-General of the O.E.C.D.

POLICIES FOR ECONOMIC GROWTH AND PRICE STABILITY

An appraisal of ends and means

How can the O.E.C.D.'s growth target of 50 per cent for the present decade be attained? Two reports issued by the O.E.C.D. on the occasion of the Organisation's second Ministerial Council meeting explore this question and another: how can it be done without compromising price stability or international payments equilibrium?

"The most general pre-condition for economic growth" says the first report, *Policies for Economic Growth*, "is the existence of an adequate and sustained pressure of demand on the productive resources of the economy... This is not to say that it is anything like a sufficient condition, but without this, full employment will not be maintained, and rapid growth cannot be expected to occur in the absence of full employment... The first need is to achieve the full employment of labour and capacity... Without this there is no possibility of rapid growth."

"Budgetary action", the report notes "is in turn the pre-condition for raising total demand to the level which will provide full employment." But even when full employment is achieved, formidable problems remain, particularly with regard to price stability; for as the report notes, "attempts to secure price stability which rely only on restraint of the general level of demand may involve lowering the pressure of demand to a level which reduces the incentive for growth. On the other hand, in the new conditions of the 1960's, failure to keep costs in hand may be directly detrimental to the producer expectations which are important for growth. Hence the importance of supplementing management of the general level of demand by other instruments of policy. These may include powers to influence specific types of demand, policies to increase the speed of

adaptation of supply to demand in particular sectors, and policies which operate more directly on the determination of incomes and prices."

It is to the latter alternative that the second report, *Policies for Price Stability*, directs its attention.

AVERAGE ANNUAL PERCENTAGE
RATES OF GROWTH (1)

COUNTRY	1950-60			1955-60			1960-70		
	Employment	Productivity	G.N.P.	Employment	Productivity	G.N.P.	Employment	Productivity	G.N.P.
France	0.4	3.9	4.3	0.6	3.6	4.2	0.8	4.1	5.0
Germany	2.2	5.2	7.5	1.7	4.3	6.0	0.3	3.7	4.1
Italy	1.6	4.3	5.9	1.9	3.9	5.9	0.9	4.1	5.0
United Kingdom.	0.6	2.0	2.6	0.3	2.3	2.7	0.5	2.8	3.3
United States ...	1.2	2.1	3.3	1.0	1.3	2.3	1.7	2.7	4.4
Total 5 countries.	1.2	2.5	3.7	1.0	1.9	3.0	1.1	3.2	4.4

- (1) The above figures have been prepared for a Working Party of the O.E.C.D. Economic Policy Committee by the Secretariat on the following basis :
(a) France has officially set a target for 1965 (IVth Plan).
(b) The United States has officially declared its intention to reduce unemployment and to speed up the increase of productivity.
(c) The United Kingdom Government has declared its desire to increase productivity more rapidly than in the past.
(d) The Italian Government has a programme to achieve full employment and to reduce the internal economic disequilibrium. This appears to imply a slight increase in the rate of productivity growth.
(e) It seems that in Germany, high rates of productivity increase will continue, although there are good reasons why it is prudent to envisage slightly lower rates than those for the preceding period.

POLICIES FOR ECONOMIC GROWTH

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CO-OPERATION AND DEVELOPMENT

This report takes as a starting point that "governments are becoming increasingly convinced... of the need to evolve some form of a national incomes policy..." and goes on to examine this approach to the problem of preventing inflation in a full employment society in some detail.

What is meant by an incomes policy? It is, in the words of the report, "that the authorities should have a view about the kind of evolution of incomes which is consistent with their economic objectives, and in particular with price stability; that they should seek to promote public agreement on the principles which should guide the growth of incomes; and that they should try to induce people voluntarily to follow this guidance."

Governments so far have mainly emphasised guidance for wages, says the report : "There is rather a long history of general statements by governments on the conditions which wage and salary settlements must satisfy... if they are to be consistent with price stability. Such statements have been typically of the form that... prices will tend to rise unless the average increase in wages and salaries is limited to the average increase in productivity."

"Such statements have naturally raised the question of how big this average increase in labour productivity will be, and a growing number of governments are now providing guidance in quantitative form, either directly or through authoritative public bodies of one kind or another."

Governments have emphasised that it is the *average* productivity gain for the economy as a whole which should provide the guidance, rather than productivity for any one industry. Productivity gains vary so much between industries that if wages were to follow suit, "the result would

in due course be an inefficient and inequitable pattern of wage relations..." Furthermore, such divergent wage increases would run counter to the "strong traditions in many countries about the proper relationship between incomes in different industries and occupations. This means that rates of wage increase established in certain industries may spread by imitation to other parts of the economy" thus setting off a "wage-wage spiral".

On the other hand, "governments have been anxious to make it clear that they are not suggesting that there should be complete uniformity in rates of wage increase". The problem is "how to define appropriate variations from the general norm without destroying its guiding force". The report notes that exceptions may be required in the interests of:

- *Equity* : "to remedy the position of workers who are generally recognised to be underpaid in relation to workers in similar occupations elsewhere". Such needs cannot simply be ignored, the report points out, for "failure to correct positions which public opinion generally regards as unjust is capable of destroying the public sympathy without which no incomes policy can succeed".
- *Efficiency* : to stimulate the movement of labour from industries which cannot "provide jobs for (their) entire labour force even in times of generally full employment" to those "which would otherwise be unable to attract sufficient labour". In such cases, "it is important to determine the degree to which relative wages need to be raised or lowered in order to bring about the desired shift in employment". This question needs to be stu-

POLICIES FOR ECONOMIC GROWTH AND PRICE STABILITY

died further because it is "of the first importance for incomes policy..."

- *Incentive* : to provide proper incentives for increased productivity.

Turning to non-wage incomes, the report notes that governments "have mainly confined themselves to general guidance about pricing policy, typically of a somewhat looser kind than that offered for wages and salaries". Furthermore, there is inadequate "information about the level and development of non-wage incomes." As a result, "in many countries, wage and salary earners have maintained that they are being asked to observe different and stricter standards of behaviour from those asked of other people".

This situation is unsatisfactory and "most governments will need to give more thought to this question of complementing guidance on wages with guidance on other incomes", the report concludes. "Comprehensive incomes guidance implies the need for governments to have explicit views on questions of income distribution... We think that one of the more urgent needs is the formulation of such views..."

Once the guiding principles have been formulated, the problem is how to get people to follow them "without damage to democratic values".

"The first and most fundamental requirement is that public opinion should accept... guidance as necessary and desirable. Only if public opinion comes to regard breaches of the guidance as contrary to the public interest will the guidance acquire really effective force."

One step which many governments have taken has been to set up public bodies either in an advisory capacity or actually to play a role in the formulation of incomes policy. Such bodies may consist of experts or representatives of labour and management or both. In many cases, they

CHANGES IN CONSUMER PRICES
OVER SELECTED PERIODS (1)

Annual average percentage change²

COUNTRY	1953-61	1953-58	1958-61	1961-62
France	4.1	4.0	4.3	5.4
Sweden.....	3.1	3.5	1.4 ⁵	2.7 ⁵
United Kingdom	2.9	3.6	1.6	4.2 ⁵
Norway	2.7	3.4	1.7	5.4
Denmark ³	2.7	2.8	2.3	6.6
Netherlands.....	2.6	3.3	1.7	3.6
Austria	2.4	2.5	2.3	5.4
Ireland ⁴	2.3	3.2	1.1	4.4
Italy	2.1	2.5	1.3	4.1
Germany.....	1.8	1.8	1.7	4.0
United States.....	1.4	1.6	1.2	1.1
Canada	1.3	1.6	1.1	0.8
Belgium	1.3	1.6	0.9	1.7
Switzerland	1.2	1.4	0.9	4.5

Countries ranked by 1953-1961 price rise.

1. The periods have been selected to illustrate the broad characteristics of price movements in Europe and North America since 1953. Where experience of an individual country differed from the general experience, the averages shown do not give a full picture of the price movements in that country.
2. Annual averages of monthly figures for 1953-1958, 1958-1961 and 1953-1961, and first seven months of 1961 to first seven months of 1962.
3. Excluding rent. 1961-1962 : averages of January, April and July figures.
4. 1961-1962 : average of figures for first two quarters.
5. Excluding the effect of changes in indirect taxes. It has not been possible to make similar adjustments for the other countries.

Source : General Statistics Bulletin, O.E.C.D.

POLICIES FOR PRICE STABILITY

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include a third party — the government. As the report notes, "in conditions of full employment, collaboration between... producers and income receivers can produce results which are inimical to their interests as consumers or as savers and also to the wider national interest."

"Attempts to develop a suitable forum for the discussion of wage/price problems have naturally led to demands by the industrial representatives for a greater voice in determining the criteria of the public interest which they are being asked to observe... In the United Kingdom, for example, the Trade Union Congress has explained its persistent refusal to co-operate with the government and the employers in the elaboration of an incomes policy by its unwillingness to participate in making wage developments consistent with a general economic policy which it has not helped to form and with which it disagrees. Anticipating similar objections, the French authorities have emphasised the importance which they attach to linking incomes policy with general economic policy... and of associating the two sides of industry as closely as possible in this work. Such close integration of incomes policy and general economic policy... has been very highly developed in the Netherlands."

The report goes on to examine the role of price competition, tying of wages to the cost-of-living, and arbitration in the context of an incomes policy. As for arbitration, "the problem is to utilise the existing mechanisms so that they provide positive support for a national incomes policy without sacrificing their traditional role as peacemaker in labour disputes... A number of governments have been

reviewing the most effective means of ensuring that (arbitrators) are fully aware of the issues involved..."

"Governments have recognised that if they themselves do not follow the wage guidance, they can scarcely expect anyone else to do so, i.e., the government must set a proper example." But, what happens if the guidance is not followed in the private sector? This raises serious problems, and the report concludes that "attempts to ensure that wage guidance is followed throughout the economy which rely solely on setting a good example in the public sector run the risk not merely of being ineffective, but also of creating serious embarrassments for the governments concerned".

In conclusion, what are the essential elements of a successful incomes policy? It is still too early, the report indicates, to make any detailed assessment of the merits of the alternative approaches being explored, but "in our kind of societies a successful incomes policy must derive its ultimate sanction from the understanding and co-operation of all those concerned. This does not mean that the government has a purely passive role to play. It must formulate its policy clearly and be prepared to defend it against criticism. If it is to ask others to form a view of what the national interest requires in specific cases, it must if necessary be prepared to offer a view itself. It must secure the information required for the formulation and implementation of its policy, and develop effective means of consultation and communication. And, in general, it must do all it can to secure public agreement that what it is proposing is both necessary and fair."

ATOMIC ENERGY FOR EUROPE'S FUTURE NEEDS

International action to avoid waste of effort and resources

Improved living standards demand more power in industry and the home. To help meet this demand the countries of Europe are working together in the European Nuclear Energy Agency of the O.E.C.D. to develop more efficient nuclear techniques, reactors and fuel reprocessing systems.

Increasing production of energy, especially electrical energy, is an essential condition for economic expansion and improvement of living standards. Electricity consumption, on average, is doubling every ten years throughout the world, and there is no sign of this rate decreasing. Although future needs can for some years be satisfied from conventional energy resources, eventually (perhaps within a few decades) both the most industrialised and the less developed countries will be compelled to turn to nuclear power.

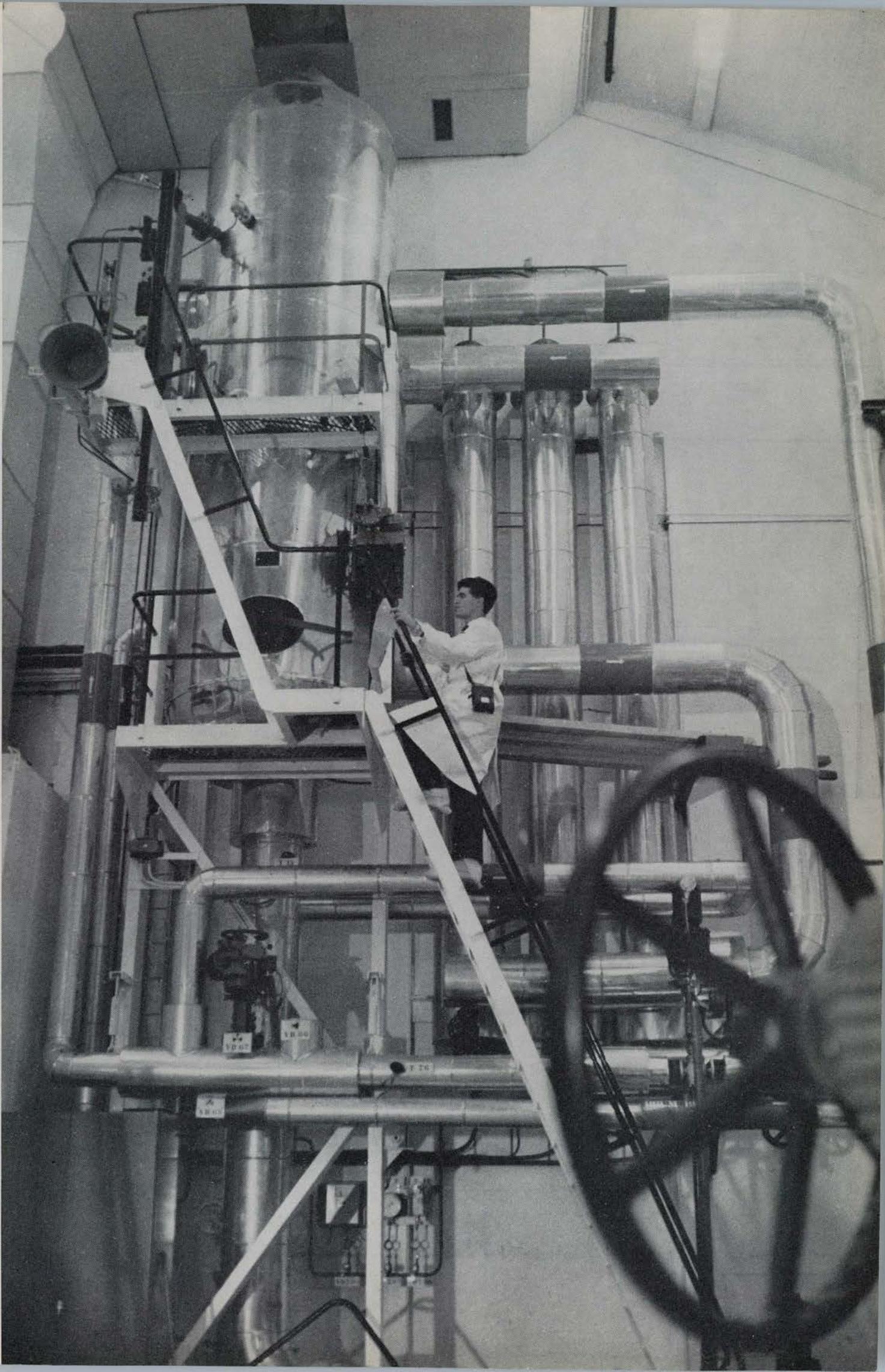
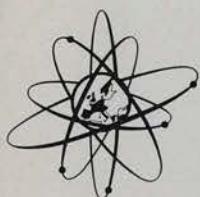
Before this occurs, the intervening period should be used to develop nuclear fuels, materials and reactor systems which show the best economic promise for the future. This requires a very considerable investment, both of scientific manpower and of money, in a wide range of activities beginning with basic experimental nuclear physics and covering not only reactors and fuel development but also problems of fuel reprocessing, fission product separation and radioactive waste treatment. To cover so wide a field without undue delay, despite the limited resources available, demands an international effort to complete and extend the action of individual countries.

This is why one of the main objectives of the European Nuclear Energy Agency (ENEA) since its creation in 1958 has been the establishment of international joint undertakings — in which each interested country contributes money to the budget and scientists and technicians to the staff, shares in the research, construction and experimental work, and has full access to all results and information obtained.

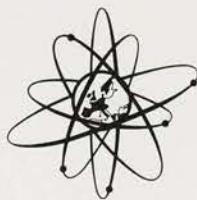
Three such joint undertakings have so far been set up, and others are under discussion.

ENEA's joint undertakings, though differing considerably in their detailed structure, are in many respects basically similar. Each is controlled by an international management committee which, within the overall limits laid down for the project, approves the research and development programme, its staffing and staff structure, and the budget. Each management committee is assisted by a technical committee, also international, and finally each project has an international technical and administrative staff comprising specialists from all the participating countries.

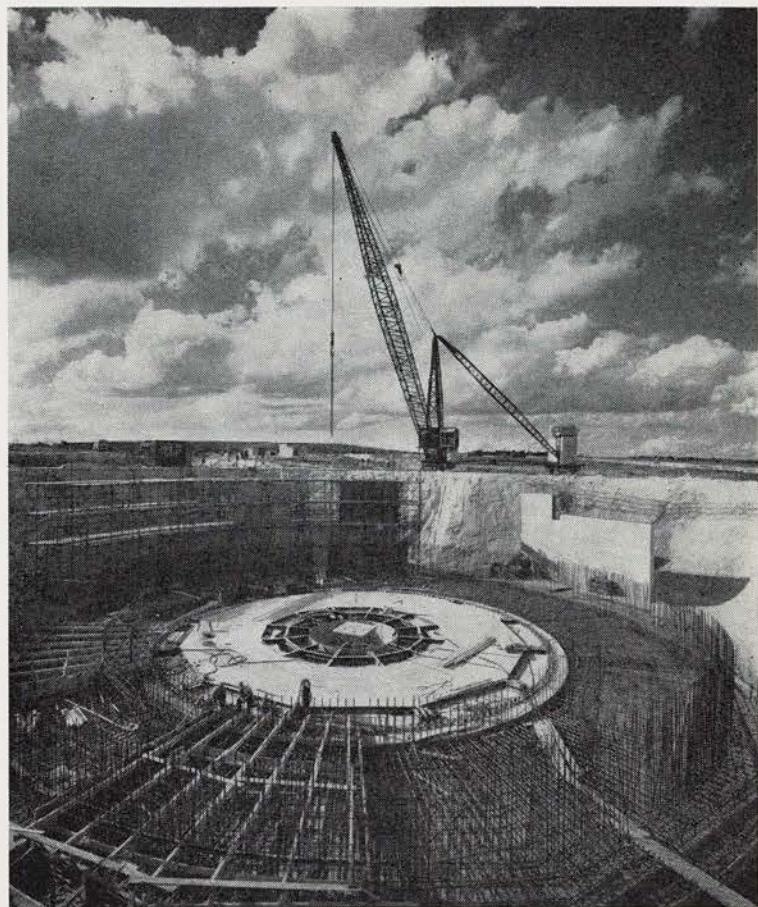
As sponsor of the projects ENEA is represented on both their management and technical committees, while each undertaking reports



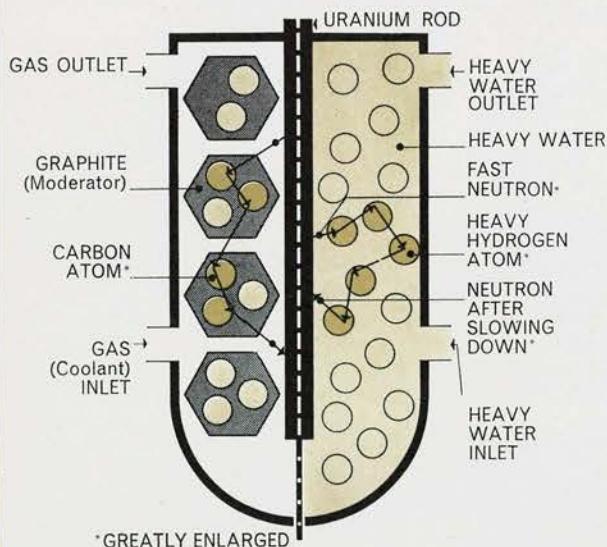
A
technician
inspects
the steam
drum of
the O.E.C.D.
Halden
Reactor



THE DRAGON PROJECT



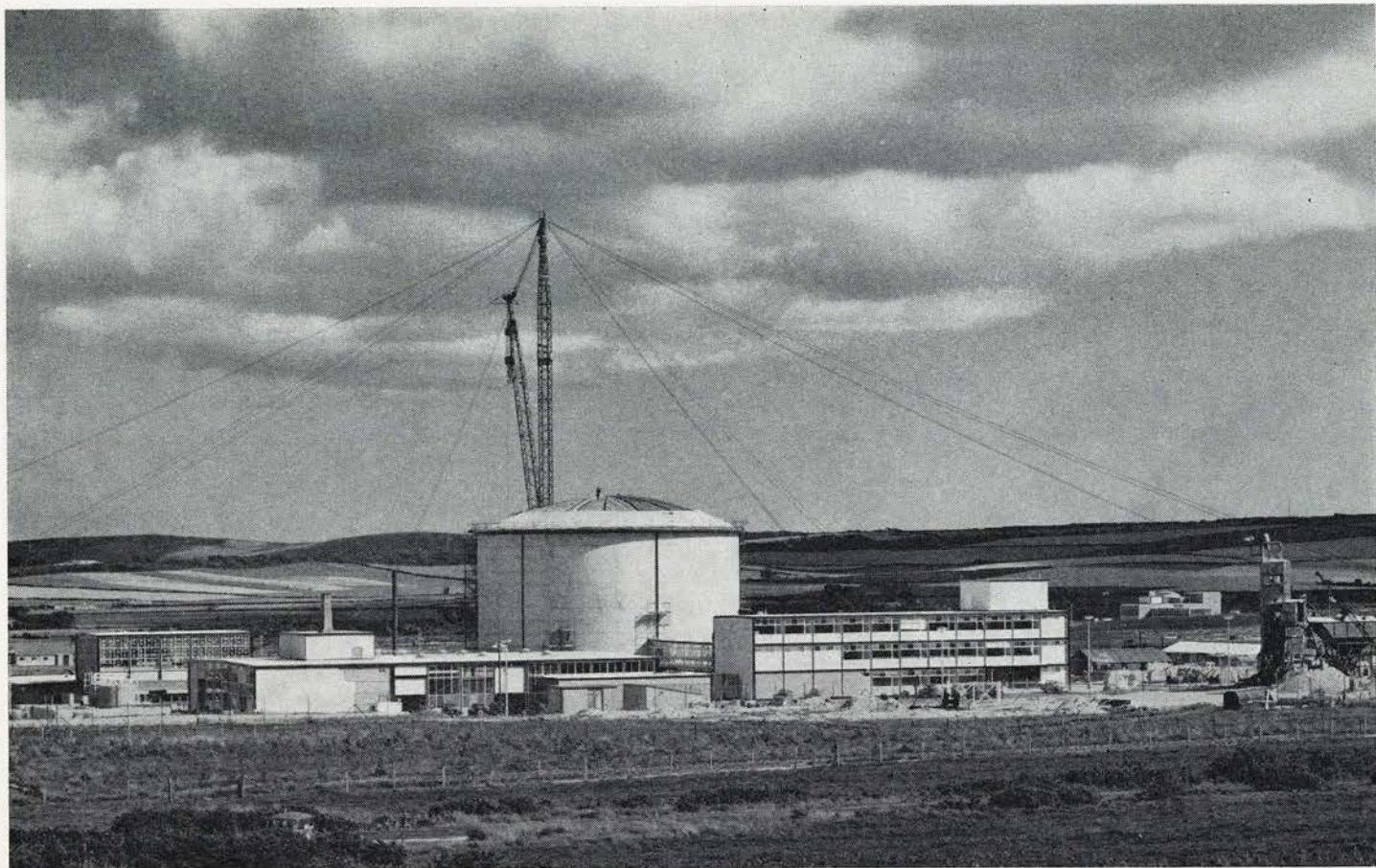
1960 Work in progress on the foundations of the Reactor Hall



MODERATOR. In most present-day reactors, it is necessary to slow down the neutrons produced in each fission of a uranium atom to the speed range where they are most likely to cause further fissions on striking other uranium atoms. This slowing down is accomplished by a moderator, which is a material that can absorb energy from neutrons when they collide with its own atomic structure, but which then allows the lower energy (lower speed) neutrons to pass on rather than permanently capturing them.

COOLANT. The coolant in a reactor is either a liquid or a gas which is circulated through the hot core and thereby removes heat for subsequent use in a more or less conventional boiler system.

Moderator and coolant are sometimes the same, especially in reactors using water for these purposes; or sometimes different, as for example in gas-cooled graphite-moderated reactors where graphite is used to slow down the neutrons whilst gas (usually carbon dioxide) is used for heat extraction.



1962

Two years later : construction of the Project buildings is completed. During 1963 the reactor equipment will be installed.

annually to the ENEA Steering Committee, which is the Agency's governing body. Although the projects, once launched, are largely autonomous, ENEA continues to help when necessary — in particular in solving legal, financial and political problems which may arise in connection with their operation. ENEA also publishes various reports and other documents produced by the joint undertakings.

HALDEN

In the town of Halden, on the Idde Fjord in Southern Norway, the first of ENEA's experimental reactor projects has now been under way for four years. The reactor concerned uses heavy water both as moderator and coolant, and during operation this is allowed to boil. This Boiling Heavy Water Reactor is incidentally the first such reactor to operate in the world, having first achieved boiling on 5th October 1960.

This type of reactor system combines the advantages of water moderation and cooling, which help towards a small size of installation, with lower pressure in the reactor vessel and cooling system than in other types of water reactor, where boiling is prevented by raising the pressure.

Boiling water, however, has its own problems, particularly the effect on the smooth and stable operation of the reactor of bubbles of steam formed on the surface of the hot fuel elements, and the investigation and

overcoming of these problems is one of the main purposes of the Halden project.

DRAGON

A very different and even more advanced reactor technique is being developed by ENEA's "Dragon" Project at Winfrith in South West England.

Here, instead of water moderation, graphite is to be used, and cooling will be by gas. This is basically the same system as has been used successfully in many of the world's existing nuclear power stations — especially in Britain and in France. But whereas the reactors in these power stations operate at about 350°C — a temperature too low to produce steam hot enough for optimum turbine operation — the Dragon is expected to run at some 750°C (with temperatures above 1000°C in the hottest parts of the core) which would greatly increase the efficiency of steam production and its subsequent use. It might even prove possible to use the hot coolant gas directly to drive gas turbines, which would further reduce the bulk of the plant for a given power output.

As with most advanced experimental projects, the eventual promise of the Dragon is counterbalanced by the technical and technological problems of its construction. No ordinary materials can possibly withstand the tremendous temperatures expected in the reactor, coupled with the intense neutron bombardment resulting

from the nuclear reaction. Thus a major part of the Dragon programme is to develop new materials, in particular special forms of graphite, for use in the reactor core.

Again, the gas used in the more conventional gas-cooled reactors — carbon dioxide — is quite unsuitable for operation at 1000°C or more, and an alternative has had to be found. Even this alternative — helium — presents serious problems in keeping it free from contamination due to its passage through the hot core, and a continuous purification process will form part of the first experimental system.

But if the problems of the Dragon are great, its promise is even greater. As a compact and efficient power source, not only on land but perhaps also at sea, there is every reason to expect ample return for the research and experimental effort now being devoted to its development.

EUROCHEMIC

The growing use of atomic power, whatever types of reactor system are concerned, must inevitably result in increasing quantities of used nuclear fuels. These fuels, due to the accumulation of fission products which impede the nuclear reaction, become unusable long before they are fully burnt up. It is therefore necessary to treat them chemically in order to recover the unused fuel, to separate other valuable by-products formed during the fission process (notably plutonium, which itself can be used as a nuclear fuel), and to remove radioactive waste.

The chemical processes involved in this treatment

are extremely complex, and are made all the more difficult because the fuels to be treated are highly radioactive. The design, construction and experimental development of a plant suitable for processing all the various types of fuel from civil reactors therefore pose many new and difficult technical problems, and also demand a large financial investment.

Such a unique undertaking offers many attractions for international collaboration : the building of a reprocessing plant was in fact the first joint undertaking to be considered by ENEA, and the decision to set up the Eurochemic Project (the European Company for the Chemical Processing of Irradiated Fuels) dates from the creation of the Agency itself in December 1957.

The Eurochemic plant is now being built at Mol in Belgium. Though originally designed to treat natural uranium or slightly enriched fuels from European reactors, it has since been proposed that the installation should also be capable of processing highly enriched uranium. No final decision on this extension of the plant has yet been taken, though the construction now under way has been so planned as to allow easy addition of the extra facilities if required.

Further reading

Illustrated booklets describing the origin, structure and objectives of the Halden, Dragon and Eurochemic Projects are available on request from the European Nuclear Energy Agency, O.E.C.D., 38, boulevard Suchet, Paris (16^e). Other publications, including annual reports of these undertakings and of the Agency, are also available.

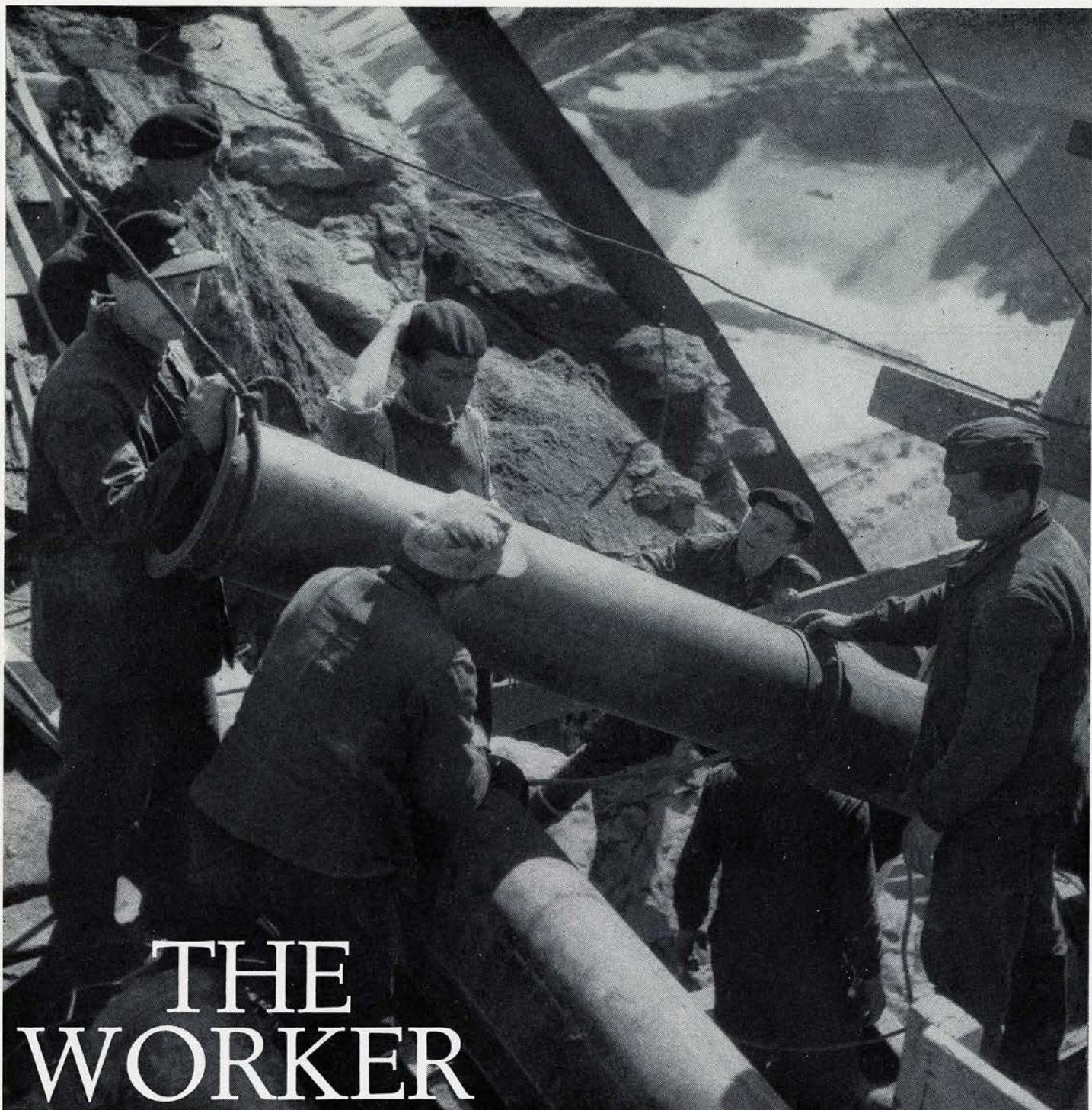
PARTICIPATION IN THE JOINT UNDERTAKINGS

	Membership of ENEA	Halden	Dragon	Eurochemic
Austria	●	●	●	●
Denmark	●	●	●	●
Belgium	●	●	●	●
France	●	●	●	●
Germany	●	●	●	●
Italy	●	●	●	●
Luxembourg	●	●	●	●
Netherlands	●	●	●	●
Greece				
Iceland				
Ireland				
Norway		●	●	●
Portugal				●
Spain				●
Sweden		●	●	●
Switzerland		●	●	●
Turkey				●
United Kingdom	●	●	●	

The six countries of the European Community take part in the Halden and Dragon reactor projects through the Euratom Commission. There is also close collaboration between ENEA and Euratom in many other fields, and Euratom is represented on ENEA's Steering Committee.

The U.S. Atomic Energy Commission has collaboration agreements with the Halden, Dragon and Eurochemic Projects. The Finnish Atomic Energy Commission participates in the Halden Project through an Agreement with the Norwegian Atomic Energy Institute.

The United States and Canada are Associate Members of ENEA.



THE WORKER New GOES jobs in countries with manpower shortages ABROAD

In the fourteen years since the O.E.E.C. countries began laying the foundations of the European Recovery Programme, there has been a spectacular change in the European labour market. Western Europe in 1948 was threatened with a substantial labour surplus not only as a result of the war, but because of other factors as well : an influx of refugees from the East; and a resurgence of the old structural problems that had long plagued Southern Europe. One of the first tasks of the O.E.E.C. was to find an outlet for the surplus population, either in Europe or abroad.

THE WORKER GOES ABROAD

To-day the situation is radically different. The problem for the majority of West European nations is one of labour shortage, a shortage so severe in some cases as to hamper economic growth. The labour-short countries have not only been trying to draw more of their citizens (married women, for instance) into the labour force but have also been turning to those parts of Europe where labour is still available to satisfy their manpower needs.

Figures submitted to the O.E.C.D. make it possible to estimate at some 2,000,000 the number of Western Europeans working in a Western European country other than their own.

This number may not at first sight seem impressive compared to the total population of these countries, but the migrants are concentrated in a very few countries (see map) and for these countries the influx is substantial. In West Germany alone, for instance, there were 705,000 foreign workers in the summer of 1962; in Switzerland, there were 645,000 representing approximately a quarter of the total labour force.

For the most part these flows of labour are not permanent migrations like those of the 19th century to lands across the sea. They are, on the whole, temporary and linked to the short-run economic needs of the receiving countries.

This is reflected by the fact that most governments grant work permits to the immigrants for periods of only a year at a time or even less: a substantial part of the movement is seasonal in character. (One-third of the immigrant workers are so reported in the case of Switzerland, for example.)

Despite the temporary character of the bulk of these movements, the short-term immigrant is in some cases given the opportunity to establish himself permanently, step by step. First he may be given the chance to change employer or occupation, then to bring his family into the country; the family may then be permitted to work; and finally the entire family group may be given the right of establishment or even naturalisation.

Manpower movements between countries can benefit not only the individual workers and employers concerned but also their communities. For the importing country there is the obvious advantage of getting suitable workers at the right place and right time. Foreign workers are often more "mobile" than nationals of the importing country because the differential in wages and working conditions is greater. For the exporting country, the temporary emigration of labour may contribute to alleviating the burden of unemployment or under-employment. Moreover, the money sent home by nationals working abroad can improve the balance

The largest employer of European labour was Germany with 705,000 workers employed in the summer of 1962. Next was Switzerland with 645,000. France is probably third although comparable statistics will not be available until the recent population census has been analysed. Next in order is Sweden which employed 127,000 foreign nationals (mainly Scandinavians) and finally the United Kingdom (where most immigrants are Irish nationals who need no permits) and the Benelux countries.

By far the largest flow of workers has come from Italy. More recently, however, other countries have become important suppliers. The most spectacular increase in emigrant workers has come from Spain which now ranks second in importance to Italy as a source of European labour. A few years ago only a handful of Spanish nationals were working in other European countries. In 1961, the number exceeded 200,000. Recently Greece and, to a lesser extent, Portugal have joined the movement and Turkey is beginning to provide labourers, though the number of workers involved is too small to be shown on this small scale map.

There are a few selected economic sectors in which foreign workers tend to be utilised to the greatest extent. They are construction, agriculture and hotel work. These fields are largely seasonal in nature, and foreign workers are, therefore, generally required for only a part of the year. The most important non-seasonal activity employing foreign labour is the manufacture of metal and metal products. Coal mining has been an important employer of foreign manpower, and even though this activity has recently been declining, in Belgium there are still some 40,000 foreigners working in the mines; foreigners constitute 40 per cent of all the coal miners in Belgium.

MOVEMENTS OF LABOUR BETWEEN

of payments. Finally, the skills acquired by workers who have been abroad and then come home again represent a long-term investment for their country of origin.

Although a significant number of workers emigrate



WESTERN EUROPEAN COUNTRIES.

on their own initiative, there has grown up in recent years a network of bilateral agreements in Europe, the aim of which is to facilitate labour movements and to adapt the supply of foreign labour to the demand in importing countries.

These agreements typically provide for exchange of information on manpower needs and availability; they outline travel agreements, set conditions as to wages, working conditions and eligibility, and set forth certain rights for the worker, e.g. that he shall be allowed to

THE WORKER GOES ABROAD

send home his savings, and that he shall be allowed to maintain his social security rights.

Certain agreements give the importing country a direct role in the recruitment and selection of the migrants. Germany, for instance, has recruitment missions in Italy, Spain and Greece. France also has such missions abroad.

Whether labour migrations fall within the scope of such agreements or take place spontaneously on an individual basis, they are, as a general rule, strictly controlled. Any worker wishing to take up work in another country must get a work permit or some equivalent which ensures that a job is waiting for him in the receiving country. If he should enter a country as a tourist in the hopes of staying on to work, he is by no means certain of getting the necessary permit; though some countries may in the case of workers in labour-short occupations (domestic service, for instance) feel inclined to legalise his status.

Even though work permits are the rule, there are coming to be more and more exceptions as European countries join together to form common labour markets. Ever since 1954 Scandinavians have been able to work in each others' countries without a permit. More recently the Benelux countries have concluded a similar arrangement. Another common labour market may emerge in Europe when the "free circulation" visualised in the Treaty of Rome becomes reality for the countries of the European Economic Community.

O.E.E.C., and recently O.E.C.D. have since 1954 directed their efforts towards liberalising the procedures for granting and renewal of work permits. According to a decision taken in that year by the Council of the O.E.E.C., the responsible authorities in Member countries are required to issue work permits to foreigners whenever it proves impossible to find domestic workers for the vacancy within a certain prescribed period of time (normally a month).

Member countries are asked to report yearly to the Organisation on the implementation of this decision. In these reports they are asked to list the number of permits granted and renewed, the number refused and the reasons for the refusal, (e.g. are wages and working conditions for the foreigner less than those prevailing in the receiving country?) Members are also asked whether there are economic sectors or occupations in which the government grants permits automatically. (So far domestic service is the principal one; in Sweden domestic servants do not even require a permit.)

With these answers in hand, a group of experts nominated by the Organisation can examine in detail and question the practices of the country concerned and can make proposals for further liberalisation of manpower movements.



A POLICY FOR SCIENCE

by Dr. Alexander King
Director for Scientific Affairs
of the O.E.C.D.

Recognising the increasing importance of science and technology in their many relations with economic life, the Ministers noted the work undertaken by the Organisation in this field pursuant to the Convention. They instructed the Organisation to prepare a Ministerial-level meeting on co-operation with regard to scientific policy and research, to be called within the next year.

(From a Statement issued by the Ministerial Council, 28th November 1962.)

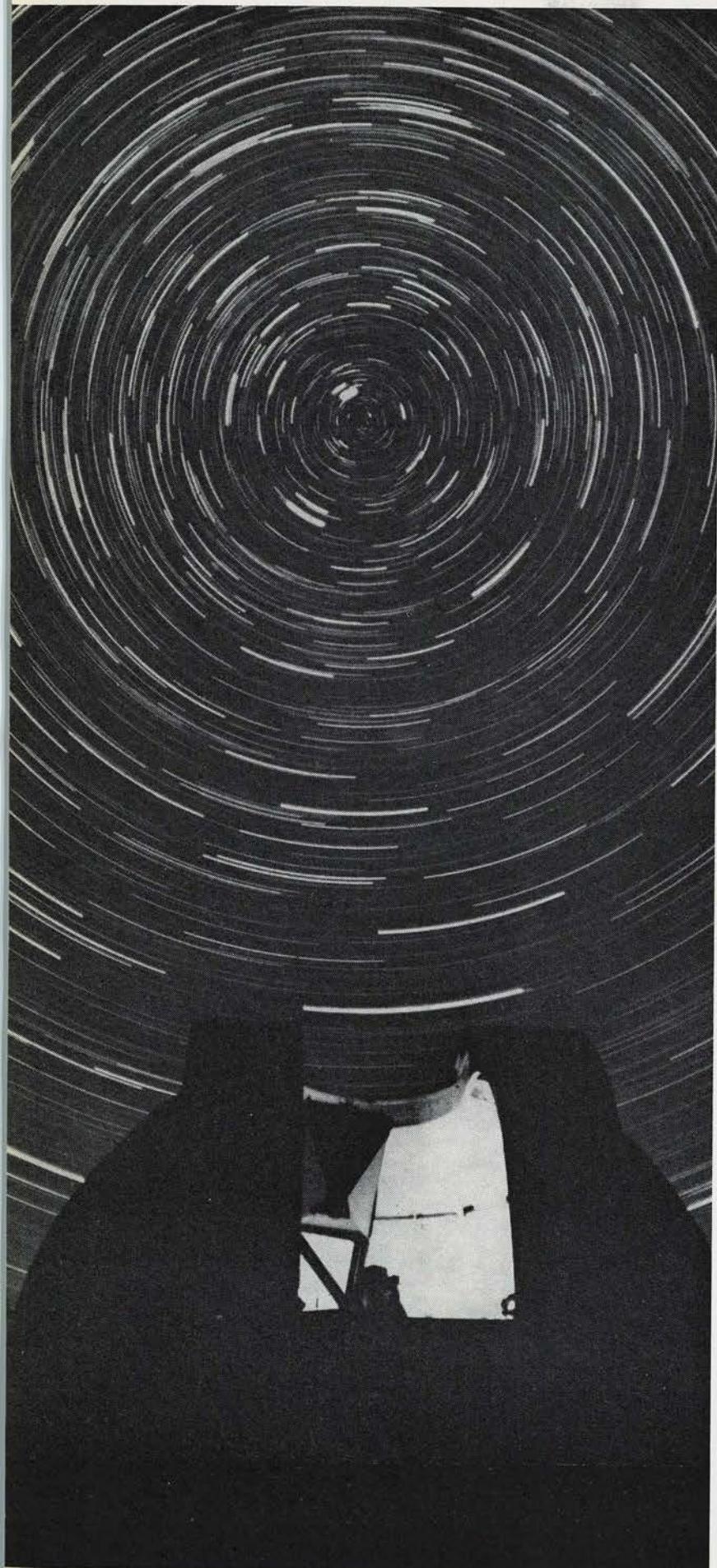
In the previous number of *The O.E.C.D. Observer*, Professor Ingvar Svennilson pointed out the importance which the new concept of economic growth places on education and research; and he stressed the need for formulating education and research policies in close co-ordination with general development policy. The purpose of the present article is to explore more fully the effect which scientific discovery, present and potential, will have on the various facets of national policy, and to assess the need for a policy for scientific research which aims at deploying this valuable and scarce resource systematically and in the general interest.

The lives of nations, as of individuals, are increasingly influenced by the new discoveries of science and their technological application. Foreign policy cannot ignore the implications of atomic energy or space research; defense is dominated by the development of weapons technology; the economy is fed by advanced industries built upon scientific research; while social policy is deeply influenced

by technological changes such as automation, which not only create new patterns of employment but also demand new or enhanced educational qualifications which only such a highly technological economy makes possible.

This impact of science on the various facets of national policy has become apparent only gradually and has thus been incorporated only piecemeal into the fabric of policy. As yet, few countries have any institutional arrangements for assessing the effect of science on society, nor indeed the way in which science can actually help to achieve broad policy objectives.

It is true that governments, anxious to consume its fruits, have recognized the increasing importance of science in national life. One result has been the very greatly increased support for scientific research in most parts of the world; another that major financial support has often been given without due consideration of the priorities governing where it would be best placed. Subjects of dramatic sci-



tific appeal, and consequently of national prestige value, find it easy to attract money, often in competition with less glamorous topics which may nevertheless have a much greater significance for the well-being of the nation. Thus in many countries at the beginning of their economic development, money has been forthcoming without difficulty for nuclear reactors, but not for more pedestrian projects aimed at improving the quality and value of local raw material and agricultural products.

Government Responsibility for Science

Even where there is no coherent policy for the deployment of scientific research, governments are playing a major role in the support of science. The following is a list of the wide-ranging activities in this field now generally accepted by governments of highly industrialised countries.

- **Science Education**

Primary and secondary education, having been accepted as a basic human right, have become a direct charge on government, while a major part of the finance for higher education usually also comes from central or local authorities. This assumption of responsibilities in the field of education has basic social and cultural objectives, as well as the economic aim of creating a reserve of sufficient and efficient scientific and engineering manpower for future deployment.

- **Research in Universities and other Institutions of Higher Education**

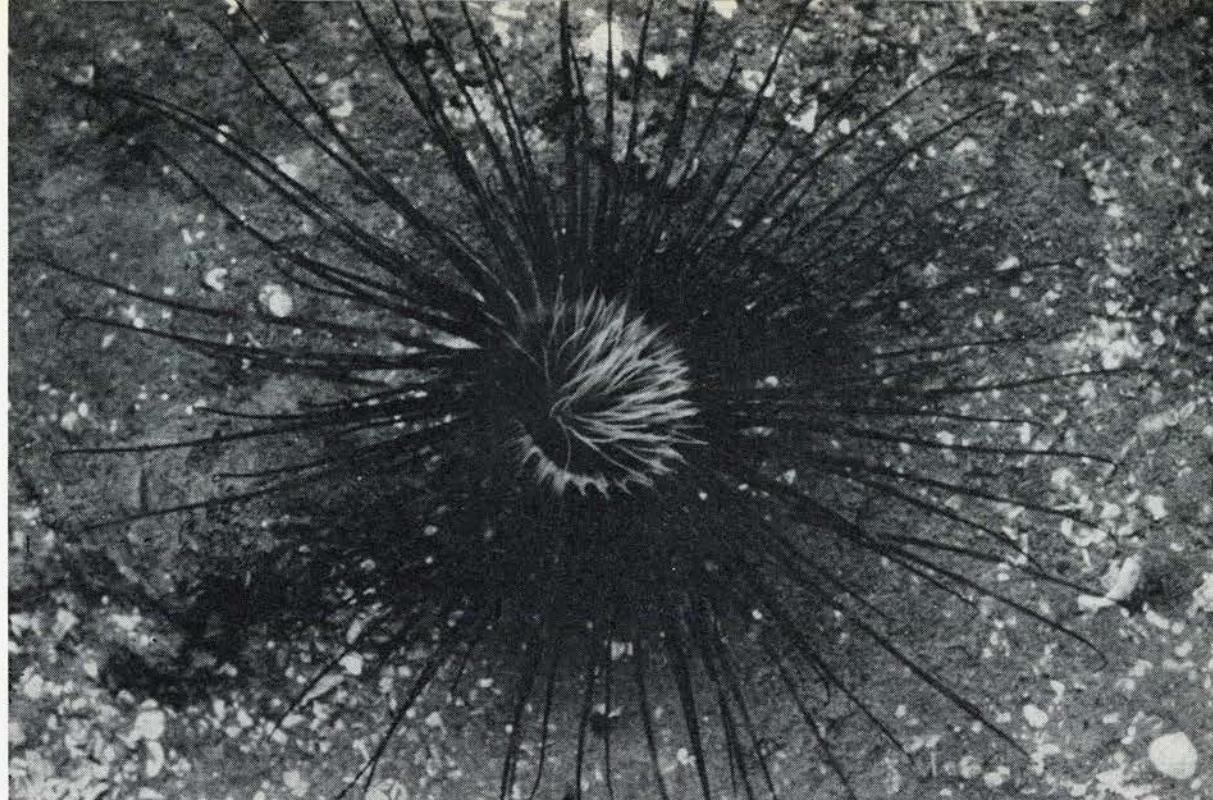
In most countries, such research is mainly financed by government through the provision of capital equipment, the payment of overheads and the creation of a substantial number of research fellowships. The object is to provide trained research workers for government work and for industry, and at the same time to contribute to the extension of knowledge. Since the end of World War II, there has been a tendency for defence ministries to offer contracts to university departments for specific research projects, often of a fundamental nature and only indirectly related to defence programmes. It is generally accepted that the university environment is the most conducive to creative fundamental research.

- **Support for Special or High-Cost Research Activities**

In addition, governments frequently contribute to the maintenance of astronomical observatories, oceanographic ships and other research activities which do not easily fit into the pattern of the university. This has become increasingly necessary where the experimental equipment is costly,

*Astronomical research carried out
by the French National Centre for Scientific
Research (C.N.R.S.) at the St Michel
de Haute-Provence Observatory.*

Biological research is undertaken by the C.N.R.S. at Roscoff in Brittany.



large in scale, and requires elaborate engineering and maintenance difficult to provide through normal university finance. Centres for nuclear research, with their costly particle accelerators, and radio-astronomy come into this category. Such centres may be managed by individual universities or by groups of institutions of higher education.

● Defence, Research and Development

For reasons of high cost and of military security, defence research and development can only be undertaken by governments, although much of the work may be contracted out to industrial firms or institutions created specially for the purpose. In some of the bigger countries, defence research may represent the major part of total national expenditure on science, and may employ a large part of the scientific manpower. In such cases, it is important to strike a balance between civil and military research and to ensure that the products of military research are made quickly and easily available to the civilian economy, e.g. electronic devices, new materials and engineering techniques.

● Research for Public Utilities

In the modern State direct government activity is extensive, and both public services and the nationalised sectors of the economy call for substantial research and development programmes. Cases in point are the design and construction of roads, forestry, maintenance of the purity of air and water, geological and mineral surveys, fire prevention, the maintenance of standards, and the development of hydraulics. In many countries large national laboratories are engaged on such work, often under the control of several ministries.

● Research for Small-Unit Industries

There are some economic sectors, such as agriculture and house building, where the individual enterprise is usually too small to undertake its own research which, in any case, would only be a costly and sterile duplication. Such small units are usually also unable to apply research done elsewhere without external help. Such work is usually carried out by national networks of specialist research institutions and extension services set up for the purpose.

● Encouragement of Industrial Research

Many governments have encouraged research by and for industry through tax relief and other financial incentives. In addition, they may encourage firms in particular industries to band together to form co-operative research institutions, by participating in their financing. Apart from the actual research activity, such associations have an important function in transmitting scientific and technological information and even "know-how" to their member firms, thereby stimulating technological innovation.

● Medical Research

Although a large proportion of medical research is undertaken in universities and teaching hospitals, many governments give direct support to medical research councils, central medical research laboratories and special clinical units.

● International Research Projects

Institutions and programmes of international co-operation in research are now common for subjects of general environmental importance, such as meteorology, astronomy, oceanography, antarctic

A POLICY FOR SCIENCE research, etc., and also for subjects which demand very costly equipment. In such cases, sufficient finance can only be provided by governments.

It will be clear from this enumeration that, even in the absence of a deliberate policy for science, governments have a major stake in scientific activity, expenditure on which is now beginning to amount to a sizeable part of the national income. But it is only recently that such expenditure has come to be considered as a necessary and high-yielding investment rather than as a merely cultural asset.

Science as a National Resource

The extent of scientific research undertaken throughout the world has increased enormously since the war, and has essentially maintained its international character through the free publication of its results. This great upsurge of new knowledge has given rise to widespread technological application and the promise of still greater things to come. In fact, as the frontiers of knowledge are thrown back, the possibilities of science for the enrichment of life and well-being become ever greater, but, at the same time, they outrun the material possibilities of any one nation. The costs have risen so high, particularly in subjects such as nuclear energy and space research, that, in many cases, it is no longer possible for single nations to undertake even the minimum useful effort.

The situation has thus been reached where the promise of science is far beyond the possibilities of existing or potential national resources. Yet there are ever more promising openings for new research. This inevitably necessitates making a choice, and this choice must be governed by national needs as well as national possibilities in terms of resources, human and material. In other words, just as a policy is required to anticipate and harness the contributions of science to national needs, a resources policy is required for science itself.

International Co-operation in Science

With smaller countries finding it difficult to have any significant activities at all in such costly fields as high energy physics or space, the most promising solution is international co-operation. In the last two decades a large number of international scientific organisations have been created and have proved successful not only for economic reasons, but also because of the cross-fertilisation of ideas and techniques which they engender.

International scientific organisations are of many types. One is the purely European inter-governmental organisation for a specific purpose, such as the European Centre for Nuclear Research (C.E.R.N.) and the two Space organisations (E.S.R.O. and E.L.D.O.). Another type is exemplified by the

special projects of the European Nuclear Energy Agency (E.N.E.A) of O.E.C.D., such as the Halden and Dragon schemes for the development of particular types of nuclear reactor and the irradiated fuel reprocessing plant (Eurochemic); these scientifically independent enterprises maintain a useful contact with the parent organisation, especially on financial and legal matters. In yet another category is the functional collaboration promoted by O.E.C.D. for individual topics of technological research, whereby groups of existing laboratories elaborate a common programme, each taking responsibility for a particular facet, usually without the need for creating new facilities.

International co-operation in research permits the smaller countries to gain a real and practical knowledge of outstanding new developments, from which they might otherwise be excluded by the high cost. This is not merely a matter of intellectual importance in keeping up with the advance of learning : it is vital that each country should have a deep understanding of these growing fields of research and of the techniques which emerge from them; otherwise, possibilities of practical application for their own economic needs are likely to be missed. So rapid has been the growth of scientific co-operation in Europe and so great its attraction, that some of the smaller industrialised countries are spending a considerable proportion of their science budgets on scientific work beyond their frontiers.

In international, as in national research, growth has been both rapid and unsystematic. Clearly the time is approaching when a more balanced development will be necessary. National and international science policies will have to be evolved in concert.

Policy Planning and Scientific Freedom

Wherever development opportunities outrun the resources to exploit them, a choice has to be made and a policy evolved. This is clearly true of scientific research, where governments must determine how best to allocate their material and human resources. At first sight, the concept of a national science policy, committed to securing the optimum balance of effort in face of national needs and scientific possibilities, seems to run counter to the tradition of scientific freedom. Policy guidance however does not imply interference with the conduct of research; indeed, a wise national policy will recognize that, particularly in fundamental research, freedom to choose the subject of an investigation and the direction of its development must remain within the authority of the scientist in his laboratory. Science policy is concerned rather with the use of resources as a whole, the balance and effectiveness of their deployment, and their relevance to national needs, whether these be economic, social or military.



PUBLICATIONS OF THE O.E.C.D. DIRECTORATE FOR SCIENTIFIC AFFAIRS

1 EDUCATION

ECONOMICS OF EDUCATION

(Assessment of needs and resources - Human resources and development)

Ability and Educational Opportunity (*) :

"Education is now recognised as one of the principal forces behind economic strength... the mobilisation of talent is essential to economic development... do we have large reserves of ability in our population, which have been denied ability through education?" A presentation of the basic problem of human resources, as it was posed to, and discussed by an international forum of experts.

Forecasting Manpower Needs for the Age of Science (*) :

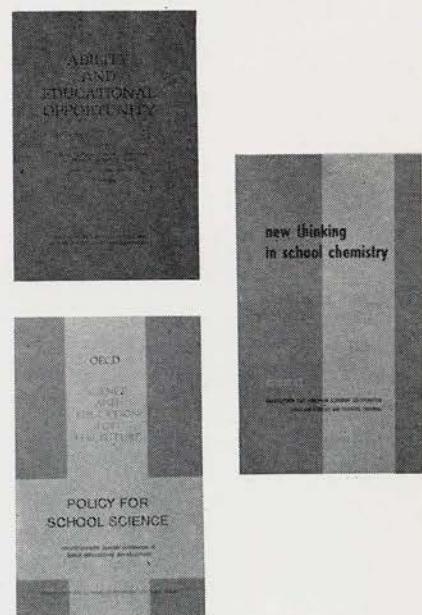
Seven major papers — and their discussion by eminent economists, statisticians, educationalists and manpower specialists — on the twin subjects of manpower forecasting and educational requirements.

The Washington Papers :

The relationship between education and economic growth — and more specifically between investment in education and economic growth — is discussed in detail, in this account of the 1961 Washington Policy Conference. 5 volumes : I. Summary Report; II. Targets for Education in Europe in 1970; III. The Challenge of Aid to Newly Developing Countries; IV. The Planning of Education in Relation to Economic Growth; V. International Flows of Students.

The Mediterranean Regional Project :

A good example of a technical assistance project of a new type : expert national teams in six countries of Southern Europe join, with O.E.C.D. support, in an attempt to assess their educational needs in relation to long-term economic targets. Within the framework of the project, O.E.C.D. publishes a series of studies on methodology, progress reports and courses for those "human-resources strategists" needed for the staffing of development teams.



(*) These publications can be purchased from O.E.C.D. sales agents or from the O.E.C.D. Distribution and Sales Service, Paris.

2 SCIENTIFIC RESEARCH

Research is, with education, one of the live dynamic forces which, introduced into the economy, may well spell the difference between stagnation and a fast rate of growth. The O.E.C.D. has accordingly given a high degree of priority to the promotion of research in Member countries, through improved management and the extension of international co-operative schemes.

Administration and Organisation of Research (3 reports) :

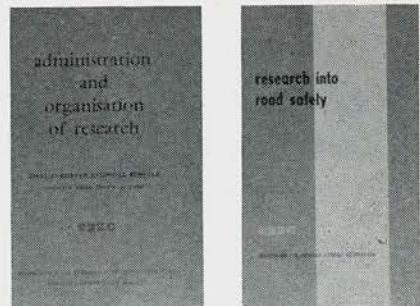
To promote a better understanding of the problems involved in managing re-

search institutes, O.E.C.D. has arranged a series of "European Regional Seminars" to show how research is organised in the various countries and how its results can be utilised.

A comprehensive picture of European research problems is given in three different reports.

International Co-operation in Research :

The possibilities of useful research are now so great that they exceed the possibilities of all but the largest nations. The European countries have accord-



Perhaps the most striking feature of the series of publications issued by the O.E.C.D.'s Directorate for Scientific Affairs is their extremely wide diversity of subjects : these range from economics to biology, including topics of immediate interest to sociologists, research managers, educational planners, mathematicians. However, all share close relevance to one of the Organisation's chief concerns : the impact of science and education on economic growth. Because, together, these series reflect the pattern of O.E.C.D.'s approach to "third factor" problems of economic development, the following review, classified according to main areas of action, will serve the dual purpose of informing readers on the publications and on the activities of the Directorate.

Country Reviews (Policies for Science and Education) :

The O.E.C.D. technique of Country Examinations applied to the analysis of national problems in the field of scientific and technical education. These studies provide a clearer understanding of each country's particular circumstances, confrontation of policies, clear formulation of problems, and, in many cases, pilot action aimed at providing solutions. Individual reviews published to date concern Greece, Norway, Sweden and Yugoslavia.

DEVELOPMENT OF RESOURCES FOR SCIENTIFIC AND TECHNICAL EDUCATION

The rising pace of scientific and technological change is the inevitable consequence of more rapid economic growth. It places new emphasis on new types of qualifications and skills. Hence the attention paid by O.E.C.D. to the qualitative aspect of educational expansion — and in particular to issues of policy

for school science, reform of curricula and improved teaching media.

Policy for School Science :

Three reports : one dealing with problems of policy for school science in countries with advanced systems of education, the other concerning countries with basic problems of educational development — and one report on the problem of the supply, recruitment and training of science and mathematics teachers.

New Thinking in School Science (Series of 8 publications) :

The Organisation's work on the reform of science curricula began three years ago with, as a first objective, the reform of the teaching of mathematics. Significant of the success of O.E.C.D.'s efforts in this direction is the fact that over 40,000 copies of the "New Thinking in School Mathematics" series have effectively reached the teaching profession. The curriculum reform programme of the Directorate has now been extended to chemistry, biology and physics.

Six titles deserve special mention : "New Thinking in School Mathematics" (*);

"Synopses for Modern Secondary-school Mathematics"; "Mathematics for Engineers and Physicists"; "New Thinking in School Chemistry"; "Guide for Teachers of Chemistry" (*); "New Thinking in School Biology";

School Television :

"Teaching through Television" (*); "Television for School Science"; In the face of the growing shortage of classrooms and teaching staff, new methods and techniques are available for presenting science subjects to wider audiences. Television is probably one of the more effective and it has the merit of immediate availability. The current status of the medium has been investigated by O.E.C.D. and its possibilities have been assessed by leading specialists of educational television. The two reports give a coherent account of what is being — and can be — achieved through school television.

ingly devised novel methods of co-operation which take the form of common programming, sharing of research facilities and making common use of existing laboratories. The O.E.C.D. plays an effective role as a central service for such functional co-operation. At the moment, 38 co-operative research teams, working under the aegis of O.E.C.D., are engaged in research in fields ranging from road safety to metal fatigue and water pollution. The results of their work are published in the form of studies and reports : "Research into Road Safety";

"Fouling and Corrosion of Ships' Hulls"; "Hydrological and Biological Conditions in Testing Stations in Europe"; etc.

Tax Treatment of Research and Development :

Taxation, as an instrument of national policies, has an important influence on economic growth : the discriminate distribution of the tax burden being an effective way of encouraging investments in particular sectors of the economy — such as industrial research and development.

At the request of O.E.C.D., the Director of the International Bureau of Fiscal Documentation, Amsterdam, has carried out a survey on tax treatment and its impact on research, in 24 Member and associated countries. The report provides also a valuable and up-to-date comparative picture of national taxation systems.

Except where otherwise indicated, these publications are available free, on request, from the O.E.C.D. Distribution and Sales Service, Paris.

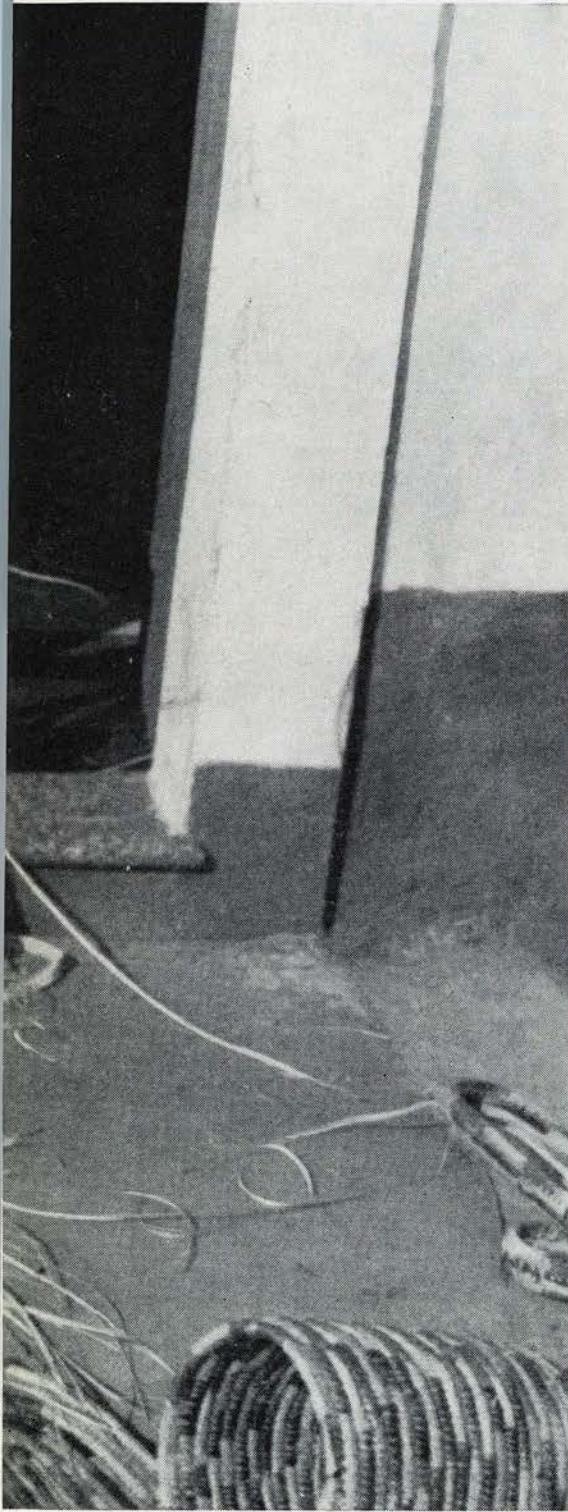


The O.E.C.D. hands over. Left to right : Giulio Pastore (Minister of State and President of the Interministerial Committee for the South), Philippe Lamour (Chairman of the International Committee for the Pilot Area), Efisio Corrias (President of the Regional Sardinian Government), Jean Cottier (Deputy Secretary-General, O.E.C.D.).

Sardinia :



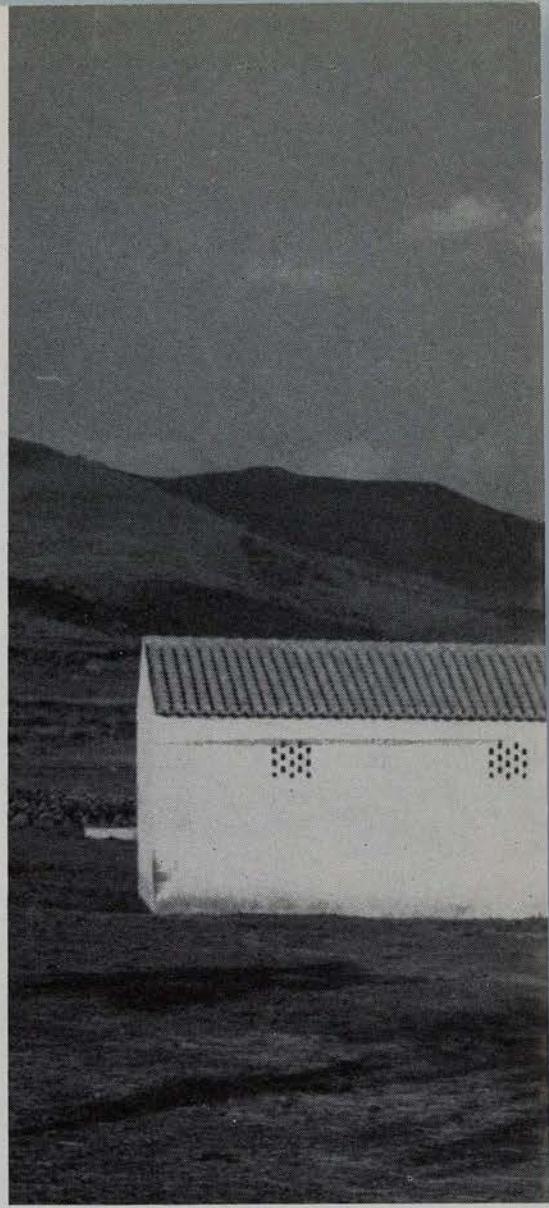
aspects of a pilot project



Flussio is a village of basket-weavers. Four years ago its name was unknown; now its Asphodel baskets are sold all over Western Europe and North America. The O.E.C.D. Project has helped to organise production and sales, a market co-operative, and several other full-time working groups. Over 25 per cent has thus been added to the total income of the community.

Five years of successful experiment in technical assistance were completed on 10th December, 1962, when the Sardinian Pilot Area, begun in O.E.E.C. days and continued by the O.E.C.D., was officially handed over to members of the Italian and Regional Sardinian Governments by the Deputy Secretary-General of the O.E.C.D., in the presence of the Chairman of the International Committee

Governments grants are available for the construction of new buildings and silos. But the Sardinian farmers in some cases did not know how to go about presenting their projects for financing. Project specialists have helped them in this as in other aspects of the modernisation of their farms. ▶



Young Ghilarza building workers were formerly obliged to go to continental Italy or other countries to obtain their professional training. Now courses have been arranged enabling them to learn a trade on the spot; modern training methods provide them with the necessary qualifications in a few months.

Some activities connected with agriculture cannot be mechanised effectively. Time and effort must be spent in clearing the hill-farm fields of the stones with which they are littered. But the modern methods demonstrated by Project technicians can save time in other farm-work. Grape-harvest in the Oristano plain, where Project planners have demonstrated the value of improved irrigation and have assisted growers in finding markets for their fruit and vegetable produce. These grapes will reach customers in the form of the much-appreciated Sardinian wine, "Vernaccia".



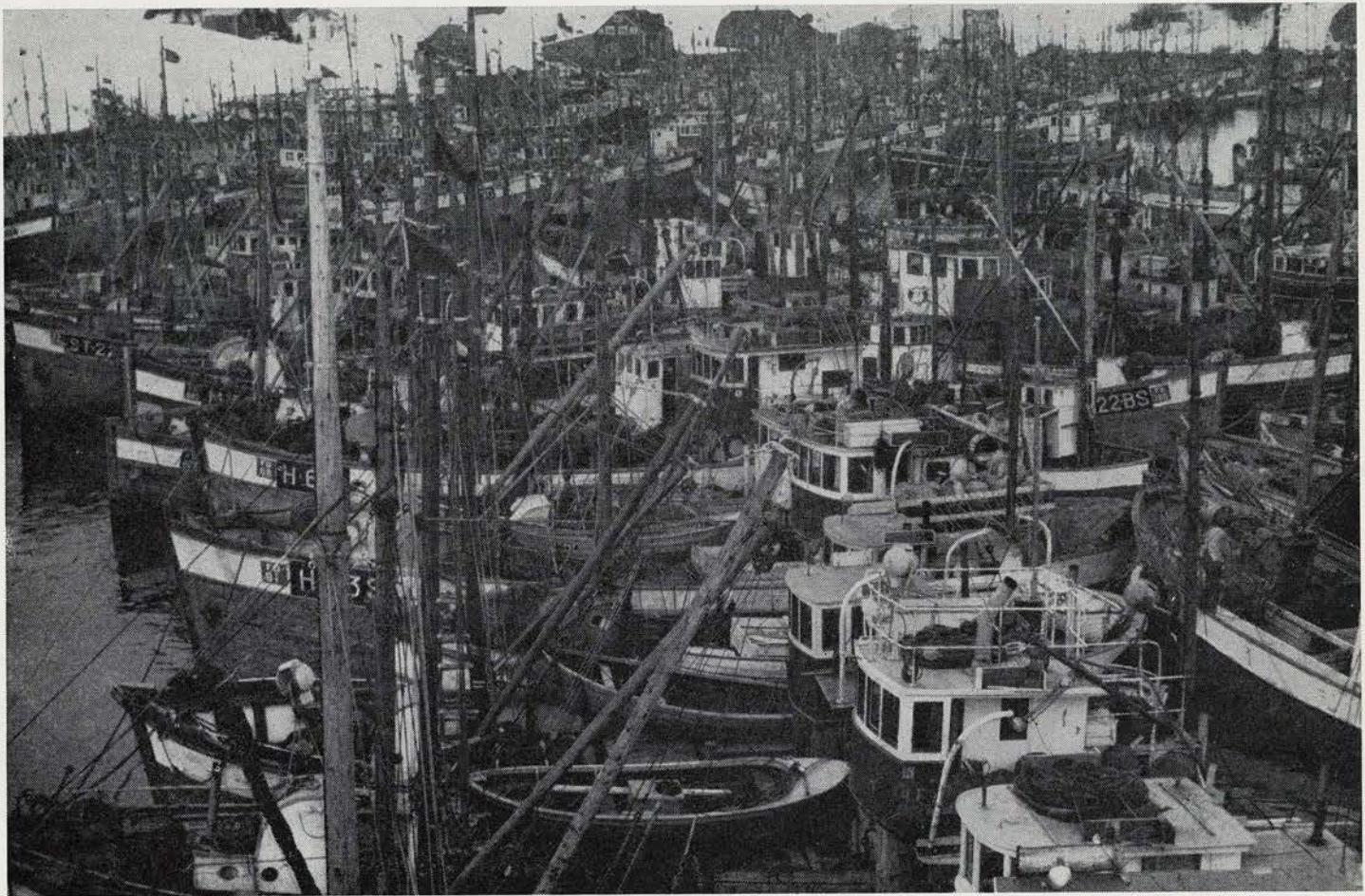


for the scheme. These specially-taken photographs show some aspects of the Pilot Area Project.

The Sardinian Pilot Area covers 170,000 hectares, with one town (Oristano), 40 villages and 110,000 inhabitants. The international team responsible for the Project provided services for agricultural advisory work, rural home economics, adult education and vocational training, social work, handicrafts and small industries, and for information activities and documentary films.



An olive-grower of Seneghe watches while the quality of his oil is analysed by a Project specialist. A combined team of technicians from the agricultural advisory service and the social service has shown the way to improvements both in production and quality. Now the olive-growers are organised in a co-operative to market their produce. Tens of thousands of trees have been treated to eliminate pests.



The fishing industry confronts many O.E.C.D. Member countries with a series of problems. One of the Organisation's aims is to harmonise the various national policies. The development of new processes such as deep freezing indicates the evident trend towards modernisation and progress in this industry. At governmental level and in the industry itself everything possible is being done to adapt this branch of activity, which is of prime importance in several countries, to future needs.

Quality allied
with quantity in a major
source of food

IMPROVED EXPLOITATION OF FISHERIES RESOURCES

For many Member countries of the O.E.C.D., the fishing industry presents a variety of problems. Some fishermen have adopted the most modern means of production, others keep to older methods and equipment. Some derive a substantial income from their activities, whilst others barely manage to scrape a living. Under the existing system of distribution, landings reach the markets under very different conditions and with varying delays. Some countries have been impelled to take action about prices whilst others give free rein to the play of supply and demand.

For a number of reasons, the European fishing industry in general has not developed at a pace comparable with that of other branches of the economy, which accounts for the disparity between fishermen's incomes and those of workers in other economic sectors.

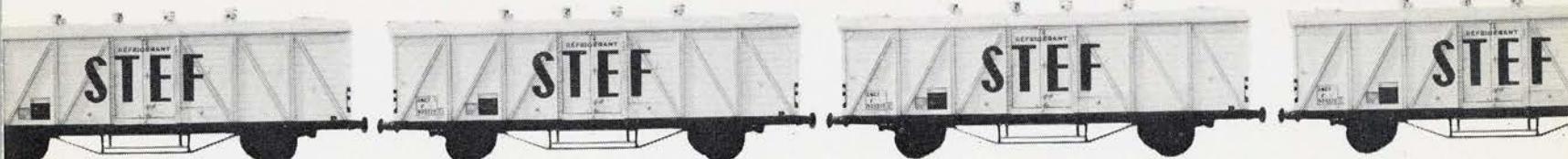
A MARKET RIPE FOR DEVELOPMENT

To stimulate the consumption of fish and thus engender an expansion of the fishing industry, publicity drives are conducted in most O.E.C.D. Member countries. Special agencies are sometimes responsible for this, such as the Publicity Committees of the ports of

may seem, for instance, some parts of Norway record a very low consumption.

Moreover, although fishing is only of secondary importance in some countries, it is vital in many coastal regions where there is no possibility of alternative employment. In other countries, fish is an essential commodity, mainly from the point of view of foreign trade : in Iceland, for example, it accounts for more than 90 per cent of exports. Each country has, therefore, its own fisheries policy. In Ireland, Norway and Sweden, the Government may exercise an influence over prices, either in the form of guarantees or by controlling the prices paid to fishermen; in the United Kingdom, deep-sea fishing receives heavy subsidies; and the German and Dutch Governments have issued special regulations for the disposal of temporary surpluses. In such cases the usual practice is to lay down a minimum price below which fish may not be sold for human consumption.

The lack of harmony between the various national fishing industries in the matter of investment and development, shortcomings in the marketing of fish, "international" factors such as customs duties, rates of exchange and so on, exert an influence which runs



Bremerhaven, Cuxhaven and Hamburg in Germany, the Information and Publicity Service of the Province of Quebec in Canada, and the Oslo Publicity Committee in Norway. In other countries, agencies with greater resources assume responsibility for publicity, for example the Fisheries Council in Ottawa and the National Fisheries Institute in Washington, D.C., or the White Fish Authority in the United Kingdom. Side by side with these activities, the industry tries to make the preparation of fish easier and to simplify the work of the housewife, for instance by offering fish for sale in fillets.

The consumption of fish in the Member countries of the O.E.C.D. remains unchanged at about 15 kg. per head per year. There is, however, an enormous difference between countries such as Austria and Switzerland, where the annual per capita consumption of fish is only some 3.1 and 3 kg. respectively, and those such as Norway and Portugal, where the figures are 41 and 32 kg. Within each country, there are also considerable differences in the level of consumption. Surprising as it

counter to the aim pursued by all countries, that is to develop the fishing industry and to increase consumption. If, however, the Governments negotiating within the O.E.C.D. could manage to co-ordinate their policies, some improvement of the international market and even of national markets might well be attained.

QUALITY IS IMPERATIVE

In order to promote better organisation in this sector, the O.E.C.D. Fisheries Committee has therefore included a series of projects in its programme aimed at different objectives : the adoption of quality standards for quick-frozen fish; the simplification and harmonisation of hygiene regulations in international trade; the development and improvement of methods for stimulating fish consumption; and a survey of the economic factors involved in efficient exploitation of sea products.

In addition to projects which concern the producer countries as a whole, each country has a number of specific problems to settle. Quality is the vital require-

ment in the market for fresh fish. Surveys conducted to determine the maximum period during which fresh fish can be preserved in ice have shown that, under any conditions, this period does not exceed a fortnight. Time spent in the trawler's hold, in transit and on the retailer's slab must therefore be reduced to a minimum. Some progress has been made in this direction, but much still remains to be done if more fish is to be consumed in some of the more remote areas.

THE COLD CHAIN

To facilitate the transport of fresh fish and to allow for the remoteness of some fishing grounds, the practice of quick-freezing has developed greatly in the last few years. Although quick-frozen fish is no better in quality than fresh fish, and processes involved are costly, large quantities can be made available to the consumer in a fresher state by this method. The quick-freezing process is bound to develop considerably on the European market in the coming years, but despite technical progress its expansion will be only gradual. Norway takes the lead in this technique with an annual production of quick-frozen fish of about 70,000 tons, followed by Iceland with 65,000 and the United Kingdom with 32,000 tons.

To speed up this trend, and following up the action already initiated in France and Italy, the O.E.C.D. is studying conditions for the establishment of "cold chains" as part of a quality policy which is an essential factor in market stabilisation and expansion in accordance with demand and its evolution. The first step will be to define a number of technical criteria to cover the entire progression from quick-freezing to delivery to

the consumer. The movement has now been launched, but the heavy capital outlay required means that specialised firms must take a hand and deal with the matter on an industrial scale.

These aspects cannot be isolated from the more general question of the production and distribution of quick-frozen products for which the Economic Commission for Europe in Geneva has suggested that international standards should be worked out. Fish, certain fruits and vegetables have been singled out as characteristic products for preliminary study. The role of the O.E.C.D. will therefore be to ease the way for practical surveys among its Member countries, on which the drawing-up of these standards may be based.

Trade in the other sea products shows very variable rates of expansion. It is complicated primarily by geographical considerations and secondly by the wide range of products involved, the different processes used for these products (which may be marketed fresh, salted, smoked, dried or canned) and the wide difference in value between one product and another.

Generally speaking sales of fresh fish follow a regular pattern : they are traditional and prescribed by distance. Exports of canned fish, on the other hand, continue to expand, but markets for salt and dried fish are showing a tendency to contract.

Anything done to stimulate international trade in fish, improve quality and increase consumption locally will help to boost a sector which is handicapped at the present moment. A more effective harmonisation of the policies adopted by the fisheries and the fish trade might well have decisive economic and social effects in many Member countries.



STATEMENT BY THE MINISTERS OF AGRICULTURE

Changing aspects of the farm problem; the role of the O.E.C.D.

The problems with which Member governments have been faced as regards agriculture have gradually evolved during the past decade or so : some of these problems have changed aspect, while others have been accentuated.

Shortage of food

Thus, toward the end of the '40's, and the beginning of the '50's, the main problem was a more or less general shortage of food in most European Member countries associated with a shortage of foreign exchange, particularly of dollars. As a result of the combination of these factors, policies in Europe were geared towards increasing output of almost every food commodity; although self-sufficiency had never been advocated as an aim, the tendency towards increased output brought the intensification of severe barriers to trade with the consequence of making access to markets more difficult for countries enjoying a comparative advantage in the production of many agricultural products.

Excess supply

With time, the problem changed from one of short supply to one of excess supply; technological advance has been an important factor in this connection. While trade in general had become more free and balance-of-payment difficulties were no longer of the same nature, State intervention in trade

in agricultural products both as regards imports and exports was maintained in many cases as the unavoidable consequence of national agricultural policies, particularly in the area of farm price and income support programmes.

Farmers' income

The problem of farmers' income has persisted throughout the last decade. Farmers' average per capita incomes in the late '40's and early '50's were lower than incomes in other sectors, but farmers in that period had several possibilities for improving their situation : reach a higher level of output, obtain higher prices, shift to other occupations if employment offers were available in other sectors. Towards the end of the '50's and the beginning of the '60's, the accruing imbalance between supply of and demand for agricultural products has in some instances deprived farmers as a whole of some of the possibilities they had previously, and the choices before them have been reduced to little more than those of lowering their costs without raising their output, or leaving agriculture as a profession or of agreeing to effective supply management.

In spite of the improvement in per capita incomes in agriculture during the last decade, the gap between agriculture and the rest of the economy has tended to become wider. This is due in particular to the limited possibilities offered to agriculture for raising its marketable output and to the very rapid expansion of other economic sectors.

AGRICULTURE AND GROWTH

The above-mentioned twofold problem brings to the forefront the place of agriculture in a rapidly growing economy, such as that experienced in most Member countries and thought desirable to be pursued in the future.

Agriculture in the national context

Agriculture has an important and positive role to play in promoting overall economic activity in any given country : to increase its own output by an amount corresponding to the increase in effective demand; provide a market for goods and services produced by other sectors; release resources, including labour, which could more productively be employed in expanding sectors; and contribute to cost-of-living stability. Agriculture in the past has been successful in these respects and should continue to play a stabilising role.

Agriculture in the international context

Agriculture has its role to play also in promoting an harmonious economic growth between countries : countries whose agriculture contributes to a great extent to gross national product or whose export earnings depend greatly on agricultural exports, should be given the possibility by their trading

partners to make an efficient use of the productive resources they have, *inter alia* through taking advantage of regional specialisation.

Needed adjustments in agriculture

But while agriculture contributes either directly or indirectly to economic growth, economic growth creates serious adjustment problems for agriculture if the sector is to enjoy average per capita incomes comparable to those in other sectors and is to produce what is economically useful.

As the ultimate aim is to help agriculture to stand on its own feet without the need for support, the far-reaching adjustments which should be arrived at concern the size of the farm population and the amount of land and capital devoted to agricultural production, the structure of the sector and the volume and composition of output.

It seems likely that if production were to be adapted to economic outlets, there would be a constantly diminishing need for agricultural labour. The success achieved in moving labour out of agriculture or in providing farmers with additional income from non-farm occupations is largely dependent on developments in other sectors of the economy, since there is no gain in transferring manpower from agriculture unless more useful work can be provided elsewhere. A reduction in agricultural population or in the dependence of

farmers upon agriculture for their livelihood, will therefore be greatly facilitated to the mutual advantage of agriculture and the other sectors by the accelerated growth of the economy aimed at by the 50 % collective growth target and the resulting creation of additional employment.

In the short run, and until these adjustments take place, it may be important to ensure that the international repercussions of ill-adjusted national policies do not become more serious, and to make the best possible use of excess productive resources.

TRADE

The solution of domestic agricultural problems should not jeopardise international trade in agricultural products. To this end, Member countries and groupings of Member countries should formulate their agricultural policies in the light of international trade responsibilities as well as of domestic considerations.

In view of the necessity for agricultural producing nations to remain acutely aware of their international responsibilities in the trade field, they should avoid stimulating uneconomic production which jeopardises the development of inter-

national agricultural trade.

The short-term stabilisation of world markets is an important factor in contributing both to harmonious world economic expansion and to the establishment of healthier conditions of trade in agricultural products. The joint Working Party of the Committees for Agriculture and Trade is already active in this respect. On the other hand the development at international level of suitable long-term solutions to market problems could promote necessary adjustments at national levels.

FOOD AID

The Committee has carried out a thorough examination of the extent to which programmes of food aid can contribute to the economic development of countries in course of development. It has come to the conclusion that in circumstances where food shortages constitute a factor limiting the rate of development, and where a country has inadequate foreign exchange to import additional food on a commercial basis, the provision of food on a grant or loan basis can during a relatively limited transitional period accelerate the rate of development. Attention has been given to specific ways in which additional food supplies can be used, including the possibility of assisting desirable adaptations in the agriculture of the less-developed country by making good the shortage of food or fodder which is liable to arise during the period of adaptation.

At the same time the Committee is aware of the risk that food aid programmes may displace supplies from agriculture in the receiving country or from commercial imports, or may

depress the price level of the products in question. It believes that careful planning can reduce such risks to a minimum, in particular by ensuring that the additional food supplies correspond to the increase in demand for food resulting from the country's economic growth. Since the rate of economic growth in an underdeveloped country is generally dependent on the overall volume of aid it receives, it appears necessary that food aid programmes should be closely co-ordinated with other aid programmes.

The Committee has also given special attention to the danger that the possibility of disposing of surpluses through food aid programmes may reduce the incentive for developed countries to carry out desirable changes in their own agriculture. It feels that this question should be kept carefully under review in the context of the Committee's studies of agricultural policies in Member countries and of the relation of agriculture to economic growth.

ROLE OF O.E.C.D.

Adaptation of agriculture to conditions of rapid economic growth

The Organisation should help Member countries to devise policies which, while ensuring agriculture's contribution to an harmonious overall economic growth, would make it possible for agriculture to benefit from this growth. In this connection it would be desirable to project demand, supply and international trade in agricultural products, and in the light of the results to be obtained from these projections, to identify what changes in agricultural policies, including price changes and structural adjustments, would be called for.

Some Member countries have instituted beneficial programmes aimed at solving the problems created for agriculture by rapid economic growth : their experience is worthy of close attention, particularly with regard to the possibility of raising productivity per man by diminishing costs of production and to the beneficial results of restructuring and increased efficiency on the problem of low-income farms.

Improvement of trade in agricultural products

Another main task concerns the improvement of the conditions in which international trade in agricultural products takes place. While in the short term it appears desirable to organise consultations whenever agricultural policies and trade practices, due to their restrictive or artificial nature, are likely to have adverse effects on Member countries' interest, the Organisation should not lose sight of the necessity for

promoting in the long run healthier conditions for trade in agricultural products, due account being taken of the interests of both importing and exporting countries.

Food aid as a contribution to economic development

With regard to the use of food for purposes of economic developments, the Organisation should support the principle that any such programmes, either bilateral or multilateral, should be co-ordinated with overall aid programmes and with development plans in receiving countries. Moreover, if it were possible, in co-operation with the international organisations concerned, to obtain a better knowledge of the results achieved so far, and of the possibilities for using food as a contribution to economic development, existing or potential programmes could be carried out more effectively.

Promotion and Adaptation of Intellectual Investments

Heretofore, investments in education in the agricultural sector have been relatively meagre in some countries and consequently adaptation to the rapid pace of modern technological, economic and social progress has been slow. Increased intellectual investments in agriculture, at all levels, are essential to economic growth and development, and the Organisation is active in promoting such investments in higher education and research, vocational training, advisory and information work.

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Incomes Policies

A number of O.E.C.D. countries have taken measures designed to promote price stability by keeping "increases in the level of money incomes generally in line with increases in productivity, which (as the first O.E.C.D. Ministerial Council concluded) alone provide the means to attaining a durable increase in the standard of living." Other countries have taken no direct steps to influence the level of incomes but have limited their role to making policy statements about incomes or have acted indirectly on supply and demand for labour. This supplement to the O.E.C.D. Observer summarises the techniques that have been used and the attitudes that have been adopted on this question by the governments of some O.E.C.D. countries. It is based on the following documents:

Policies for Price Stability, O.E.C.D., 1962.

The Problem of Rising Prices, O.E.E.C., May 1961.

O.E.C.D. Country Studies.

Official national publications including :

Incomes Policy : the Next Step, United Kingdom White Paper, 1962.

1962 Report of the U.S. Council of Economic Advisers.

Policy Statement of Chancellor to the German Parliament, October, 1962.

NETHERLANDS



In 1945 a law was passed setting up a Government-appointed College of Mediators to review collective bargaining agreements, determine whether or not they were consistent with the national interest, and validate or reject them. Decisions of the College were made enforceable in court. The body was also given power to initiate wage increases as directed by the Government. Before being sent to the College of Mediators, collective agreements were to be examined by a joint association of employer and union groups called the Foundation of Labour.

Just after the war, the College of Mediators emphasised in wage decisions what it considered a socially just minimum wage. As economic activity intensified in the post-war years, the emphasis shifted to specifying permissible increases, and wage rises tended to be of a uniform amount for all workers concerned.

In the seventeen years since passage of the law, the main change in the

institutional framework has been the creation in 1951 of the Social and Economic Council, a tripartite body whose functions are to advise the Government on matters of overall economic policy, including wage and price developments.

In 1959 there was a new Government and another change in the criteria used to determine wages. Judging that the practices of previous years had made for too much rigidity in differentials between skills and industries, the new Government established a formula for determining wage increases that geared wages in each industry to improvements in productivity in that industry. In 1961, the formula was modified to give less weight to the individual industry concerned, more to the trend of productivity for the economy as a whole.

On certain occasions the College of Mediators has granted wage increases

to compensate for a rise in Government-controlled rents or social security contributions, but wages have never been tied directly to the cost of living.

as assessed by the Social and Economic Council in bi-annual reports.

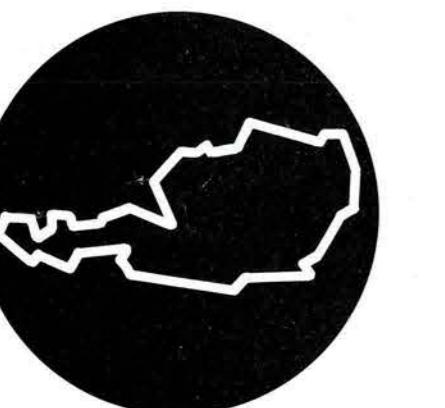
If these proposals were adopted, the role of the Government would diminish correspondingly, but it would continue to have standby powers when, in its judgment, the parties to collective bargaining were not acting in accordance with the national interest. It could, for example, decree a "wage pause" during which it would hold further consultations with labour and management, or in the last resort, reimpose governmental control over wages, e.g. in the form of a "wage freeze" or a uniform statutory increase in wages.

SWEDEN



The Swedish Government avoids giving direct guidance on wages. The wages of Government employees are negotiated after other settlements have been reached and wage patterns already established. It has chosen instead to direct its efforts towards balancing supply and demand for labour. On the demand side, the Government can influence investment in specific sectors. On the supply side, Government measures have been oriented to doing away with bottlenecks by promoting geographical and occupational mobility.

AUSTRIA



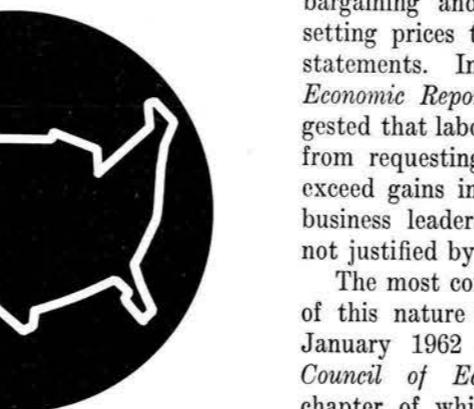
An Equipartite Price and Wage Commission was set up in 1957 to review claims for price and wage increases. It is composed of representatives of the Government, trade unions, commerce and industry, agriculture, and a consumer group. As it was set up, the Commission had no legal powers to enforce its recommendations. Moreover, says an Austrian memorandum to the O.E.C.D., "in respect of wage policy... appropriate guiding principles were lacking".

In January, 1962, certain changes were made: the Government was given

the power (under certain conditions and on the basis of a unanimous recommendation from the Commission) to regulate prices for a period of up to six months; a new procedure for the examination of wage claims was also established; it was, moreover, agreed that the Commission should in future advise the Government on general economic policy and attempt to work out guiding principles for wages and prices.

In July, 1962, a temporary wage and price pause was put into effect.

UNITED STATES



UNITED KINGDOM



In 1956 a White Paper entitled *Implications of Full Employment* made the following points:

"In order to maintain full employment, the Government must ensure that the level of demand for goods and services is high... In these conditions it is open to employers to insist on large wage increases, and it is often possible for employers to grant them and pass on the cost to the consumer... This is the dilemma which confronts the country... The solution lies in self-restraint in making wage claims and fixing profit margins and prices..."

In 1957 the Government appointed a Council on Prices, Productivity and Incomes to consider the relationship between wages, costs and prices. Four reports were issued by the Council.

In mid 1961, at the end of a fiscal year during which the rise in incomes outstripped the increase in production by a ratio of 2.5 to 1, the Government declared a "wage pause". The only sector in which the Government could enforce its request was the public service, but, in fact, the pause was widely observed; most of the increases that were granted during the eight months

of its duration were the aftermath of earlier agreements or automatic cost-of-living adjustments.

In February, 1962, near the end of the pause, the Government put forth another interim policy of restraint in the form of a White Paper called *Incomes Policy; the Next Step*. The report restated the fact that the Government's objective was "to keep increases in money incomes in line with the long-term rate of increase in na-

tional production" which it estimated at between 2 and 2 1/2 per cent. This range was to serve as a "guiding light" for wage increases. Wages, the report added, should be taken to include fringe benefits and the effect on hourly wages of a reduction in hours. Finally, in a general discussion the White Paper examined some of the arguments commonly used in wage negotiations:

"Some arguments which have in the past been widely used to justify higher wages and salaries certainly ought not to be given the same weight as hitherto. For example, arguments

derived from the increased cost of living, or from the trends of profits or productivity in a particular industry, cannot in present circumstances be regarded as providing of themselves a sound basis for an increase. There may, however, be cases in which an increase could be justified as part of an agreement under which those concerned made a direct contribution, by accepting more exacting work, or more onerous conditions, or by a renunciation of restrictive practices, to an increase of productivity and a reduction of costs."

Nic has been directed to make its judgments with an eye to the national interest generally and more specifically

to take into account the following criteria:

1. "The desirability of keeping the rate of increase of the aggregate of monetary incomes within the long-term rate of increase of national production."
2. "The desirability of paying a fair reward for the work concerned."
3. "The manpower needs of the service, industry or employment concerned, taking into account any regional or local differences in such needs and the importance of securing the most efficient deployment and use of national resources including manpower."

DENMARK



In August of 1962 a law was passed setting up an economic council. In the words of a parliamentary committee that studied the question, past experience had demonstrated that "the influence of organised private groups upon developments in money incomes has not been subjected to the objectives of general economic policy". Three economists appointed by Parliament preside over a council whose mandate is to study long-term priorities in economic policy; publish the results of its research; and hold open discussions with labour unions, employers, Government agencies and other groups. One of the tasks of the council will be to find ways and means to achieve a balance of incomes and production that will sustain long-run growth.

BELGIUM



A Price Commission was set up in February, 1951, in connection with regulations providing for prior notification of price increases. Its functions are "to give advice... on all questions relating to the cost of living" and "to follow the price situation and to make suggestions to the Minister of Economic Affairs on the price policy to be adopted". Representatives of industry, agriculture, trade, transport, credit institutions, trade unions and consumer interests sit on this Commission. A permanent committee of the Commission has instructions to "watch price fluctuations, draw the Commission's attention to problems which the committee wishes it to study, collect the necessary documentation and prepare the work of the Commission".

CANADA



As in Sweden, the Federal Government takes no measures to control wages directly but tries indirectly to influence the labour market. The Government attempts to ease supply by measures that prevent regional and occupational labour shortages. As for demand, government measures include permitting the rapid write-off of investment in industries in which there is an excess of labour.

In addition the Government has made policy statements from time to time in support of stable prices. In 1961, for instance, the Minister of Finance declared to Parliament that economic opportunities could be greatly reduced if industry sought unjustified price increases or if workers attempted to secure higher wages than were justified by the growth in productivity.

FRANCE



In a series of pronouncements, the French Government has attempted to persuade employers and trade unions to exercise restraint in wage determination. In March, 1961, for example, a letter was directed to the Confédération Nationale du Patronat Français suggesting in part that "taking into account the increase in national productivity which must remain our target, the rate at which wages should rise should be in the neighbourhood of 4 per cent per year. Any higher margin which may be available in certain

industrial sectors must be allotted in part to lowering prices and in part to investment... Whenever the rate of increase in a firm's productivity is such that, given stable prices, a reasonable increase in wages would leave an excessive margin of profit after essential investment has been made, the firm or sector in question should lower its prices..."

More recently, the French Government has given incomes policy a recognised place in its economic planning. In the Fourth Plan it has taken account

of income trends and the desirable distribution of income. Moreover, judging that there is a need for more information about income distribution, the French government has attempted to make more statistical data available. The Commissariat Général au Plan has solicited the views of trade unions, employer groups and others on measures that might be taken to correct anomalies in income distribution trends. A meeting was held for this purpose with the representatives of these groups last October.

NORWAY



The Prime Minister and other cabinet members have held a meeting with leaders of the national labour union, the employers' association and the farmers' organisations with the explicit aim of co-ordinating the 1963 central wage and farm price negotiations. It is hoped that the contact can be developed further into a permanent committee with a fairly specific mandate to consider questions relating to the development of incomes.

GERMANY



The German Government has avoided direct action affecting wages.

In 1960 the German Chancellor requested the Central Bank to investigate the implications of a wage increase then being negotiated. This report outlined a philosophy according to which wage changes should be tied to productivity growth. The average productivity for the year 1960 was estimated at 3-4 per cent. "Many industries", the Bank's statement pointed out "will achieve a growth of productivity substantially exceeding the average of 3 to 4 per cent. This does not, of course, mean that in those industries it would be safe to raise wages by more than the average addition to

productivity, although *prima facie* the cost effect of even larger wage increases could there be absorbed".

In his statement of the Government's policy before the Bundestag in October, 1962, the Chancellor stated : "The Federal Government will consistently pursue its policy of price stabilisation. It has, therefore, asked the Minister of Economic Affairs to submit by the 15th January, 1963, a report on the economic situation. After discussion in the Cabinet's Committee of Economic Affairs and in the Cabinet itself, this report will be placed before you. It will analyse developments in 1962 and the outlook for 1963. This will

show us the possibilities of maintaining a suitable rate of economic growth and of avoiding the impairment of price stability. On the basis of this report, the Federal Government will set out guidelines for the conduct of those groups that claim a share in the national product.

"In my policy statement of November 29th, 1961, I said that 'the Federal Government expects support from labour and management in the form of a moderate and thoughtful wages policy. This policy must take into consideration increases in productivity. Whether or not new forms of co-operation between the two groups must be found will depend on whether

they keep within the limits set by the requirements of price stability and a sound rate of economic growth.'

"To our great regret, this appeal and warning to management and labour have not produced the desired results. Claims for higher wages and fewer working hours have been put forward by organised labour and granted by employer organisations without regard to the decline in the rate of growth of the national product, falling exports, rising prices, or the corresponding fall in the value of the Deutsche Mark...

"Above management and labour stands Parliament and the Federal Government in which Parliament has put its trust. On behalf of the Federal

Government, I would impress most seriously on employers and labour the thought that for them too, the interest of the country as a whole must come first. Parliament and the Government are responsible for safeguarding these interests. They may not and will not allow them to be harmed. May I emphasise the fact that neither side of industry has anything to gain from a continuous wage-price spiral. On the contrary, in the long-run, both stand to lose. I appeal, therefore, to the common sense of both employers and labour in the hope that they will come to a more reasonable and a more lasting understanding. This would be a great step forward."