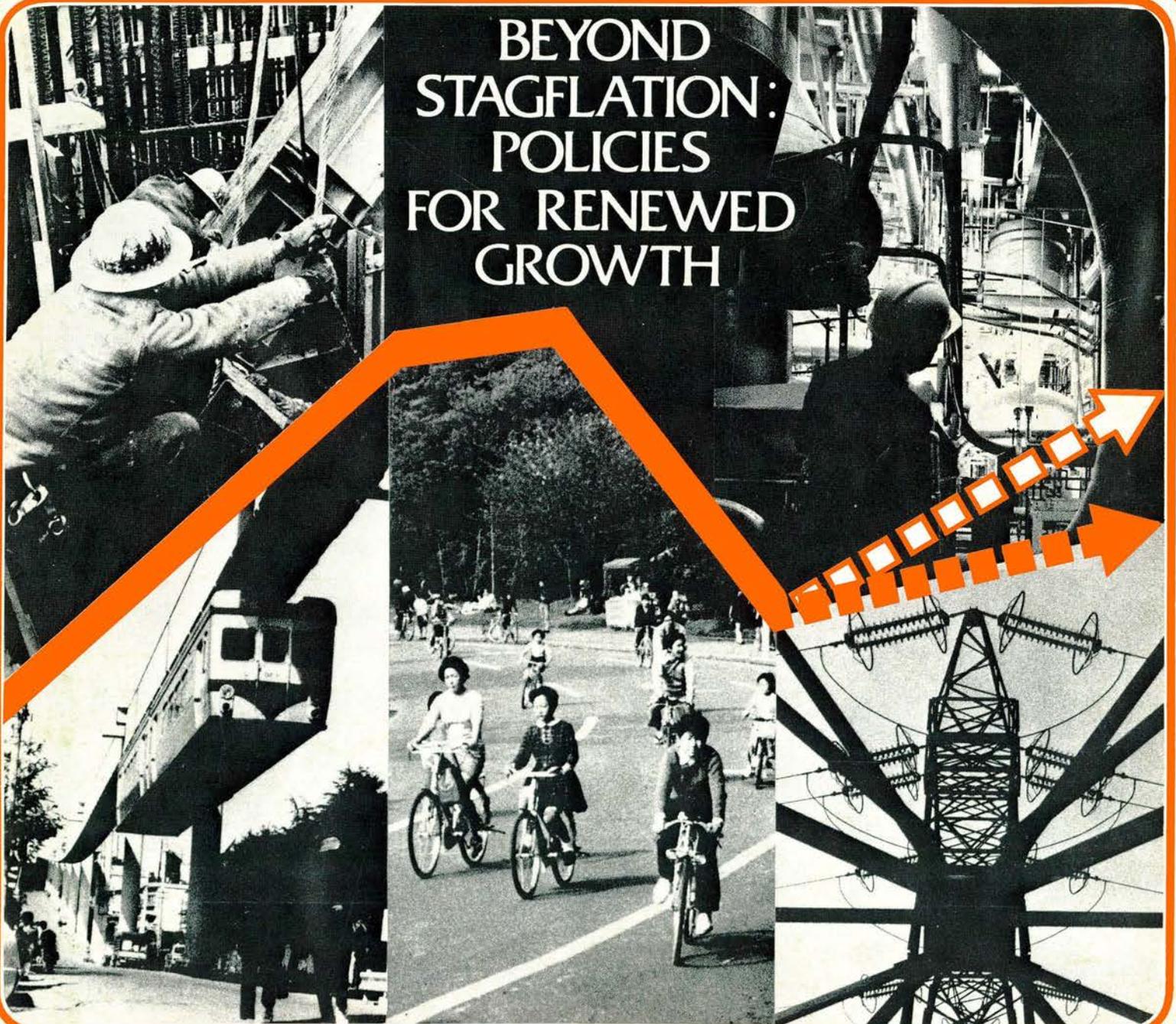


the OECD OBSERVER

BEYOND
STAGFLATION:
POLICIES
FOR RENEWED
GROWTH



the OECD OBSERVER

N° 77

September-October 1975

Contents

BEYOND STAGFLATION—POLICIES FOR RENEWED ECONOMIC GROWTH <i>by Emile van Lennep, Secretary General of OECD</i>	3
THE "McCRACKEN GROUP"	4
MID-TERM IN THE SECOND DEVELOPMENT DECADE: REAPPRAISAL AND RESPONSE <i>by Maurice J. Williams, Chairman of OECD's Development Assistance Committee</i>	7
THE PROBLEM OF YOUNG PEOPLE'S ENTRY INTO WORKING LIFE	14
LEARNING OPPORTUNITIES FOR ADULTS	16
OLD AGE PENSIONS: LEVEL, COVERAGE AND ADJUSTMENT	19
OECD AGRICULTURAL OUTLOOK FOR 1975-76	24
TRANSFRONTIER POLLUTION: TOWARDS A COMMON APPROACH	29
SAFEGUARDING THE MEDITERRANEAN	32
RECENT MEASURES TO STRENGTHEN COMPETITION POLICY	38
NEW OECD PUBLICATIONS	41

Published bi-monthly in English and French by THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

EDITORIAL OFFICES

OECD Information Service, Château de la Muette, 2, rue André-Pascal, F 75775 PARIS, CEDEX 16.

Individual articles not copyrighted may be reprinted providing the credit line reads "Reprinted from the OECD Observer" plus date of issue, and two voucher copies are sent to the Editor. Signed articles reprinted must bear author's name.

The Organisation cannot be responsible for returning unsolicited manuscripts.

Signed articles express the opinions of the authors and do not necessarily represent the opinion of OECD.

Annual Subscription Rates : £ 1.80, \$ 4.50, F 18.00.

Single copies : £ 0.40, \$ 1.00, F 4.00.

EDITOR: Jane Bussière

ASSISTANT EDITOR: Ulla Jeanneney

ART, PRODUCTION AND LAYOUT:

Marc Delemme

PHOTO RESEARCH: Silvia Lépot

All correspondence should be addressed to the Editor.

Cover: Governments are facing hard choices as they attempt to conquer stagflation and set their economies back onto a course of long-term economic growth without inflation. What policy instruments can best reconcile the very diverse needs — to revive investment in industry, to provide new sources of energy, better social and physical infrastructure and an improved quality of life? OECD's Secretary General discusses these problems and the formation of a new body — the "McCracken Group" — within OECD to investigate them. (See pages 3 and 4.)

PHOTOS: Cover: USIS; Central Office of Information; Japanese Ministry of Foreign Affairs; Marc G. Delemme; page 4: L. Jouan - OECD; pages 8-9: United Nations; page 10: Bolotsky - World Bank; page 12 (top) P.A. Pittel - Unesco (bottom) Salgado Junior; page 14: Niépce-Rapho; page 17: Central Office of Information; page 19 and 26: USIS; page 27: Niel Murray - Australian Embassy; page 31 (top) USIS (bottom) Daedalus - Ann Arbor, Michigan; page 37: Sygma.

BEYOND STAGFLATION: POLICIES FOR RENEWED GROWTH

by Emile van Lennep,
Secretary General of OECD (1)

How far have OECD governments been successful in coping with the multiple difficulties and dangers that have confronted us during the last year: the almost lethal combination of cost inflation, demand deflation and a massive deterioration in trade balances; the severe strains on the international monetary system arising from the need to recycle vast oil surpluses; the blow to the fortunes of the developing countries who are not oil producers; and the need for a major reorientation of our energy policies?

To take the successes first: so far we have very largely avoided the dangers of *escalating protectionist measures and trade warfare*. Here the "Trade Pledge" of OECD has played a role, and is even more important now than it was 18 months ago when it was first agreed upon. With bankruptcies and rising unemployment, the pressures for protectionist measures have strengthened almost everywhere. Right now, they are widespread and strong enough so that any major protectionist move could easily set off a self-defeating chain reaction of retaliation by other countries. To avert this danger will require a major effort of political will, both nationally and internationally.

Second, there has been reasonable success in *the recycling of petro-dollars*. In part, this is because, after some initial stresses, the international money and capital markets have worked well in channelling funds where they were needed, with the help of some additional backing from national monetary authorities organised under the auspices of the Bank for International Settlements. Equally important has been the cooperative action taken to improve and add to official financing arrangements: the IMF oil facility, the EEC loan arrangement and, as a backstop, the OECD Financial Support Fund.

But in the financial as in the trade field, we must guard against becoming over-complacent. A number of the major countries' external financing needs have been temporarily reduced by the weakness of their domestic demand, and the cumulative burden of debt is still building up in a very uneven fashion. In this connection there is a good prospect that, with only one or two exceptions, all countries will have ratified the Agreement establishing the OECD's Financial Support Fund by the end of this year.

Third, important results have been achieved through creation of a new and in some respects original vehicle for energy cooperation in the *International Energy Agency*, the agreement on sharing

oil supplies in an emergency, and the decision to reduce consumption of oil in the years 1975 and 1976. Here again, there may be a danger of complacency; both the mild weather and the recession have sharply reduced our demand for oil. There is need therefore for a stronger cooperative policy to conserve energy and develop alternative sources, and this will require a continuing effort of political will over a decade or more.

But there are also areas in which, despite the efforts that have been made, the situation has deteriorated seriously. As feared from the outset, this has been particularly true for the *non-oil developing countries*, especially the poorer among them. Initially, the adverse effects of the oil price rise were cushioned by the tail end of the world boom, but as the boom has turned into a major recession, the situation has steadily worsened. The current external deficit of these countries (excluding official transfers) rose from \$11 billion in 1973 to a quite unsustainable annual rate of \$40 billion in the first half of this year.

The position of the non-oil developing countries would, however, have been significantly worse had it not been for the efforts made on their behalf by both the OECD and the OPEC countries. Despite their serious domestic economic difficulties, OECD countries did not reduce their official aid programmes, but rather managed to increase them roughly in line with the rise in nominal national income. Even leaving aside humanitarian considerations, this is also a matter of self-interest for OECD countries, since the present current deficit of the non-oil developing countries is unsustainable and it will have to be reduced. Indeed their imports from OECD countries, after reaching a peak at the turn of the year, had already fallen by 5 per cent by May/June, and the trend, which is depressing demand in the OECD area, is likely to continue well into next year.

Our shortcomings have been most apparent in still another area. Although we were forewarned, it did not prove possible to prevent the development of a *major inflationary recession*. Even before the oil crisis, it had become more difficult to keep inflation in check while maintaining high levels of employment. The massive rise in oil prices worsened both sides of the equation. Mistakes of policy were no doubt made, both individually and collectively, and

(1) This text is based on a speech given to the Parliamentary Assembly of the Council of Europe in Strasbourg on October 6th.

the severity of the recession was not foreseen. But looking back, the recession now seems to have been to a considerable extent unavoidable, given the conjunction of highly adverse circumstances. By the middle of last year there was a broad consensus among most countries that, while there were risks of a quite severe downturn developing, the seriousness of the inflationary situation was such that these risks would, up to a point, have to be accepted. This view was not necessarily shared by all countries, as was shown by the discussions in OECD at the time; all governments could have wished that there were less costly ways of trying to bring inflation under control, and some felt that alternative policies were possible at least for their own countries. But, for the OECD area as a whole, the dangers of accelerating inflation were such that there seemed to be little choice.

Looking back over the last twelve months, we should not underestimate the results that have been achieved in the fight against inflation. It may seem disappointing that, despite the severity of the recession, the rise in consumer prices in the OECD area has only fallen back from 15 per cent a year to a still unacceptably high figure of just under 10 per cent a year at an annual rate over the last six months. But a year ago, when the price rise, fuelled by oil prices and other exogenous factors, reached a peak, it seemed quite possible that wages would take over the running in an accelerating inflationary spiral. Indeed, in some countries this seemed to be what was happening, until the realities of the world recession brought home to the social partners the pressing need for greater restraint.

At the same time the downturn in economic activity has been much sharper than anticipated and the cost in terms of unemployment, foregone output and reduced investment has been high.

It is now apparent that there were two main reasons for the unexpected severity of the recession:

- first, despite almost continuous consultations in the OECD and other international bodies, there was a tendency for each country to underestimate the cumulative effects of recessionary forces at work in many countries at more or less the same time
- second, there was a failure to recognise how much the loss of confidence generated by the quite abnormal combination of inflation and recession could depress demand. In particular, consumers increased their savings much more than expected, and businessmen adjusted their inventories more quickly and substantially than anticipated.

Our latest estimates are that total output (GNP) in the OECD area, after showing no increase in 1974, seems likely to have fallen by 2½ per cent this year; that the volume of OECD imports is likely to have fallen by as much as 10 per cent, and that unemployment has risen to over 14 ½ million.

The Resumption of Non-Inflationary Growth

For the OECD area as a whole the turning point in economic activity is already past. Largely as a result of the pick-up in the United States and some recovery in Japan, the fall in industrial production had levelled out by mid-year. The volume of OECD imports which fell very sharply in the first half of the year, appears to have picked-up somewhat in the third quarter.

As to the coming twelve months, the OECD Secretariat is still working on its new forecasts.

For 1976 they seem likely to show a growth of GNP of 3-4 per cent, and of import and export volumes of perhaps 5 per cent. While in aggregate these are not so very different from the forecasts made by OECD during the summer, the starting point has had to be revised downwards quite sharply. Moreover, within this overall picture the prospects for different countries are very mixed, and major areas of uncertainty remain.

In the United States the upswing is an established fact, and although opinions differ about its underlying strength, a 5-6 per cent rise in GNP next year seems probable. In Japan, helped by the recent expansionary measures, the recovery should continue next year, although at a rate well below the previous growth potential of the Japanese economy.

In Europe, on the other hand, there are as yet few signs that the turning point has been reached, and it is here that confidence factors seem likely to play a crucial role. If it is assumed that household savings ratios do not drop back from their present



THE "McCRACKEN GROUP"

The weak economic growth of the last few years combined with unacceptably high levels of unemployment and inflation point to changes in the basic economic and social fabric of OECD countries. The need for an informed and effective policy response to these changes on the part of governments grows daily more evident, but the novelty of the situation and the multiplicity of change make it difficult to judge what this response should be in terms of economic and social policy measures.

To explore new avenues of approach, OECD's Secretary General has invited a group of distinguished and independent economists to identify and consider the main long-term structural problems involved.

The group is to be headed by **Paul McCracken**, professor at the University of Michigan, Ann Arbor and former Chairman of the Council of Economic Advisers to the President of the United States. The other Members are:

Raymond Barre

Professor at the University of Paris and former Vice-Chairman of the Commission of the EEC

Guido Carli

Former Governor of the Bank of Italy, Former Governor of the World Bank and Alternate Governor of the IMF

Herbert Giersch

Director of the Institute for World Economics and Professor at Kiel University; former Chairman of the German Council of Economic Advisers

abnormally high levels, and that even if the recent liquidation of inventories comes to an end there is no general move to reconstitute stocks, the rise in output in Europe might only be around 2 per cent over the next 12 months. This would mean, however, that unemployment would continue to rise quite rapidly and, given the existing large margins of spare capacity, there would be little prospect of a recovery in investment demand. Under these conditions there would be a clear risk that confidence might weaken further and that the recovery would not gather momentum and might peter out.

Against this gloomy picture on the other hand, there is the possibility that, as world trade begins to pick up and the effects of earlier expansionary action come through, the present aura of uncertainty will be dispelled. In this case, a drop in household savings and a reversal of the previous inventory decline could, in time, lead to a significant and mutually reinforcing recovery in Europe. Given the reasonably good prospects for recovery

elsewhere, this scenario could quite easily lead to the beginnings of a synchronised and possibly overly rapid boom leading to a renewed outburst of inflation.

The continuing existence of both what we have called downside and upside risks in Europe poses serious problems for policy makers.

The importance of confidence factors in the unexpected severity of the recession underlines the fact that getting out of it is not just a matter of shifting to expansionary monetary and fiscal policies in the traditional sense. It is also a matter of bolstering confidence, and convincing public opinion that we are capable of making further progress in reducing inflation. At the same time, however, confidence is unlikely to improve if unemployment goes on rising and unless reasonably clear signs of recovery begin to emerge. In order to ensure this, some countries in Europe may need to take further expansionary action; if so, it would be better for this to be done sooner rather than later. *(continued on page 6)*

Attila Karaosmanoglu

Director of Development Policy at the IBRD and former Deputy Prime Minister in charge of economic affairs in the Turkish Government

Ryutaro Komiya

Professor at the University of Tokyo

Assar Lindbeck

Director of the Institute for International Economic Studies and Professor at Stockholm University

Robert Matthews

Master of Clare College, Cambridge; former holder of the Chair of Political Economy at Oxford University.



In discussing the Group's formation, OECD's Secretary General noted:

"Recent experience with stagflation raises important *issues of a long-term, fundamental nature*. The way in which OECD economies have reacted to external shocks and domestic policy measures has revealed structural weaknesses, which have in turn aggravated the effects of inflationary and deflationary impulses and limited the efficiency of the policies aimed at offsetting them. We need to reassess the prospects for sustained economic growth in the context of medium and longer-term structural change, bearing in mind the constraints arising from inflation. And this reassessment should lead to a new examination of how we can develop economic policy instruments better adapted to provide timely, thorough and confident policy responses to changing situations.

For this purpose the OECD Ministerial Council proposed an independent group of distinguished economists, which has now been set up, to examine the policy issues involved in the pursuit of non-inflationary economic growth.

I hope that this group will:

- Review experience with the traditional instruments of demand management, and consider possible means for insulating policy-making somewhat more from short-term political considerations and what is called the 'electoral cycle'. One question they might ask is whether we should make more use

of predetermined *guidelines for monetary and fiscal policy* to reduce the risk that discretionary action will become destabilising.

- Look into the commonly-held view that we may suffer from *inadequate investment*, both because of rising investment requirements for energy and accelerated structural change, and because of a weakening in the propensity to invest related to low rates of return and greater economic and political uncertainties. Another aspect of this problem is the possibility that accelerated structural change is leading to increasing mismatches between supply and demand, pointing to the need for more emphasis on *selective adjustment policies* in the areas of industrial, regional and employment policies.

- Consider questions concerning possible external constraints to growth arising in the areas of *energy, industrial raw materials and food*.

- Tackle the perhaps central question of the *conflict between rising aspirations and a somewhat diminished supply potential*. Rising claims for both private and public expenditure, and in some cases a more intense struggle to maintain or enhance the position of competing interest groups, have clearly been an important element underlying present inflationary difficulties. The possible solutions, ranging from efforts to break up monopoly power to trying to achieve a greater social consensus on some form of incomes policy are as easy to preach in theory as they are difficult to apply in practice.

The group will not be able to avoid broader questions concerning the nature of economic growth itself, the case for stress on quality, as well as on quantity, on job satisfaction as well as on productivity, and on adapting labour supply to the slower growth of demand.

Of course, no group of experts, however distinguished, can be expected to produce definitive answers to such wide-ranging and complex questions. But they can help to prod governments into thinking more about medium and longer-term prospects, and contribute to the process whereby our democratic societies learn from their mistakes and adapt to changing circumstances. The Great Depression of the 1930's produced much new thinking about the management of market economies which stood us in good stead in the first phase of the post-war period. There is surely no reason why the Great Stagflation of the early 1970s should not throw up new ideas as to how best to overcome the different problems we are running into today."

Expansionary action has already been taken in many countries. Looking ahead one cannot help being concerned about the *practical and political difficulties of shifting back to more restrictive policies* once the recovery begins to gather momentum. This is particularly the case for fiscal policy, where it is only too clear that, for a complex of reasons, the budget deficits which have to be accepted in order to surmount this recession are disproportionately large in relation to previous experience. In many cases this has raised an acute conflict between the need to restore overall balance between savings and investment in the short run, and the need to maintain an appropriate balance between public and private expenditure over the medium and longer run. While it is both appropriate and necessary to put in train, as of now, the action required later to restore budgetary equilibrium, it is equally important that the necessary measures should not come into effect until recovery is firmly established.

Until now governments have been underestimating the way in which depressive influences have been spreading out from country to country. But, at some point within the next year, as the tide turns, expansionary and mutually reinforcing forces could gather momentum rather rapidly. It is only through close and continuous monitoring of the situation at the international level that this turning point can be identified quickly enough, and governments be warned of the need to make proper allowance for a buoyant global environment in timing the necessary shift back to more restrictive policies. This is not going to be at all easy. It presents a major challenge for the international coordination of economic policies, and particularly for the economic bodies of the OECD.

Towards More Constructive Relations with Developing Countries

It was perhaps inevitable that the initial response of OECD countries to the oil crisis was largely defensive. It has taken time to realise that the success of the oil producers in pushing up prices has not only had a major impact on the world economy, but has also had important psychological and political consequences in both the developing and developed countries. It has taken time for our countries to realise that, despite the wide difference of purely national interest among the developing countries, which were sharply accentuated by the rise in oil prices, the very fact of underdevelopment creates a strong bond among them. And it has taken a major worldwide inflation and recession to bring home to all of us, developed and developing countries alike, the full dimensions of global economic interdependence.

While these lessons were being learnt, we went through a period of confrontation and sometimes ill-tempered language. Happily, we now seem to be moving out of that phase. The turning point might have been OECD's Ministerial meeting last May when Member governments adopted a Declaration on Relations with Developing Countries. This was intended as a political signal and was recognised as such. It expressed the determination of our Member countries to consider policies aimed at strengthening the position of the developing countries in the world economy, to discuss relevant issues — with particular emphasis on food production, energy, commodities and development assistance for the most-seriously affected countries — and to pursue the dialogue with developing countries in all appropriate fora.

Since last May, there has been an extremely impressive burst of activity inside and outside governments and in international

organisations leading up to the positive outcome of the U.N. Seventh Special Session of the General Assembly (2). The next step was the resumption of the Preparatory Conference in Paris with a view to holding a Ministerial Meeting later this year and the establishment of several commissions on energy, commodities, development problems, and related financial matters. Beyond that we are entering into a strenuous period of discussion and negotiations in many different international fora.

There may be a danger that in these extremely wide-ranging discussions, not enough attention will be paid to the issues arising from increasing interdependence in the energy field itself. Both oil producers and oil consumers have a common interest in a price for oil which correctly reflects the longer run supply and demand conditions. For the oil producers, the price at which they sell their oil determines their ability to raise the living standards of their people and to diversify their economies against the day when their oil runs out or is in less demand. If the price is too low, they will not be able to save and invest enough for the future, and could see their oil resources disappearing at an alarming rate. If the price is set too high, they will enjoy great prosperity for a short while, but over a number of years will price themselves out of the market, as the industrialised countries develop alternative sources of energy. This is where any rational person should see that the interests of the OPEC countries and the OECD countries really coincide. First, because investment in alternative forms of energy is costly, and can have damaging effects on the environment, and it is therefore, the interest of OECD countries not to move faster in this direction than they have to. Second, because it is not in the interests of the OPEC countries for the industrialised countries to embark on overly costly programmes for energy diversification which might, in time, seriously reduce the earning power of the OPEC countries before they have had time sufficiently to diversify their own economies.

While these considerations are accepted on both sides, it is disappointing that little progress has so far been made in trying to reach in a more concrete form a common assessment and understanding of the problems involved. To take only one example, the 10 per cent increase in the price of OPEC oil which became effective at the beginning of October for the next 9 months could be regarded as moderate, viewed in relation to the current rate of world inflation. But if it is viewed against the shorter and longer run supply and demand position for oil, the economic logic of any price increase at all at this time appears dubious.

As to the responsibilities of the OECD countries towards the poorer developing countries, we must recognise that we are very much at the beginning of what will be a long hard road. What has been achieved over the last few months is a new commitment to commit ourselves to take action in favour of the developing countries. This is in itself important. But a major effort will be required if a better economic balance between the developed and developing countries — or a new international economic order as it is being called — is to be realised. This will involve not only increased resource transfers but also far-reaching structural changes in the patterns of trade and employment. It is going to be difficult to mobilise the political support in legislatures and the public at large needed to translate our present commitment in words into concrete and meaningful action; time may be short, and critical decisions will have to be made over an unusually wide range of development policy issues.

(2) See page 7 for a more detailed discussion of these developments by the Chairman of OECD's Development Assistance Committee.

“Neither the productive capacity nor the stock of technical expertise in OECD countries, which provide the basic sinews underlying aid transfers, have been impaired by the recently disturbed economic conditions. In fact, existing resources in these countries are currently underemployed, and their re-employment for well conceived and fully productive aid efforts would be to the advantage of all concerned.”

Mid-Term in the Second Development Decade: Reappraisal and Response

*by Maurice J. Williams,
Chairman of OECD's Development
Assistance Committee (1)*

IN a real sense, development cooperation during the past year has regained the attention which it previously held in the early 1960's when the First Development Decade was initiated by the United Nations.

There have been successive reappraisals by governmental, international and private bodies; a more coherent approach to international and development policies has become a concern of policy officials in most capitals and a central issue at international conferences.

These reappraisals of development progress have differed in their evaluation of how well international economic arrangements have served the international community, in general, and the developing countries, in particular, during recent decades. This is an important question. For how it is answered will influence our conclusions on the extent and nature of reforms which should be undertaken. Some would tear up existing international economic mechanisms root and branch and start over. Others would adjust certain parts and make replacements over time.

The Dynamics of Cooperative Global Response

As oil producing and industrial countries grappled with their respective and inter-related problems in adjusting to the recent major changes which have taken place in the international economic environment, they were faced with the needs of non-oil developing countries. These countries, in turn, were responding to their own perceptions of their problems. Some responses were competitive in spirit, others sought to build cooperation. It became increasingly clear that the pervasive and global nature of the problems dictated that they could best be dealt with in a broadly cooperative international frame of reference. From the Sixth Special Session of the General Assembly of the United Nations on Raw Materials and Development, in April 1974, a number of declarations of principle and important policy responses evolved from a series of international meetings. Several of these conferences have had a profound effect on the nature and prospects of development cooperation.

Raw Materials and Development

At the Sixth Special Session of the U.N. the view was put forward that the current economic problems of developing countries arose not from the essentially retrogressive effect on poorer countries of recent major increases in the prices of their essential imports, but rather from a faulty economic system which had persistently neglected their economic development needs, in general, and underpaid them for their commodity exports, including oil, in particular. Non-oil developing countries were asked to accept higher oil prices, as the vanguard of a new economic order which also would seek to improve substantially the terms of trade for other raw materials and commodity producers. It was a bold stroke in defense of higher commodity prices, and of proposed producer associations on the model of OPEC.

These and the proposals of past UNCTAD meetings for improving the commercial and trade opportunities of developing countries were swept together in the "Declaration on the Establishment of a New International Economic Order" and its accompanying "Programme of Action" and endorsed by majority acclamation but with less than the full agreement of a number of the industrial countries. The proposals are of varying importance. A number have already been accepted, at least in principle, and are in different stages of realisation, including: progressive removal of trade barriers, liberalisation of buffer stock and compensatory financing schemes, and generalised tariff preferences in favour of developing countries. Proposals in the Declaration for increased processing of raw materials by producer countries, investment in export industries and increased economic assistance are also valid development objectives. Other proposals for across-the-board trade advantages may be more questionable, but a number are worthy of consideration.

While there are major differences of views over proposals on the role of producer associations, commodity problems and indexing export and import prices, what is most important about the Declaration on a New International Economic Order is the

(1) This article is based on the first chapter of the DAC Chairman's Report for 1975 which will be published shortly.

interest of developing countries in working out their aspirations for economic progress through greater and more stable access to the markets of industrial countries. Developing countries have forcefully raised the issue of a better integration of their trade and investment into the global pattern of trade which has evolved among industrial countries. And they have expressed a determination for hard bargaining to gain trade and development advantages—a determination which may be seen as following a tradition well honoured by Western countries in the past.

Emphasis on regulation of commodity markets through intervention prices and indexation raises difficult questions from the standpoint of economic policy and development objectives. At least 80 percent of the effective supply of commodities is in the hands of developed countries, and producers of commodities for which price increases might be sought already have been realising significant economic returns. Further, while well conceived commodity schemes could dampen the extreme price fluctuations which have characterised commodity markets, and is in itself an important objective, developing countries are more likely to realise greater long-term benefits from improved schemes for compensatory and supplementary financing to offset shortfalls in their projected export earnings. These issues are now receiving the urgent attention they deserve.

In considering trade issues, it must be recognised that developing countries have placed problems of fluctuations in supply, demand and prices of commodity exports at the center of their proposals for changes in international economic practices. Their views, were set out in the Declaration and Action Programme on Raw Materials adopted at Dakar in February 1975 and at the 20th Conference of Commonwealth Heads of State or Government at Kingston, Jamaica in April 1975. The UNCTAD Committee on Commodities is seeking to reach agreement on the details of a comprehensive proposal for an integrated approach to commodities in time for consideration at the Fourth UNCTAD in May of 1976.

The Lomé Convention

An important response to the broader aid and trade interests of the developing countries is the Lomé Convention, among 45 African, Caribbean and Pacific countries and the nine countries of the European Economic Community. The Convention combined a package of trade, aid and technical measures addressed to the needs of developing countries for more integrated assistance with their development programmes. Over a five year period, aid was expanded from over \$1 billion, under the previous Yaoundé Agreement, to over \$4 billion.

The trade part of the agreement provides for duty-free access to the markets of the European industrial countries, but effective increase in trade will depend on the associated developing countries increasing their production and improving marketing arrangements. Importantly, the Lomé Convention includes a technique to help stabilise export incomes for suppliers through a \$450 million scheme known as STABEX. This scheme is similar to the IMF's Compensatory Financing Facility; both should be expanded and strengthened to assure minimum levels of export earnings for developing countries.

The Lomé Convention also provides for consultation and technical help, through public and private sources, on the industrial plans of associated developing countries. Although it does not go far on this path, the Convention points the way to more systematic work on industrial consultation and adjustment approaches among industrial and developing countries.

Industrial Development

Following the technique of the United Nations General Assembly's Sixth Special Session, the Second General Conference of UNIDO, (2) held in Lima during March 1975, aimed at proposing both broad objectives and specific measures to encourage the industrialisation of the developing countries. These were set forth in a Declaration and Plan of Action on Industrial Development and Cooperation which were endorsed by most countries, but without full agreement on all points.

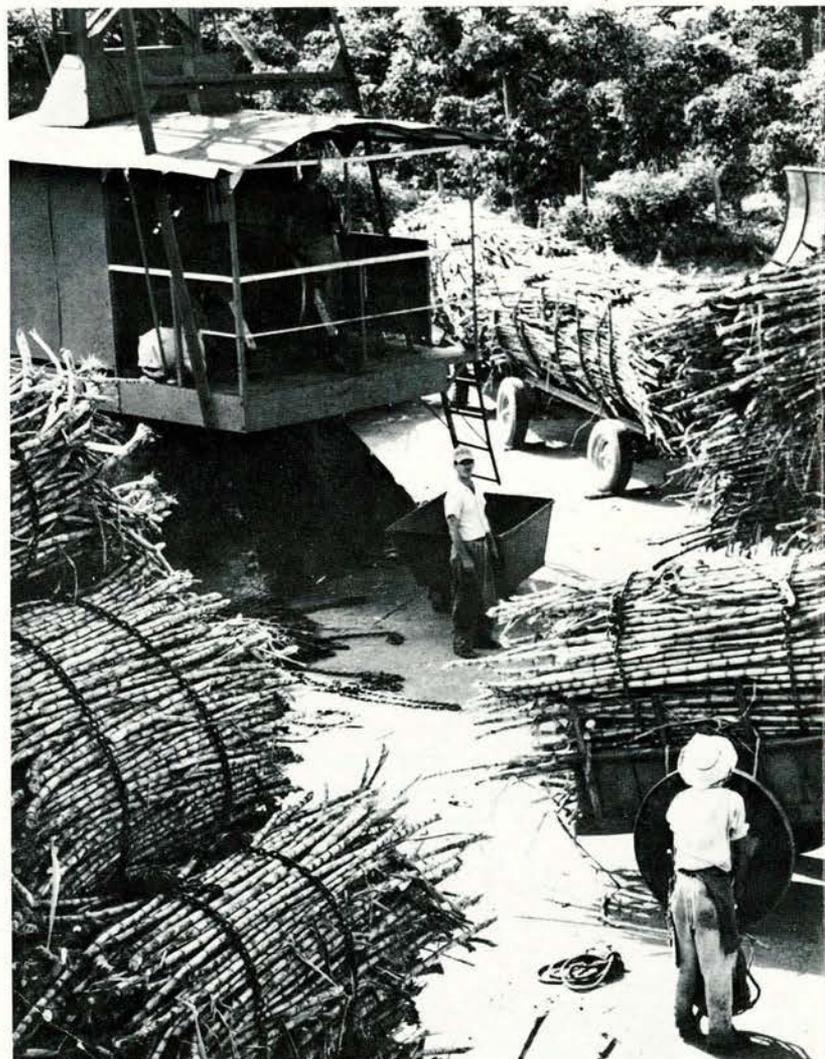
The "Lima Declaration" and Plan of Action cover a broad range of measures designed to bring about the rapid industrialisation of developing countries and to increase their share in world industrial production to at least 25 percent by the end of the century. This implies industrial growth at a rate considerably higher than in the past. What is particularly important about the "Lima Declaration" is the determination of developing countries to broaden their development in an effort to lessen their economic dependence as primary producers in the global division of labour and specialisation.

Production of manufactures for most developing countries is equated with modernisation. There is much to be said for this point of view. Development of manufacturing strengthens the

(2) United Nations Industrial Development Organisation.

"... developing countries have placed problems of fluctuations in supply, demand and prices of commodity exports at the centre of their proposals for changes in international economic practices."

Below : harvesting sugarcane



modernisation process, contributes to the production and processing of primary products, and provides the products for rising consumption and investment. Further, the international market for certain manufactures is promising for developing countries. There is no reason to believe that manufactures are best supplied exclusively by one group of countries, with others specialising only in the production of primary products and obtaining all their manufactured goods from abroad.

The changes in the division of labour resulting from a global broadening of manufacturing can be fruitful for the international community as a whole. Experience indicates that as countries industrialise, the already-industrialised economies typically gain more markets than they lose. However, the process is likely to be uneven and almost certainly requires policy and structural reforms.

One of the conclusions of the Second General Conference of UNIDO was for consultations with a view to facilitating "the redeployment of certain productive capacities existing in developed countries and the creation of new industrial facilities in developing countries". In particular, it concluded that these consultations should "relate to industries processing raw materials exported by developing countries or which consume vast quantities of energy, and should result in concrete proposals for inclusion in the development programmes of participating developing countries".

The means for helping developing countries with their industrial investment programmes are known; what is required is that they

be more effectively pursued. These include measures to reduce tariffs and other obstacles to export of manufactures and semi-manufactures from developing countries, improved cooperation in research and export development, and encouragement of programmes of investment, with appropriately associated managerial skills and technology which give greater attention to the resource endowments of individual countries. However, the transfer of skills and technology in effective combination with capital and adapted to related social and institutional changes is a process which requires close confidence among the parties concerned. Improvement in the climate for cooperation is almost certainly an essential prerequisite.

Special Assistance for the Most Seriously Affected

The United Nations Emergency Operation, launched at the Sixth Special Session of the General Assembly to help the poorest countries maintain essential imports, was a significant response to a difficult situation. The community of nations reaffirmed the principle of collective action to protect the weakest countries. Initially, 33 countries were identified as Most Seriously Affected (MSA) on the basis of their low income, sharp deterioration in their external accounts, modest growth prospects, and consequently heavy dependence on special concessional assistance, the need for which was assessed at \$2.3 billion a year for 1974 and 1975. These estimates provided guidance to the international community as to the amount of assistance required in addition to normal flows of aid and other capital.

In response, DAC Members committed \$1.7 billion for 1974-75, within the framework of the UN Emergency Operation which flexibly encouraged contributions through both the United Nations and bilateral programmes. This compares with total bilateral commitments by DAC countries to MSA countries in 1973 of \$2.8 billion. Actual disbursements increased from \$2 billion in 1973 to \$2.6 billion in 1974 (*See Chart A*). The bulk of the DAC Members' contributions was pledged by the countries of the European Economic Community.

Commitments of concessional assistance by OPEC Members to the MSA countries totalled about \$1.7 billion, and actual disbursements may have reached \$1 billion in 1974. The increase in the oil bill of the MSA countries in 1974 due to high oil prices has been estimated at about \$1.6 billion.

The United Nations Emergency Operation made an important contribution in mobilising initial balance-of-payments assistance, but as the economic situation of the MSA countries worsened, they drew on IMF facilities to the extent of \$1.2 billion, including \$760 million under the oil facility in 1974. Particularly large drawings were made by India, Pakistan, Bangladesh, Sri Lanka, Kenya and Tanzania. MSA countries also borrowed about \$400 million in Euro-currency markets. A considerable part of the 1975 external resource needs will have to be met by further drawings on the IMF. MSAs have little scope for financing their payments deficit from reserves, and their prospects for commercial borrowing are quite limited.

Additional assistance of a highly concessional nature is indispensable not only to meet immediate financing needs for current imports but also to help low income countries pursue their development efforts and effect the required structural adjustments, including an expansion of their domestic food and fertiliser production, development of indigenous energy supplies and strengthening of their export capacity. Over-emphasis on the emergency aspect

Fluctuations in supply, demand and prices of commodity changes in international economic practices." Sugar cane in Costa Rica.



of the problems of these countries would be misleading. While there are clearly immediate emergency requirements, the development problems of the low-income countries are structural and require measures to generate increased resources for investment.

The United Nations' list of MSA countries has been extended to 42 low income countries, a number of which also are included in the U.N.'s list of 25 least developed countries whose problems of extreme poverty are overwhelmingly structural in nature. Gradually the United Nations' identification of countries for the special and collective help of the international community is being extended to all the poorer countries which face severe problems of economic adjustment and development.

The low-income countries have already experienced a further slow-down of economic growth from the unsatisfactory performance of earlier years. During 1969-73, average GNP growth of the poorer countries was about three percent, and per capita income increased by less than one percent. In 1974, growth fell to 2.5 percent, which means no income rise for some one billion people in these countries. What is especially alarming about this situation is that, given present policies and programmes, the situation of these people and countries is not likely to change appreciably for the rest of this decade.

The World Bank has estimated that if the poorer developing countries are to achieve average GNP growth of at least 4.5 percent—two percent per capita—over the 1976-1980 period, the total flow of external financial resources to them would have to increase from the 1974-75 estimated average annual level of roughly \$5 billion to \$7.5- \$8.5 billion during the coming years. While capital requirements will vary according to growth rates in OECD countries, and could be somewhat lower if the export earning capacity of developing countries were strengthened, the annual level of aid estimated by the Bank for 1974-75 was higher than in earlier years due to special emergency assistance. Under any combination of economic variables, current economic assistance to poorer countries is too low for really effective results by at least \$2 billion annually.

Although aid is only one element determining the future growth prospects of developing countries, in the case of the poorer countries it is a critical one, financing close to a quarter of their total imports. At the same time, the policies pursued by the developing countries themselves remain important determinants of their growth. A number of them need to achieve more adequate economic management and the economic policy reforms that would enhance their development prospects.

The poorer countries are heavily dependent on agriculture, and their economic prospects could be changed appreciably by more attention to development of their rural economies. The correlation between many of the poorer countries and the developing world's major food importers is significant: India, Bangladesh, Sri Lanka, Yemen and Sub-Saharan Africa are among the poorest countries which suffer most in periods of global food shortages and high food prices.

Food

Although the world food outlook has improved considerably since the autumn of 1974 when the World Food Conference foresaw the possibility of widespread famine in Asia and Africa, inadequate and uncertain food supplies, with large numbers of people exposed to malnutrition and all its consequences, and periodically to actual starvation, continue to be a blight on the world economic and social situation. The failure of the

growth in food production to keep pace with the growth of population in developing countries as a whole—the most serious shortfalls occurring in South Asia and Africa—justifies retention of this problem in the forefront of priorities before the international community, which has been slow to implement the Conference proposals. A more fundamental attack on the structural problems of rural and agricultural development remains urgent.

The World Food Conference resolutions called for food security through building food reserves, increasing immediate food aid and over the long term increasing production in the developing countries. The institutions proposed to address these problems include: a World Food Council, a Consultative Group on Food Production and Investment, an agricultural development fund to encourage increased financing, a system of world food reserves to involve the major grain exporters and importers, and an improved programme for food aid. The World Food Council and Consultative Group have been created and have begun to grapple with problems of following up the Conference's resolutions.

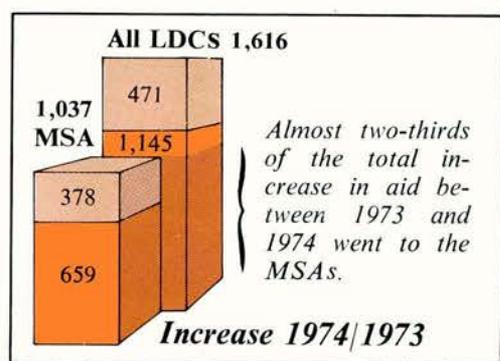
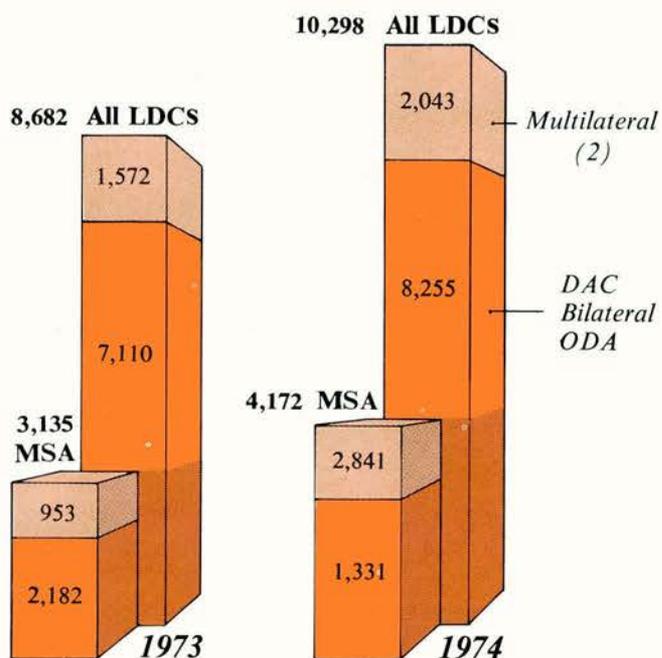
While the 1974 World Food Conference produced a fair degree of agreement on institutional arrangements and major elements of a global food policy, it left much to future arrangements. For example, no specifics were adopted with regard to constituting world food reserves, where such reserves would be held and in what magnitude, nor were rules established concerning their allocation during periods of scarcity. The setting of an upper limit for "free market" food prices through a system of nationally or internationally held reserves could benefit the poorest segments of all developing nations that are not self-sufficient in food production.

The ten million ton annual target for food aid appears to have support, and Australia, Canada, the United States and Sweden

*The Chairman of the DAC has proposed that Member countries double their economic assistance for agricultural and rural programmes.
Below: an experiment in corn growing in Thailand*



A. The Increase in Aid Disbursements to the Most Seriously Affected Countries (MSA) (1) from DAC and Multilateral Agencies (\$ million)



- (1) 42 countries; on the basis of the earlier 33 countries the increases are only marginally different.
- (2) Excluding the oil facility drawings of \$ 750 million which are at non-concessional terms.

substantially increased their programmes in 1975-76. However, forward planning generally for food aid is less than fully supported, partly perhaps to avoid disincentives to greater food production in food deficit countries.

An FAO study prepared for the World Food Conference estimated that an increase in external aid from the estimated annual level of \$1.5 billion to about \$5 billion annually could yield a major transformation in the food prospects of developing countries. Specialists agree on the broad outline of the appraisal, although the figures on requirements are necessarily approximate.

In response, the Chairman of the Development Assistance Committee proposed that Member countries double their economic assistance for agriculture and rural programmes in accordance with the priorities and requests of developing countries. Most DAC countries are seeking to increase assistance for agricultural development beyond the substantial level they have been providing. The International Fund for Agricultural Deve-

lopment proposed by Resolution XIII of the World Food Conference, has the potential for increasing economic assistance to agriculture by providing a channel for substantial additional contributions from OPEC and DAC countries. An important feature of the proposed Fund will be the participation of developing countries in its policy direction and management.

If the programmes outlined at the World Food Conference are further elaborated and implemented with a high order of priority, the objective of substantially increasing food production in the developing world can be realised.

Towards a Mature Relationship for Development

Thus despite the confluence of disruptive events in the past two years and undertones of frustration and confrontation, there have been persistent efforts among nations to seek common means for dealing with important global problems. Emerging is a broad agreement on the need for new policies relevant to today's problems, and on strengthening the institutional means for their realisation.

The unequal partnership of the last decade is giving way to a more mature relationship among non-industrial and industrial countries for dealing with their economic problems.

Creating the conditions which will permit less developed countries to raise the standard of well-being of their peoples is an essential objective, not because it meets the humanitarian ideal of peoples in the OECD countries, which it does, but because development has become a vital political interest of most non-industrial countries.

Development—and cooperation for development—has been politicised by the non-industrial countries; they have evolved a common desire to bring global attention to their problems and to reinforce their common efforts by working closely together. There are those who deplore the politicising of the development situation on the grounds that it increases the difficulties and alters the nature of international deliberations on development, but developing countries press their interests as the mature national states which they have become. No longer can aid and development be treated as technical subjects and made the responsibility of "experts". Today, development is the most important subject of politics throughout the non-industrial world, and development issues are being pressed forward by political leaders deeply concerned with the means to bring about the economic advance of their countries.

The political drive for development is of great importance, for it holds promise of stepped-up political action by developing countries to deal with the internal economic and social changes which are most likely to yield economic progress. But resolution of these fundamental internal problems can be greatly impeded or eased by international assistance and trade policies.

First there is need to raise the level of aid. The World Bank has estimated that satisfactory economic progress for developing countries for the remainder of the Second Development Decade will require an increase in the annual level of concessional aid of up to \$4 billion, with about half required for the low-income countries.

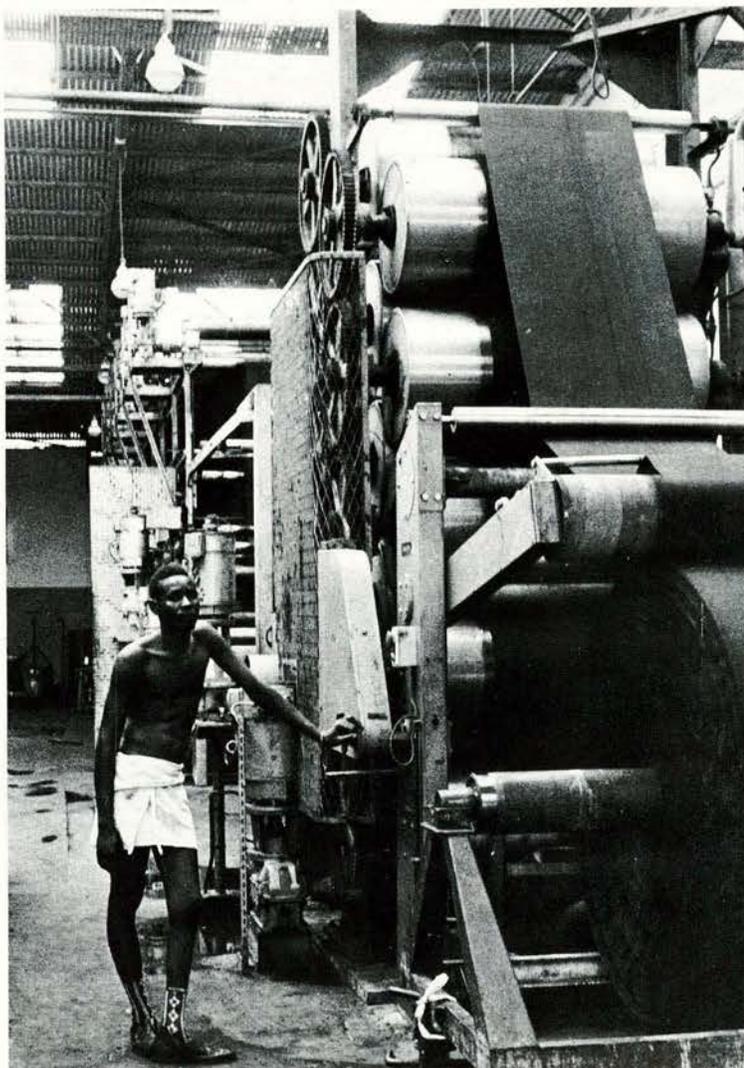
Though impressive in absolute terms, the aid effort is still a modest one. For DAC countries on average the net outlay represents 0.33 percent of GNP, 2.5 percent of central budgets, in most cases and 2.4 percent of exports. Given its scarce volume and the growing financial needs of developing countries, aid

should be increased and concentrated on the poorest countries and those hardest hit by events over which they have no control.

Neither the productive capacity nor the stock of technical expertise in OECD countries, which provide the basic sinews underlying aid transfers, have been impaired by the recently disturbed economic conditions. In fact, existing resources in these countries are currently under-employed, and their re-employment for well conceived and fully productive aid efforts would be to the advantage of all concerned.



"The means for helping developing countries with their industrial investment programmes are known: what is required is that they be more effectively pursued." Above: a weaver in Dahomey. Below: a textile worker in Niger.



Governments that are seriously concerned with helping developing countries, that are seeking to employ more fully their material and technical capacities, and that have regard for the priority needs of both national and global development interests will treat aid budgets as central to these objectives. Aid budgets should be exempt from cuts in times of budgetary restraint; they should receive preferential treatment, equivalent to that afforded domestic social programmes in times of fiscal and monetary deflation. In this way, DAC governments can give greater substance and meaning to their intentions to help developing countries.

The major new source of capital saving of course is the surplus oil earnings of the OPEC countries which have placed most of their funds in the markets and securities of industrial countries (over \$45 billion worth in 1974 alone). OPEC countries have already emerged as important donors of aid to non-oil developing countries with concessionary aid commitments of \$5.3 billion in 1974 and actual concessionary transfers of \$2.2 billion in addition to other resources on non-concessional terms. The new aid giants, Saudi Arabia, Kuwait, the Gulf States and Libya, with commitments of well over \$3 billion and disbursements of about \$1.5 billion in 1974, have the potential earnings and apparent political will to sustain concessionary aid programmes on this or an even larger scale for a number of years. Iran on the other hand which has been unique in the speed of its response and has mobilised an aid programme of global scope (commitments of about \$1.25 billion to some dozen non-oil developing countries during 1974), may reduce the pace of further aid commitments while Algeria, Venezuela and Iraq are likely to have their aid programmes limited by competing capital claims from their own large domestic programmes, though, given their strong motivation to help non-oil developing countries, they almost certainly will continue to export capital with a component of concessionary assistance.

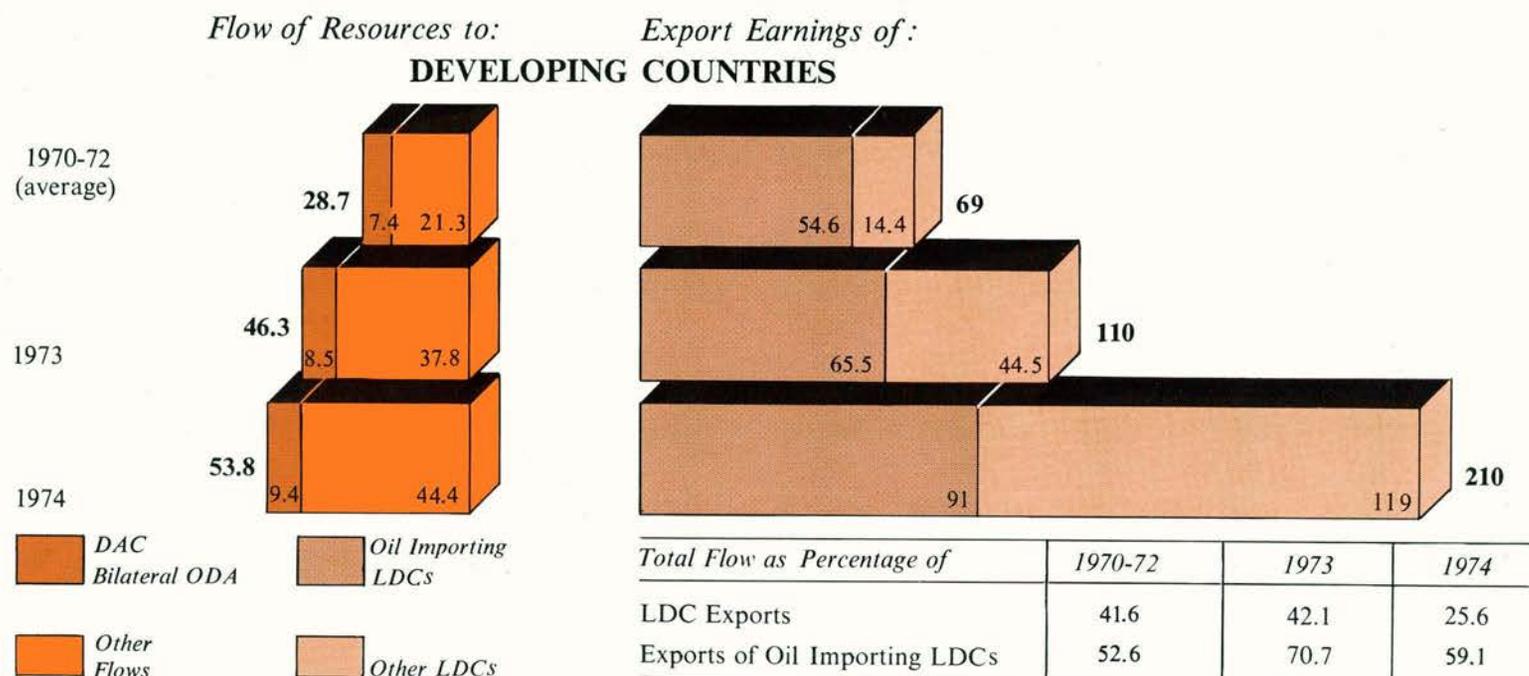
There is an urgent need to extend and improve facilities for short and medium-term financing. The IMF has played an important role in helping with the financing of increased oil bills by developing countries, which drew about half of the initial IMF Oil Facility of SDR 3 billion. Under the renewed 1975 Oil Facility for up to SDR 5 billion, the IMF has set up a subsidy account to reduce the cost of drawings by the most seriously affected countries. Recently, the World Bank set up a temporary subsidy account in order to lend up to \$1 billion at rates between those of IDA and normal Bank rates, the World Bank "Third Window". These are important initiatives. At the same time, most of the estimated \$40 billion trade deficit of developing countries in 1975 will be met by private borrowing, use of their reserves and reduction of imports. Developing countries almost certainly have reached the maximum that can be financed in this way, and large trade deficits are likely to continue well into 1977.

The scope of the IMF financing facilities should be broadened to provide for substantially greater balance of payments assistance. IMF facilities should be available to compensate developing countries not only for a fall in export earnings due to reasons beyond their control, as presently provided, but more broadly for a deterioration in their terms of trade as well. This would take account of rising import prices which also have been beyond their control. Further, IMF arrangements for extended fund facilities should be expanded for medium-term loans to enable structural adjustments in the economies of developing countries. The proposal for expanding the facilities of the IMF for balance-of-payments assistance to poorer countries by sales of gold now held by the IMF is of major importance and should be implemented quickly.

Global policies will have to be fashioned in other important

B. Aid and Trade

Gross Flow of External Resources and Export Earnings (\$ billion)



areas as well including trade in commodities and industrial cooperation. During the past decade, the stimulus to economic growth in the developing countries came largely from foreign trade though there has been a tendency to minimise its importance, and the trade gains of developing countries have been almost entirely due to the economic growth of the OECD countries rather than to changes in trade policy (See Chart B).

Now there is need to rationalise trade among industrial and non-industrial countries through the reduction of trade barriers and a better integration of developing countries into major world trading patterns. Many anomalies of the present trading system are a result of the successful concentration by industrial countries on carrying out a more open trading system among themselves through their successive negotiations on trade liberalisation. Developing countries were little involved in the six rounds of tariff-cutting negotiations under the GATT since 1947 which only marginally touched their interests. The Generalised System of Preferences for developing countries is an initial attempt to mitigate this imbalance, but to date its effects have been carefully limited. The generalised preferences almost certainly should be integrated into a broader context of trading relations which, as part of a more open world economy, reduces trade barriers in areas where developing countries have clear comparative advantages and can supply consumers in the industrial countries more cheaply. The World Bank has estimated that liberalisation of primary trade by OECD countries might yield an additional \$6-12 billion in earnings for developing countries by 1980 mainly by expanding volume rather than increasing price.

A renewed and expanded effort of global development should be accorded the priority of an international—and national for the countries concerned—emergency, calling for the release of energies and the reordering of priorities which we normally associate with preparations for national defence.

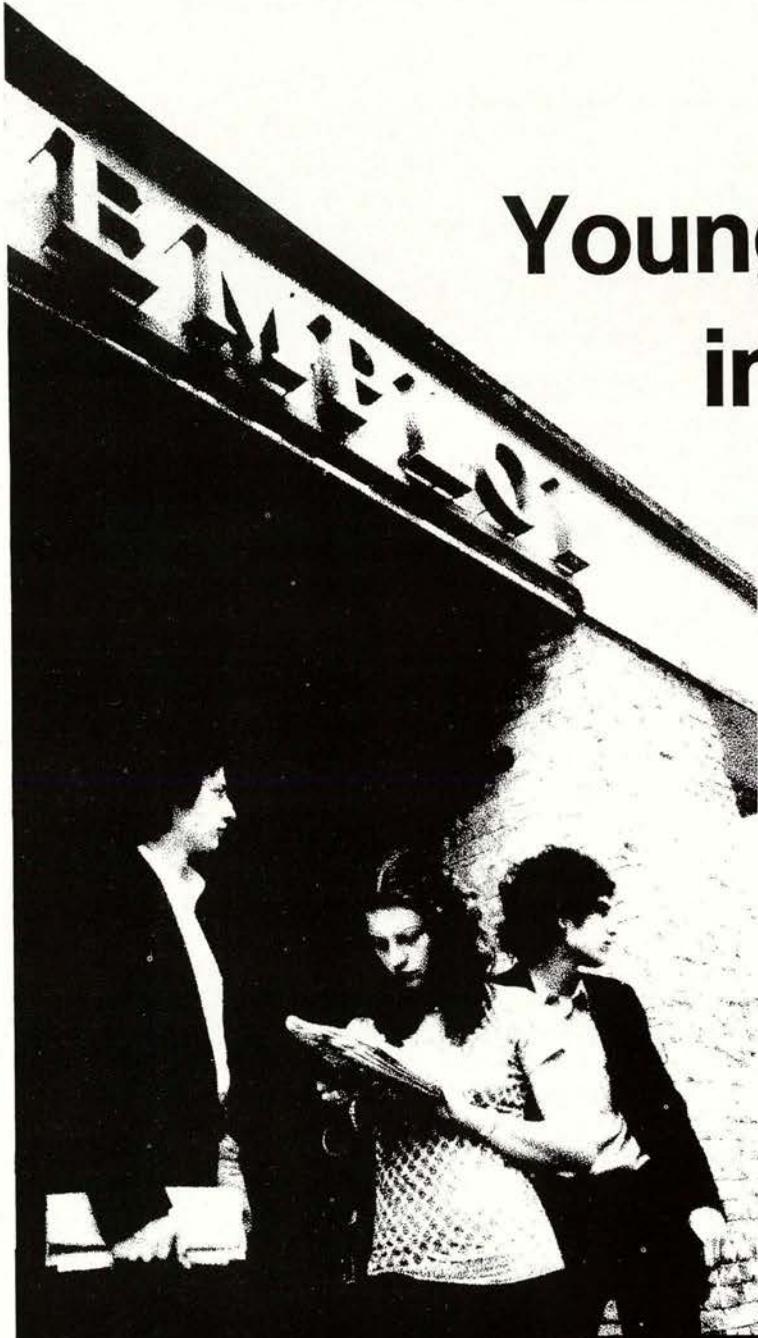
The stakes for achieving a viable world community are higher

than those in most arms races and the costs of a successful global development effort much less. To suggest that the international community cannot afford to devote a few percent of its annual increase in wealth to the development task would be frivolous. To suggest that the importance of the effort cannot be explained to publics of developed countries would be a failure of government policies.

OECD countries fully appreciate the aspirations of poorer countries to improve the standards of life for their peoples. In June 1975, Ministers of the OECD countries adopted the "OECD Declaration on Relations with Developing Countries". This Declaration is a statement of some political significance, as it expresses clearly the determination of Member countries to consider policies aimed at strengthening the position of the developing countries in the world economy, to discuss relevant issues and to pursue the dialogue with developing countries in all appropriate fora. The Declaration is placed in the dynamic perspective of increased participation of the developing countries in the benefits of an improved and expanding world economy and of progress towards a more balanced and equitable structure of international economic relations.

This spirit of cooperative response was carried forward at the recent special session of the United Nations on development and international economic issues when, in the final resolution of the conference, an agenda for reform was broadly agreed by consensus on 16th September 1975. Emphasis has been placed on redressing the economic imbalance between developed and developing countries, with particular regard to international trade, science and technology, international monetary reforms, and the transfer of resources for accelerating industrial and agricultural development. The atmosphere of cooperation provides both the promise and the opportunity for progress in reform. It remains to seize the opportunity and fulfill the promise, working out programmes of action in international bodies.

The Problem of Young People's Entry into Working Life

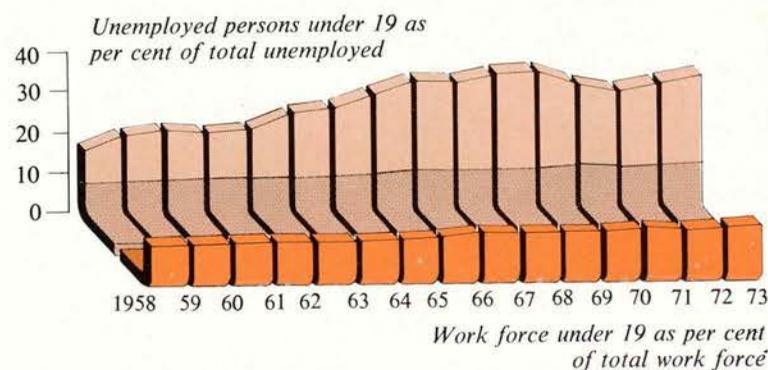
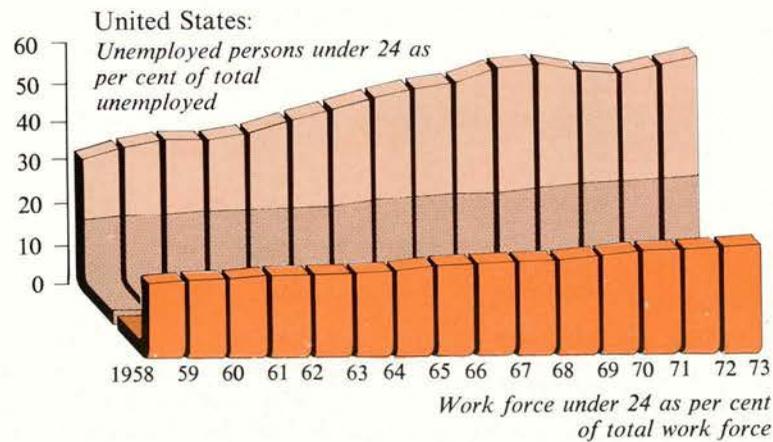


For the first time the employment situation of young people places them in the category of disadvantaged persons — along with immigrants, women, elderly workers, ethnic minorities, etc. The attention of the public authorities has been drawn to the gravity of this problem by the high rate of unemployment, which is a particularly sensitive matter but also part of a more general problem. In a report whose main conclusions are summarised below, OECD's Directorate for Social Affairs, Manpower and Education analyses the situation and outlines ways of remedying it.

What is the Problem ?

Obviously all young people cannot be categorised as disadvantaged. Many have been able to benefit from the expansion of education. Many have successfully entered working life though they are often far from satisfied with their working conditions. However, for many young people, schooling has been a failure. School systems have succeeded neither in controlling the process of transition to mass education nor in adapting themselves to the diversity of young people. Transition from school to working life is frequently difficult: the majority

Young people's share in unemployment has steadily increased regardless of the overall level of unemployment...



of those who leave school at the end of their years of compulsory education find themselves condemned to mechanical and rudimentary tasks without much hope of advancement. And a new phenomenon has emerged: many young people who continue their studies beyond school — sometimes even to the highest university levels — now find themselves in a more or less similar situation.

Although one prevailing view — among educators as well as employers and policy makers — is that the present malaise is a temporary and cyclical one, it seems evident that the difficulties are, at least in part, longer term and linked to structural changes in the society. This view is reinforced by the growing gap between the characteristics of young people and those of the labour market, as well as by the growing tendency of young people to reject education.

Employers too have shown signs of shifting their preferences towards vocational training and against general education, and this change seems to be quite independent of current economic trends. It is clearly demonstrated by the situation of many young people who, whatever their level of education, find themselves, for want of vocational training, relegated to mediocre jobs with no future. The situation is in sharp contrast with that of a few years ago when university graduates who had no vocational training at all could obtain jobs having responsibility and a future.

Because young people are facing employment problems, many governments have found it necessary to take special measures, frequently as part of current overall economic policy. But the efficacy of such measures is far from certain; nor are young people usually in a position to benefit from active manpower policies. New means of coping with the situation are clearly in order.

What are the Remedies ?

● Education

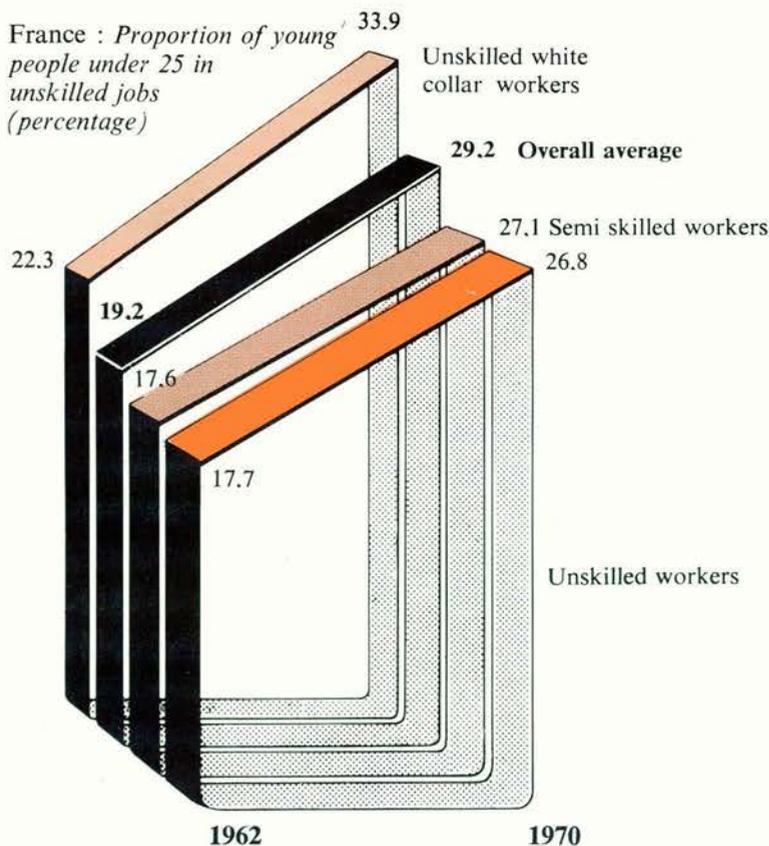
Quite apart from the traditional problem of opposition between general education and vocational training, it is necessary to introduce a far larger variety of options for young people who have finished compulsory schooling. To achieve this diversification, greater flexibility at the post-compulsory level would be desirable, in particular timetables designed to allow young people to carry on other activities; entirely new options should be introduced which are neither traditional apprenticeships nor part-time education but something in-between: finally, higher education should be re-examined with an eye to what follows and with emphasis not on selection or restriction of entry but on far-reaching changes in educational content.

● Employment

The dubious value for young people of most traditional employment measures suggests that introducing a period of transition between school and working life would be more effective for those having no vocational qualifications, at least as a solution for the medium term. Such a transitional period would play a dual role: to offer continuing guidance and advice from the time a young person finishes compulsory schooling until he finds a permanent job; secondly, to enable young people to acquire, during a period of adaptation within the firm, the experience and training they lack.

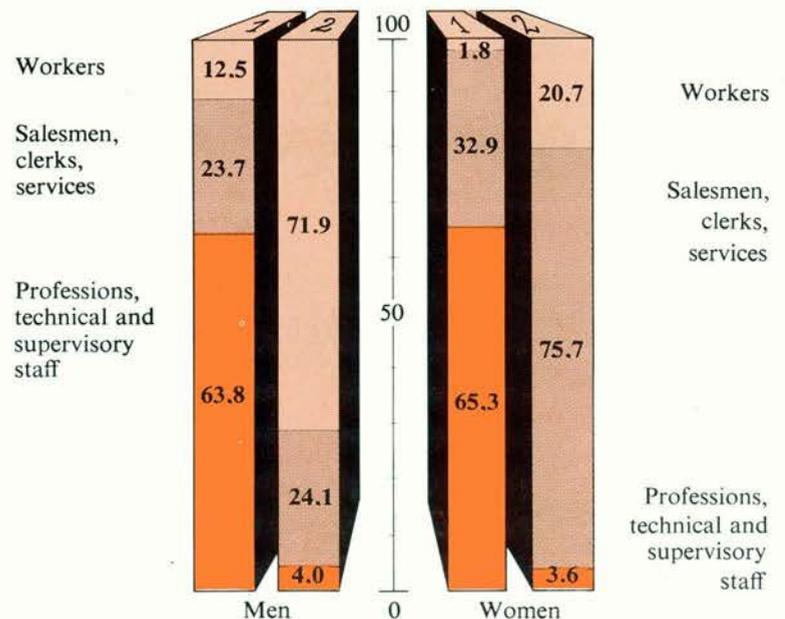
A second approach would be to review policies relating remuneration to vocational skills, in particular at average levels of skill. Young people who have acquired such skills, either at school or elsewhere, are often penalised by existing scales of

... more and more young people are working in unskilled jobs



... and taking first jobs which do not correspond to their educational level.

United States : First jobs in October 1971 (percentage)



1. Graduates from University or other Higher Education (degree 1970-71)

2. Graduates from Secondary School (diploma 1971)

remuneration in comparison with those who have received a general education. A suitable system of skill bonuses would attract young people with ability into jobs of a technical nature. Such a system is doubly necessary since measures relating to minimum salaries and up-grading of manual labour are on the whole designed to implement social goals for all workers and, as a result, tend to discriminate against young people with vocational skills as against those who have none.

● **Guidance**

Generally educational and vocational guidance suffer from a lack of objective criteria and from insufficient contact with job requirements. These defects are no doubt related to the rigidity of school structures. To remedy them it might be desirable to consolidate under a single authority responsibility for educational and vocational guidance, information on jobs, specialised placement services for young people, and the supervision of activities connected with the transition from school to working life.

● **Job Creation**

Because of shortcomings in guidance of young people, the absence of suitable preparation for working life, and the failure to find, in the traditional arsenal of employment policies, measures to help the young solve their problems, governments are faced with the need to draw up specific programmes designed to create jobs for young people.

But if these jobs are to be more than a temporary palliative, they must afford young people the opportunity to acquire skills which would give them a real start in working life. Such jobs can also be designed to create or preserve skills in areas which are not provided for by the market economy — to meet unsatisfied needs or create permanent new public services. These programmes would have to be presented as a more satisfactory alternative to other social expenditures such as unemployment benefits.

Most governments have approached the complex problem of young people's entry into working life essentially as a problem of *unemployment* and have proposed for its solution methods similar to those applied to unemployment among adults, essentially cyclical policies.

Whatever the means used to implement these policies, whether or not they are effective remains to be seen; this applies to quotas (obligating firms and public authorities to recruit a certain number of young people in accordance with a quota system), recruitment bonuses (encouraging employers to anticipate recruitment needs), reduction of employers' contribution to social security and other schemes when young people are involved, lowering the retirement age or encouraging young people to continue their studies.

But if the employment difficulties encountered by young people are essentially structural in nature, it will be necessary to ensure the convergence of short-term action and longer-term social policies, by assigning more ambitious objectives to cyclical measures. In addition to providing employment benefits or temporary jobs for young people seeking work, such action must also seek to improve the vocational skills of the least privileged; they should be used selectively according to the place or type of need, should provide for a period of transition to permanent employment, and finally should encourage the improvement of working conditions in order to reduce disparities between young people themselves and the jobs available to them.

Learning Oppor

If adults are not to be penalised for deficient schooling in their earlier years and are to be given a real opportunity to realise their potential, there must be an expansion of adult education facilities. In the following article John Lowe, of OECD's Social Affairs, Manpower and Education Directorate, discusses what the OECD is doing to encourage this development.

The time is past when school and, for a privileged minority, school plus university were seen as the alpha and omega of education and when there was a common assumption that it was possible to acquire during one initial burst of learning a stock of knowledge, skills and attitudes which would sustain one throughout a lifetime. Now, it is generally acknowledged that if adults are to function even adequately in societies in constant flux, they must be encouraged to persevere with active learning in as systematic a way as their needs dictate.

The increasing public esteem for adult education has not yet been paralleled by a commensurate investment in learning facilities except in a few countries—in Sweden, for example, a sweeping reform of post-compulsory education to the gain of the adult population has just taken place. Nevertheless, even a cursory assessment of recent progress in OECD countries shows that the degree of public and private provision for adult education has increased sharply in the comparatively short space of about fifteen years. Simultaneously, there has been a proliferation of innovative institutions, such as community colleges in the United States and Canada, and innovative instructional methods, such as the multi-media delivery system adopted by the remarkably successful Open University in the United Kingdom. In addition, certain countries, including France and the German Federal Republic, have enacted legislation entitling adults in the work force to paid educational leave.

There are at least three principal reasons for the transformed status of adult education. First, the impact of constant social, political and technological change upon personal behaviour and societal conditions, the magnitude of which was only dimly perceived when the world emerged from the Second World War and so many blueprints for the future were prepared, is now fully appreciated. For the modern adult, to live is to face the frequent necessity of adjusting to new pressures; if an adult cannot learn how to adjust, he may be left materially and psychologically stranded.

Secondly, public concern for social justice has steadily intensified and led to a search for the root causes of inequality. One such cause has clearly been identified as a lack of educational qualifications. The necessary policy conclusion is that those who left school at an early age, or who for any reason were unable to gain much if any advantage from compulsory education, must be given the opportunity to make up lost ground at appropriate periods during their adult lives.

Opportunities for Adults

Thirdly, as participation in secondary and post-secondary education expands, there is a proportionate expansion in adult education.

The Context

OECD has played a pioneering role in promoting the development of adult education. Arising from its concern on the one hand that equal educational opportunities should be available to adults as well as the young and, on the other hand, that full employment and higher productivity should be fostered, it has put forward the concept of recurrent education. The three main features of a policy for recurrent education are (a) that each individual, at the end of compulsory schooling, should have the right to defer the continuation of his education up to higher levels to times of his own choosing, together with the right to re-enter the educational cycle; (b) that each individual should have the right to such occupational training as may be required to enable him to upgrade his job, to change it or to find a new one should he become redundant; (c) that positive measures should be taken to ensure that the expansion of adult learning opportunities should not accentuate existing inequalities. The aims of recurrent education were endorsed at the June 1975 meeting of European Ministers of Education in Stockholm.

The basic purpose of recurrent education is to give the individual the opportunity to decide on his or her own personal future development. It aims to counteract the inequalities of present educational systems and to distribute educational opportunities over the lifespan of the individual.

A number of OECD countries are now either directly or indirectly furthering national schemes of recurrent education. This obviously entails some restructuring of educational systems, strengthening the conceptual and organizational links between

education and employment, and making greater provision for adult education. Although OECD's Directorate for Social Affairs, Manpower and Education is currently examining the implications for policy-making of all three of these desiderata, the present article is concerned only with the third. For the past eighteen months, under the sponsorship of the Education Committee, the Secretariat has been engaged in an activity designed to indicate how adult education may be strengthened in Member countries and where it should fit within a recurrent education framework. The title of this activity is Learning Opportunities for Adults.

Learning vs. Education

The use of the adjective 'learning' in the title rather than the word 'educational' is deliberate. Learning is both a more active and more comprehensive idea than education. In keeping with contemporary theory, it is more active in that it places the emphasis on the learner rather than the educator and implies that the key factor in the educational process is not the input furnished by the educator but the extent to which the learner himself can manage to act upon it. As Whitehead has pointed out, knowledge which cannot be put to use is "inert". Learning is a more comprehensive idea in that it embodies all the manifold ways in which an adult may learn whereas education tends to refer to a structured relationship between an educator and a student. In other words, education may be equated with formal instruction—mainly with cognitive gain—whereas learning embraces both formal instruction and informal learning.

The vast majority of human beings acquire most of their knowledge, skills and values outside educational institutions. But for adults, the extra-institutional factor carries much greater weight because their opportunities for spending time, as opposed



Twenty-five thousand students are now taking courses offered by the Open University in the U.K. which broadcasts many of its courses on television.

to those of children and young people, are either very limited or non-existent. Moreover a high proportion of adults in nearly all OECD countries retain such sour memories of their years at school that they have no wish to return to "education" under any circumstances.

Although concerned with the phenomenon of adult learning in all its manifestations, the object of the activity is pragmatic. It is to ascertain how active learning may be made more universal and more effective by means of deliberate planning and organization on the part of the public authorities and by the application of far more substantial professional, financial and instructional resources than are applied at the present time.

The Role of the Public Authorities

In most OECD countries learning opportunities for adults are at present neither systematically organized and financed nor evenly distributed among social groups and geographical areas. Systematic organization does not entail rigid planning and control by the public authorities. Indeed, in a number of OECD countries, including Denmark, Norway, Sweden and the United Kingdom, the public authorities traditionally recognize the indispensable role played by non-governmental agencies. What is required of the public authorities is, first, formal acknowledgment that the learning needs of adults represent a high social priority and, secondly, dynamic measures to ensure that learning facilities are made available, whether directly by themselves or by non-governmental agencies, on such a scale and in such forms as to match the needs. In practice, this means that the public authorities must assume responsibility for establishing coordinating mechanisms and for identifying gaps in the nationwide provision and arranging for them to be filled.

Nor is it necessarily incumbent upon the public authorities to accept the entire responsibility for an increase in expenditure on the provision of learning opportunities. As the custom in several countries shows, responsibility can be shared with non-governmental agencies, especially with employers in the occupational training sector, and adult learners themselves, according to their means, can be called upon to make some financial contribution on their own account. Moreover, it is reasonable to distinguish between learning activities which merit financial support from public funds and those which do not and between social groups which merit financial support and those which do not. What is required of the public authorities is a sufficiently large financial allocation together with the necessary exercise of political will to guarantee that learning opportunities are widely and equitably distributed.

The uneven distribution of learning opportunities poses a very serious social challenge because it results not only from the perfectly justifiable desire of the better-off and the already educated to enrich their mode of life but also from the reluctance of so many adults purposively to engage in learning activities. The picture varies a little from one OECD country to another but, broadly speaking, there is a direct correlation between the number of years that adults devote to formal schooling and their subsequent propensity actively to learn: 'the appetite grows with feeding'. The shorter the time an adult spends at school, the less likely is he to seek subsequent learning opportunities, especially of a formal kind. Thus, it can be concluded that those adults whom the public authorities recognize as most in need of further learning are precisely those who display the least interest in it.

Concern about the non-participation in adult education of a large group of people, commonly classed as the 'educationally under-privileged', springs from more than a moral desire to combat individual deprivation. It is also in the best interests of governments to tackle the problem for practical, social and economic reasons. Whatever social and economic measures are applied, they are unlikely to enable those adults who have to endure poverty or a fundamentally disagreeable existence to lead richer personal and communal lives unless they are simultaneously enabled to *learn* how to manage their own affairs.

Formal vs. Informal Learning

Positive educational policies, linked with appropriate social and manpower measures, are called for if the problem of serving the interests of the educationally underprivileged is to be resolved. OECD's current investigations point to the conclusion that, besides extensive occupational training programmes, it is essential to intensify and reinforce non-formal and informal modes of learning. This necessitates more imaginative and extensive use of the mass media as a component in educational programmes and a drive to stimulate local communities to identify their own problems and set about solving them through their own efforts with the aid of the public authorities. From public resources they must be in a position to obtain essential information and advice about organizing their activities to some purpose. In order to acquire such information and advice and to become more efficiently organized, community groups must necessarily be involved in a learning experience. It does not follow, however, that the experience should be given the label of 'education' or, for that matter, 'learning'. On the contrary, it is usually wise to treat the learning element as a tacit rather than an overt element in the group activity.

Conclusions for Action

The Secretariat has prepared a report entitled 'Learning Opportunities for Adults—Framework for a Comprehensive Policy of Adult Education, which was discussed and approved by the Education Committee at its July meeting. The main argument of the paper is that: *Adult education must not only be declared to be important but given the tools to become operationally a major public undertaking. This in turn implies that the national provision of adult education should be comprehensive, flexible, rationally planned and administered, and adequately financed.*

Over the next few years OECD, in close collaboration with Member countries, will be focussing attention upon four aspects of adult education which are of central importance. The first concerns the relationship between adult education and the regular education system. How elaborate should this relationship be? In what ways can the two sectors interact to their mutual advantage? The second concerns the economics of adult education, a vital but neglected issue. The third concerns policies for establishing in each country a nationwide network of guidance and counselling facilities so that adults can quickly benefit from advice or practical assistance whenever they require it. The fourth aspect concerns the problem of extending learning opportunities to the educationally underprivileged. Work in this area is being closely related to the overall problem of catering for the disadvantaged under investigation by the Manpower and Social Affairs Committee both as regards employment and learning opportunities.



OLD AGE PENSIONS: LEVEL, ADJUSTMENT AND COVERAGE

Two factors have combined to increase the amount spent on old age pensions in OECD Member countries: the increasing proportion of old people in the population at large (see Table 1) and Governments' growing awareness of the need to improve their living conditions.

The OECD Working Party on Social Aspects of Income Transfer Policy (Directorate for Social Affairs, Manpower and Education) has made a study of the main policy issues raised by pension schemes. The following article gives a summary of those chapters which deal with the level of pensions, their coverage and their adjustment to economic growth and inflation.

Level of Pensions

What degree of protection is an elderly person entitled to expect from the statutory pension schemes in force in his country of residence? Table 2 presents the most recent data on the matter for a number of representative Member countries. It gives an idea of the variety of existing schemes and the differences in protection offered. In addition to these statutory schemes there are private ones in many countries, the benefits from which are difficult to include in an overall assessment.

Adjustment of Pensions

Whether adjustment of pensions is designed to give elderly people a share in the fruits of economic growth or merely to neutralise the erosion of their money by inflation (see Table 3) a number of practical difficulties are involved.

What index should be adopted? If the adjustment is to combat the effects of inflation, a cost-of-living or retail price index is generally used. However, such indices are based on the consumption pattern of the population as a whole, and the needs and habits of old people may differ appreciably from that norm. A special consumer price index based on surveys among old people would therefore be more appropriate. When the adjustment is to take

account of economic growth, it is usual to take an index of average salaries. Other solutions are also conceivable. In Germany, for example, rises in productivity are taken into account by using national income per employed person as a basis.

Whatever index is chosen, pension adjustment does not take place immediately. Calculating the index, recording the change and deciding on the amount of increase are all operations which take time. Some countries have automatic indexation: in the Netherlands, for example, pensions are increased whenever the wage index rises by 3 per cent. In other countries pension schemes include clauses limiting indexation so as to avoid changes due to very short-term economic fluctuations: in the United States, for example, no adjustment is made unless the consumer price index rises 3 per cent above the last reference figure for three months running. This means a five month delay before pensions are increased.

To avoid making over-frequent adjustments, some countries review old age pensions only at regular intervals. If the rate of inflation accelerates, the resulting time-lag in revaluing benefits may be highly prejudicial to the recipients. In point of fact, such reviews are tending to become more frequent. Thus, in the United Kingdom, where they were formerly held every other year, they are now annual, and in France, where they were annual, they are now made every six months.

Periodic pension reviews, in which decisions to increase benefits, and by how much, are the responsibility of the governmental authorities, give beneficiaries less security than automatic indexation. But in theory, at least, this method is very flexible as it enables Governments to anticipate rises in prices and/or wages. It also permits pensions to be increased whatever the rise in the relevant indices, whereas in the case of automatic indexing the rise in prices or wages must reach a certain statutory minimum before they can be used as a basis for pension increases.

Pension Coverage

If pension adjustment is a short-term problem, the coverage of old age pensions is a longer term one calling for solutions and changes of a structural character.

The diversity of schemes and their lack of rationalisation in

some countries make it difficult to assess the coverage of pension schemes. Quantitative data is unfortunately lacking, particularly on private schemes. Moreover, it is practically impossible to identify the beneficiaries of pension schemes from the statistics in such a way as to count only once a person who receives more than one pension under different schemes. Thus, it is not usually possible to assess the coverage afforded by pension schemes simply by comparing the number of elderly people with the number receiving old age benefits.

The only possibility therefore is to consider the categories of

people who are entitled—or obliged—to belong to the pension schemes of a given country. Consequently, gaps in information are frequent. The most flagrant are noted below:

● In countries which have instituted a pension scheme for all elderly residents, there does not seem to be any problem of coverage, although there may be certain residence requirements: at least ten years in Canada, five in Finland, etc., or a minimum period for contributions in the case of contributory pensions (e.g. three years in the United Kingdom and an annual average of at least 13 weekly contributions; in the Netherlands the pension

1. Size of the Inactive Population Aged 65 Years and Over as Compared with the Total Active Population (1951-1985)

a) Number of persons aged 65 and over in the total population (%).

b) Activity rate of the population aged 65 and over (%).

c) Number of inactive persons aged 65 and over per 100 active persons of all ages.

		1951	1956	1959	1965	1970	1975	1980	1985
Belgium	a	11.1	11.6	11.7	12.5	13.3	14.2	14.7	13.4
	b		13.8	13.7	6.4	6.3	6.3	6.3	6.2
	c		25.0	25.7	29.3	31.2	32.7	33.1	29.8
Canada	a				7.6	7.8	8.0	8.4	
Denmark	a	9.1	9.9	10.3	11.4	12.1	13.0	13.6	13.7
	b		20.0	19.7	22.9	21.2	19.9	17.7	15.5
	c		16.5	17.3	19.2	20.9	22.5	24.3	24.8
Finland	a				7.9	8.9	10.3	11.4	11.4
	b				10.0	9.5	8.9	8.1	7.4
	c				15.0	17.3	20.3	22.7	23.2
France	a	11.4	11.6	11.6 ¹	12.0	12.8	13.3	13.3	11.7
	b		20.7	20.4 ¹	13.1	10.7	7.1	5.6	3.9
	c		20.4	21.0 ¹	24.9	27.1	29.2	29.7	26.3
Germany	a	9.3	9.9	10.4	11.9	13.3	14.2	14.4	12.6
	b		16.5	16.3	14	12.3	10	7.2	4.8
	c		17.0	17.9	22.2	26.7	30.1	31.3	28.1
Ireland	a	10.7	10.9	10.8 ²	11.2 ³	11.2 ⁴	11.3 ⁵	11.5 ⁶	11.4 ⁷
Italy	a	8.1	8.7	8.8 ⁸	9.7	10.6	11.7	12.7	12.0
	b		15.6	15.5 ⁸	10.9	7.3	7.1	6.3	5.4
	c		17.3	17.7 ⁸	21.7	26.4	30.2	33.2	31.5
Japan	a				6.3	7.0	7.9	8.9	9.5
	b				34.3	32.9	30.7	28.4	25.7
	c				8.4	9.2	11.0	13.1	15.0
Netherlands	a	7.8	8.4	8.8	9.5	10.1	10.6	10.9	10.8
	b		13.1	12.9	9.3	7.9	6.8	5.6	4.7
	c		20.0	21.1	23.4	25.5	28.1	30.0	30.2
Norway	a	9.6	10.2	10.6	11.9	12.8	13.4	13.8	14.0
	b		20.6	20.8					
	c		20.1	21.1					
Sweden	a	10.2	11.0	11.5	12.6	13.6	14.7	15.6	15.9
	b		20.5	20.3		12.6	10.9	9.5	7.3
	c		20.3	21.3	21.8	24.6	27.4	29.7	30.9
United Kingdom	a	10.9	11.3	11.5 ⁸	12.0	12.8	13.5	13.9	13.5
	b		16.2	15.6 ⁸	12.4	11.3	10.7	10.4	10.3
	c		19.7	20.5 ⁸	22.0	24.7	26.7	27.5	26.5
United States	a		8.5	8.6 ⁹	9.3	9.6	9.8	10.1	10.2
	b		23.7		17.1	16.6	14.6	13.9	13.3
	c		15.8		19.5	19.3	19.8	20.1	20.6

Notes : (1) 1960 (4) 1971 (7) 1986
 (2) 1961 (5) 1976 (8) 1958
 (3) 1966 (6) 1981 (9) 1957; 1961 : 8.8 (estimate)

Sources :
 OECD : Demographic trends in Western Europe and in the United States.
 OECD : Demographic trends 1970-1985 in OECD Member countries.

2. Public and Compulsory Private Old Age Pension Schemes in Various Member Countries: Level of Benefits

Unless otherwise specified, information is for 1973.

	Type of Pension (a)	Pensionable Age M-W	Description of Pension	Level for a Single Person	Notes
Australia	3	65-60	Public assistance to aged persons with limited means ("age pension").	Max. \$ 17.25 a week.	
Canada	1	65	Universal pension to all residents (*).	\$ 110 a month.	(*) Credit to fund from sales tax, corporation income tax and a tax on income (income ceiling: \$ 6 000 a year each person). (**) Between \$ 700 and \$ 7 400 a year; (***) 1976: 25 % (minimum for independent worker: \$ 900).
	2	65	Contributory retirement pension (b) based on earnings with certain limits (**). (Contributions and benefits proportional to E.)	17.5 % of average earnings (***)	
	3	65	Means-tested supplement to universal pension.	Max. \$ 77.27 a month.	
Finland	1	65	Universal contributory flat-rate pension to all residents (b).	82 marks a month (*).	(*) Supplements: age 80-84, 75 marks a month; age 85 or over, 111 marks a month. (**) Max. 42 % of last earnings. In combination with universal pension, max. 60 % of earnings (66 % with children). (***) Single woman with restricted means. (****) Rental supplement.
	2	65	Contributory (employers only) retirement pension, proportional to E and L.	Annual amount: 1 % of last earnings times years of contribution (**).	
	3	65-60 (***)	Means-tested supplement to universal pension.	Max. 334 marks a month (****).	
France	2	60 to 65 (*)	Social security contributory retirement pension (b) with earnings ceiling (**) for contribution and benefit purposes; contributions proportional to S, benefits proportional to S and L with guaranteed minimum (***). Maximum L = 37 ½ years (as of Jan. 1975).	25 % (age 60) of average earnings in best 10 years (*).	(*) Increment of 5 % per year if deferred after 60. (**) 24 480 F a year (33 000 F. as from Jan. 1975). (***) 2 100 F. a year (3 500 F. as from April 1975). (****) 6 000 F. a year for a single person, 9 000 F. for a couple (8 200 F. and 14 600 F. as from April 1975). (*****) 3 500 F. a year as from April 1975. (******) 3 800 F. as from April 1975.
	2	60 to 65	Supplementary private compulsory earnings-related retirement pension (contributory) (b).		
	3	65	Allowance to aged former workers: to former workers without pension if means below a fixed ceiling (****) (non-contributory).	2 100 F. a year (****).	
	3	65	Special allowance to aged persons without pension if means below a fixed ceiling (****).	2 100 F. a year (****).	
	3	65	Supplementary allowance of the National Solidarity Fund, added to any of the three above benefits to persons with means below a fixed ceiling (****).	2 400 F. a year (*****).	
Japan	2	60 (*) - 55	Contributory retirement pension (b) for employees of firms in industry and commerce with 5 or more employees; contributions proportional to E; benefits equal to L multiplied by the sum of a fixed amount and a supplement proportional to E (**).	Annual amount: 460 yen (***) per month of coverage plus 1 % of lifetime average monthly earnings per month of coverage.	(*) 55 if miners. (**) Earnings ceiling: 380 000 yen a year. (***) 1 000 yen as from Jan. 1974.

(continued on page 22)

(a) Type of Pension:

- | | |
|--------------------------------|----------------------------|
| 1. National flat-rate pension. | E: Earnings. |
| 2. Retirement pension. | S: Salary. |
| 3. Means-tested assistance. | L: Length of contribution. |

(b) Contributions are paid by employees and employers.

Note 1: In view of the diversity and multiplicity of pension schemes and of the problems related to them, the levels of pensions shown in the table are not strictly comparable. Thus, for example, the supplementary

schemes are compulsory in some countries and voluntary in others.

Note 2: The exchange rates (below shown against the U.S. dollar) do not of course reflect the true purchasing power of the various currencies.

100 Australian dollars = 142.43

100 Canadian dollars = 100.03

100 Swedish kronor = 22.97

100 French francs = 22.46

Sources: — Data provided to OECD by Member countries.

— Social Security Programmes Throughout the World, 1973. U.S. Department of Health, Education and Welfare.

	Type of Pension (a)	Pensionable Age M-W	Description of Pension	Level for a Single Person	Notes
Japan (continued)	2	60-55	Private withdrawal grant if employee ineligible for pension, proportional to E and L (financed by employers).		
	2	65	National contributory pension (contribution paid by the insured person (****) for all adult citizens not under another pension programme; flat-rate benefits, proportional to length of contribution, with a minimum (*****).	Annual amount: 320 yen (*****) times months of contribution.	(****) Low-income persons exempted from contribution. (*****) Min. 3 300 yen (5 000 as from Jan. 1974) a month at age 70.
	3	70	Means-tested allowance.	Max. 3 300 yen a month.	(*****) 800 yen as from Jan. 1974.
Netherlands	1	65	Universal contributory (b) flat-rate pension to all residents. Contributions proportional to S, with ceiling (*).	492.50 guilders a month.	(*) 2 025 guilders a month.
	2	65	Supplementary private earnings-related pensions, compulsory in some industries.		
Sweden	1	67 (65 as of Jan. 1976)	Universal flat-rate pension to all residents (*). Supplement if ineligible for supplementary retirement pension (**).	6 570 kronor a year (90 % of the base amount of 7 300 kronor a year) (***).	(*) Credit to fund from income-tax (max. tax. 1 500 kronor a year for a single person). (**) 1 095 kronor a year (1 215 as from Jan. 74). (***) 8 100 kronor as from Jan. 74.
	2	67 (65 as of July 1976)	Supplementary contributory (employers only) retirement pension to employees with earnings within fixed limits (****) (ATP).	Full pension (30 years' contributions since 1960) (*****): 60 % of the difference between average earnings of best 15 years and the base amount.	(****) 7 300 and 54 750 kronor a year (8 100 and 60 700 kronor as from Jan. 74). (*****). Pension reduced by 1/30 for each missing year.
	2	67 (will be lowered in 1976)	Supplementary private compulsory earnings-related pension for employees in industry, commerce and services, financed by employers (ATP).	10 % of salary up to the base amount, higher proportion of salary above the base amount (*****).	(*****). 65 % of salary between 7.5 and 10 times the base amount, 32.5 % of salary between 10 and 15 times the base amount.
	2	67 (65 as of Dec. 1974)	Supplementary private compulsory earnings-related pension for workers, financed by employers (STP).	10 % of pensionable earnings (*****).	(*****). From age 67; temporary pension for previous year (2 previous years as from Dec. 1974).
United-Kingdom (Data from Oct. 1972)	2	65-60	National insurance contributory (b) retirement pension (*) (optional for married women and widows).	£ 6.75 a week.	(*) Weekly supplement of £ 0.25 for persons of 80 and over. A new system went into effect in April 1975.
	2	65-60	Supplementary contributory (b) retirement pension with contributions proportional to wages within fixed limits (**) (graduated pension) (optional for married women and widows). Benefits depend on contributions paid by the insured person. Employees who have not contracted out pay graduated contributions at a slightly higher rate.	£ 0.025 a week for each £ 7.5 (man) or £ 9 (woman) of total employee contributions paid.	(**) £ 9 and £ 48 a week. A new system went into effect in April 1975.
	2	65-60	Private retirement pensions. These plans must provide to contracted out employees benefits at least equal to those paid under graduated pension provisions.		
	3	80	Non-contributory pension to all residents aged 80 and over without a retirement pension ("old persons' pension").	£ 4.30 a week.	(***) Supplement for rent.
	3	65-60	Means-tested allowance to needy aged persons ("supplementary benefits").	Max. £ 7.15 a week (***) (****).	(****) £ 0.25 supplement to persons age 80 and over.
United States (continued on next page)	2	62 to 65	Social security contributory (b) retirement pension, with earnings ceiling (*); contributions proportional to E, benefits related to E (**), with a guaranteed minimum.	Min. \$84.50 a month. Max. \$266.10 a month (men). \$276.40 a month (women).	(*) \$10,800 a year (1974: \$12,600). (**) Higher replacement rates for low earnings.
	2		Numerous private retirement schemes.		

	Type of Pension (a)	Pensionable Age M-W	Description of Pension	Level for a Single Person	Notes
United States (continued)	3	72	Allowance to aged persons not receiving pension from public source (old age benefit).	\$ 58 a month.	(***) Effective Jan. 1974, allowance provided under a new federal scheme; Max. \$140 a month.
	3	65	Means-tested allowance to needy aged persons (old age assistance).	Assistance varies according to State (**) (national average in 1972: \$80 a month (***)).	

3. ADJUSTMENT OF OLD-AGE PENSIONS IN SOME MEMBER COUNTRIES (as of 1973)

Belgium:

An annual increment in pensions larger than the increase in the price index.

Canada:

Adjustment of universal pension and its supplements based on increases in the price index; as from 1976, benefits will increase in accordance with changes in national average wages.

Denmark:

Automatic adjustment every 6 months if the price index increases by 3 per cent or more.

Finland:

Automatic annual adjustment of universal pension if price increase is 3 per cent or more. Automatic annual adjustment of supplementary pension based on the general wage level.

France:

Biannual adjustment 1 January and 1 July; the coefficient of increase on 1 January is equal to half the overall increase in benefits during the preceding year. That of 1 July takes account of the increase in average salaries during the preceding year (April to April).

Germany:

Adjustment of existing pensions according to a coefficient fixed once a year by law, taking into account progress in economic efficiency and productivity, and changes in the national income per employed person.

Ireland:

Periodic adjustment based on changes in the cost of living.

Italy:

Annual adjustment of pensions (by decree) when the cost of living rises by 2 per cent or more.

Netherlands:

Pensions adjusted by decree as soon as the wage index changes by more than 3 per cent.

Norway:

Earnings carrying a pension, the base amount used to calculate pensions and the pensions themselves are adjusted automatically according to changes in general price and income levels.

Sweden:

Automatic adjustment of earnings and pensions based on changes in price level.

United Kingdom:

Special legislation, once a year.

United States:

Automatic cost-of-living adjustment of old-age pension benefits.

Sources : *Commission of the European Communities: Comparative Tables of the Social Security Systems in the Member States of the European Communities (situation at 1 July 1972).*

- *Social Security Program Throughout the World, 1973.* US Department of Health, Education and Welfare.
- *Information provided to OECD by Member countries.*

is lower for people who have not contributed regularly between the ages of 15 and 64).

- Statutory pension schemes which supplement the preceding schemes do not all have the same coverage: in Norway and Sweden, for instance, only workers with earnings above a certain level are covered whereas in Denmark and Finland all employed persons have a supplementary old age pension.

- There may be gaps in the coverage of pension schemes for retired workers, even if these schemes are, in theory, compulsory. To begin with, the Social Security system not infrequently fails to cover all categories of employed persons. In Ireland, for example, professional workers earning more than a given amount are not covered. Part-time hired farm workers are excluded in both Canada and the U.S., domestic help in the latter and family workers in the former. The self-employed are not always covered (in Denmark, for example). In addition, minimum contribution periods are often prescribed (e.g. 15 years in Italy). Special measures are often taken to offset these shortcomings and social security is tending to become universal. In France, for example, a recent Act (4th July 1975) has extended old age pension insurance to all persons who have an occupation, even if they are not wage-earners.

- The coverage of private pension schemes varies considerably from one country to another. In the United States, for example there are a great many private plans, but according to recent estimates they cover only some 30 per cent of the labour force, and the proportion varies from sector to sector (in manufacturing four-fifths of the workers are employed in firms which contribute to a pension fund). In Japan, enterprises organise private pension schemes on their own initiative—in particular those which employ more than 20 or 30 people. However, these schemes more often provide for the payment of a severance allowance on retirement (which, after 30 years' service, may be as much as 40 or 50 times the amount on the last monthly pay slip) rather than a regular amount to be paid until the death of the person concerned.

- As to schemes of individual assistance for elderly people with minimal resources, it is by no means certain that they help everyone in need. In fact, assistance is usually only granted when asked for and following an enquiry to determine the degree of need (a person's income, and in some cases his assets). It is probable that a number of elderly people who would be entitled to assistance are discouraged by the administrative difficulties and the humiliation involved in asking for help, and it is very difficult to obtain precise information on this subject. The ratio between the number of people helped and those who would be entitled to

assistance is a matter that has often been brought up in connection with support of this kind. It is a difficult problem to solve, since it concerns not only the state of mind of those who need assistance but also the way in which such assistance is provided.

The following items of information give some idea of the scope of old age pension systems in various countries:

- In countries such as Canada, Denmark, Finland, the Netherlands, Norway and Sweden, which have adopted universal pension schemes for old people, the statistics show that this entire section of the population is in fact covered.
- In countries where social security pensions are supplemented by schemes providing assistance for old people in need, the coverage varies: in Belgium, thanks to the large number of compulsory schemes, almost the entire population is covered; in the United States 90 per cent of old people were receiving old age benefits in 1973; in the United Kingdom (1971) pensions were paid to 80 per cent of women over 60 and 98 per cent of men over 65 (in addition, elderly people of modest means can apply for National Assistance); in Japan 44 per cent of those aged 60 and over received a State pension in 1970; in Germany 79 per cent of former employees aged 65 and over were receiving Social Security pensions in 1968.

In short, it would seem that the proportion of the elderly population covered by pension schemes depends largely on the nature of those schemes. The present tendency is increasingly for old age pensions to be provided by the State: in many countries the Social Security retirement pension schemes are being progressively extended to new categories of beneficiaries (e.g. the self-employed).

Rationalisation of Pension Systems

Insufficient coverage, ignorance of the total benefits received by each pensioner, the difficulty of predicting the financial burden involved, cumbersome administration: these are the main drawbacks of old age pension systems in Member countries. They arise from the complexity of certain schemes and the proliferation, in one and the same country, of different, uncoordinated pension schemes.

This state of affairs, which is often merely the result of past historical accident, could and should be remedied, the report concludes, by rationalising the complex of pension schemes existing in any given country. For this it would be necessary to identify the principles underlying the pension schemes, e.g. society's collective responsibility to the old, or each worker's responsibility for contributing to his own retirement income. The aims should also be clearly determined: e.g. to guarantee a reasonable standard of living for the whole elderly population, or to allocate supplementary benefits—whether related to former earnings or not—solely to former workers. The level of contributions and benefits decided upon and the degree of income redistribution aimed at will depend on these prior policy decisions. Finally, there are matters of administration (which should be greatly simplified by the rationalisation and indeed should become virtually automatic) and the problem of how to guarantee the safety of pension funds.

In countries where pension schemes have been in force for a long time, such a plan could of course only be applied after preparing public opinion and only if temporary provision has been introduced for already insured people so that they do not lose their acquired rights.

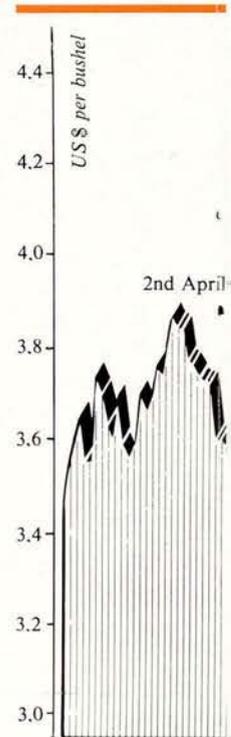
OECD Agriculture

The growing instability of the markets for certain agricultural world-wide basis for the major commodities, such as cereals and other food grains. The following summarises the assessment:

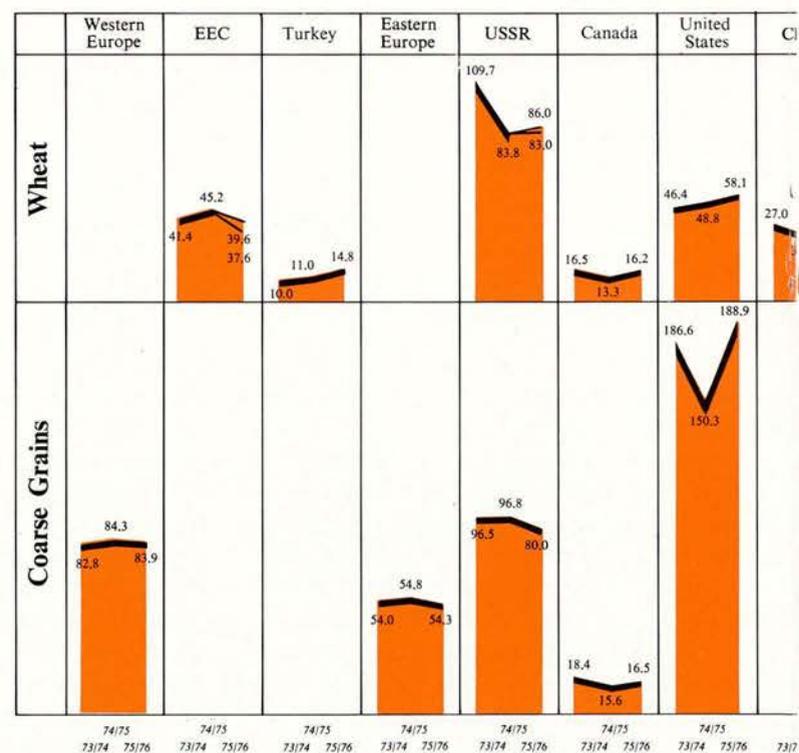
Wheat and Other Food Grains

The key to the world food grain situation in the months ahead lies in the volume of purchases still to be made by the USSR to meet its shortfall. Although a high level of wheat production in the USSR had been confidently expected, the prolonged drought of the summer reduced the crop to no more than the low level of the previous year, about 25 per cent below the 1973 record.

This shortfall is the principal factor responsible for the fact that world production in 1975 is appreciably below the trend of recent increases despite record production in the United States. For supplies, the USSR turned to the main exporting countries: from July to September announced purchases amounted to about 16 million tons of grain (including about 9 million tons of wheat), 10 million



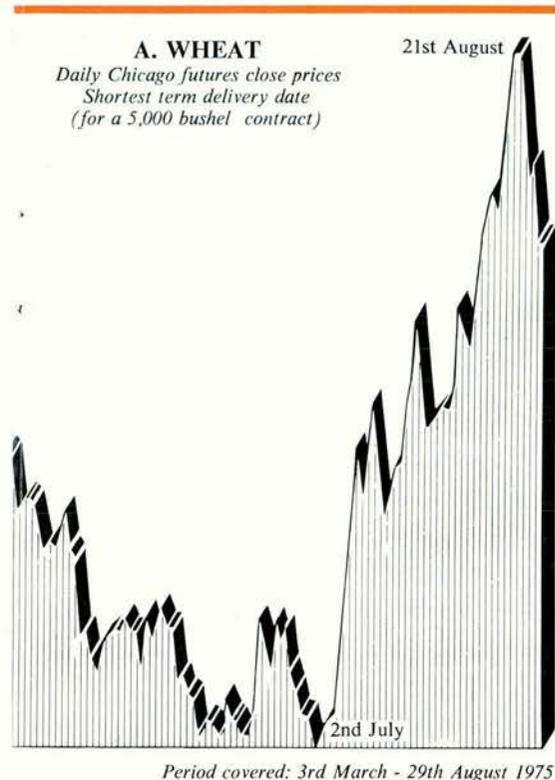
World Production of Wheat (1) and Coarse Grains (million metric tons)



(1) Data slightly revised since the September meeting. Source: International Wheat Council

ral Outlook for 1975 -76

atural commodities has led OECD's Agriculture Committee to make frequent reviews of the short-term outlook on a reals, feedstuffs, meat and dairy products. Particular emphasis has been put on the inter-relationships between these s made by the Committee during the month of September (1).



tons of which were purchased from the United States. Further Russian purchases—mainly from the United States—are anticipated, though their actual volume is unpredictable. The major uncertainty in the world cereal situation is, thus, the extent to which the remaining gap will be met by further purchases (and the extent to which such purchases will consist of wheat) or by reduced domestic consumption within the USSR. As an indication of the maximum possible magnitude of further purchases, it should be noted that the shortfall for all grains in the USSR is 30 million tons, but it is unlikely that the whole of this gap will be covered or that more than half of future purchases will consist of wheat.

Large purchases of wheat by the USSR have had the effect of tightening a supply-demand situation which had been expected to ease, since wheat production in the United States increased by 9 million tons (19 per cent) to a new record of 58 million tons and Canadian production was expected to be above average at 16 million tons.

In the Southern Hemisphere, crops are not yet harvested; Argentina expects a recovery in production but Australia a smaller crop. Production in the EEC, however, has declined by some 5-7 million tons (to 38-40 million tons), mainly because of weather conditions at planting time and during the growing season. By contrast there has been a sharp increase of 3.75 million tons in Turkey. An encouraging feature of the production situation is the relatively large gain in production in the developing countries, about 10 million tons or 15 per cent.

Total world production is expected to be about 3 per cent higher in 1975-76 than in 1974-75 but marginally lower than in 1973-74; this compares with the trend increase in apparent consumption of 3½ per cent a year. As to rice, the major part of the world crop has still to be harvested; first estimates indicate a record world crop of 230 million tons (milled basis), an increase of 4 per cent.

Higher production of wheat in developing countries is not expected to be accompanied by more than a small reduction in

their import requirements. Estimates of the International Wheat Council suggest that these needs will amount to some 34-36.5 million tons, compared with almost 37 million tons in 1974-75. Imports by developed countries are expected to be very slightly larger, 12 million tons, about half of which would be for Japan. As to the centrally-planned economies, there is likely to be a small increase in imports by Eastern European countries (which would be obtained from the OECD area rather than from the USSR), in addition to the big increase in USSR purchases but a reduction of some 2 million tons in imports by China. Overall, the IWC estimates that centrally-planned countries' imports will rise by 6-9 million tons to 20-23 million tons. On these assumptions world imports would fall within the range of 66-71.5 million tons, a level similar to the 1972-73 record of 68 million tons.

The implication of these estimates is that stocks of the five major exporters (Argentina, Australia, Canada, the EEC and United States) at the end of their respective crop years would be in the neighbourhood of 24-28 million tons, a level similar to the one experienced during the last two seasons. This reflects an increase in the United States and a reduction in the unusually high stocks of the EEC and those of Australia. Thus the hopes of even a few months ago that some substantial rebuilding of exporters' stocks could take place during the current season seem unlikely to be realised. The difficulty of obtaining an early increase in world food reserves can be seen in this context.

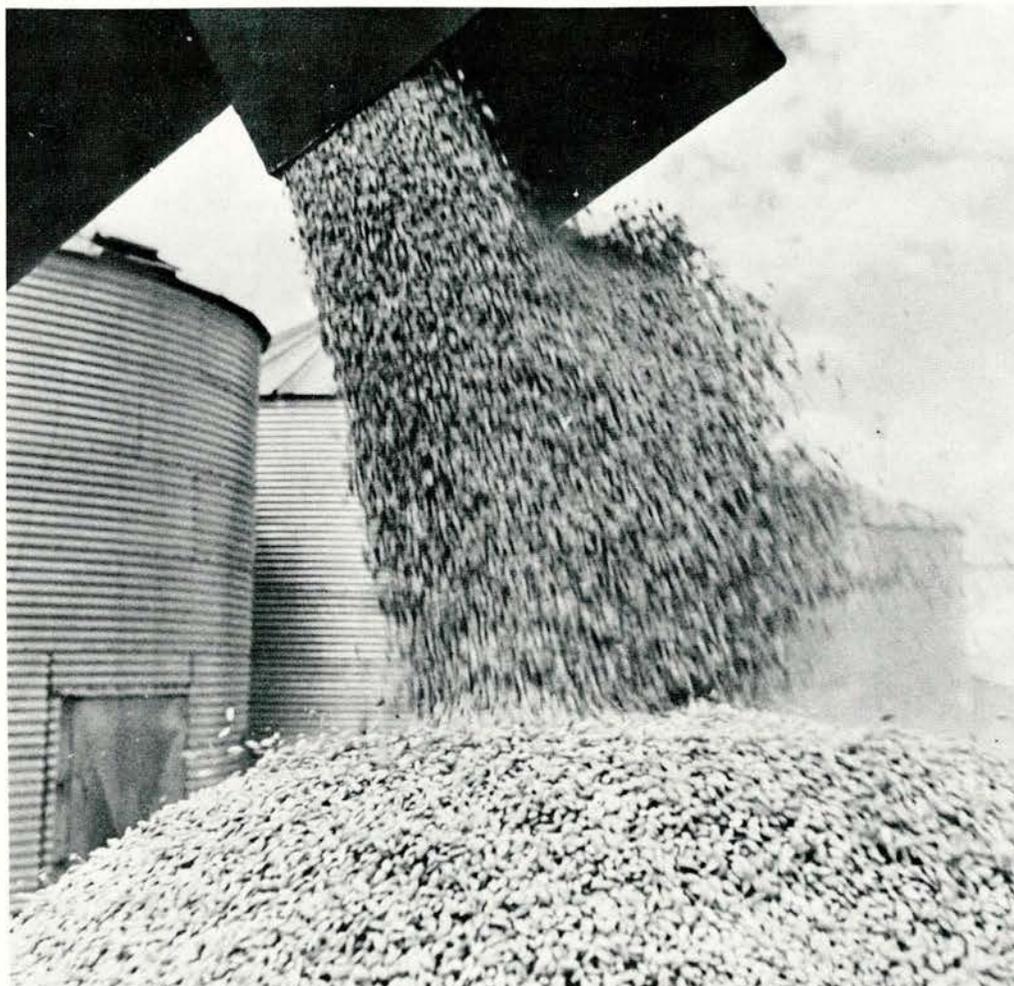
As to the effect of additional import demand on the level of prices, it must be noted that wheat prices on the world market rose in the first half of 1975, and price developments will depend on future purchases by importers and changes in the level of stocks. In any case, the expected price level will have serious consequences for developing countries in view of their

I Coarse Grains (2)

China	India	Argentina	South Africa	Australia	World Total:
					1973/74 : 367.1
					1974/75 : 351.0
					1975/76 : 358.0-365.0
1.2	24.7	6.6		12.1	
31.0	22.1	5.1		11.3	
		6.4		10.3	
		6.2			
					1973/74 : 607.6
					1974/75 : 571.2
					1975/76 : 600.0
		17.0		11.9	
		12.1		10.9	
		16.3		9.6	
				4.7	
				4.7	
				5.1	
74/75	74/75	74/75	74/75	74/75	
75/76	75/76	75/76	75/76	75/76	

uncil. (2) Source : United States Department of Agriculture.

(1) The full text of the report by the Committee is available from OECD's Agriculture Directorate.



import needs, which are expected to remain heavy, even though food aid commitments will be respected.

The tight supply-demand situation for the current season and the low level of expected stocks warrant the encouragement of a sufficient volume of production for the next season. Since prices strengthened significantly in the period immediately before the current planting season for winter wheat in North America, it is expected that the current level of prices and stocks will provide a sufficient incentive to farmers there, despite the high level of their costs.

Coarse Grains and Other Feeds

World production of coarse grains (maize, barley, oats, sorghum) in 1975-76 should reach about 600 million tons (2), an increase of 5 per cent compared with the preceding year, despite a substantial fall in the USSR. It is expected that maize production in the United States will reach a record level of 144 million tons—24 million tons more than last year. However, that tonnage is less than earlier estimates; in view of this and the possibility of future

purchases by the USSR, prices of coarse grains could well be firm.

United States production of soyabeans, the world's main source of protein for animal feed, is forecast to be close to the all-time high of 1973. Carry-over stocks as of 1st September were very high; thus availabilities in the United States should be at a record level, and the 1975 Brazilian crop has also been a record one. Recent prices of soyabean meal have been relatively low.

As regards other feedstuffs (fish meal, cassava, feeds of industrial origin, etc.) the supply is considered to be adequate.

Livestock and Feed

Livestock production is currently going through a difficult period on account of a stagnation of demand due to the general economic situation, the generally high level of production and, in countries such as those in North America, the effects of the high prices of animal feed last season. In addition, the general inflationary situation sharply raised the cost of all farm inputs, agricultural as well as industrial. These difficulties are reflected in a decline in the

output of the compound feed industry, a reduction in the use of cereals for livestock feeding, a stagnation in world trade in oilcakes and animal meal, a decrease in the number of animals being placed on feed, and a decline in farmers' income in most countries. As a result of the recent increase in cereal prices which followed the announcement of purchases by the USSR, signs of further expansion, which were apparent in a number of countries during the spring of 1975, have disappeared.

Livestock production in the United States appears to have been particularly affected by the current situation. In 1975, slaughtering of cereal-fed cattle will decline by 9 per cent and pig slaughterings by 17 per cent as compared with 1974. Turkey slaughter will be down by some 7 per cent and egg production by 4 per cent. Slaughtering of cows should rise substantially (over 40 per cent). Similar phenomena, though of lesser importance, are also observed in Europe and Japan.

Livestock producers and the compound feed industry reacted, at least temporarily, by changing some purchasing or production methods (e.g. by increasing the number of grass-fed cattle in the United States). As regards the selection of raw materials for compound feed production, cereals were replaced by relatively cheap protein feeds supplemented by amino acids. This explains in part the fact that, from 1973-74 to 1974-75, the use of cereals for animal feeding declined by over 40 million tons in the main OECD consumer areas—the EEC, Japan and the United States.

Feed compounders also resorted to using less wheat and more sorghum and cassava, a substitution facilitated by the greater use of least-cost combinations calculated on computers.

Despite the uncertainties and problems in the animal feed industry, total livestock production in most major producing regions should generally be sustained at a high level over the next nine months, largely due to a continuing large supply of beef and veal. For example, beef and veal production in the EEC, after rising sharply in 1974, was forecast to increase by around 2 per cent in 1975, with only a slight deceleration in growth likely in 1976. These increases should largely compensate for the expected decline in pigmeat and poultry production in 1975. Recent increases in

(2) According to estimates of the U.S. Department of Agriculture.



the profitability of pigmeat and poultry production in the EEC suggest scope for an early return to expansion of breeding stock.

In the United States, total meat production is forecast to fall by around 4 per cent in 1975, with a decline of 17 per cent in pork production and a small decrease in poultry output more than outweighing the expansion in beef production. In 1976, the level of beef production should at least be maintained, with scope for a substantial increase if feed lotting (intensive feeding on grain) becomes more profitable. However, uncertainty over feed prices has delayed an increase in pig numbers, and no increase in pork production can be expected before the latter part of 1976. Prospects in Canada do not differ significantly from those in the United States.

Japan's meat production in 1975 will probably match the 1974 level. Trends in 1976 will depend largely on the demand situation as well as on world feed prices.

Beef exporting countries, particularly Australia, New Zealand and Yugoslavia, have already had serious problems caused by both quantitative restrictions and low prices in major importing countries. In

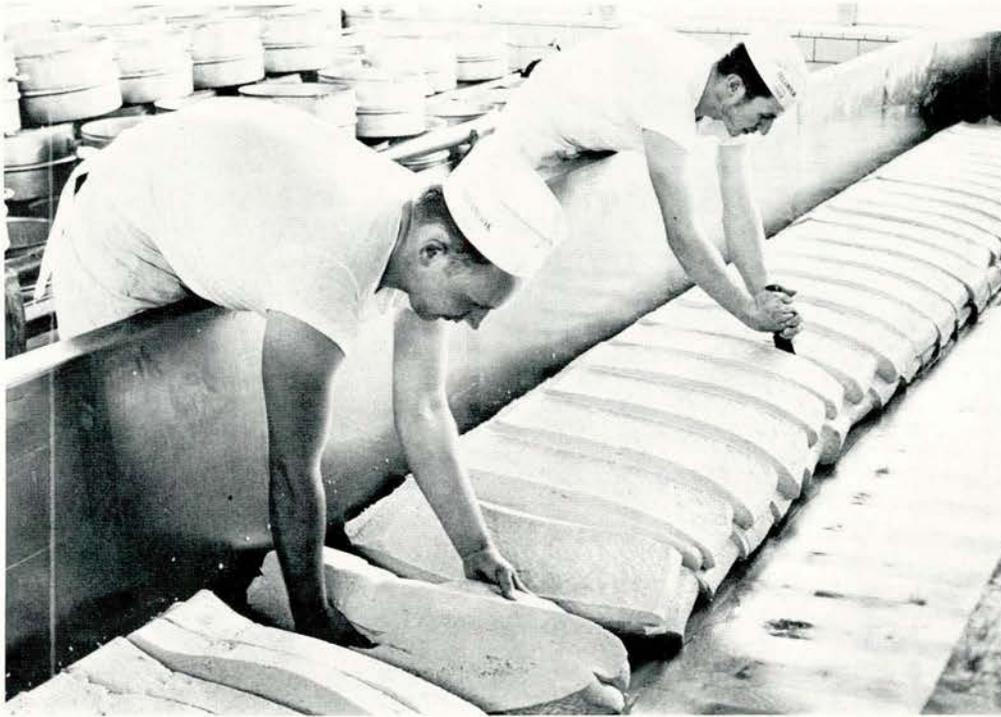
Australia, despite a sharp increase in domestic beef consumption, cattle numbers continue to expand. Producers in all exporting countries face severe income and liquidity difficulties. In expectation that there will be a market upturn in 1976-77, governments generally have been supporting producers during the current difficult period.

Concern is felt by a number of countries that, if renewed expansion of pigmeat and poultry production is significantly delayed and with a general decline expected in beef production potential as from late 1976, insufficient meat supplies could coincide with an acceleration in the recovery of demand. Fluctuations might even be intensified, reflecting the instability of economic activity, possible continued uncertainty over feed prices, the increased dependence of a number of major producers on exports and the development of regional and world production cycles. Exporting countries might neither be willing nor able to continue acting as important suppliers only during periods of shortage in importing countries. Improved co-operation is clearly desirable: better market intelligence is a starting point, but ways of moderating the impact of fluctuations also need to be investigated.

Dairy Products

Two major problem areas of the dairy sector are the stocks of cheese and skim milk powder. Indications are that the measures taken by a number of countries to reduce their output of cheese are meeting with success, and some reduction in stocks has already taken place, particularly in the United States, the first country to experience this problem; in Europe, Australia and New Zealand, however, cheese stocks at the beginning of September 1975 were still higher than a year ago. Thus continuing prudence in cheese manufacture is necessary in the near future.

As regards skim milk powder, the situation continues to deteriorate. In the EEC, stocks have reached 1 million tons, almost twice as much as a year ago. Stocks are also heavy in the United States and Canada, and have sharply increased in Australia and New Zealand, and in many other countries. A sharp fall in demand for skim milk powder, both for human consumption and for animal feed, and higher production are responsible for this situation. The decline in human consumption, mainly in developing countries, results chiefly from



the high prices of the previous period of relative shortage. The decline in demand for animal feed, a particularly European problem, reflects the fact that alternative sources of protein are cheaper than skim milk powder, even when subsidised as in the EEC.

To reduce stocks and prevent them from reforming, some countries are actively seeking new commercial outlets for skim milk powder and for casein, but in the short run, at least, any increase in sales resulting from these efforts or the continuing decline in world market prices is expected to be relatively small. A larger use of skim milk powder as food aid would encounter problems of shipping and distribution and thus only a small increase is likely. Moreover there is a risk that food aid would replace commercial sales and disrupt production in the traditional exporting countries as well as discourage efforts to develop milk production in the recipient countries.

Greater use of skim milk powder for animal feeding is unlikely, except at prices which are extremely low because of the competition from other protein sources whose prices are currently low. The high cost of the necessary subsidies would limit their use.

The only ways to prevent further accumulation of stocks seem to be to increase the consumption of milk and dairy products as a whole, to limit the expansion of production, or a combination of both courses of action. These actions will be further studied in the competent OECD bodies, which will also consider the possibility of expanding food aid.

developments, particularly in the livestock sector.

Although inflationary tendencies are lower, earlier hopes, for a much lower rate of increase in food prices in some instances are unlikely to be realised. In some countries there is concern that marketing margins will increase.

In the United States, a slight fall from the previous very high level of farm income is expected, whilst in Europe a small recovery is generally expected after the sharp fall last year, particularly in the livestock sector. Concern is felt that a further deterioration in the cost-price relationship might limit the process of intensification of production. In many countries the purchase of inputs has already decreased, partly offsetting the rise in prices.

The situation in agricultural trade varies substantially according to country and commodity. For instance the value of agricultural exports from the United States during the 1975-76 season will remain very high, particularly because of grain exports. On the other hand the agricultural trade of other countries, for example France and New Zealand, is adversely affected by the economic recession. Fluctuations in exchange rates are also a factor in the outlook for agricultural trade.

Implications of the Market Outlook

The general economic situation having an influence on future developments in food prices, trade and incomes, the uncertainty as to the timing of the prospective upswing and the variety of economic problems and policies in Member countries make it difficult to assess likely deve-

CORRIGENDUM: In the *OECD Observer* No 76, July-August 1975, Page 39, the figures on import and export percentages were reversed for a number of countries. The correct figures are as follows.

1. Agricultural Trade in 1973*

	Agricultural imports (million US \$) c.i.f.	Agricultural exports (million US \$) f.o.b.	Balance (million US \$)	Agricultural imports as % of total imports	Agricultural exports as % of total exports
UNITED STATES	9,842	16,746	+ 6,904	14.2	23.8
CANADA	2,153	3,637	+ 1,484	9.2	14.4
JAPAN	7,409	906	- 6,503	19.4	2.5
AUSTRALIA	417	3,000	+ 2,583	6.1	32.2
NEW ZEALAND	(140)	(1,725)	(+ 1,585)	(6.5)	(66.5)
EEC-9	39,426	25,898	- 13,528	18.4	12.3
• within EEC-9	17,542	17,479	-	15.9	15.8
• outside EEC-9	21,884	8,419	-	21.1	8.5
BELGIUM-LUXEMBOURG	2,974	2,239	- 735	13.6	10.1
DENMARK	928	2,372	+ 1,444	12.1	39.1
FRANCE	5,403	6,833	+ 1,430	14.7	19.3
GERMANY	10,851	3,186	- 7,665	19.9	4.7
IRELAND	393	937	+ 544	14.1	44.0
ITALY	6,421	1,987	- 4,434	23.1	8.9
NETHERLANDS	4,064	6,103	+ 2,039	17.3	25.6
UNITED KINGDOM	8,391	2,241	- 6,150	21.6	7.3
AUSTRIA	695	234	- 461	10.3	4.7
FINLAND	429	153	- 276	9.9	4.0
GREECE	436	449	+ 13	12.6	31.1
ICELAND	38	221	+ 183	10.7	76.2
NORWAY	559	657	+ 98	9.0	14.0
PORTUGAL	493	332	- 161	17.0	18.8
SPAIN	1,654	1,542	- 112	17.6	29.9
SWEDEN	1,142	334	- 808	10.8	2.8
SWITZERLAND	1,600	457	- 1,143	13.9	4.9
TURKEY	48	428	+ 380	2.3	46.8
YUGOSLAVIA	560	486	- 74	12.4	17.0

() Estimated by the Secretariat.
* Classification S.I.T.C. 0, 1, 4, 22, 29.
Source: OECD, *Statistics of Foreign Trade*.

Transfrontier Pollution: Towards a Common Approach

Measures against pollution have been largely a matter of national policy. But since the problem is by its very nature transmitted from country to country, an international code of good conduct is gradually being developed. A major step in this direction was taken by OECD countries when, in November of 1974, they adopted at Ministerial level a Recommendation on transfrontier pollution. Though not binding, this Recommendation sets forth concepts which could form the basis for new initiatives in international cooperation and in international law. In the following article Henri Smets of OECD's Environment Directorate discusses some of the concepts embodied in the Recommendation.

The basis for transfrontier pollution guidelines is to be found in two fundamental characteristics of the environment:

- It is composed largely of air and water, which are mobile and able to transport pollution from one region to another. Such pollution knows no frontiers and thus may cause damage in a number of countries. Neither the source country nor those affected can build walls to prevent this flow of pollution as they can restrict trade or the movement of people. In this respect, pollution moves like contagious diseases whose vector of transmission is unknown.
- It is made up of various components which, due to the delicate balance of eco-systems, are interdependent; seemingly insignificant damage to one component of the system can have an unexpectedly great impact—immediately or after a period of time—on some other part of the environment.

Rules for a Common Resource

As a result of these two characteristics, the environment cannot be managed according to rules developed to cope with problems which are territorially limited and often more straightforward. For instance, rules covering trade are not generally applicable: "trade" in pollution is not voluntary; the partners cannot be clearly identified; nor can the environment be appropriated.

The environment is a common or shared resource since it belongs to no single individual or nation, but to a number of individuals and nations collectively. Thus Governments need to draw up "rules of the game" which take into account the precise nature of the problem—that of protecting this common resource. Since countries have no common decision-making body for such a purpose, such rules need to be developed by consensus among sovereign countries, on the basis of generally accepted ethical, legal, ecological and social principles or guidelines.

Approaches to Pollution Control

Three approaches to the control of transfrontier pollution problems can be distinguished:

- Totally preventing it. This approach would often be economically unsound and technically very difficult.
- Harmonising existing regulations or drawing them together into a single set of uniform rules. When countries have differing political and legal systems, social objectives and environments, this approach can entail difficulties but may still be possible in a limited number of cases where the problems or substances are new.
- Setting forth minimum obligations and duties while forbidding certain types of conduct. This approach would help reduce differences between the rules of one country and those of another and be a first step towards the development of a single set of "rules of good conduct" for optimum management of the environment.

The OECD draws principally on the third approach and sometimes on the second in matters of transfrontier pollution. The basic aim is to elaborate guidelines which can be justified on *economic and environmental* grounds while prohibiting conduct which is contrary to certain fundamental and generally accepted principles.

International Solidarity Principle

OECD's Recommendation on Transfrontier Pollution asks Member countries to define *together* a "concerted long term policy for the protection and improvement of the environment" and in the meantime to take "all appropriate measures to prevent and control transfrontier pollution", "to prevent any increase in transfrontier pollution" (the standstill approach) and to "eliminate transfrontier pollution existing between them".

Achievement of these broad and challenging objectives will require an effort on the part of *all* countries since they are asked

to seek an " equitable balance of their rights and obligations as regards the zones concerned by transfrontier pollution. "

While co-operation on scientific and technical problems may involve few contentious issues, financial co-operation is more complex. One view is that polluted countries having very stringent environmental requirements should participate in the financing of measures designed to reduce transfrontier pollution to a level consonant with their stringent requirements. Another view is that polluting countries should not have to compensate pollution-receiving countries for " residual damage " i.e. what is left over after transfrontier pollution has been reduced to mutually acceptable, or at least reasonable, levels. Both views would be conducive to cost sharing and could be considered as an example of the equitable balance of financial rights and obligations.

However, there is still another view: that polluted countries should not bear any costs whatever, whether for abatement or in the form of environmental damage itself. This would be in line with one interpretation of Principle 21 of the Stockholm Declaration which would make the polluting state strictly liable for any transfrontier pollution damage. However, such an approach would raise the question in the minds of some countries as to whether there is an equitable balance of rights and obligations.

Uncertainty about financial cooperation would not cause serious difficulties in the case of lake or sea pollution (both of which are reciprocal) but could complicate negotiations on river pollution or long-range transport of air pollution.

Since international solidarity implies joint action based on a number of facts relevant to transfrontier pollution (some of them are specified in the OECD Recommendation) it can be inferred that countries should disclose to each other all relevant information concerning activities which pollute or are sensitive to pollution. Frustration over ill-founded or distorted information could be avoided and negotiations on " concerted long term policies " facilitated if a generally agreed data base were set up jointly for each problem under consideration: scientific and technical data might be compiled by joint teams of experts and possibly verified by third parties selected by the countries themselves or by a bilateral commission.

Non-Discrimination Principle

Another principle embodied in OECD's Recommendation is that national policies concerning the environment should be as severe in dealing with pollution when it occurs abroad as when it occurs in one's own country. *Polluters causing—or likely to cause—damage to people in other countries should be subjected to as stringent constraints as those who create pollution affecting their own countrymen.* Neither countries nor polluters should take advantage of weaker environmental policies or less strict environmental quality objectives prevailing abroad. Environmental impact statements therefore should not be limited to environmental effects occurring within one's own territory but should include possible effects elsewhere.

This policy of non-discrimination is not equivalent to one of a lowest international common denominator for environmental conditions. Nor does it signify equal emissions from, or equal costs to, all countries. Rather the acceptable level of emission of pollution in a frontier zone of a country likely to enter another country would depend on its own national environmental standards.

An example of the application of this non-discrimination principle would be a lake on the border of two countries having similar levels of economic development and similar environmental policies with the factories concentrated mainly on one country's side. Assuming that in each of the two countries the regulations are such that, if polluters were located on a lake strictly within its boundaries, they would have to conform to the same emission standards. The principle of non-discrimination would mean that all polluters around the international lake must also conform to the same emission standards and that the country which has only a few polluters on its side of the lake should not allow them to observe less strict standards for that reason. From an environmental standpoint the lake, in such a case, would be considered as the common property of the two countries rather than adjoining properties of two countries, and the assimilative capacity of the lake would be shared equitably among all polluters, irrespective of their location around it.

If, however, the countries base their national policies on pollution quotas (e.g. tons of pollutant per km. of lakeshore) designed to meet quality objectives, the common property concept would not emerge: an overall figure for the amount of discharge to be permitted would be set by the two countries; discharge permits would be geographically allocated among polluters; and polluters' emission standards would depend on the number and size of the industrial establishments in their immediate area.

When the polluter pays principle (PPP) was adopted by OECD governments in 1972, they made it clear that this agreement could not be taken to imply acceptance of the PPP in connection with transfrontier pollution. But adoption of the non-discrimination principle makes it clear that countries applying the PPP to domestic pollution should apply it to transfrontier pollution as well; otherwise polluters near the border would have preferential treatment over polluters distant from it, and transfrontier pollution would increase.

● Equal Treatment

A consequence of the principle of non-discrimination in a situation in which transfrontier pollution has already caused damage is the principle of equal treatment in the compensation of victims. The OECD's Recommendation specifies that foreign victims of transfrontier pollution should " be granted no less favourable treatment than persons affected by similar pollution " in the source country. This means that polluters should indemnify similarly all victims who suffer similar consequences from pollution. Foreigners who are victims of transfrontier pollution should not receive less compensation simply because their national laws are less favourable or because they have greater difficulties in suing the polluter.

Difficulties could arise in implementing this principle of equal treatment if one country provides much more favourable treatment for its pollution victims than another: the country which gives more favourable treatment to its own residents might find it difficult to extend this treatment to foreigners if its own residents received little or no compensation when the pollution came from abroad. In the event of such a lack of reciprocity, this country might conceivably withhold payments made by its own polluters to compensate victims abroad and use the monies to indemnify its own residents who have suffered damage from abroad and not been compensated. Such an approach would not constitute equal treatment but, since the polluter's liability would remain unchanged, it would still tend to discourage transfrontier pollution which is one of the aims of the non-discrimination principle.



Above: *air pollution from an oil refinery*
Below: *thermal pollution of water as shown by infrared line-scan imagery*



The foreign victims would have no strong reason to complain about the withholding of payments since they would not have received them if the polluter were in their own country.

When damage to a victim exceeds the ceiling of polluters' liability and victims of pollution are also indemnified by a national compensation fund (as for instance in the 1975 German law on Nuclear Energy) the question arises whether indemnification should be extended to victims from another country, especially one that has no supplementary compensation scheme of its own. It might be argued that such a fund is like mandatory insurance, established by and for residents and that only those who "subscribe" are entitled to its protection. Equal treatment might then apply only to that portion of the liability that accrued to the polluter, not to the additional compensation. This limitation on equal treatment would however be restricted to actions taken under private international law; actions based on State liability for transfrontier pollution would not be affected: existence of a national compensation fund is only an internal matter.

Given the general nature of the principle of non-discrimination and the difficulty of defining it with great precision, it would probably need to be elaborated and tested on a case-by-case basis if it were accepted by countries as part of their international law. Such tests could be furnished either through private or public international law and would require the use of various procedures described below which help in strengthening the principle of non-discrimination.

● *Equal Access Procedures*

The OECD Recommendation puts forward the principle of equal access for actions based on private international law. The aim is to provide real or potential victims of transfrontier pollution in foreign countries with the same procedural rights in judicial or administrative proceedings as are available to victims of pollution at home. If the country emitting pollution adopts the principle of non-discrimination and recognises that victims of its pollution in foreign countries have interests which are enforceable by law, then such victims could ask courts in the polluting country to ensure legal protection of their interests. This principle of equal access together with the principle of equal treatment has already been implemented in civil court cases in many countries; to have it as widely accepted in administrative matters would be a step forward, especially in cases contesting the issue of permits or licences for polluting activities.

A comparative study of the relevant legislation is underway within OECD and should be completed by the beginning of next year; it will describe the extent to which equal access already prevails in OECD countries. So far the main obstacle encountered has been the doctrine of territoriality of administrative law, which in some countries is construed to mean that, since national administrative law is only applicable within the territory, it only protects interests within that territory and not therefore potential victims of transfrontier pollution from abroad.

This approach could perhaps be broadened through reciprocity so that foreigners would have access to private channels of action. But such channels need not be the only ones: there will be instances in which victims of pollution prefer their claims to be taken up at intergovernmental level or even in their own courts providing they have a reasonable hope that the court's decision will be implemented.

→

● *Consultation procedures*

Another way to implement the principle of non-discrimination is through intergovernmental consultation. According to the OECD Recommendation, governments should have the opportunity to know in advance of projected activities in one country which are likely to cause pollution in others and should be able to enter into consultation with that government about the project. In the course of such consultation, the country which suffers from pollution could insist that the polluting State implement the principle of non-discrimination and could seek to ensure that rigorous constraints be imposed on the activity to take account of the "special nature", the "special state" or the "environmental needs" of the zone or country affected.

Such consultations should aim at reaching agreement, but the activity could be initiated without such agreement providing that adequate time were allowed for consultations in good faith.

● *Dispute Settlement*

Since the principle of non-discrimination involves the concept of "comparable conditions" and "comparable zones" within a country and between countries, one might infer that the findings of comparability could be challenged before an international body set up by the countries concerned for this purpose.

In fact, if consultation or other diplomatic means fail, countries should, according to OECD's Recommendation, have the "opportunity to submit such a dispute to a procedure of legal settlement which is prompt, effective and binding". This language could be seen as an invitation to countries to set up special procedures since all too often existing ones are neither prompt nor effective. Special arbitration tribunals might, for instance, be considered for this purpose.

To supplement diplomatic consultation or arbitration, countries could establish international commissions which would be entrusted with making recommendations or deciding on issues brought to its attention by any of the countries involved. The International Joint Commission of Canada and the United States, which deals in particular with problems concerning the Great Lakes, offers an interesting example which could be followed elsewhere.

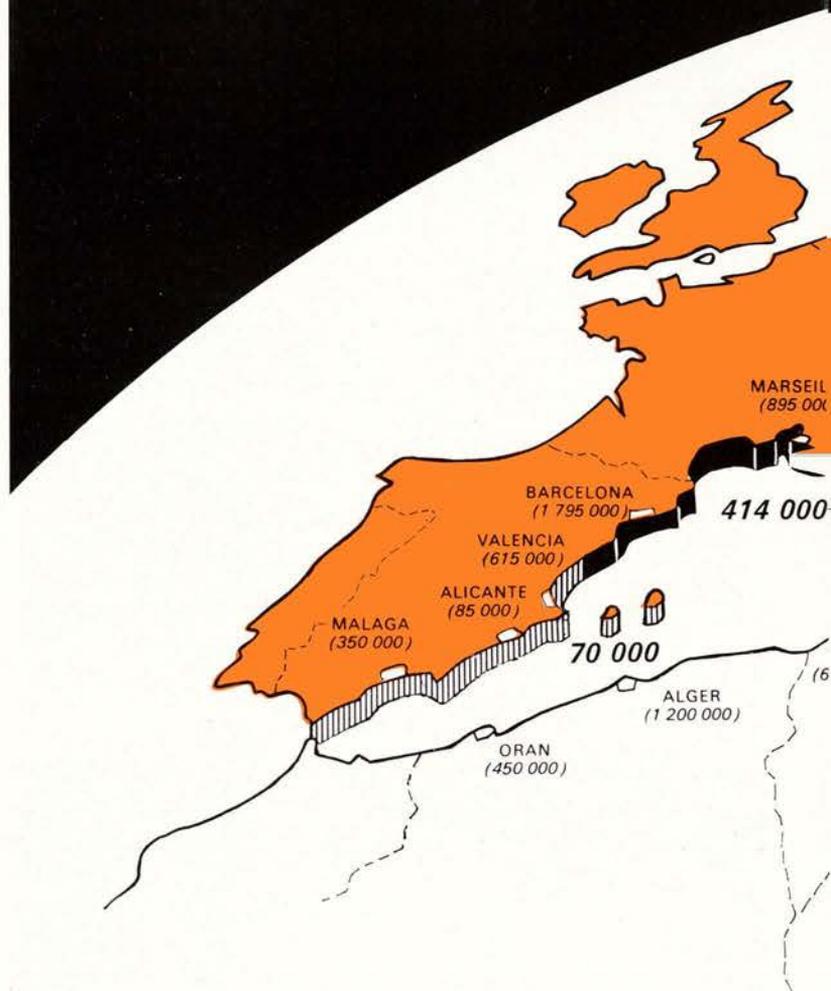


The OECD Recommendation on Transfrontier Pollution does not create binding obligations for Member governments but its adoption is nevertheless an important step in reaching a common attitude towards this difficult problem and serves as a cornerstone for future progress.

At the present time only a few OECD countries have formally introduced the principle of non-discrimination into national legislation or followed through on its implications. When they do, protection of foreigners against transfrontier pollution should not be restricted to compensation for damage; it should extend to, and have as its main focus, the reinforcement of measures which prevent environmental degradation. This would be in line with the new international ecological ethic set forth in the Stockholm Declaration which contains, among other principles, the statement that States have the "responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States".

Pollution of the Mediterranean by D

No detailed information provided for African coast (domestic sewage) and Aegean Sea, Levant Basin and African Waters (industrial waste)



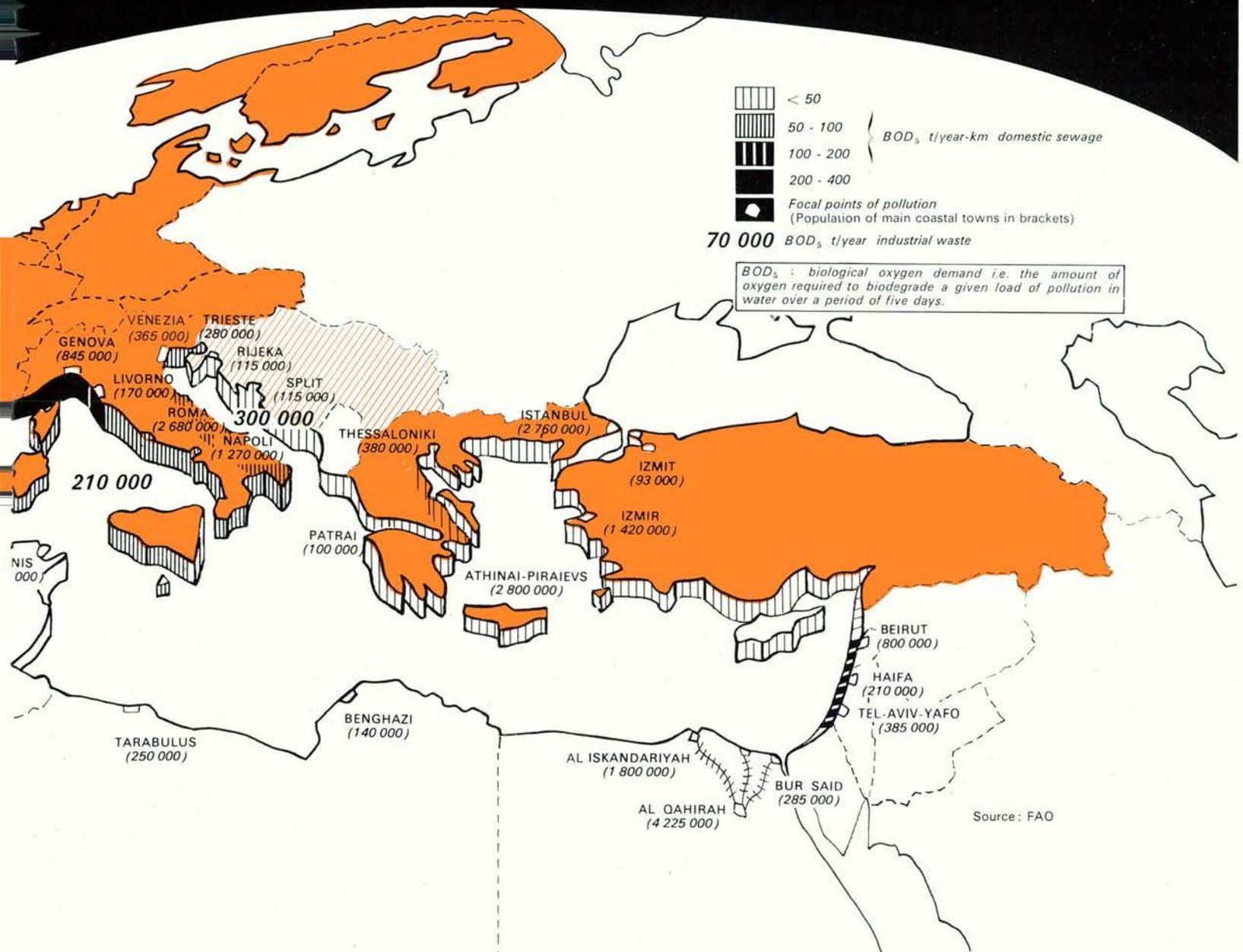
Safeguarding

The conflict between development—touristic, industrial and urban—of the Mediterranean area, and its adverse effects—degradation of the coast and pollution of coastal waters—is one of the major environmental issues for Europe. The economic interrelations between the two trends have been analysed by OECD's Environment Directorate in a pilot study (1) summarised below.

The Present Situation

For both tourism and industry, it is difficult to make any real distinction between the coast and the hinterland. Coastal tourism is an increasingly popular type of holiday, (see Table 1) and it can safely be assumed that at least 50 per cent of time spent by tourists in Mediterranean countries is spent on the coast (75 per

Domestic Sewage and Industrial Waste



Source: FAO

THE MEDITERRANEAN

cent in the case of Spain). The impact of tourism on the urban environment aggravated by the high concentration of tourists in a short season, has been appropriately described as "tourist sprawl". In fact, the preference for seaside locations has often led to a ribbon form of urban development which greatly limits the aesthetic value of the coast.

As for industrial development one generalisation which can safely be made, is that the coastal environment is being increasingly used as a cheap sink for industrial wastes since private costs and benefits are often the only ones taken into account. The coast exerts a very strong attraction upon industry; thus, one can speak of coastal industries, i.e. those whose requirements cause them to gravitate to coasts, and frequently to undeveloped

coasts. These industries are mainly chemical and petrochemical plants, oil refineries, iron and steel-works, aluminium processing plants and electric and power stations. They require large tracts of fairly level ground, are often characterised by a comparatively low employment capital ratio, and rank among the worst polluters. As to power stations, it is mainly the low cost of cooling which makes the coast so attractive, while for other industries

(1) The study, sponsored by OECD's Environment Committee was carried out by a group of representatives from France, Greece, Italy, Spain and Yugoslavia. The main method of work was to discuss documentary material or case studies submitted by the participating countries, and it is mainly on these documents that this summary is based. It does not necessarily reflect the views of the governments which took part in the study.

coastal locations offer the cost advantages accruing to break-of-bulk points, since they depend on bulk imports of raw materials for processing.

1. Foreign Visitors to Mediterranean Countries

OECD Countries			
	No. of visitors ('000)		Percent Change
	1960	1973	
Spain	6,113.2	34,558.9	465
France	5,613.2	10,426.0	86
Italy	9,100.0	10,607.6	17
Yugoslavia	873.1	6,149.6	604
Greece	343.9	2,864.5	733
Turkey	94.1	1,341.5	1,326
Total	22,137.5	65,948.1	198
Other Countries			
Malta	19.7	211.2	972
Cyprus	25.7	264.1	928
Syria	378.2	454.8	20
Lebanon	612.0	1,503.8	146
Israel	114.0	603.9	430
Egypt	285.4 (1)	534.8	87
Libya	60.4	257.9	327
Tunisia	53.5	721.9	1,249
Algeria	264.7 (2)	237.2 (3)	—10
Morocco	158.2	1,340.6	747
Albania	n.a.	n.a.	n.a.
Total	1,971.8	6,130.2	211

(1) Listed as "United Arab Republic". (2) 1964. (3) 1970.
Sources : a) OECD's Tourism Committee; b) IUOTO, Geneva.

Marine pollution

When looking at a large system it is useful to remember that the Mediterranean is a semi-enclosed sea. The average time water stays in the Mediterranean however is relatively short—an estimated 80 years. In other words, *ceteris paribus*, it takes 80 years to replenish the water of the Mediterranean as against, for example, 2,500 years for the Black Sea. The Mediterranean is therefore characterised by a fairly rapid intake of external densely oxygenated water.

The large-scale vertical mixing is also relatively rapid, a maximum of 250 years as compared with 500 years for the North Atlantic deep water and 1,500 years for the Pacific. This is an important feature with regard to pollution problems since such a rapid mixing is linked with the replenishment of oxygen in deep water.

Because of this, it has sometimes been thought that local events, or even the sum all such events, were incapable of affecting the ecological system of the Mediterranean in its entirety. But this relatively optimistic view breaks down in the face of detailed analysis of local problems, particularly with regard to OECD countries, some of which are the worst polluters in the Mediterranean.

Organic pollution. The importance of industrialised countries as polluters is manifest. The situation is illustrated numerically in Table 2, using evidence gathered between 1970 and 1972 and updated in 1974.

No data on industrial pollution are available either for Greece and Turkey, which are OECD countries, or for non-member countries. However, since it is for the developing countries that data are lacking, it is clear from Table 2 that a large share of pollution is caused by certain OECD countries.

The straight-line length of the Mediterranean coasts bordered by OECD countries is 14,550 km, or about 50 per cent of the total. The permanent population of the above countries along these coasts accounts for approximately 75 per cent of the total coastal population of the Mediterranean i.e. 27 million. Yet in terms of organic pollution load—residents, tourism and industry—the corresponding population is equivalent to about 88 million.

2. Organic Load of Domestic Sewage and Industrial Waste

	OECD Countries						Other countries for which data are available		
	Domestic		Industrial		Total			Domestic	
	BOD ₅ t/year	%	BOD ₅ t/year	%	BOD ₅ t/year	%		BOD ₅ t/year	%
Spain	201,000	18.23	170,000	17.10	371,000	17.69	Malta	8,000	9.16
France	177,500	16.10	200,000	20.12	377,500	18.01	Cyprus	9,600	10.99
Italy	506,500	45.93	544,000	54.73	1,050,500	50.10	Syria	6,500	7.44
Yugoslavia	17,800	1.60	80,000	8.05	97,800	4.66	Lebanon	31,250	35.78
Greece	100,000	9.07	n.a.		100,000	4.77	Israel	32,000	36.63
Turkey	100,000	9.07	n.a.		100,000	4.77			
Total	1,102,800	100.00	994,000	100.00	2,096,800	100.00	Total	87,350	100.00

Source : Calculations based on FAO data.

The Case of Italy

Although Italy has certain special features, the orders of magnitude are characteristic of the coastal areas.

The population of municipalities along the coast has grown more than six times faster over the last two decades than in the rest of the country; between 1951 and 1971, the growth rate was approximately 26 per cent for the former compared with 4 per cent elsewhere.

The number of tourist days spent on the coast increased by 34 per cent between 1965 and 1972 (accounting for more than 50 per cent of the national total), whereas in the last few years, there has been a fall in the rate of tourist growth. In some instances, this fall can be attributed to marine pollution, or urban degradation, but a number of localities on the Adriatic have succeeded in maintaining the growth of their tourist trade by installing sewage treatment plants. There are also signs that some degraded areas are improving—for example in the Naples region.

Industrial development, along the coast made rapid strides between 1951 and 1961, with employment rising at a rate of 34 per cent. The pace however slackened to 5 per cent between 1961 and 1971, compared with a national average of 15 per cent. But in some underdeveloped coastal areas heavy inroads were made by highly polluting industries, such as oil refineries, petrochemical plants, iron—and steel—works and thermal power stations.

Pollution from hydrocarbons. While most types of pollution create local problems in the Mediterranean, pollution from hydrocarbons is by far the most pervasive. The quantity of hydrocarbons discharged into the sea every year is evaluated as follows: 300,000 tons from oil tankers using free zones for discharge, and 20,000 tons from refineries. Taking into account other sources of pollution (for example from the loading and unloading of tankers in ports), the total comes to well over this 320,000 tons per year (which allows neither for offshore drilling nor for accidental spillage by tankers).

With regard to the geographical distribution of oil pollution, it is once again in the north-western part of the basin, where the most developed OECD Mediterranean countries are located, that pollution is extensive: oil traffic is particularly heavy and there are many refineries.

Microbial pollution. One form of pollution which directly affects tourism as well as the local population is microbial pollution—bacteria, viruses and parasites. The risks incurred by tourists at a growing number of beaches on the Mediterranean have given rise to concern in the European press. Considerable efforts would be necessary to improve the situation: systematic purification now virtually non-existent, of domestic water discharges and a reduction of density on certain particularly popular beaches.

Thermal pollution. So far thermal discharges have caused no major damage except in the case of some local ecosystems. But there is bound to be a drastic change in this respect owing to the large number of thermal power plants which will be built between now and the year 2,000.

As the effectiveness of air-cooling towers can hardly be relied on, since they decrease the net productivity of power plants, this problem warrants further investigation. Coastal and estuarine waters will suffer most from thermal discharges since

their assimilative capacity is limited. Generally speaking, not enough is known about the movement of heated water discharges, though it is known that it is difficult for them to mix with cold water. On the positive side, it is known that thermal discharges can also give rise to external economies, improve swimming possibilities in winter and change the habitat of certain biological resources for the better. For example, waste heat could possibly be used to breed oysters in captivity by extending their spawning season, and to increase the growth rate of sole.

Other pollutants. While the rapid vertical mixing of waters dilutes pesticides and other toxic substances there have been many cases of damage to marine life—once again in the western Mediterranean. There is also floating solid waste which is very offensive, particularly from an aesthetic point of view.

Finally, while marine pollution by radioactive substances is strictly controlled, problems stemming from energy production are bound to increase in coming years.

Objectives and Instruments of Environmental Policy in Coastal Areas

In seeking to define a general policy, two diametrically opposed approaches can be envisaged. At one extreme is the traditional approach of favouring those uses of the coast which maximise returns in the short run (10 to 15 years, for example). Studies in pilot countries show that the result is increased affluence accompanied by the pollution and degradation of coastal land, which will mean reduced returns in the longer run. At the other extreme is the "pure" conservationist viewpoint favouring zero development of the coast wherever possible.

Between these two extremes—leaving special cases aside—it is possible to envisage a positive, flexible approach, by advocating constructive policies which point to uses and activities that would be consistent with the principles of conservation.

Carrying capacity

The coast has a wide range of landscapes and types of habitat. Some can sustain more intensive use without undue degradation than others. A plan for a stretch of unspoilt coast would therefore contain a number of zones, each with its own separate conservation policy. These policies would be worked out with a view to the resources and to other characteristics of the zone—accessibility, for example, which influences the volume and type of public use. The setting of conservation goals for individual areas is essentially a planning exercise.

To plan the use of coastal lands, it must be possible to make operational use of the concept "carrying capacity" of the coast. Since there is as yet no satisfactory method for assessing this capacity, first-approximation criteria can be used: the extent to which the resource is now used (the degree to which it is accessible to cars, for example) and any related signs of deterioration; the nature of the landscape and its vulnerability to erosion; and use of the resource in relation to adjacent facilities (such as car parks, lavatories, cafes, etc. in outdoor recreational areas).

Marine life can be driven down to a level where reconstitution is impossible. A minimum standard of conservation should therefore be applied in order to guarantee the preservation of such life, at least to the extent that the effects of using the resource remain reversible.

→

Coastal management in developed and in developing countries

The way the positive approach is applied must depend on the type of country and region involved. Quite obviously, over long coastal stretches, there are no longer any real opportunities for land-use planning, particularly in developed Mediterranean regions, where ribbon development has already taken place. For all practical purposes the land-use situation in these areas probably cannot be reversed for several decades. But pollution can still be controlled so as to improve the situation within the framework of existing land use. On the other hand, effective coastal management in these regions is restricted to as yet undeveloped or partially developed areas. Although each of these areas calls for detailed analysis, the evidence collected in the OECD's pilot study points towards a bias in favour of conserving such areas—which moreover are relatively scarce—and this of course implies a need for constructive and not merely negative policies.

The situation is different in developing countries and regions where undeveloped or partially developed areas still account for much of the coast. Here environmental management still leaves room for major options and lends itself to integrated planning as has been undertaken in Yugoslavia. In developing countries, the real problem is not to protect that limited part of the coast which is still free of concrete, but rather to fit coastal development into the overall socio-economic development of the country and/or region. Thus the quantity, quality and geographical location of industry, tourism, etc., must be planned together and made consistent. There is of course no general dictum for coastal management, but the pilot study provides useful examples of various approaches, criteria and instruments.

Planning the Use of Land in Depth. Since the coast is a limited asset, one possibility would be to enlarge it. Clearly not all activities linked with the coast need be at the water's very edge. Service stations, supermarkets, cinemas and many coastal industries could be located inland, and some of the pressure (on the price of land for example) thus be eased. At the same time the value of the hinterland would be enhanced.

Locating urban settlements (including tourist facilities) inland, even if only a short distance from the shore, would present considerable advantages. Industry could be sited much farther back. While the cost of locating an oil refinery at least 10 or 15 km. from the coast instead of on the seafront might be higher, the increase in cost would largely be offset by the benefits accruing to other activities.

The Pilot Study shows that while the "in-depth land-use planning" concept has been almost wholly ignored in past practice along the Spanish, Italian and French Mediterranean coastlines, it is being applied in Yugoslavia's coastal development planning.

There are several prerequisites for implementing the concept: first, wherever possible it must be applied to public investment, which should not aggravate coastal congestion, as it so often has in the past. Second, communications between the hinterland and the coast must be adequate, since otherwise there is bound to be opposition from the local population, tourists and industry. Third, and last, such in-depth planning often necessitates cooperation between separate local administrative units.

Difficulties will arise in some topographical situations where mountains confine the coastline to a narrow strip. In other cases, compliance with the concept may be so costly that ribbon development will have to be accepted or development abandoned

altogether. While such cases are inevitable, they will by no means be the general rule.

Specialised Use of Coastal Areas. In some cases, it may be possible to limit the use of certain coastal areas to a few activities or even a single one. To be successful such an approach would have to be applied with restraint in order to avoid the two extremes: nature reserves and "black spots" (development areas where polluting industries are concentrated so as to prevent their spreading over a coastal zone which should be safeguarded).

The logic behind specialisation is the minimisation of social costs. Its most familiar application is in the field of water pollution, where it has been shown that to achieve the integrated management of a regional water basin, it may be best to reserve certain water courses for (controlled) waste disposal so that others can be kept free for recreational purposes. It may also be desirable to apply the specialisation principle to certain stretches of coast.

A useful concept is implicit in the words "coastal heritage", coastal stretches of great beauty, generally smaller in area than those included in nature reserves where the facilities the public needs, mainly for recreational purposes, are generally greater. The basic idea is that, even though relatively small in area, the loveliest parts of some coastal zones deserve special protection, that they should therefore be identified systematically and managed as an entity, taking all possible forms of leisure into account without however introducing any attractions of an artificial kind.

Direct Action by Public Authorities. Public investment (in roads, railways, ports and other infra-structure, or in water, gas and similar facilities) stimulates industrial and urban development. Railways and roads, for example, are two of the basic causes for the type of ribbon development which has taken place along the Mediterranean coastline. Government policy therefore, should not be formulated solely in the light of intrinsic requirements of the investment itself but should also take into account the external effects—positive and negative—of public investment; nor should these conflict with the overall plan for the coastline or with the in-depth planning concept.

Tourist harbour facilities and marinas are another example: often built by local authorities, they nevertheless generate a touristic and recreation-oriented form of urban development in the immediate vicinity. As facilities of this kind obviously must be at the water's edge, the in-depth development principle will not apply. But in coastal planning the clustering effect created by investment of this kind should be borne in mind and its proliferation avoided.

What positive instruments are available to the authorities for coastal planning? Economists define coasts of special environmental value as "public goods", to which the "non-exclusion" principle must be applied to prevent them from becoming private property which is lost to the community. Rational management of public goods on the coast does not necessarily imply any public *appropriation* of land; an interesting example of the contrary is provided by pending French legislation. The plan is to set up a public body (the Conservatoire du Littoral or Coastline Conservation Agency), which would purchase land on the Mediterranean coast as a protective measure. The land would not be resold and would be administered jointly with the local authorities in a way which favours leisure-oriented activities but does not create any permanent buildings.

The authorities, of course, can also use economic instruments and in particular taxation. Some of these have a purely financial



aim, namely to collect money which can then be spent on safeguarding the coastal environment. In other cases the more ambitious objective is efficient management of that environment.

— *Development charges on coastal land*

Experience in coastal areas shows that economic incentives have failed to orient resources to the uses which are best in terms of the community as a whole. For this reason the social values which are not reflected in prices could be made to do so by the imposition of some form of development charge or fee. Such a payment could be levied on those who use resources in such a way as to alter their nature or destroy environmental value. If, for example, destruction of a marsh were to cause a loss in fish, wildlife or other environmental assets not now considered in the sale price of privately held land, a fee could be imposed on the new use of the resource to make the total cost faced by the potential developer reflect the true cost of his action (2).

As for all proposals concerning environmental charges, the main problem is the difficulty of forecasting how the market will react. The price increase generated by the charge on the scarcity of developed land, for example, could spread to all coastal land suitable for development, so that in relative terms land prices would revert to about what they were before the charge was introduced. Its deterrent effect would therefore disappear.

Land taxes are generally used in conjunction with zoning, and therefore relying on charges alone as an answer to the problem of coastal land-use seems impractical. The system could however be applied selectively. In coastal areas of high environmental value, where no development at all, or only strictly controlled development, is desired, direct regulation would seem to be more practicable than a heavy charge. On other parts of the coast, charges could be coupled with zoning in order to link social costs and flexible land-use rationing over time. This complementary use of charges, apart from keeping a short rein on land development, would also help to raise money which could be used to finance agencies like the French Conservatoire

du Littoral or the United Kingdom's National Trust Fund, both of which purchase coastal land on the coast as a way of safeguarding it.

— *Tourist pollution tax*

Holidaymakers mean profits but they also generate costs. They cause various forms of pollution and ought therefore to bear a fair share of the cost of pollution control. If, however, only one country imposes a tax of this kind, it would obviously be at a disadvantage in relation to the others. A Mediterranean pollution tax on tourists, which should not of course be discouragingly high, might therefore be considered. This proposal (first made during the preparation of the Inter-Parliamentary Conference of Coastal States on the Control of Pollution in the Mediterranean Sea) is consistent with similar proposals for the taxation of oceanic coastline resources as a way of financing environmental measures, such as the "ocean development tax" that has been proposed in the United Nations and endorsed, at least in part, by certain OECD Member countries.

— *Grants to local authorities*

As is often the case with environmental problems, coastal management is primarily a matter for local government yet it often goes beyond local administrative boundaries. Local authorities therefore need to be given an economic incentive to protect the coast and to take into account not only local interests but also regional, national and international ones as well. The U.S. *Coastal Zone Management Act* of 1972 provides a specific example of how this can be done. Two types of grants have been established by this law: annual matching grants from the central government to coastal states to help them frame and apply coastal resource management programmes, and administrative grants covering part of the cost of these programmes.

(2) See J.L. Knetsch, *Economics and Management of Coastal Zone Resources* in J.C. Hite, J.M. Stepp (Ed.), *Coastal Zone Resource Management*, New York, Praeger, 1971.

Recent Measures to Strengthen Competition Policy

In the last few years governments' policies on competition have undergone profound changes, as is evident from recent legislative trends. OECD's Committee of Experts on Restrictive Business Practices regularly reviews developments in competition policy in legislation on restrictive business practices and its application in OECD Member countries (1). The following article discusses developments in OECD Member countries since 1973.

Measures to ensure competition have been strengthened over the last few years, but in stages each one having a different character. Except for the United States and Canada where antitrust legislation dates from the end of the 19th century, the first steps in building up a body of competition law were taken after the Second World War and consisted of measures to control cartels. Such action is in accordance with the traditional aims of competition policy — to protect the market mechanism from distortion due to restrictions imposed by private parties.

Provisions prohibiting resale price maintenance, refusal to sell or discrimination, which have often been adopted subsequently, stem from governments' desire to combat inflation and modernise the distribution system.

Most recent developments seem to indicate that more and more Member countries will come to have a system for controlling or even prohibiting certain types of merger, this being a direct consequence of the accelerating trend towards greater concentration which characterises most Member countries. It would appear therefore that competition policy in a large number of Member countries will no longer limit itself to improving the operation of markets but will also attempt to

modify their structure, though perhaps without imposing such stringent control as in the United States.

Measures to Control Inflation and Protect Consumers

In the period 1973 to 1975 one can see emerging—beyond the traditional objectives of competition policy and growing concern with control of inflationary pressures—a more recent preoccupation—protecting the interests of consumers. In Germany for example, the 1973 amendment to the Act against Restraints on Competition which substantially reinforced the country's antitrust policy, aims not only at more efficacious control over the creation and exploitation of market power, but also at improving competitive conditions for small and medium-sized enterprises. The new provisions are also intended to maintain price stability and to strengthen the market position of the consumer. This is done *indirectly* by extending the degree of control over market-dominating firms and by controlling mergers and, more *directly* by prohibiting resale price maintenance and increasing control over recommended prices.

The situation is similar in Australia where the 1974 Trade Practices Act was

presented to Parliament as an anti-inflationary measure in accordance with an OECD Council Recommendation of 1971 concerning action against inflation in the field of competition policy. The Act itself covers not only restrictive business practices but also consumer protection. It provides for more rigorous, comprehensive and effective control of restrictive business practices than the legislation which it replaces. The Act breaks new ground in that it is based upon prohibition—in the broadest sense of the term—of the six practices most frequently encountered: contracts, arrangements or understandings in restraint of trade or commerce; monopolisation; exclusive dealing; resale price maintenance; price discrimination and anticompetitive mergers—save where the parties concerned can show that the practice in question entails a specific and substantial benefit to the public in which case special authorisations are granted. Administratively, it sets up a Trade Practices Commission which is responsible for enforcing measures concerning both restrictive trade practices and consumer protection.

In the *United Kingdom*, the 1973 Fair Trading Act makes basic changes in the legislation relating to consumer protection, monopolies, mergers and restrictive trade practices. The Act provides for the appointment of a Director-General of Fair Trading with wide powers and a central role in applying the Government's competition and consumer protection policies. As regards monopolies and mergers, the new Act largely consolidates existing legislation, but there are certain important modifications designed

(1) Since 1973 OECD has published the annual reports prepared by each country and by the Commission of the European Communities twice a year, Member countries being divided into two groups. The title is "Annual Reports on Competition Policy in OECD Member Countries".

associations to institute proceedings in respect of acts harmful to consumers.

In the *United States*, two important new laws have been adopted: the first, in 1974, substantially raises criminal penalties for violation of the antitrust laws; the other, in 1975, amends the *Federal Trade Commission Act* giving that body significantly wider enforcement powers: henceforth it is authorised to bring damage suits on behalf of all consumers harmed by unfair acts or practices.

Action Affecting Market Structures

In *Japan*, experience in applying the law on Emergency Measures for the Stabilisation of National Livelihood Act and the Act for the Adjustment of Supply and Demand of Petroleum, adopted in December 1973 and abrogated during 1974, showed that, as far as prices are concerned, the principal and most effective method of stabilising prices was to consolidate the market mechanism, and that measures taken as a substitute for the market mechanism (which might prove unavoidable in an emergency such as the 1973 oil crisis) should be limited to a minimum. Thus, for example, the Economic Planning Agency reported in its Annual Economic Survey (1973-1974) that in order to meet the nation's economic goals, the price mechanism should function effectively and that a code of behaviour for business enterprises and rules for intervention by the public authorities should be clearly defined.

The need for more direct action on market structures has also made itself felt in *Japan* as a result of problems raised by cartels and lack of competition in highly concentrated industries. Thus the *Fair Trade Commission* (FTC) undertook to revise the Antimonopoly Act and formed a special committee for this purpose. Under a Bill now being prepared, the FTC could be empowered to order an entrepreneur to split up this company to remedy a monopoly situation.

In *Ireland*, the Bill to regulate and control mergers, take-overs and monopolies which lapsed owing to the dissolution of Parliament in 1973, has since been revised and re-introduced.

In the *Netherlands*, the Minister of Economic Affairs recently sought the advice of the Social and Economic Council regarding the introduction of a system of preventive merger controls into Dutch legislation. As a result of an opinion

handed down by this Council in June 1973 on various aspects of competition policy, three Bills will shortly be laid before Parliament designed to prohibit in principle horizontal price agreements and retail price maintenance and to establish a Public Register of Restrictive Agreements.

In *Canada*, a major legislative reform is underway. The first stage deals with direct consumer protection measures and certain trade practices and sets out new offences against competition. It is at present before Parliament and the Government has announced its intention of proceeding rapidly with the second stage of reform which is mainly concerned with mergers, monopolisation, price discrimination and specialisation agreements.

Growing concentration and the increasing number of mergers are more and more a matter of concern to the competition authorities. Thus apart from *Japan*, *Ireland*, the *Netherlands* and *Canada*, three other Member countries—*France*, *Sweden* and *Switzerland*—have asked existing bodies to study these questions—or have established new commissions to do so—with a view to instituting merger control where there is none and strengthening systems of control which already exist.

In the *European Communities*, the Council of Ministers has begun to consider the Commission proposal for a Regulation on the control of mergers, the main provisions of which are to prevent mergers above a certain size which give the power to hinder effective competition within the Common Market. Mergers involving firms with aggregate sales of 1 billion units of account would be subject to prior notification.

If the action taken in the seven Member countries mentioned above and in the *European Communities* were to result in new regulations, this would mean that a fundamental step forward in the development of competition policy had been made during the period 1973 to 1975 in OECD Member countries especially since *Germany* and the *United Kingdom* have already appreciably strengthened their systems of merger control and *Australia* has also adopted a merger control system.

Application of the Laws

During the period 1973-75, proceedings were instituted in a number of Member countries designed to combat various

to strengthen the law's provisions and take account of the new role of the Director-General. He will have the duty of keeping monopoly situations under review and, except for certain public sector industries, it is he who will normally refer cases to the Monopolies and Mergers Commission. Control of mergers is appreciably strengthened by a redefinition of monopoly: a firm is now defined as a monopoly if it has one quarter of the market as against a third before.

In *Finland*, the 1973 Act on the Promotion of Economic Competition established a National Board of Trade and Consumer Interests, the duties of which include price control, measures relating to economic competition, consumer questions and part of foodstuffs control. The basic idea behind the organisational change was the realisation that price, competition and consumer questions are closely linked. As part of these changes, an Office of Competition Ombudsman was created.

In *France*, the 1973 Act Regulating Trades and Crafts introduced various measures designed to put traders on a more equal footing in obtaining supplies. It is thus an offence for producers to apply discriminatory prices or conditions of sale which are not justified by differences in the cost of the goods or services concerned. These provisions are mainly designed to prevent big buyers from trying to use their bargaining strength against their suppliers. More generally, the new Act provides recourse for victims of economic offences, enabling them to secure a criminal conviction against the offenders and civil damages for loss incurred. Consequently victims of uncompetitive practices—excluding those which result from cartels or dominant positions—may directly bring their claims for compensation before the criminal courts, thus initiating criminal proceedings. There are also special provisions which allow certain consumer protection

practices which have come to light in the oil and pharmaceutical industries.

● *Oil Industry*

In *Germany*, proceedings were begun in several cases of excessive price increase on the part of multinational oil companies and in one case, refusal by the German subsidiary of a multinational firm to supply independent petrol stations. The problem of independent distributors was also raised in *Switzerland* in a special enquiry by the Cartels Commission. The Commission, in line with similar decisions taken in other countries, recommended that integrated oil companies which are in an oligopolistic position should continue to supply independent dealers on the same terms as company-owned stations, even in periods of market shortages.

In the *United States*, the Federal Trade Commission has challenged the eight largest oil companies, accusing them of having combined or agreed to monopolise and having monopolised the refining of crude oil in the East Coast and Gulf Coast areas of the United States. A similar enquiry regarding the West Coast is in hand.

In *France*, the reappearance of a "seller's market" in the oil products sector has led to a sharp increase in the number of refusals to sell and of government interventions designed to protect independent retailers and users against the tendency of the oil product suppliers either to hold back stocks or give their own customers priority in supplies.

The Technical Commission on Cartels and Dominant Positions conducted an investigation of the situation with regard to competition in the entire distribution sector of the petroleum products industry, and found that the oil companies had adopted four uncompetitive practices: fixing of market shares in the form of rigid quotas, with a system of fines, applicable to the eight groups which handle all refining in France; sharing among the main enterprises of the most important orders including those from the public sector; concerted action with a view to raising the general level of prices; retaliatory measures against independent retailers interfering with the operation of the cartel.

In accordance with the opinion of the Commission, a solution was arrived at on the initiative of the Government and took the form of a Protocol on the application of rules of competition to the distribution of final refinery products. This document prescribes the rules of competition which must be observed by the

oil companies and the forms of cooperation that are authorised in normal times. It also takes into consideration the possibility of periods of crisis which would, under certain conditions, justify more closely concerted action between the enterprises.

In *Japan*, the FTC found that the actions of twelve oil refining and distribution companies who had formed a cartel for fixing the selling prices of petroleum products, and those of the Petroleum Association which had implemented an oil production quota system, were in violation of the Antimonopoly Act; the FTC recommended to the offenders that such action be terminated. The FTC subsequently filed a complaint against the twelve companies, the Petroleum Association and seventeen executives for contravention of the Antimonopoly Act. Following an investigation, the case was transferred to the Tokyo High Court where it is now pending. A damage suit has been brought before the same Court by a group of seventy consumers who contend that the cartel had forced up prices.

In the *Netherlands*, the Minister of Economic Affairs in April 1974 ordered nine oil companies which operate in the Netherlands to supply petrol to a central purchasing association of nineteen independent wholesalers. These companies had refused to supply the association with petrol during the period of fuel shortage in the winter of 1973-74, arguing that they could not do so without damaging buyers who had contractual relations with them. The decision by the Minister laid down the price and other conditions under which the association should be supplied; a complementary decision stipulated the amounts of petrol each of the companies concerned must supply to the association. Seven of the nine companies lodged an appeal with the Crown against the decision. The Crown rejected the appeal after consulting the Council of State, and the decision of the Minister of Economic Affairs was upheld. The appeal lodged by one company is still being considered by the Council of State.

● *Pharmaceutical Industry*

In the pharmaceutical products sector, the most outstanding event was the publication in 1973 in the *United Kingdom* of the report of the Monopolies Commission on the supply of two tranquiliser drugs sold under the brand names Librium and Valium. The Commission concluded that the prices charged in the United Kingdom had been manifestly too high for several years and that the Roche group had

accordingly obtained from the sale of the drugs in the United Kingdom profits far in excess of what was justifiable. The Commission's main recommendations were that the prices of Librium and Valium should be reduced to 40 per cent and 25 per cent of the 1970 prices, respectively, with corresponding reductions for certain other less widely used drugs. The Commission also concluded that there should be negotiations with the Roche group for the repayment of large sums to the Department of Health and Social Security by way of remedy for the excessive prices already charged. A Ministerial order to lower the prices of the two drugs was issued.

In the *Netherlands*, the reduction in the prices of Librium and Valium on the British market required by the British Government as from April 1974 gave rise to questions in the Dutch Parliament on the price levels of these products in Holland, and the Ministers of Economic Affairs and Public Health opened an inquiry. This inquiry showed that the prices of Valium and Librium varied appreciably within the Common Market, prices on the British market being the lowest, with Dutch prices twice those of the British ones prior to the April 1974 reductions. The company proposed an average 25 per cent cut in prices and a further subsequent retroactive cut if the Minister of Economic Affairs refrained from taking any interim measure. The Government accepted this proposal but sought the advice of the Economic Competition Commission because it wished to bring about a still larger cut in prices for Librium and Valium.

The *German* Federal Cartel Office also handed down a decision against the manufacturer of tranquilisers containing Librium and Valium for having charged excessive prices. This case is still under appeal. In *Switzerland*, after the proceedings in Germany and in the United Kingdom, the Cartels Commission requested Hoffman La Roche to give it information about the prices of Librium and Valium but found that there was no cause for an inquiry since the prices of pharmaceutical products in Switzerland are controlled to a certain extent.

The cases of Librium and Valium and those relating to the oil industry are indicative of current trends: they demonstrate the international character gradually being assumed by the entire field of restrictive business practices. A Bill discussed or a case brought into the courts in one country is an event which rapidly gives rise to a parallel action in neighbouring countries.

New OECD Publications

"OECD Economic Surveys". 1975 Series:

JAPAN (July 1975)
(10 75 03 1) ISBN 92-64-11383-5
AUSTRIA (June 1975)
(10 75 11 1) ISBN 92-64-11384-3

DENMARK (July 1975)
(10 75 13 1) ISBN 92-64-11388-6
AUSTRALIA (July 1975)
(10 75 04 1) ISBN 92-64-11382-7

SWEDEN (June 1975)
(10 75 25 1) ISBN 92-64-11362-2
UNITED STATES (July 1975)
(10 75 02 1) ISBN 92-64-11381-9

SPAIN (June 1975)
(10 75 24 1) ISBN 92-64-11361-4
GERMANY (July 1975)
(10 75 15 1) ISBN 92-64-11349-5

BLEU (July 1975)
(10 75 29 1) ISBN 92-64-11387-1
CANADA (June 1975)
(10 75 01 1) ISBN 92-64-11348-7

Each booklet .. £ 0.70 \$ 1.75 F 7.00
Subscription to the series
£ 9.00 \$ 22.50 F 90.00

FLEXIBILITY IN HOUSING FINANCE (August 1975)

Discusses the need for, and means of achieving greater flexibility in housing finance, based on experience in Canada, Denmark, France, Germany, Italy, the United Kingdom and the United States.

(21 75 01 1) ISBN 92-64-11368-1
78 pages £ 1.40 \$ 3.50 F 14.00

"OECD Monetary Studies" Series:

THE ROLE OF MONETARY POLICY IN DEMAND MANAGEMENT. THE EXPERIENCE OF SIX MAJOR COUNTRIES (September 1975)

Report which synthesizes the separate studies on the use of monetary policy in Japan, Italy, Germany, the United States and France. It also covers the experience of the United Kingdom in this field.

(11 75 01 1) ISBN 92-64-11373-8
148 pages ... £ 2.80 \$ 6.25 F 25.00

NON-MONETARY (SUBSISTENCE) ACTIVITIES IN THE NATIONAL ACCOUNTS OF DEVELOPING COUNTRIES, 1975, by Derek W. Blades (July 1975)

Examines the coverage of non-monetary activities in the national accounts of developing countries and the estimating procedures used to calculate value added by such activities.

(41 75 03 1) ISBN 92-64-11341-X
100 pages £ 1.20 \$ 3.00 F 12.00

LIAISON BULLETIN No. 1 - 1975 (August 1975)

134 pages
(40 75 01 1) ISBN 92-64-11369-X

LIAISON BULLETIN No. 2 - 1975 (September 1975)

170 pages, bilingual
(40 75 02 3) ISBN 92-64-01358-X
Each issue £ 0.80 \$ 2.00 F 8.00
Subscription (4 issues)
£ 2.60 \$ 6.50 F 26.00

CHANGING PRIORITIES FOR GOVERNMENT R & D (July 1975) "Document" Series

Is the much discussed new emphasis on "social objectives" a reality? Are Governments' attitude toward research undergoing change? This report examines trends and efforts at reorganisation of the public research effort in selected OECD countries during the Sixties.

(93 75 04 1) ISBN 92-64-11338-7
324 pages ... £ 5.20 \$ 13.00 F 52.00

FOOD CONSUMPTION STATISTICS, 1955-1973/STATISTIQUES DE LA CONSOMMATION DES DENRÉES ALIMENTAIRES (September 1975)

(30 75 03 3) ISBN 92-64-01356-3
302 pages, bilingual
£ 6.10 \$ 13.75 F 55.00

TWENTY-SEVENTH SURVEY OF ELECTRIC POWER EQUIPMENT, 1974 / VINGT-SEPTIÈME ENQUÊTE SUR L'ÉQUIPEMENT ÉLECTRIQUE (September 1975)

(71 75 45 3) ISBN 92-64-01359-8
156 pages ... £ 2.90 \$ 6.50 F 26.00

LABOUR FORCE STATISTICS, 1962-1973/STATISTIQUES DE LA POPULATION ACTIVE and Quarterly Supplement (July 1975)

(30 75 30 3) ISBN 92-64-01351-2
428 pages, bilingual
£ 4.00 \$ 10.00 F 40.00

LABOUR FORCE STATISTICS, 1962-1973. Quarterly Supplement August 1975 / STATISTIQUES DE LA POPULATION ACTIVE. Supplément trimestriel (August 1975)

(35 75 03 3) 32 pages, bilingual
Subscription .. £ 3.60 \$ 9.00 F 36.00

NATIONAL ACCOUNTS OF OECD COUNTRIES, 1962-1973 / COMPTES NATIONAUX DES PAYS DE L'OCDE. Vol. II (August 1975)

(30 75 02 3) ISBN 92-64-01327-X
482 pages, bilingual
£ 3.30 \$ 7.50 F 30.00

THE FOOTWEAR, RAW HIDES AND SKINS AND LEATHER INDUSTRY IN OECD COUNTRIES, 1973-1974 (July 1975)

(71 75 80 3) ISBN 92-64-01354-7
92 pages, bilingual
£ 2.00 \$ 4.50 F 18.00

TEXTILE INDUSTRY IN OECD COUNTRIES, 1973-1974 (July 1975)

(71 75 71 3) ISBN 92-64-01355-5
164 pages, bilingual
£ 2.90 \$ 6.50 F 26.00

PULP AND PAPER. Quarterly statistics No. 1 - 1975. "Document" Series (June 1975)

(73 75 01 3) ISSN 0335-377-X 62 pages
Subscription .. £ 3.60 \$ 9.00 F 36.00

THE AIMS AND INSTRUMENTS OF INDUSTRIAL POLICY: A COMPARATIVE STUDY (July 1975)

Seeks to define the relatively new concept of industrial policy, to show the objectives and main thrusts of OECD Member countries' industrial policies in recent years, and to indicate some of the key problems that must be faced in this field under present conditions.

(70 75 01 1) ISBN 92-64-11365-7
140 pages £ 2.40 \$ 6.00 F 24.00

"Road Research":

RESISTANCE OF FLEXIBLE PAVEMENTS TO PLASTIC DEFORMATION (July 1975)

The means of assessing resistance to plastic deformation are evaluated and a critical analysis of present bituminous mixtures is given.

(77 75 03 1) ISBN 92-64-11342-8
124 pages £ 1.80 \$ 4.50 F 18.00

ROADS AND THE URBAN ENVIRONMENT (September 1975)

Fields covered include: traffic noise and vibration, air pollution, economic assessment methods and results, new planning approaches and advanced methodology for counter-acting undesirable effects of roads and road traffic.

(77 75 05 1) ISBN 92-64-11385-1
192 pages £ 3.10 \$ 7.00 F 28.00

RESEARCH ON TRANSPORT ECONOMICS. Vol. VIII (September 1975)

(74 75 01 3) ISBN 92-821-0029-4
220 pages, bilingual
Subscription .. £ 13.30 \$ 30.00 F 120.00

ECMT - 25th Round Table:

IMPACT OF INFRASTRUCTURAL INVESTMENT ON INDUSTRIAL DEVELOPMENT (July 1975)

(75 75 02 1) ISBN 92-821-1027-3
64 pages £ 1.20 \$ 3.00 F 12.00

ECMT - 27th Round Table:

GENERAL TRANSPORT PLANS. METHODS, GAPS AND PROSPECTS (September 1975)

(75 75 03 1) ISBN 92-821-1028-1
64 pages £ 1.30 \$ 3.00 F 12.00

MARITIME TRANSPORT, 1974 (July 1975)

Covers world shipping developments during 1974 and early 1975, national and international shipping policies, shipping demand and supply and the freight markets. A special chapter examines the loss records of ships flying flags of convenience during the period 1964-1973.

(76 75 01 1) ISBN 92-64-11380-0
144 pages £ 2.80 \$ 6.25 F 25.00

TOURISM POLICY AND INTERNATIONAL TOURISM IN OECD MEMBER COUNTRIES, 1975 (September 1975)

(78 75 02 1) ISBN 92-641-1403-3
174 pages £ 3.60 \$ 8.00 F 32.00

"Agricultural Products and Markets" Series:

PRODUCTION AND MARKETING STRUCTURES FOR HORTICULTURAL PRODUCE IN AUSTRALIA AND ITALY (September 1975) "Document" Series

(51 75 06 1) ISBN 92-64-11390-8
130 pages £ 2.00 \$ 4.50 F 18.00

"OECD Agricultural Policy Reports" Series:

AGRICULTURAL POLICY IN FINLAND (August 1975)

(51 75 03 1) ISBN 92-64-11366-5
54 pages

AGRICULTURAL POLICY IN NORWAY (August 1975)

(51 75 04 1) ISBN 92-64-11367-3
48 pages
Each publication £ 0.90 \$ 2.25 F 9.00

REVIEW OF FISHERIES IN OECD MEMBER COUNTRIES, 1974 (August 1975)

Covers main developments in the fisheries of Member countries during 1974 and assesses the overall situation and trends likely to influence the fishing industry's performance in the immediate future.

(53 75 01 1) ISBN 92-64-11371-1
244 pages £ 2.90 \$ 6.50 F 26.00

"Reviews of National Policies for Education" Series:

EDUCATION DEVELOPMENT STRATEGY IN ENGLAND AND WALES (July 1975)

(91 75 03 1) ISBN 92-64-11347-9
64 pages £ 1.20 \$ 3.00 F 12.00

RECURRENT EDUCATION. Policy and Development in OECD Countries: NEW ZEALAND (September 1975) "Document" Series

(96 75 10 1) ISBN 92-64-11391-6
44 pages £ 1.10 \$ 2.50 F 10.00

CLASSIFICATION OF EDUCATIONAL SYSTEMS: AUSTRALIA, LUXEMBOURG, SWITZERLAND (September 1975)

(91 75 05 1) ISBN 92-64-11386-X
106 pages £ 2.40 \$ 5.50 F 22,00

SOCIAL INFLUENCES ON EDUCATIONAL ATTAINMENT (August 1975)

Analyses and clarifies the social influences on the individual's educational attainment over the last decade and indicates future direction as to education and equity.

(96 75 01 1) ISBN 92-64-11333-9
192 pages £ 3.20 \$ 8.00 F 32,00

PATTERNS OF HEALTH CARE AND EDUCATION IN SWEDEN (July 1975) "Document" Series

(96 75 06 1) ISBN 92-64-11346-0
40 pages £ 0.80 \$ 2.00 F 8,00

ORGANISATION FOR CHANGE. THE BRITISH NATIONAL HEALTH SERVICE (July 1975) "Document" Series

(96 75 05 1) ISBN 92-64-11345-2
44 pages £ 0.80 \$ 2.00 F 8,00

NEW DIRECTIONS IN EDUCATION FOR CHANGING HEALTH CARE SYSTEMS (August 1975)

(96 75 09 1) ISBN 92-64-11379-7
96 pages £ 2.80 \$ 6.25 F 25,00

"Studies in Institutional Management in Higher Education" University of Paris-Nanterre:

CURRICULUM REVISION. A METHODOLOGICAL APPROACH (September 1975) "Document" Series

Presents a complete method for analysing the preferences of students, teachers and employers as regards a higher education diploma.

(96 75 07 1) ISBN 92-64-11404-1
46 pages £ 1.10 \$ 2.50 F 10,00

DEVELOPMENTS IN EARLY CHILDHOOD EDUCATION (August 1975)

Outlines the dominant issues in early childhood education, with particular reference to the disadvantaged, and includes descriptions of particular aspects of the subject from five Member countries.

(96 75 08 1) ISBN 92-64-11370-3
76 pages £ 1.20 \$ 3.00 F 12,00

"OECD Informatics Studies" Series:
No. 9 - TRAINING POLICIES FOR COMPUTER MANPOWER AND USERS (August 1975) "Document" Series

Examines tendencies in the field of training computer specialists and users, and proposes an international job classification in informatics.

(93 75 05 1) ISBN 92-64-11378-9
172 pages £ 2.90 \$ 6.50 F 26,00

ACTIVITIES OF OECD IN 1974. Report by the Secretary General (July 1975)

(03 75 01 1) ISBN 92-64-11276-2
110 pages £ 1.80 \$ 4.00 F 16,00

WEALTH OF MACROECONOMIC STATISTICS FROM OECD

Macroeconomic statistics for the 24 OECD countries* — available in the form of **publications, computer tapes** and **microfiches** — are suitable for economic analysis and market research studies. This wealth of data, available from no other single source, covers the economic situation of individual OECD countries as well as the OECD area as a whole.

PUBLICATIONS

MAIN ECONOMIC INDICATORS

(monthly)

Recent economic developments in the OECD area, shown both in tables and graphs through 2,000 selected indicators. Among the most significant: national accounts, industrial production, deliveries, stocks and orders, construction, internal trade, labour, wages, prices, home and foreign finance, and international trade and payments.

INDUSTRIAL PRODUCTION (quarterly)

Gives for specific industrial sectors production indices for various countries and groups of countries.

STATISTICS OF FOREIGN TRADE.

Series A (monthly)

A compendium of comparable monthly statistics on the different Member countries' trade by origin and destination, and by major commodity categories; by volume and average value foreign trade indices.

TRADE BY COMMODITIES, COUNTRY SUMMARIES. Series B (quarterly)

The geographical pattern of trade of OECD countries by commodity groupings and trading partners; data are expressed in values and accumulated over quarters for each year.

MAGNETIC TAPE SUBSCRIPTIONS

Of great interest to those using computers for economic analysis, magnetic tape subscriptions are drawn from the OECD's computerized data bank which contains economic time series and commodity trade statistics going as far back as 1955.

Subscription tapes contain recent and historical data corresponding to time series in the publications above, as well as commodity trade statistics available from 1960 to 1974 for a selection of reporting countries.

MICROFICHES - FOREIGN TRADE BY PRODUCT

These give very detailed information on the foreign trade of OECD Member countries, for all products of the **Standard**

International Trade Classification, for all known origins and destinations.

For further information on the above, mail the attached coupon for a free brochure.

* OECD (ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT), the largest grouping of industrial market-economy countries, includes 19 European nations, Canada, Japan, Australia, New Zealand and the United States.

To : Head of the Economic Statistics and National Accounts Division, OECD,
2, rue André-Pascal, 75775 PARIS CEDEX 16 FRANCE.

Please send me more information about and prices for

PUBLICATIONS MICROFICHES MAGNETIC TAPES

Name :

Address :

(Please Print in Block CAPITALS)

Where to obtain OECD Publications

ARGENTINA

Carlos Hirsch S.R.L.,
Florida 165, BUENOS-AIRES.
Tel. 33-1787-2391 Y 30-7122.

AUSTRALIA

International BCN Library Suppliers Pty Ltd.,
161 Sturt St., South MELBOURNE, Vic. 3205.
Tel. 69.7601.
658 Pittwater Road, BROOKVALE NSW 2100.
Tel. 938 2267.

AUSTRIA

Gerold & Co., Graben 31, WIEN I.
Tel. 52.22.35.

BELGIUM

Librairie des Sciences,
Coudenberg 76-78, B 1000 BRUXELLES I.
Tel. 512-05-60, 513-37-36.

BRAZIL

Mestre Jou S.A.,
Rua Guaipá 518, Caixa Postal 24090,
05089 SAO PAULO 10. Tel. 256.2746/262.1609.
Rua Senador Dantas 19 s/205-6
RIO-DE-JANEIRO - GB. Tel. 232.07.32.

CANADA

Information Canada, 171 Slater
OTTAWA KIA OS9. Tel. (613) 992-9738.

DENMARK

Munksgaards International Booksellers,
Nørregade 6, DK-1165 COPENHAGEN K.
Tel. (01) 12.69.70.

FINLAND

Akateeminen Kirjakauppa,
Keskuskatu 1, 00100 HELSINKI 10.
Tel. 625.901.

FRANCE

Bureau des Publications de l'OCDE,
2 rue André-Pascal, F 75775 PARIS CEDEX 16.
Tel. 524.81.67.

Principaux correspondants
13602 AIX-EN-PROVENCE : Librairie de
l'Université. Tel. 26.18.08.
38000 GRENOBLE : Arthaud. Tel. 87.25.11.
31000 TOULOUSE : Privat. Tel. 21.09.26.

GERMANY

Verlag Weltarchiv GmbH,
D - 2000 HAMBURG 36, Neuer Jungfernstieg 21.
Tel. 040-35-62-500.

GREECE

Librairie Kauffmann,
28 rue du Stade, ATHENS 132. Tel. 322.21.60.

HONG KONG

Government Information Services,
Sales of Publications Office,
1A Garden Road. Tel. H-252281-4.

ICELAND

Snæbjörn Jónsson & Co., h. f.,
Hafnarstræti 4 and 9,
P.O.B. 1131 - REYKJAVIK.
Tel. 13133/14281/11936.

INDIA

Oxford Book and Stationery Co. :
Scindia House, NEW DELHI 1. Tel. 47388.
17 Park Street, CALCUTTA. Tel. 24083.

IRELAND

Eason & Son, P.O.B. 42,
40-41 Lower O'Connell Street, DUBLIN I.
Tel. 01-41161.

ISRAEL

Emanuel Brown :
9 Shlomzion Hamalka Street, JERUSALEM.
Tel. 234807.
35 Allenby Road, TEL-AVIV. Tel. 51049/54082.
48 Nahlat Benjamin Street, TEL-AVIV.
Tel. 53276.

ITALY

Libreria Commissionaria Sansoni,
Via Lamarmora 45, 50121 FIRENZE.
Tel. 579751/2/3.
Via Bartolini 29, 20155 MILANO. Tel. 365083.
Sub-depositari :
Herder Editrice e Libreria,
Piazza Montecitorio 120, 00186 ROMA.
Tel. 674628.

Libreria Hoepli
Via Hoepli 5, 20121 MILANO. Tel. 865446.
Libreria Lattes
Via Garibaldi 3, 10122 TORINO. Tel. 519274.
La diffusione delle edizioni OECD è inoltre
assicurata dalle migliori librerie nelle città più
importanti.

JAPAN

OECD Publications Centre,
Akasaka Park Building,
2-3-4 Akasaka, Minato-ku
TOKYO 107. Tel. 586-2016.
Maruzen Company Ltd.,
6 Tori-Nichome Nihonbashi, TOKYO 103,
P.O.B. 5050, Tokyo International 100-31.
Tel. 272-7211.

LEBANON

Documenta Scientifica/Redico,
Edison Building, Bliss Street,
P.O. Box 5641, BEIRUT. Tel. 354429-344425.

THE NETHERLANDS

W.P. Van Stockum,
Buitenhof 36, DEN HAAG. Tel. 070-65.68.08.

NEW ZEALAND

The Publications Officer
Government Printing Office,
Mulgrave Street (Private Bag),
WELLINGTON. Tel. 46.807.
and Government Bookshops at
AUCKLAND (P.O.B. 5344). Tel. 32.919.
CHRISTCHURCH (P.O.B. 1721). Tel. 50.331.
HAMILTON (P.O.B. 857). Tel. 80.103.
DUNEDIN (P.O.B. 1104). Tel. 78.294.

NORWAY

Johan Grundt Tanums Bokhandel,
Karl Johansgate 41/43, OSLO 1.
Tel. 02-332980.

PAKISTAN

Mirza Book Agency,
65 Shahrah Quaid-E-Azam, LAHORE 3.
Tel. 66839.

PHILIPPINES

R.M. Garcia Publishing House,
903 Quezon Blvd. Ext., QUEZON CITY,
P.O. Box 1860 — MANILA. Tel. 99.98.47.

PORTUGAL

Livraria Portugal,
Rua do Carmo 70-74, LISBOA 2. Tel. 360582/3.

SPAIN

Libreria Mundi Prensa, Castelló 37, MADRID 1.
Tel. 275.46.55/276.02.53.
Libreria Bastinos de José Bosch,
Pelayo 52, BARCELONA 1. Tel. 222.06.00.

SWEDEN

Fritzes, Kungl. Hovbokhandel,
Fredsgatan 2, 11152 STOCKHOLM 16.
Tel. 08/23.89.00.

SWITZERLAND

Librairie Payot,
6 rue Grenus, 1211 GENÈVE 11.
Tel. 022-31.89.50.

TAIWAN

Books and Scientific Supplies Services, Ltd.
P.O.B. 83, TAIPEI.

TURKEY

Librairie Hachette,
469 Istiklal Caddesi, Beyoglu, ISTANBUL,
Tel. 44.94.70.
and 14 E Ziya Gökalp Caddesi, ANKARA.
Tel. 12.10.80.

UNITED KINGDOM and CROWN COLONIES

H.M. Stationery Office
P.O. Box 569, LONDON SE1 9NH,
Tel. 01.928.6977, Ext. 410.

or
49 High Holborn
LONDON WC1V 6HB (personal callers)
Branches at : EDINBURGH, BIRMINGHAM,
BRISTOL, MANCHESTER, CARDIFF, BELFAST.

UNITED STATES

OECD Publications Center,
Suite 1207, 1750 Pennsylvania Ave, N.W.,
WASHINGTON, D.C. 20006. Tel. (202) 298.8755.

VENEZUELA

Libreria del Este,
Avda F. Miranda 52, Aptdo. 60337, Edificio
Galipan, CARACAS 106.
Tel. 32.23.01/33.26.04/33.24.73.

YUGOSLAVIA

Jugoslovenska Knjiga, Terazije 27,
P.O.B. 36, BEOGRAD. Tel. 621.992.

Orders and inquiries from countries where
Sales Agents have not yet been appointed
should be sent to OECD Publications Office,
2 rue André-Pascal, F 75775 Paris CEDEX 16.

Organisation for Economic Co-operation and Development

Member Countries :

Australia
Austria
Belgium
Canada
Denmark
Finland
France
Germany
Greece
Iceland
Ireland
Italy
Japan
Luxembourg
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom
United States

Special Status Country :

Yugoslavia

