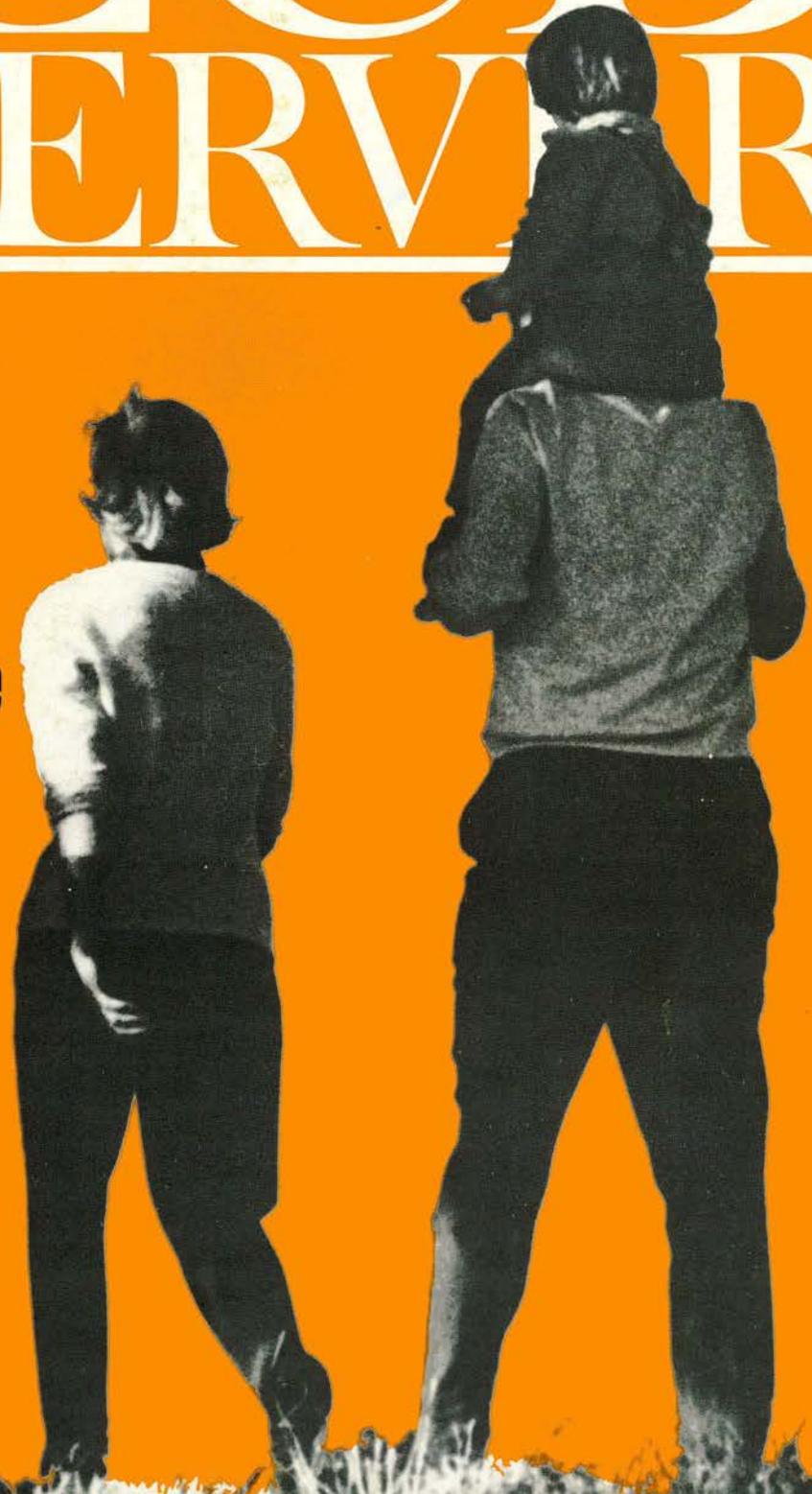


the OECD OBSERVER

**From the Welfare
State
to the Welfare
Society**



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CURRENT PROBLEMS OF ECONOMIC POLICY

by Emile van Lennep, OECD Secretary-General

IT is nearly six months since OECD Governments drew up their economic strategy in the light of the second oil crisis. It is too soon to reach firm conclusions about its application. But not too soon for a first stocktaking.

The Strategy Reviewed

In its first phase, the OECD Strategy requires that demand be restrained through very cautious fiscal and monetary policies, because priority has to be given to reducing inflation. All countries have to contain the inflationary effect of the higher oil price. And in many of them the underlying rate of inflation, after full allowance has been made for the oil-price effect, is still far too high. As and when countries get inflation under control, they will be able, in a second phase of the Strategy, to resume the process of economic growth. But in both phases considerable stress has to be laid on the supply side to improve productive potential, and on effective energy policies. Otherwise, resumed growth will breed new inflation and yet a third massive rise in oil prices.

The process of severely restraining demand until more moderate price and wage movements permit entry into the second phase will take time in some cases, and the costs can be high. Some countries may be able to get help from various forms of price and incomes policies, and all can hope for something from policies in favour of productivity and competition. But the main instrument for controlling inflation in the rather immediate future must be control by governments over the growth of money incomes. I can see no escape from what the McCracken report described as non-accommodating monetary and fiscal policies (1).

I believe that this approach is eminently workable. Indeed, we do not have to delve far back into history to show how well the approach can work. In the four years 1976 to 1979 we managed to reduce OECD's rate of inflation from about 14 per cent to 8 per cent at the same time as unemployment was falling slightly and a number of countries did much better than this. By 1978, for example, Austria, Germany, Japan, the Netherlands and Switzerland had brought inflation right down to the levels of the 1960s; and in several cases this was combined with better growth including – particularly important – an important upsurge in productive investment and an improving employment situation.

The Consumption Recession

The first six months of this year have been extremely difficult. OECD's average inflation rate reached a peak of 15 per cent in the first quarter, as higher oil prices worked through to consumers and real incomes were squeezed. After a short period when consumption held up because people borrowed or ran down their savings, consumers went on strike – particularly in the car market – and GNP began to fall in a number of the largest OECD countries. We are currently re-working our assessment which we shall publish at the end of the year. At the moment, we expect demand to stay weak in the present half-year but to recover gradually in the course of 1981 – if the oil market is calm – as the squeeze on real incomes eases.

There is one important and basically encouraging feature. OECD countries seem to be absorbing the real income loss which results from the rise in oil prices in a less inflationary way than they did after the first oil crisis. In most countries, incomes have accelerated less in response to the acceleration of prices than in 1974-75. This is, of course, unpleasant for us as consumers. But if it continues, oil-induced inflation will subside quite quickly, there will be less of a profits squeeze, and the conditions for resumed growth and increased investment will be restored faster than last time.

What we are seeing, at present, is essentially a "consumption recession". Businessmen will, probably, revise their investment plans downwards to some extent. But the evidence is that investment has generally been holding up quite well. And there are few signs of a major running-down of stocks, such as depressed activity sharply in 1974-75. Another factor on the favourable side is that OECD's deficit on the current account of the balance of payments – the inevitable counterpart of OPEC's surplus – is now distributed rather differently between countries. Nearly half of it falls on Germany and Japan, who are relatively well-placed to finance it because they are doing better than most in containing inflation.

Phase Two

The recession may, therefore, be shallower than last time. We may soon be moving into the second phase of the

(1) Towards Full Employment and Price Stability. OECD, June 1977.

Consumer Prices
Percentage changes from previous period,
not seasonally adjusted

	At annual rate		
	1979 (a)	12 months to August	6 months to August
United States	11.3	12.8	11.3
Japan	3.6	8.7	7.8
Germany	4.1	5.5	4.9
France	10.8	13.6	13.5
United Kingdom	13.4	16.3	16.5
Italy	14.8	22.0	16.2
Canada	9.1	10.7	11.9
Total of above countries (b)	9.3	12.0	10.8
Austria	3.7	7.3	7.1
Belgium	4.5	6.3	4.6
Denmark	9.6	11.2	12.6
Finland	7.5	12.3	13.4
Greece	19.0	24.4	17.8
Iceland	44.1	57.7 (c)	55.5 (c)
Ireland	13.3	18.8 (c)	22.2 (c)
Luxembourg	4.5	6.4	5.3
Netherlands	4.2	7.0	7.0
Norway	4.8	11.4	13.2
Portugal (d)	23.6	16.0	10.7
Spain	15.7	15.2	13.2
Sweden	7.2	12.3	6.5
Switzerland	3.6	4.2	5.5
Turkey	63.5	88.2	49.1
Australia	9.1	10.7 (c)	10.3 (c)
New Zealand	13.8	17.9 (c)	17.0 (c)
Total OECD (b)	9.9	12.7	11.1
OECD Europe (b)	10.8	14.1	12.0
EEC (b)	9.1	12.0	11.0

(a) The data shown refer to averages for the calendar year.

(b) Calculated as weighted averages of percentage changes, using private consumption weights and exchange rates.

(c) Since consumer prices are only available on a quarterly basis, the figures shown for the rates of change over 12 and 6 months are calculated as the rate of change over 4 and 2 quarters respectively, to the latest quarter available.

(d) Excluding rent.

growth was not just a temporary phenomenon relying on post-war reconstruction. What OECD is saying is that inflation has to be broken not only because of the social injustice and political strains it induces, but because it destroys prosperity and jobs.

Two Priority Tasks

Assuming, then, no serious disruption of the oil market, OECD countries may soon have passed the worst of their immediate difficulties in terms of inflation and recession. But this still leaves much to be done to alleviate immediate suffering at home and in the developing world, and to make sure that the recovery, when it comes, is sufficiently sustained to start bringing unemployment down.

Within OECD...

In the four years to the end of 1979, the unemployment rate in OECD countries as a whole was kept stable. But at around 5 per cent it was already high in relation to earlier post-war years. And it may be around 6½-7 per cent by mid-1981. Until lower inflation permits new economic growth, everything possible has to be done to remove impediments to employment and reduce its concentration on young people and women. We have already discussed, in these pages, the role that targeted measures such as additional training programmes, special job-creation schemes and temporary marginal employment subsidies can play (2). In addition, we need to review fiscal systems and minimum wage legislation which can reduce the demand for labour. Without resisting the long-term tendency for people to take part of their increasing economic welfare in the form of increased leisure, we have to beware of any emergency work-sharing schemes which reinforce inflation.

...and in the developing world

It is at least equally pressing to take action to alleviate the intensified problems that now confront some of the world's developing countries. My judgment is that we cannot leave everything to be solved by the global North-South negotiations being set on foot by the United Nations. There are some fields where urgent measures can be enacted pragmatically, on their own merits, before the global negotiations are finished – and where feasible action might well improve the climate in which the negotiations take place. We have to realise that, taken as a group, the non-oil developing countries have to cope with a double problem. Higher oil prices have absorbed more than 2 per cent of their national product since 1978. And the combination of sluggish markets and inflation in OECD countries further tilts the terms of trade against them. In the next few years their per caput growth risks being significantly less, not more, than in OECD. The situation in the sub-Saharan African countries, to which the Chairman of our Development Assistance Committee calls attention in the present issue (3) is particularly bad: per caput income has actually been falling since 1974 and risks going on doing so.

We have to ensure that developing countries can finance the deficits that are inseparable from even a minimum rate of development. And in the case of the low-income countries, this requires higher concessional loans or grants, because they cannot obtain their needs from the international financial markets. The World Bank and the IMF can help to provide this finance. But, ultimately, whether the special finance flows through multilateral or bilateral channels, its availability depends

(2) The OECD Observer N° 106, September 1980, pages 9-13.

(3) See page 14 "Shaking Loose from a Difficult Year".

Strategy, when a more differentiated policy stance as between countries becomes appropriate. In this second phase, countries who have successfully contained oil-induced inflation and have a reasonably low "underlying" inflation rate will be able to shift away from present restrictive demand management policies, allowing activity to rise again – and encouraging it to do so if recovery is not self-generating. This will be a phase in which it will be important in OECD to monitor the situation carefully, to make sure that the balance of national policies is right. While relaxation will be appropriate in some countries, those still suffering from continuing high inflation will still have to give overwhelming priority to getting it under control.

I am impressed by the unanimity with which governments have chosen, first, to break inflation. I regard this strategy as an important step forward in post-war economic history, with governments demonstrating a combined international will reminiscent of the joint determination with which they broke down controls and bilateralism in trade and payments in the late 1940s, or with which ten years later, they set out to prove that economic



Massive programmes are needed to develop energy sources other than oil. Above: coal miners in West Virginia.

on decisions by the richer countries of the world – whether these be members of OECD or OPEC. There is a certain danger of stalemate here, with OECD and OPEC countries each putting the blame for the present *malaise* – and the onus for action – on the other. It will be tragic if this continues while malnutrition and death rates rise.

The Role of Productivity

Recovery in OECD countries, when it starts, risks *not* being sustained unless productivity growth can be stepped up. We have, recently, seen unusually low or negative productivity growth in the United States and in a number of other countries as well. Superficially, we might feel that in present circumstances this is all to the good: in the short run, low productivity growth means more jobs. But since fewer additional goods are therefore available to meet demands for rising real incomes, the inflationary gap between aspirations and availability will grow, necessitating more restrictive monetary and fiscal policies and reversing the initial improvement in the job market. This, indeed, is exemplified by recent history in the United States. One resulting imperative is to raise productive investment from its recent low level, making sure that it isn't inhibited by unduly onerous or cumbersome regulations in respect of the environment, safety etc. This requires that, in a more risky world, investment is sufficiently profitable, and that satisfactory profits are, in fact, followed by rising investment. Another imperative is to arrest, and reverse, the disquieting increase in so-called voluntary agreements to limit international trade which risk perpetuating the existence of inefficient producers.

Implications for Energy

Recovery will also be unsustainable if it leads to a *third* energy crisis. Recently, OECD oil imports have been a good 10 per cent less than a year ago because of recession and higher prices. But we cannot draw much comfort from this. Recovery can all too easily lead to excess demand for oil, and even a small excess can enable the oil price to be raised substantially – because in the short term the price elasticity of energy demand and supply is low, and because some producers may be less interested than previously in trading their oil for financial assets in an inflationary world. The essential funda-

mentals of energy policy are well known. Massive programmes are needed to develop and use sources of energy other than oil. We have recently committed ourselves to achieve a major increase in the use of coal, and the Executive Director of the International Energy Agency on page 43 of this issue calls for a new nuclear advance. It is similarly essential to economise on the use of oil by co-ordinated action in respect of pricing policies, regulations and incentives. But we have learned yet another lesson in recent years. Changes in stock movements can seriously influence total demand for oil, increasing it in times of shortage (as happened immediately after the Iranian crisis) and forcing it down further (and thereby sending wrong signals to producers and users) when the market temporarily weakened. When, and how, would it be appropriate for governments to try to influence consumption and stocks so as to reduce the impact of short-term market imbalances? The International Energy Agency is urgently studying this challenging question.

Exchange Rates

If we are going to manage our affairs appropriately in the present very difficult circumstances of external shocks, we have to make sure that the exchange rate system serves us well, and that floating rates do not lead to movements hostile to our joint attempts to move into a new era of non-inflationary growth. In particular, countries have to avoid any temptation to escape from their share of OECD's ineluctable short-term payments deficit with OPEC through competitive currency depreciation. The only way for OECD countries, taken together, to reduce this deficit is by selling more goods to OPEC and by restraining their demand for OPEC oil. To try to reduce it by selling more to each other by dint of depreciation is a "beggar thy neighbour policy" which only makes the recession worse. It is encouraging to note that, when Japan was faced with this prospect – particularly hard hit by the rise in the oil price, the currency declined from 180 yen to the dollar to 260, at which stage Japanese cars became unduly competitive – the Japanese authorities made strong efforts to resist depreciation. By attracting capital from OPEC, they had an important measure of success. I believe that to maintain an appropriate pattern of exchange rates we need even closer international cooperation, particularly in respect of monetary and interest rate policies but also, perhaps, through improved techniques for intervention by the authorities in the foreign exchange markets.

SHAKING LOOSE FROM A DIFFICULT YEAR

by John P. Lewis,
Chairman of OECD'S Development Assistance
Committee (DAC)*

THE past year has been a disappointing one for the cause of development cooperation.

Optimism...

In the fall of 1979 the prospects for North-South convergence looked moderately auspicious. The health of the OECD economies had collectively improved. Against a background of protectionist-prone circumstances, the multilateral trade negotiations had been brought to reasonably successful conclusion – with, one could argue, as many net benefits for the developing countries as they could rightfully expect, given the scantiness of their own participation in the process. The doctrine of mutual interest in non-zero-sum North-South transactions had reached a crescendo. DAC aid was trending upward – slowly but fairly convincingly; OPEC aid was rallying from its anti-Egyptian setback and Iran's opting out. The donors were focussing more seriously on the least developed countries. This was one of the positive outcomes of UNCTAD V, which, rather than failing outright to produce answers to most of the broader issues before it, had committed them to further negotiations, including those in the wider UN plenaries then coming up.

A year ago the scenario for the ensuing 12 months included the peak such plenary in several years: the Eleventh Special Session of the UN General Assembly which was to focus on the promotion of development of developing countries and international economic cooperation. It was to come in late August-early September 1980; its preparation was to entail two parallel exercises – the one to draft a new International Development Strategy (IDS) for the third UN development decade, the other (added at the initiative, first of certain OPEC countries, then of the developing countries generally in the Fall of 1979) to prepare a new round of "Global (North-South) Negotiations". The Special Session was to adopt the first, launch the second.

Among OECD countries there had been, as to adding the Global Negotiations element to the scenario, some initial unease about (a) its provenance (it could be viewed as a move to deflect new South-South pressures that had been triggered by the latest oil price rises) and (b) its possible displacement of the International Development Strategy negotiations. But these concerns were surmounted. It was decided that the two preparatory exercises would be synchronized and, by a careful and timely allocation of tasks, be kept complementary, not competitive. The proposed Global Negotiations would be a means for making a start on the implementation of the new International Development Strategy; at the same time, they would broaden the North-South dialogue to matters of global economic management falling outside the field of development promotion strictly construed. After initial reluctance, many of the OECD countries signed on for double-track dialoguing with some enthusiasm.

A year ago, moreover, proponents of convergence in both North and South were mindful that in early 1980 the cause might be aided by the issuance of the report of the Brandt Commission, the first such prestigious, quasi-official development policy review group in ten years and quite the first with so balanced a North-South membership. The Commission's report did indeed appear in February. It was unanimous. Many observers found it to be, flaws and all, the most telling and robust recent examination of North-South problems.

...turning to stalemate

In short, at the start of 1980 the staging of the up-coming dialogue looked quite promising. Instead, as the year unfolded, North-South relations became more difficult. The economic outlook of both the industrialised and the oil-importing developing countries worsened. The same changes that increased the latter's need for support from the international community diminished the former's ready capacity to respond. New tensions and strains in international relations pre-empted political energy that otherwise could have been funnelled into support of development. Within blocs it became more difficult to muster support for policy vectors with a potential for inter-bloc convergence. Inter-bloc bargaining, becoming more defensive, tended towards stalemate.

There are, it would appear, two lessons to be drawn from the selective review of the 1980 record to which we now turn. First, there is no real reason to endow recent disappointments with apocalyptic overtones. This has been a bad patch of time. It has witnessed a particular clustering of adverse factors and circumstances. If we avoid excessive hand wringing and get on with what is do-able, there is no reason to extrapolate the collective adversities of 1980 to the whole of the decade, let alone beyond. On the other hand, the 1980 record does remind us pointedly of the complexities of a system of international development decision-making that consists of some 150 decision-making centres with considerable real, not just nominal, autonomy. When the surrounding economic and political environment worsens, as it did in 1980, the system is too clumsy and fragile easily to maintain headway in heavy weather. Its binding constraint may be not so much resources as the ability to organise and sustain new initiatives. This is a dimension of our common problem to be kept in view as, in the field of development promotion, we search for ways forward.

The Year's Record

The braking factors that interrupted North-South convergence during much of 1980 included both "environmental" changes – i.e. political as well as economic shifts in the context

* Extracts from the forthcoming 1980 DAC Chairman's Report to be published in December.

in which dialoguing is conducted – and complications arising in the dialoguing process itself.

The oil-price shock

In the first place, those optimistic about convergence a year ago and determined to get on with development underestimated the levels to which the oil price surge would soon carry and, even more, the pervasiveness and trauma of its impact on oil-importing economies – and on economic policy perceptions. This observer a year ago, for example, still hoped that the new oil impact could be partially quarantined off from reversing OECD recovery. Publishing three months later, the Brandt Commission did better; the main reason, at the end of its deliberations, it hastened to add an “Emergency Programme” to its report was recognition that it must address the ramifying effects of the new oil shock if its recommendations were to remain timely. But it did not anticipate the degree to which those effects would simply pre-empt the policy arena.

The nature and, in order of magnitude terms, the size of the needs of the oil-importing developing countries were signalled in DAC and other analyses from the summer of 1979 onwards. What was less expected was the extent to which the OECD countries’ own struggles with the same oil-price increases have dulled their responses both to the temporary structural adjustment and to the long-term development needs of the developing countries. In contrast with the 1973-74 shock when, in retrospect, the traditional donors responded, not only

rather handsomely, but with alacrity, to raise both bilateral and multilateral aid and when the primary motivations had been to shield the oil-importing Third World from a disruptive turn of events (whatever may be said *ex post* about the cushioning effects of resulting orders on OECD slumps), this time the shock caught the OECD countries at a peculiarly frustrating moment cyclically. Whereas the 1973-74 shock came on the heels of a buoyant OECD-wide boom, in a number of countries the new one aborted a hard-won improvement in economic performance from which governments had just begun to draw satisfaction. It pushed the OECD countries back into or toward double-digit inflation at a time when governments’ and publics’ tolerance of the endemic inflation of the Seventies was far more nearly – almost desperately – exhausted than had been the case in 1974.

The new shock convinced any remaining doubters among the OECD governments that the rise in the real costs of energy was permanent, and, indeed, probably would continue, requiring, therefore, a curtailment of consumption and renewal of investment while they diminished their dependence on imported oil and effected an offset to permanently worsened terms of trade.

The OECD countries were pushed more generally into payments deficits than in the mid Seventies, and, while they sought and discussed “supply-side” adjustments, on the demand side they were quicker and more nearly unanimous than in the earlier case in responding to the new crisis with strong aggregate-demand restraints (both monetary and fiscal) – in some cases with great doctrinal confidence, in others, in the wearied knowledge that theoretical alternatives appeared to be unreliable, unworkable, and/or politically beyond reach. The result was quick, widespread increases in unemployment and curtailment of production, which in turn greatly aggravated protectionist problems and pressures.

The foregoing provided a fairly full plate of preoccupations for most OECD governments. All of them in varying degrees had components and/or constituencies which were tired of the “dialogue”, weary of aid, and (at least at an emotional level) resentful of the new oil-price rises as a form of Third-World extortion. Given the seriousness of the latter’s impact on their own affairs, it is not surprising that the OECD countries collectively have displayed a smaller reserve of concern for the plight of the oil-importing developing countries than in 1974-1975.

Politics and aid

The United States remains much the largest single bilateral actor in North-South relations. Thus any new political factors affecting the American development co-operation posture were bound to be important determinants of the year’s overall record. In the event, the unexpected developments in Teheran, then in Afghanistan, pre-empted American attention and resources. They added to and increased the complexity of Middle Eastern problems. They helped motivate increased defense budgeting which, in the context of the general budget tightening prompted by the oil-price impact, intensified downward pressures on other budget categories, including foreign aid.

Similar reactions to the same events, especially the Soviet invasion of Afghanistan, could be seen in other OECD countries – although in diminished form. But there were also adverse or distracting or, at minimum, delaying political developments elsewhere: in Britain a government that translated its general policies of austerity into development-co-operation restraint with an extra measure of firmness, unexpected changes in the Canadian and Japanese governments,

A GLOSSARY OF THE NORTH/SOUTH DIALOGUE

UNCTAD V	<i>United Nations Conference on Trade and Development, fifth meeting since its inception in 1964</i>
IDS	<i>International Development Strategy for the 1980s, following on strategy developed for the Seventies</i>
UNIDO III	<i>United Nations Industrial Development Organisation, a specialised agency of the United Nations, third general conference</i>
GROUP OF 77	<i>A UN grouping of developing countries including OPEC; now numbers 120 members</i>
COMMITTEE OF THE WHOLE	<i>A committee of the UN General Assembly open to all members; meets periodically, mainly to discuss North/South issues</i>
NIEO	<i>New international economic order, a phrase adopted by the UN General Assembly in 1974 as shorthand for major changes in the structure and institutions of the international economic system</i>
GROUP B	<i>A UN grouping comprised predominantly of OECD countries</i>
CMEA	<i>Council for Mutual Economic Assistance: the USSR, East Germany, Poland, Czechoslovakia, Hungary, Bulgaria, Rumania, Cuba, Vietnam and Mongolia</i>
ECDC	<i>Economic Cooperation among the Developing Countries</i>

tensions within the European Common Market, and a renewed incidence of international terrorism.

The DAC aid numbers for 1979 obviously reflect actions taken well in advance of these recent developments and do not provide detailed guides to the future. Nevertheless, in their totals, they unhappily are not a bad crude indicator of what lies ahead as to ODA volume. The quality of DAC aid is high and rising. Its distribution, as to the fraction going to the low-income countries, especially to the least developed countries, is improving somewhat. But the collective volume outlook for the next 2-4 years is bleak. To sum up the collective prospect in the mildest terms, there appears to be no present chance that DAC ODA will collectively reach the 0.7 per cent target by the 1985 target date advocated by the Brandt Commission and, through the pre-IDS negotiations, regarded as minimal by the Group of 77.

Meanwhile OPEC aid, which had fallen rather sharply from 1977 onwards (although as a percent of GNP still averaging several times the DAC average) began to pick up moderately. However, the increases did not begin to match, even relatively, the enormous gains in international liquidity that were accruing to the oil exporters. There was a great deal of conferring within OPEC about possible new enlargements and modes of ODA. But there evidently were substantial differences among the members; decisions were slow to emerge.

Moreover, by the start of the summer, the makings of a stalemate between the two major donor groups had become apparent. A number of the OECD governments were inclined to argue that the oil exporters should shoulder most of the incremental aid needs that had arisen recently, especially in association with the new oil-price rises, and to condition further efforts by themselves on new initiatives by OPEC. This is the way, for example, many read the passage on aid in the Communiqué of the Venice Summit.

On the other hand, the OPEC leaders were said not to share their own aid lobbies' degree of concern about the situation of the oil-importing developing countries; to protest the exclusivity with which terms-of-trade problems were being tied to oil; to resent the implication that their gains were ill-gotten or that they as donors should continue to accept the upper end of a double standard; to note their own continuing underdevelopment; and to warn that, if the only result of their pumping more oil than they preferred was a backlash demanding that they give away more of the resulting foreign exchange surpluses, they would pump less oil. They seemed to be sending the message that they were unlikely to make further major moves on the aid front until they saw some fresh initiatives from the OECD side. Meanwhile they kept a very low profile in the dialogue exercises, including the one (preparation of Global Negotiations) that some of them had helped instigate.

Dialogue: the preliminary plenaries

This year not only did the accruing complications in the real world impair the North-South dialogue. During the preliminary stages, leading up to the Special Session in New York, the dialogue exercises themselves contributed to the complications.

Let us leave aside UNIDO III. Meeting in Delhi in late January and early February, it was a resounding failure, and it gave a fillip to a sense of foreboding that became conventional, among participants as well as in the press, as the year's dialoguing proceeded. But there was less to the UNIDO III failure itself than met the eye. Given the way it had been prepared, first by the UNIDO secretariat, then by the Group of 77, which before Delhi and at ministerial level, had determined the texts upon which the Conference would work, the UNIDO Conference was bound to fail. Both sets of documentation gave little emphasis

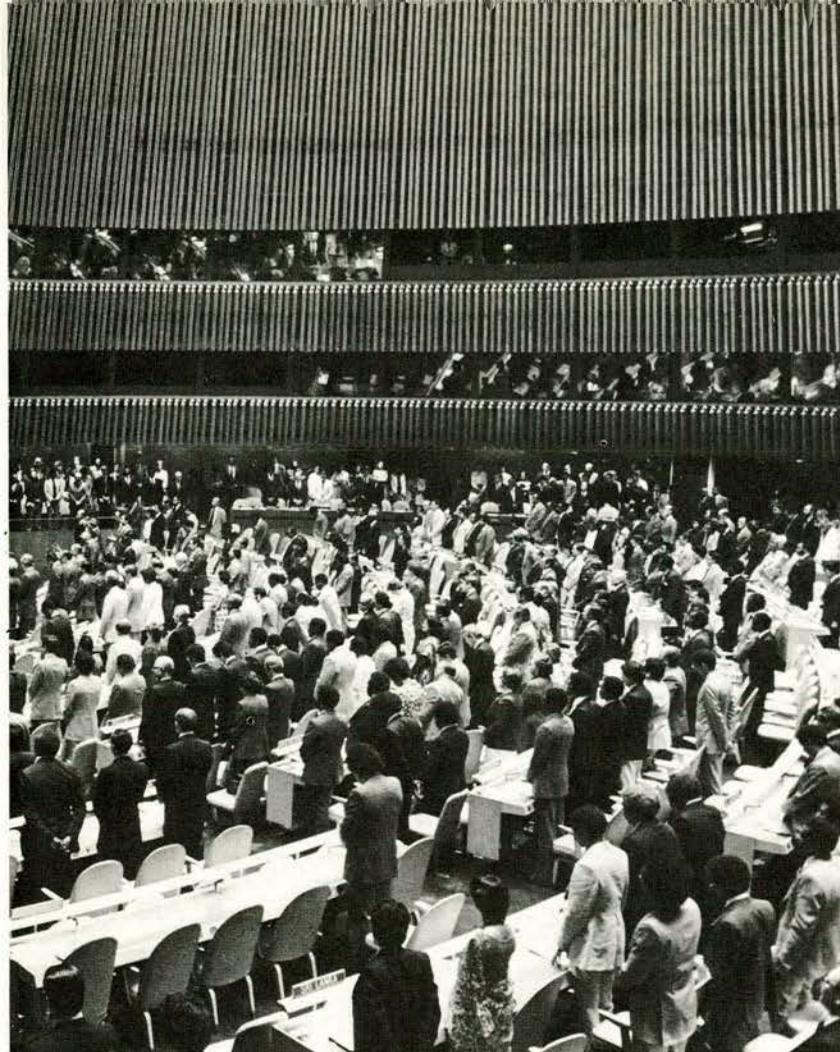


Global dialoguing ... September inaugural session of the United Nations in the preceding Eleventh S

to important matters that needed attention concerning UNIDO's own programme and operations as a supplier of information, analysis, and technical assistance on developing country industrialisation. Instead they sought to rush through this sectorally focussed conference a set of quick global decisions on much broader issues – especially involving massive transfers of resources – that were already under consideration or docketed for consideration in other more competent fora. That the OECD countries would refuse to play this game was not only predictable; their refusal might have had a constructive impact on subsequent tactics of the Group of 77 if progress in the broader and more appropriate fora had thereafter been able to gather momentum. But the latter, in terms of dialoguing, was where the year encountered its real problems.

The parallel-track scenario for IDS negotiation and Global Negotiations preparations was, at best, a high-risk venture. It required precise adherence to timetables in both of the preparatory groups – in the IDS Preparatory Committee and in the Committee of the Whole, as to the Global Negotiations – and early and firm clarification of the division of labour between the two. Instead both groups at once started falling behind. The Group of 77 was slow in producing texts for discussion. From the deliberations themselves section after section of the intended product emerged so riddled with square brackets as not only to signal work unfinished but to lay little common ground for the next subject. Throughout the spring the question of the division of labour between the two exercises remained unsettled.

The effective non-participation of some – especially the principal surplus OPEC members – disconcerted and troubled both the OECD countries and the oil-importing developing countries – and aggravated a tactical waiting game between the latter two, as each hoped the other would take the initiative in



ations General Assembly, to which many of the matters discussed Special Session were referred.

seeking larger OPEC contributions to the structural adjustment problems of the oil-importing developing countries.

Interplay between dialoguing tactics and underlying substance was evident in the conflict that developed between North and South over the agenda for the proposed Global Negotiations. In contrast to the list of five subjects mentioned (energy, money and finance, trade, commodities, development) in the General Assembly resolution launching the preparations, the OECD countries advanced a "thematic" approach under three rubrics (energy, food, external balances). The 77 suspected the intent might be to submerge subjects – trade protectionism and transfers – that the evolving environment was making more difficult, and dug in their heels on behalf of the original five.

For their part, most of the OECD governments recognised that such topics could not in any case be buried; but many thought their proposal, by accenting the interdependence of issues, was intellectually superior and felt that, symbolically, it signalled the need for future negotiations to be focussed and selective (the last point many of the 77 did not deny). In part the agenda debate was a surrogate for differences over the organisational structuring of the forthcoming negotiations.

As became painfully clear in the Special Session itself, however, the organisational issue would have to be bargained out directly; it could not be decided by proxy. Yet the two sides settled into a long, corrosive dispute over the agenda *per se* – passing up a convenient compromise list of four priority topics provided by the Brandt Commission's "emergency programme" (energy, food, finance, and a start on restructuring, including further trade liberalisation).

While nothing about the preliminaries assured failure in New York, they produced more questions than they did answers.

The role of the Brandt Report

Obviously the Brandt Commission deserves prominent mention in any sketch of the year's North-South record. The eminence and diversity of the Commission's membership plus the signal fact that this highly varied team, half Northern, half Southern, was able, having argued its way through a very large and thorny set of issues, to write a unanimous report would, in any event, have commanded attention. But it is also clear the Commissioners and their small staff did a very good job. Their span of convergence is broad. Their tone of urgency about the ends toward which global affairs are headed is convincing. Their programme is bold and yet (for the most part, and in the longer run) not unrealistic. Their specific emphasis on phasing – on the need to press an emergency programme without delaying the beginnings of urgently needed longer-term reforms is especially valuable.

Any reviewer can fault the product. It can be argued, for example, that, in UN-ese, the report is more an NIEO than an IDS document, that it talks more about helping poor countries than poor people, that, with its balanced North-South membership and, despite its chapter on the responsibilities of the developing countries (which the Southern Commissioners were at pains to include) the Commission evidently felt inhibited from addressing the need for antipoverty and other reforms as much as the situation demands or as would have resonated well with Northern publics.

Along the same lines, it may be that the Commission overplayed mutual interest and underplayed straightforward global solidarity as its theme for North-South policy convergence – and, related to this, that it finally fell back on a too simplistic ("Keynesian") rendering of the mutual interest connection. Moreover, as to political feasibility, there is a strange unevenness among different proposals made within the same time frame: some – those concerning international taxation are an example – almost sound as if the authors momentarily had forgotten the differences between decision-making in national and multilateral contexts.

But all these, compared with the span, thrust and, above all, the unanimity of Brandt, were comparatively minor flaws. When it appeared in February, the private perception of the wide range of quite senior governmental actors in both North and South was very quick – that this was not only about the best comprehensive programmatic piece of paper anyone had laid on the table for some time; it was one of the very few to arrive bearing neither a Group 77 nor a Group B label. Among those whose hopes for positive outcomes to Global Negotiation were still high, therefore, there was an immediate sense that Brandt had come at just the right time to serve as a vehicle for positive convergence.

Thus far, in the doing, Brandt has had little vehicular function. Instead it has served as a barometer – of declining expectations. There have been institutional efforts – in the World Bank, in OECD itself – to study its recommendations and sustain interest. But, compared with their initial unofficial reactions, governments generally, while remaining unfailingly polite, put increasing distance between themselves and the report – as an action document. The Venice Summit was able to compress its comment into two sentences: "We welcome the report of the Brandt Commission. We shall carefully consider its recommendations."

Almost surely this reception has not been mainly a matter of failed logistics nor of such problems of content as those touched above. If the Holy Scriptures of any of our major religions had been freshly issued in February, 1980 – addressing Brandt's subjects – they would not have excited a different response. It has been a hard year. →

However, it is reasonable to hope that the barometric metaphor is a precise one. For barometers stay in place and their readings can rise as well as fall. There is a considerable determination building now – in various private quarters and sections of the press, as well as among some government leaders, in parts of governments and in some international agencies – to keep the Brandt Report in view. Broadly, its content is likely to remain fresh and relevant for several years. It may yet take on the vehicular properties that timing has thus far denied it.

The Special Session

When the Special Session of the UN General Assembly convened in New York in late August, for a few days a ripple of optimism ran through the house. Nearly every minister speaking in the early meetings of the Assembly itself struck positive and conciliatory notes. The inclination to avoid a deadlock was widespread. The combined effect was to raise collective expectations for a moment above those with which most individual delegations had arrived. But then when the Session devolved into sub-divided, working-level negotiations, predictable patterns and difficulties quickly reasserted themselves.

The working group on the International Development Strategy, dealing with what by now was commonly perceived to be the lesser, and less stressful, of the Session's two main tasks, made businesslike progress. As to the target for average annual real GNP growth in the developing countries during the coming decade, the group settled on 7 per cent – with the Group of 77 coming down from its preferred 7½ per cent, and developed countries stretching upward with various degrees of reluctance (the United States being the strongest in arguing for a greater measure of World-Bank-type realism as to what could plausibly be attempted), and the chairman cementing the agreement with his emphasis on the indicative character of the target.

The various sectoral targets (again, for the developing countries as a whole) then fell into place. If this kind of targetry has significance, the pivotal issues, almost surely, are the growth goal for the low-income countries which seem likely to fall further behind again in the 80s as they did in the 70s, and, more particularly, the goal for agricultural production in those countries. But the idea of singling out a large disadvantaged group for specific focus was divisive within the 77 and elicited no strong intra-OECD agreement. The matter was passed over, except for reference to the need for donors increasingly to direct their ODA flows to "least developed countries and other special categories of developing countries where the needs and problems are greatest". In UN-ese the latter phrase evokes such groups as the island and land-locked developing countries, not the broader low-income group.

As expected, ODA was the most contentious IDS issue. The 77 wanted a commitment from all developed-country donors to reach the 0.7 per cent of GNP target by 1984 and 1.0 per cent by 1990 – goals plainly beyond reach for most. The final text states that: "*a rapid and substantial increase will be made in official development assistance by all developed countries with a view to reaching and where possible surpassing the agreed international target of 0.7 per cent... Developed countries which have not yet reached this target should make their best efforts to reach it by 1985 and in any case not later than in the second half of the decade. The target of 1 per cent should be reached as soon as possible thereafter... Developing countries in a position to do so should also continue to provide assistance to developing countries.*" But this text was agreed on the understanding that at the time of its formal adoption by the General Assembly

reservations would be entered by certain DAC countries – a couple would register their continued resistance to the whole idea of ODA targets, and a few others would express unwillingness to accept timebound targets. Meanwhile, the developed CMEA countries were of the view that the targets did not apply to them.

Otherwise the IDS discusses internal needs of the developing countries, including those in the areas of human welfare and human resource development, in some detail and addresses an array of international measures in support of its objectives, leaving the detail to up-coming negotiations. It provides a review and appraisal procedure that promises some improvement over that of the 1970s.

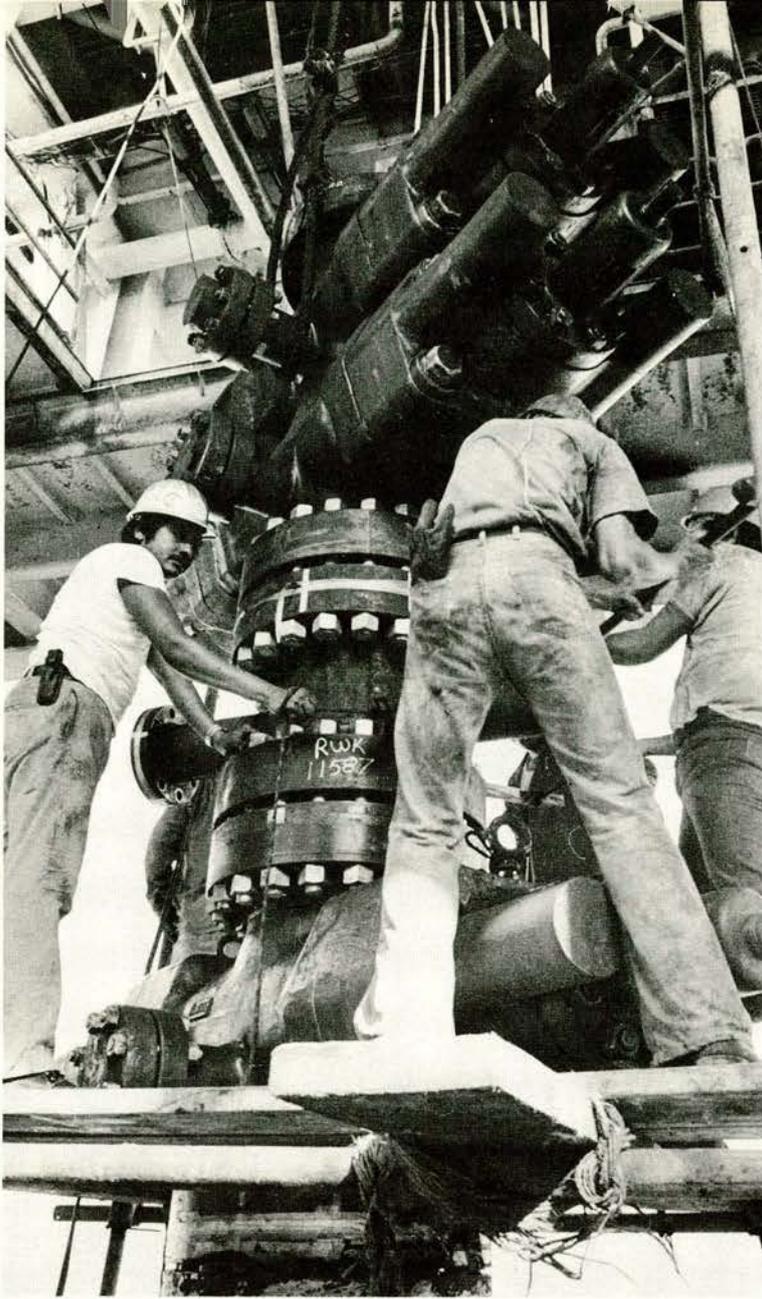
The formal adoption of the IDS was put over to the regular session of the General Assembly because the side of the Special Session dealing with the launching of new global negotiations ran through the full planned time of the session plus a ten-day extension without reaching an agreement. The entire time was taken up by the first and only matter addressed: the organisational structure and procedures of the proposed negotiations. The Special Session never got to the matter of Global Negotiations, which had been debated so strenuously in the run-up to the August-September meeting.

As noted, the issue broadly was between the 77's desire for comprehensive, multi-subject negotiations centered in a single *ad hoc* universal-membership body in New York (the "central organ", or a one-time conference of, say, nine months to a year's duration) and the OECD countries' preference for having subjects falling within the jurisdiction of specialised multilateral agencies farmed out to those agencies for negotiation. The parties were able to agree that a workable arrangement would have to have it both ways. On the other hand, there would need to be a central body. It would not only make an initial review of the subjects to be engaged and assemble the results eventually achieved; it would retain some of the subjects (including but not limited to energy) for negotiation itself or by *ad hoc* sub-units responsible to it. On the other hand, subjects falling within the normal province of various specialised agencies would indeed be assigned to them.

This much could be agreed. The crunch came over whether, when the specialised agencies reported back their results to the central body, the latter, itself operating under a rule of consensus, would be able to renegotiate results that members of the plenary did not like. The real issue was whether the IMF should have exclusive jurisdiction over questions of monetary reform (there was divergence on the GATT) including changes in its own pattern of governance. Treasuries in most OECD countries have long been jealous of the Fund's autonomy. Conversely, in the recent past many of the developing countries' demands for wholesale monetary reforms have become more strident; and despite some liberalising moves on the part of the IMF, their criticisms have grown more bitter. Thus one knew this would be a difficult issue.

In the end it blocked the whole proceedings. Diligent and prolonged negotiations produced a comprehensive text on procedures which was acceptable to the 77 and, in the view of most OECD countries, sufficiently blurred on the key issue to justify leaving its final resolution to the Global Negotiations. But the monetary-reform hardliners within the 77 did not allow their spokesman sufficient flexibility to nuance his interpretation of the compromise to satisfy three countries – the United States, Germany and the United Kingdom – particularly concerned to protect the autonomy of the IMF and the World Bank.

Thus, as to global negotiations, despite serious and conscientious efforts by all the participating governments, the



... must be complemented by initiatives on the part of small subsets within the OECD (development promotion is the featured subject at the Ottawa Summit scheduled for next summer), among oil importing countries, and among oil exporters. Above: Drilling in the Gulf of Mexico. Mexico and Venezuela have announced a joint scheme for rebating part of the oil price on sales to their Latin American neighbours.

sole product of the Special Session was the transmittal to the regular General Assembly session, immediately ensuing, of a draft text on procedures – nothing more – to which all but three delegations were recorded as agreeing.

The Special Session also handed along for consideration to the regular session the so-called "Waldheim initiative" taken earlier in the summer in which the Secretary-General had called for an urgent and immediate response to the aggravated balance-of-payments problems of the poorer developing countries. However, the Secretary-General's focus was diffused. He had addressed the immediate needs of the "most seriously affected" and other low-income countries arising from recent terms-of-trade losses, but the resolution transmitting the initiative refers, instead, to the "short-term, medium-term and long-term problems" of "many developing countries" and refers also to "the large majority of developing countries" and to "the least developed and other developing countries, particularly those in the special categories".

Finally, the Special Session passed a resolution that – at the midpoint between the (1979) UNCTAD V resolution on least developed countries and the up-coming (September 1981) UN

conference on that subject – reiterates donors' concern for the least developed group and their intention to increase aid for this group.

Ways Forward

New efforts plainly are needed to inject fresh momentum into North-South transactions. It is perfectly possible that, within a few months, some of the obstacles that beset the cause of convergence during the first three quarters of 1980 will have diminished. Yet if the interests of most governments in improved North-South relations are as lively as their ministerial speeches to the Special Session attested, it will not be enough to wait patiently for the economic-political-diplomatic weather to clear. Active strategies for quickening and revitalizing development cooperation are in order.

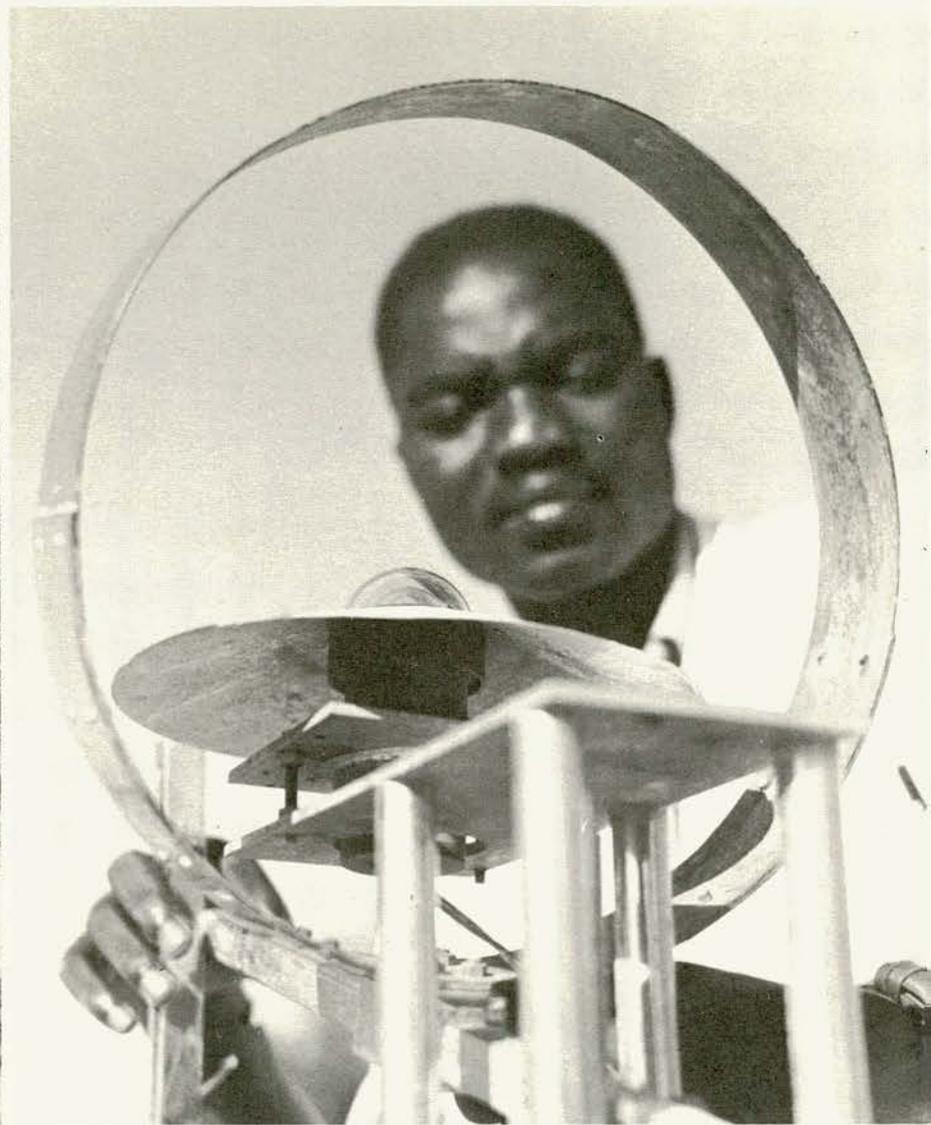
It may be useful to set out some of the possible approaches, if only to emphasise that they are not exclusive. Friends of development may do well to press along several of these paths simultaneously. Followed singly, some are likely to be more feasible and productive than others in the near term. But pursued jointly, they may well complement and reinforce each other.

Comprehensive approaches: orthodox and otherwise

In the first place, it may be that, regrouping in the course of the current General Session, the world will push straight ahead into formal global negotiations – on schedule, beginning in early 1981. Or maybe they will get started after some delay. This is the path of orthodox comprehensive dialoguing. It is comprehensive in two senses – in terms of the breadth of its substantive agenda and the universality of participation. It is orthodox, even routine, in terms of its conduct by phalanxes of working diplomats deployed in UN plenaries. If one thinks only of the substance of North-South problems, this remains the most logical and systematic mode of attack. All of the issues, all of the sectors, and all of the regions are indeed interrelated, and every country in the world has a stake in finding answers to the interconnected web of development questions.

But if this is the obvious format for promoting development, it is also, as 1980 has reminded us, by all odds the most difficult. The format involves 153 substantially autonomous, simultaneously active, decision-making centres. The blocs into which the set of 153 has grouped itself have difficulty concerting their North-South policies internally; these internal accommodations often tend to accentuate the distance between blocs, and the national bureaucracies manning the interfaces between the blocs tend to adopt suspicious or defensive postures. Moreover, if the system is to produce action, it must operate by the rule of consensus: the power of veto is supreme. As noted, at a time when the general economic and/or political environment worsens, the capacity of such a system left to its own devices, to mount and sustain new positive initiatives is sorely limited.

If we do press ahead with comprehensive, orthodox dialoguing, therefore, the re-establishment of *de facto* North-South momentum will depend heavily on the extent to which the formal dialoguing can be supplemented and animated by other revitalisation strategies. The boldest and, if it can work, the most admirable of these is the Brandt formula. This retains the full comprehensiveness and orderliness of the orthodox approach. But it would shake the latter out of its humdrum defensive routine by a climactic, universal galvanizing of political will worldwide. Convinced that they constitute nothing short of the elements of a "programme for survival", the Brandt



Partial initiatives also include aid for specific sectors of which food production is one and energy (conventional, new and renewable) another. Above, to left: working a paddy field on a cooperative farm in Sri Lanka. To right: solar energy research in Senegal. Finally, there is aid to particular groups of countries such as the least developed. Below, to left: Bangladesh. The single most important and challenging partial effort would be to step up the attack on the problems of low-income Africa. Below, to right: The Sahel.



approach would centre the whole panoply of North-South issues on the priority agendas, not just of bureaucrats, but of chiefs of government.

The question is how to trigger this synchronized surge of will and the surge of attention that is its prerequisite. As we have seen, the Brandt Report itself has not yet, under the difficult circumstances of 1980, been enough to do the trick. As also noted, however, the report has plenty of remaining potential, and various interests are now bestirring themselves to win it increased attention. The Commission's own tactical suggestion is that a selective summit of a couple of dozen Southern and Northern leaders be convened to consider the Brandt diagnoses and prescriptions – not to narrow the universality of decision but (it would be hoped) to provide sufficient concerted, top-down, even charismatic, impetus to the priority agenda. After a hesitant start, this proposal has begun to win explicit official support. It would be hard at this juncture for serious friends of development to wish anything but surpassing success to such a venture if it is attempted. But clearly in all respects – the hosting, the determination of invitations, the conduct and chemistry of the meeting itself, the sharing of results with non-participating governments, the conveying of impulses to formal negotiations, the feedback to media and publics – such a summit promises to be a tricky enterprise. It would be a fragile base on which to rest all or most of our near-term development promotion hopes.

Partial initiatives: small-group, sectoral, and regional

Just as clearly, no such exclusive reliance is necessary. On the contrary, whatever may be going on in the realm of comprehensive dialoguing – whether routine or high-level and dramatic – limited, partial initiatives of various kinds may have the best chance of registering genuine progress during the next couple of years, not only for the benefits directly accruing but for the momentum that can be imparted to the process of general North-South reform.

Several types of major but non-comprehensive initiatives are within reach. In the first place, there are moves that can be instigated, even launched, by small subsets of the 153 global negotiators, while their effects would ramify constructively. The OECD countries have certain such capacities. They are already, within the framework of OECD itself, exercising them in the area of anti-protectionism. Going against the grain of the present economic environment, they are launching a redoubled effort to curb non-tariff trade barriers (which are particularly inimical to developing countries) not as a matter of global bargaining but in response to their own perceived interests, whether for mutual benefit or global solidarity. Within the OECD group, the seven large industrialised countries that meet in an annual economic summit have docketed development promotion as their featured subject at Ottawa next summer. It is by no means clear this reflects a predisposition towards expanded aid, for example. But a concerted focus on development issues by these seven leaders will provide an unusual opportunity to instill greater effectiveness into their respective development cooperation efforts.

The set of small-group initiatives that can have positive effects on development without waiting for the results of global dialoguing also includes, of course, the many positive things that the developing countries can do for themselves. It includes the various kinds of positive collaboration among subsets of the oil-importing developing countries, whether regionally contiguous or not, that go under the heading of "ECDC". In principle the group includes actions that could be taken by the CMEA.

Most obviously of all, it also encompasses those within the

capacity of OPEC and other oil exporters. Recently one oil exporter which is a member of OPEC (Venezuela) and another (Mexico), which is not, announced a joint scheme for rebating a substantial fraction of the price of the oil that a specified list of their needy Latin American neighbours buy from them as concessional transfers. This model could be adopted more broadly. There has been talk of a greatly expanded OPEC fund that would provide development assistance (both project and non-project) directly to a broad array of oil-importing developing countries on a far bigger scale than at present. There has been some talk of treating a specified small fraction of oil exports as an assessment to be funneled to the low-income countries and other demonstrable needs via one or more existing or new funding institutions.

However, a major small-group initiative by either the OPEC or the OECD countries would require the activist group to break the stalemate in which the two found themselves during the middle months of 1980. If either took a major ODA initiative, it might well find the other following. Meanwhile the cause of development would gain.

There is a second class of feasible partial initiatives in which all of the actors and geographic fields of concern would be involved, but on a sectorally limited subject. This in fact is the most familiar kind of partial initiative, and there can be no question that it deserves a prominent place in any pragmatic, piecemeal agenda for renewing the momentum of development cooperation.

Food is one such sector. Thanks to good preparatory work by several multilateral agencies as well as improved work and more focus by many governments, both in developing and developed countries, it is possible to make an intensified push on the developing countries' interrelated food problems – food aid, food security, a revived International Wheat Agreement, a new financial food facility, better access to food for disadvantaged groups and, above all, accelerated food production in the developing countries themselves. This whole set of actions should be gotten on with aggressively and without delay.

There is no dissent anywhere about the urgent need to promote expansion of cost-effective energy production – conventional, new and renewable – in the developing countries, and substantial programmes have begun to take shape. There is abundant scope for pressing these efforts.

The need not only to monitor but to facilitate the recycling of oil-exporters' surpluses to a broad array of oil-importing developing countries on appropriate terms and conditions is now self evident. Whatever may eventually be provided under this heading by the Global Negotiations, there is a clear case for pressing ahead with what can be accomplished within the framework of existing institutions. These examples could be multiplied.

A third class of partial initiatives would focus on particular groups of developing countries. One – responding to the increased needs of the oil-importing low-income countries for extra and/or altered ODA to cushion structural adjustment to worsened terms of trade – requires urgent action. Another would deal more systematically and extensively with the needs of a subset of the low-income group – the least developed countries. Here the initiative set in train at UNCTAD V, involving a useful series of country-by-country reviews, will be further advanced in the UN Conference on Least Developed Countries now scheduled for next September.

In the present view the single most important and challenging partial effort that promoters of development might, and feasibly could, undertake as they shake loose from the despondency of recent global dialoguing would be immediately to step up their attack on the grievous problems of low-income Africa. Such a

ODA TO LOW-INCOME COUNTRIES

	GNP per capita \$	Real GNP growth yearly average 1970-78 %	PQLI (1)	1978. Volume ODA (million US \$)			ODA all sources		
				DAC	Multi- lateral	OPEC	as % of GNP	\$ per capita	as % of imports
Afghanistan	240	3.9	18.0	32.00	44.38	18.42	2.4	6	24.0
Angola	300	-0.4	15.5	28.86	18.18	0.00	2.6	7	0.0
Bangladesh	90	2.1	34.7	668.52	297.40	26.77	13.5	12	64.3
Benin	230	4.2	22.8	30.25	30.85	0.00	7.5	18	22.9
Burma	150	4.0	50.9	156.81	117.49	0.00	5.7	9	83.9
Burundi	140	2.9	22.0	38.64	33.96	2.07	11.7	17	76.0
Cape Verde	160	-1.3	44.5	25.03	8.15	0.00	64.9	104	0.0
Central African Rep.	250	3.0	18.3	29.66	21.63	6.00	11.0	30	101.2
Chad	140	1.3	18.2	70.90	48.12	0.00	17.8	28	0.0
Egypt	400	8.5	42.5	860.21	900.23	508.18	16.4	59	33.7
Ethiopia	120	3.0	19.2	56.00	93.45	0.00	3.7	4	30.6
Gambia	230	8.0	24.5	14.77	13.24	7.24	25.1	62	35.1
Ghana	390	0.9	34.4	57.21	38.29	18.40	1.8	10	0.0
Guinea	210	4.7	19.8	9.85	43.32	6.98	5.5	12	22.0
Haiti	260	4.2	32.0	49.77	43.23	0.00	7.9	19	0.0
India	170	3.5	42.6	670.17	449.50	218.93	1.2	2	16.9
Indonesia	360	7.5	47.9	541.03	66.92	27.44	1.3	5	9.5
Kenya	320	5.1	39.3	184.24	61.23	0.00	4.6	16	14.4
Lesotho	280	11.0	47.9	29.11	20.95	0.09	13.5	39	0.0
Madagascar	250	0.4	40.5	39.62	50.28	1.00	4.1	11	20.5
Malawi	170	7.3	29.8	56.63	42.24	0.00	9.1	17	29.2
Maldives	80	1.8	0.0	3.74	1.33	2.10	61.8	49	0.0
Mali	120	3.9	14.4	93.03	64.90	3.58	19.6	26	79.5
Mauritania	270	0.8	13.8	39.57	69.89	107.39	52.2	140	119.7
Mozambique	140	-2.0	23.5	75.30	29.78	0.00	9.1	11	0.0
Nepal	120	3.7	25.1	39.65	35.64	1.64	5.1	6	34.7
Niger	220	2.8	13.1	77.68	62.66	16.18	13.0	31	0.0
Pakistan	230	4.1	37.7	379.41	224.50	67.68	3.7	9	20.4
Rwanda	180	3.9	24.7	78.93	45.15	1.19	14.6	28	70.0
Senegal	340	0.3	24.4	121.56	94.46	9.90	11.5	42	0.0
Sierra Leone	210	1.0	27.4	13.45	27.02	0.00	5.3	12	14.6
Solomon Islands (Br.)	430	5.5	0.0	24.11	2.49	0.00	29.3	125	0.0
Somalia	130	1.5	18.6	46.84	49.50	66.80	33.5	44	67.6
Sri Lanka	190	3.7	82.1	216.27	103.99	3.63	13.8	23	33.4
Sudan	320	3.1	34.8	112.95	129.70	73.22	5.9	18	26.4
Tanzania	230	5.2	27.5	332.32	91.15	1.03	10.0	25	36.7
Togo	320	8.4	24.7	66.54	35.93	0.00	13.1	42	22.9
Uganda	360	1.6	34.4	7.41	9.80	0.02	0.3	1	6.8
Upper Volta	160	3.8	15.9	96.63	62.80	0.00	16.6	29	70.4
Zaire	210	0.6	27.7	203.99	113.92	0.00	4.1	12	54.0
All low income countries	210	3.7	..	6 014.91	3 951.18	1 236.52	4.0	8	30.4

(1) The Physical Quality of Life Index (PQLI) created by the Overseas Development Council measures life expectancy, infant mortality and literacy on a scale of 1 to 100. The level that equals overcoming the worst aspects of absolute poverty is roughly 75-77.

focus would not need to conflict with the least-developed-country effort; it would overlay the latter, encompassing the most numerous group of these countries along with other low-income African countries. But by adopting an explicitly regional dimension, it could respond more cogently to certain special characteristics of Sub-Saharan Africa.

Keeping the approaches complementary, not competitive

The immediate and more general point, however, is that in the field of development cooperation right now there is no case at all for sitting back and waiting for the world to change. There is plenty to do that is do-able and that runs little risk of being inconsistent with a grander design if and when the latter appears.

As one contemplates a kind of split-vision strategy for the time being, however, it will be essential to see that the comprehensive approaches do not block or stifle the partial ones. It has been asserted already that the latter may serve to animate the former, and surely in basic psychological terms this is so: nothing so improves the mood and increases the propensities of plenaries to accommodate as news of concrete advances in more specialised North-South transactions.

But there is a natural tendency, when the plenaries fall into embattled zero-sum bargaining, to hold back more specific positive moves as bargaining chips in the comprehensive context. In the present state of play, such a tendency would exact heavy costs. It is to be ardently hoped that all the actors will resist it. They will if they believe what nearly all of them say - that the North-South relationship is and should be a positive-sum exercise rather than a confrontation.

SOCIAL CHALLENGES FOR THE '80s

The standard of living of the great majority of citizens in OECD countries has advanced remarkably since the end of World War II (see p. 21), as have the opportunities open to them. This progress is partly due to economic development and higher real incomes for the population as a whole, but it is also a result of social policies, the role of which has greatly expanded in all Member countries.

It is perhaps a measure of the success of these policies that OECD societies have been able to withstand, twice in the last seven years, relatively deep economic shocks. However, there is also a widespread malaise in many OECD countries about the "welfare state". This paradox will be at the heart of the political, social, and economic actions of the 1980s and were discussed at a high-level meeting at OECD at the end of October. Some of the main issues are discussed below.

ALTHOUGH few would deny that developed liberal societies have achieved unprecedented standards of social protection for their citizens, there are widely divergent views about what paths are feasible and appropriate for the future. Some would argue that, despite the progress made, the twin problems of poverty and disadvantage are still profound and that traditional forms of state intervention in the social field must be continued and even developed. Others find that social policies have placed an intolerable burden on public expenditure and on the market economy as a whole and that, by discouraging incentives, they have reduced economic efficiency and adaptability. Higher non-wage labour costs and rigid overall labour costs are frequently cited in this context.

A Breathing Space ...or Radical Reform

It is tempting, in these circumstances, to call a moratorium on social development and, indeed, governments appear to be trying to limit the growth of public expenditure on a case-by-case basis. As they found it easier to stretch rather than reform social policy systems when resources were not a major constraint, they now find it easier to scale them down rather than to fundamentally change them.

But a number of factors indicate that the 1980s may be the time for thoroughgoing reform: slower rates of economic growth, the need to contain inflation and thus continue tight fiscal and monetary policies, uncertainty about the future of energy; the inevitable limits to growth of public spending; changes in political and social pressures; the shift that seems to have taken place in social aspirations and values.

A Common Approach

The current public debate about social reform often becomes a political battle, but many of the issues appear to be common to all OECD countries, whatever their political orientation. The purpose of OECD's conference was to define these medium-term problems and to review the real policy options for the 1980s.

The approach to social policies in the OECD countries is pluralistic, but covers certain broad categories:

- minimum protection of the individual from a variety of social risks – *social security* in the event of sickness, disability, loss of employment, retirement etc.
- provision of the *services* necessary for an individual to

function effectively in modern society (education, housing, child care)

- promotion of *individual well-being*, which today means fulfilling aspirations which go well beyond social security or services as traditionally conceived – the need to participate for example
- integration of these factors into a context of *redistribution*, initially to overcome poverty by reducing inequalities, but increasingly involving the redistribution of welfare in a broader sense.

In view of this complexity, the programme of the conference was structured to deal with several main medium-term problems confronting policy makers today.

Issue 1: Relations between Social Policies and the Economy

Historically, social policy dealt simply with the adverse side effects of industrialisation and urbanisation, but its role has grown. Although individual choice in the market place continues to be the main mechanism for allocating resources and generating welfare, social measures today provide a wide range of goods and services with which to meet new social aspirations.

But social policies could have potentially adverse effects on economic efficiency: disincentives to work or to adapt to economic change; adverse effects on labour costs, employment and prices; a qualitative mismatch between demand for services (i.e. actual needs) and their supply.

There is also the sheer scale of public expenditures on social welfare. By the end of the 1970s such expenditure in OECD countries averaged 25 per cent of GDP and 60 per cent of total public spending, and projections into the 1980s are for an increase – a small one for some countries but large increases in others. With expenditures of this order of magnitude, how to control its growth in the 1980s becomes an obvious question. But beyond this there can be little doubt that OECD countries are in a welfare crunch, and this leads one to ask several questions.

Have social security and social services become so universal that demand for them will stabilise?

Many benefits, initially conceived to provide an income floor or minimum level of services, are now seen as a way of increasing living standards. However, if new demands



A definition of well-being that includes income distribution, leisure, the quality of life and of the environment rather than one confined to real output alone.

are to be met (for improved benefits and quality of service for example) it is possible that the public authorities will have to return to the original concept of the welfare state, with the public budget providing only minimal social protection. If so, they will have to link this minimal protection to complementary private systems (as in the case of retirement pensions for example), and this coordination would raise administrative problems and problems of equity.

Is the explosion of non-wage labour costs reversible?

In many Member countries, social protection is largely financed through levies on labour and may add as much as forty per cent to the direct wage cost of employing a worker (the most visible costs are paid holidays and social security contributions). Often legislation also prescribes rules of hiring and firing. The resulting costs, which take on the character of fixed overheads, discourage employers from hiring full-time, permanent workers and are an incentive to replace labour by machinery. There seems to be a consensus that the rise of these non-wage labour costs has been a factor in reducing the growth in employment opportunities in recent years. The issue is clear: is it sensible to ask the labour factor of production to bear much of the cost of social policies when the consequence is to increase unemployment? Should not certain improvements in the quality of life which are unrelated to the production process – for example redundancy pay, family allowances, sickness and

medical benefits – be borne by society as a whole, or at least less directly linked to the wage bill?

How can economic and social policies be better coordinated?

Is the stage set for a more coordinated approach to social and economic policies, with more explicit roles for private individuals and institutions – including the family and the enterprise – as well as the state? Can Western societies achieve the degree of political and social consensus that would be needed to make such an approach work? Is it possible to develop social and economic strategies which are compatible and coordinated? One example of how such coordination could be achieved would be to adopt a definition of well-being which includes income distribution, leisure, the quality of working life and of the environment, rather than one confined to real output alone.

All these questions lead to a more fundamental one: can economic and social policies together ensure a return to an acceptable form of full employment?

Issue 2: Equality and Efficiency

In the 1950s and 1960s there was an implicit social consensus on the need to promote equality in many OECD countries, but it has been weakened by the economic diffi-

culties experienced since then: inflation has eroded the real incomes of some groups so much that they are no longer willing to support transfer programmes even at present levels. The effectiveness of redistributive policies moreover is increasingly being questioned on the grounds that the amount of net redistribution appears relatively small compared to the flow of resources involved.

Minimum standards

If liberal democratic societies are irrevocably committed to fighting poverty, they must find a way to ensure minimum levels of income and standards of social service without undermining economic efficiency. What should these minimal levels be, and how can they be ensured? If massive income transfers are to be avoided, the minimum wage obviously has a powerful appeal but might be more equitable if it were combined with public subsidies, since it would be less likely to endanger the jobs of the disadvantaged. When unemployment is high, the minimum wage is of course less effective in ensuring minimum income; hence the importance of unemployment compensation for the long-term unemployed, a relationship between such compensation and the tax system, cash transfers and social benefits to fend off poverty.

Given the complexity of these inter-relationships, should the debate on the negative income tax as a simplifying and rationalising approach not be revived? Or is there a risk that emphasis on minimum standards will bring back a dual standard, with the poor being looked after by the state and the rich having access to higher quality market services?

The need for more targeting of government programmes

If the main impact of recent economic difficulties is to place a disproportionate part of the unemployment burden on disadvantaged groups, should there not be a shift in policies in the direction of more targeted, integrated multi-faceted programmes – aimed at making such groups employable? Can such an approach reduce expenditure on income support while strengthening equity in the operation of the labour market and reducing structural unemployment?

Income distribution and redistribution

Although it is obvious that a modern, capitalist society depends on the incentive effect of income (both pre-tax and after-tax), experience in OECD countries shows that economies having very different patterns of income distribution can prosper equally and that the relationship between economic growth and income equality is far from clear. Has post-war experience shown that income equality has gone as far as it can?

Issue 3: Changing Values and Preferences

Changes in values, attitudes and preferences are obviously an intrinsic feature of any social evolution, but those taking place today are considered by many analysts to represent a more substantial break with the past than earlier changes. They include growing concern with the quality of life, increased emphasis on personal fulfillment, a questioning of the absolute value of economic growth and the progress of science and technology, growing resentment of bureaucracy, and the desire to express concern through a broader network of channels than the traditional political ones.

What are the implications for social policy structures?

- increasing pluralism and the growing influence of interest groups – more powerful unions, professional organisations and pressure groups

- apparent breakdown of consensus and a growing sense that participatory democracy is facing a crisis
- concern that the work ethic may have weakened (particularly among the young); the search for more meaningful and enriching work; demand for more control over one's own time.

Does a response to changing values require broadening the scope of social policy systems? The answer depends on a number of factors:

- Whether new values and preferences will permit government bureaucracies to be smaller.
- The costs of meeting new demands. Apart from the question of whether regulation or direct intervention is more desirable, it would seem that quality-of-life goals lend themselves to implementation by agencies other than central government; for example, compliance with guidelines by the private sector and implementation through the collective bargaining process.

Issue 4: Work, Leisure and Employment

Employment – thus income from work – is the main determinant of individuals' living standards, even if high unemployment make this less true than in the recent past. The right to work has indeed become an implicit social right in OECD countries. During the 1970s, the number of jobs available has nevertheless persistently fallen below what was needed to sustain full employment goals. In theory, the large and still widening gap between labour supply and labour demand in the OECD area could be narrowed in several – not mutually exclusive – ways: through substantial acceleration of growth of both final demand and plant capacity; through redistribution – in the widest sense – of working time, or by limiting the rise in labour costs so that factor prices favour higher levels of employment (1).

Analysis would suggest that the problem of employment is both quantitative and qualitative – economic and social. Indeed, the persistent decline in economic growth rates seems to be hastening changes in socio-economic behaviour which could become very significant if low economic growth continued into the mid-1980s. For example, it is frequently asserted that the political reaction to high unemployment has been less sharp than expected. No doubt this is mainly due to better income protection and to the fact that the main victims of long-term unemployment are the weak and unorganised. But it may also be that some people are willing to accept less employment security in return for greater leisure, because of changing attitudes to work, leisure and employment. The following issues should then be addressed.

The potential role of working-time redistribution

The central question seems to be whether there exists a propensity to trade off voluntary leisure against some part of future increase of real income and whether technological trends will be able to reconcile, as in the past, social progress and economic efficiency.

A shift in the emphasis of collective bargaining towards quality of working life

A wide range of new policies may be needed to respond to aspirations for redesigning work so as to reduce physical and mental stress, changing management structures so as to allow more worker autonomy and control, and in general adjusting the work process to a more educated labour force. An important question is whether meeting the need for social innovation calls for a more decentralised process

(1) See *Improving the Functioning of Labour Markets*, OECD Observer No. 106, September 1980.

of collective bargaining, so that local conditions can play a greater role.

A broader definition of "work"

At a time when the capacity of OECD economies to create jobs is weakening, all social groups (including married women and the elderly) seem to depend on access to some recognised form of work for their social identity and much of their personal satisfaction. At the same time, rapid growth of new forms of paid and unpaid work – "self-service economy", "the third or fourth sector", the "underground economy", and various forms of community and cooperative enterprises. This trend is linked to "deindustrialisation" of the economy: the rapid growth of the service sector, leading to more part-time, temporary, intermittent and home-based work – much of it outside the formal structures of the labour market. Would society's options for employment be broadened by legitimising at least some of these activities and integrating them into the formal labour market? Or would such an approach represent a threat to the social standards derived from organised labour markets and, in the longer run, undermine economic efficiency?

Issue 5: New Perspectives in Roles and Responsibilities

It is important to find ways of reallocating tasks and to change the relationship between the people and their government so as to foster community and personal involvement. A social policy capable of developing equity, stability and cohesion, while becoming more diversified in its allocation of responsibility and its delivery, is a challenge to most OECD societies.

Voluntary action and primary social groups

To what extent are the family and issue-based public interest groups, particularly those of a self-help nature, able to take over a share of social policy implementation?

Role of the individual

To what extent are some groups of individuals willing to take on more responsibility for their own well-being than is assumed by current systems? For example, should some forms of universal insurance be made optional? Should restrictions on income earned by social insurance recipients be relaxed? Could some recipients of benefits be more independent if provided with cash or vouchers rather than in-kind services?

Employers and trade unions

Free and voluntary collective bargaining has become a corner-stone of social and economic life in OECD countries, contributing greatly to the pluralistic nature of political life. Employers and trade unions in many countries already play a large part in the determination of well-being (holidays, pensions, unemployment benefits, the quality of the working environment and other important objects of social policy.) Should this development be encouraged or will it lead to increasing inequalities? How far can institutions whose primary aims and interests are in the labour market, where conflict is accepted as a means – though an undesirable one – to an end, be fully integrated into social policy?

Three principles

Whatever the answers, it would probably be agreed that future developments should respond to three main requirements:

- the role of the state in providing adequate minimum pro-

tection against social hazards will remain a basic necessity

- coverage by private institutions will need to be extended within a framework of public policy if blatant inequalities are to be avoided.

- whatever the political or financing principles involved, flexibility in the *delivery* of services must be increased so as to be less remote from needs as perceived by recipients.

Social Policies in the 1980s

Important changes in policy making then are needed if social policy in the 1980s is to emerge as a coherent and balanced whole. The competing strategies may be characterised by the relative weights assigned to the traditional centralist (welfare state) option as against a much more decentralised, disaggregated and selective approach. The traditional centralised approach depends on tax/transfer mechanisms, uniformity in the delivery of social services, universality, and the protection of individuals through impersonal transactions with non-discriminatory eligibility conditions. The disaggregated approach, which has emerged in the Seventies, is based on greater selectivity (targeted to specific groups) in income transfers and in the delivery of services; more responsibility for local authorities, community groups, employers and trade unions, and of third-sector institutions; tighter eligibility conditions and income-testing; and more monitoring of effectiveness. This latter strategy presumably has political appeal because it can cater to the needs of a more diverse set of interests. But does it risk undermining the principles of equity inherent in the welfare state?

A good deal of the documentation before the Conference and the discussion that took place suggest that the tide may be running in favour of the disaggregated strategy. At least three central issues can be identified:

Incremental change or major reform?

The social policy systems now in existence in OECD Member countries are based on two main assumptions:

- that sustained high levels of economic growth permit continuous improvement of social benefits
- that the state can be the main instrument for such improvement.

Both notions are in difficulty. The need for major welfare reforms (a new Beveridge?) is therefore evident. But is the upheaval of such a complex system likely, barring a radical political change? Is it more likely that a process of "rolling reform" (i.e. incremental change within the context of some overall design) is the only real option? Rolling reform would suppose vitality and continuity on the part of existing political and bureaucratic institutions, and no doubt effective mechanisms, which could function even in a climate of political change, for parliamentary control over civil servants.

The need for a new consensus

A more disaggregated approach means putting together political coalitions of interest groups, and in this sense calls for a political consensus. The clash between economic reality and social aspirations implies a dialogue about public expenditure, its extent and direction. Even more fundamental, the next stage of social progress will involve voluntary bodies, families, employers and trade unions whose responsibilities will have to be clearly identified. Collective bargaining is already heavily involved in social policies. Voluntary bodies are strong in some countries but weak in others, but voluntarism is bound to grow as the local community becomes more heavily involved. Individual and family responsibilities are being re-asserted in some countries, partly in response to new values and partly because the limits of state responsibility and the capacity of

bureaucracies to be responsive in the delivery of services have been reached.

Integration, efficiency and control

Given the drive towards diversification and decentralisation, the problem of integration and coordination at the highest levels of government is even more pressing. What approaches to government decision-making appear to be most promising? Super ministries? Interministerial coordinating bodies? Ministry of Finance hegemony? Allocation of budgets to broad policy areas with interministerial determination of policies? Social policy advisory or planning bodies? Should the idea of a social budget in which all

expenditures for social policy are identified and related be adopted?

Whatever organisational and administrative techniques are chosen, they are unlikely to be successful unless there is progress in:

- monitoring the output and present state of social programmes and their economic and social costs rather than measuring input in the form of public expenditure on such programmes
- improving information systems, incorporating data from state, local and voluntary agencies which are the recipients of public funds so as to better reconcile decentralisation and legislative control.

FROM THE WELFARE STATE TO THE WELFARE SOCIETY

WHEN the history of the second half of the 20th Century is written, the fact that OECD countries achieved full employment and the Welfare State in the 1950s and 1960s will certainly be hailed as evidence of a successful combination of economic and social policies. In the 1970s, the setback to economic growth has brought these two great goals into apparent conflict. In the 1980s, it is essential for our political and economic systems to re-establish our conviction that economic and social progress are part of the same process in liberal societies.

Most public activities have both a social and an economic aspect. For example, raising taxes may affect not only incentives to work, save and invest but the distribution of income as well. Providing day-care facilities for children so that parents can go out to work not only affects the labour supply but also has significant effects on family life. Thus, the social and economic are inextricably intertwined. The challenge is to co-ordinate public policies so as to achieve in the most effective way what societies want, without letting the ultimate social objectives escape us through shortsightedness or lack of effectiveness.

Current economic and social constraints

The real social progress we can achieve is limited by economic means. Methods of achieving social objectives must not be allowed to undermine the economic system which produces the means. We live in societies based on the principle that individual citizens and consumers are, in the main, the ultimate arbiters for allocating means to ends. We can ill afford to ignore these constraints.

The *first* constraint implies a trade-off between the short and the long term, between this generation and the next. In economic terms this means striking the right balance between consuming today and investing in the future. In today's circumstances this is a vital issue because of the need for increased investment to restructure our economies, improve productivity and reduce our dependence on oil.

The *second* constraint concerns the so-called "side effects" of social policies. The complexity of some of the financing provisions now in force affects social and economic life well beyond our immediate intentions. Taxes on wages to finance social security obviously increase labour costs. They also alter the pattern of costs as between individual firms and industries and as between labour and other factors of production – and by doing so they influence the allocation of resources and patterns of production and consumption. Some of these "side effects" may be undesirable from the point of view of economic efficiency.

The *third* constraint concerns the need to respond to changing aspirations and preferences of individual citizens and consumers. The Welfare State has become an arena in which beneficiary client groups compete for more of the same. This escalation of claims must be controlled if the sum of all demands on our resources is to be met in a non-inflationary way.

These constraints suggest two broad conclusions:

- The best way of defending the Welfare State is to be rigorous about its essential objectives and limitations.
- We must redesign our social policy systems so that they respond efficiently to new social needs and preferences.

The role and limitations of the Welfare State

The primary function of the Welfare State is to ensure a minimum level of protection against social risks for all citizens. However, the definition of an adequate minimum is open to discussion. Political decisions on its level have understandably been influenced by growth and affluence. Collective claims against the government budget have gradually covered the whole spectrum of life: from birth and child bearing, to education, job and income protection, and to retirement and death. Such claims have become familiar to all groups in society: farmers, the young, trade unions, working and non-working women, and enterprises big and small. Whenever and wherever a group interest has been in jeopardy or could be extended, there has been a call for the government to step in. Moreover, coverage beyond those most in need has, in most countries, unnecessarily added to costs and reduced redistributive effects.

Few, if any, will deny that the protection of individuals achieved since World War II is an historic social achievement. But it must not be placed in jeopardy by an escalation which cannot possibly be sustained.

- We must continue to build on the principle that adequate income from work is the primary basis of well-being.
- The State has a clear responsibility, in response to the common will in democratic societies, to achieve a more equitable distribution of income through the fiscal system than the market would of itself provide.
- The State must surely remain as the main guarantor against social risks



"Bureaucracy can be the instrument of equity but is unlikely to be the agent of compassion"

such as unemployment, ill-health, disability and old age – that is to say "social security".

- Transfers to the vulnerable groups in society can be achieved in a variety of ways: direct transfers involving states, provinces or municipalities; price subsidies leading to lower consumer prices, e.g. for rents and transport; and various forms of private solidarity.

But this must be done in an economically efficient way, with the sails trimmed to make the most of the economic wind of the day.

- The elements of the tax system that serve as instruments for reducing income disparities can function irrespective of the rate of growth of real money incomes.

- The system of transfer payments, however, should not be seen as immune from fluctuations in economic growth rates. Whilst claims have a tendency to be politically determined irrespective of growth rates, the resources are dependent on the rate of growth, other claims on resources, and the efficiency with which resources are used. Claims on transfers should be regularly open to revision.

- Governments need to review regularly the *welfare efficiency and effectiveness* of the different means of

achieving social goals. The complexities of the transfer system must be mastered so that the net outcome in terms of redistribution justifies the burden of administration and market intervention. The scope, level and universality of social benefits should be questioned in terms of welfare effectiveness. The balance between a more egalitarian wage structure, work motivation and the burden on the tax-redistributive system should be a policy issue.

Such rigour is the best defence of the Welfare State in the hard economic circumstances of today.

Towards the Welfare Society

The fact that there are limits to the Welfare State does not mean there should be a moratorium on social progress, but reflects two things:

- social needs and individual preferences are changing in such a way that the Welfare State, set up to deal with poverty and social protection, is no longer the only agent of well-being;
- there is a distinct change in the attitudes of the population to the *methods* of public policy.

Changing needs and preferences became the subject of discussion in

the 1960s, with the complex swings in values towards the concept of "quality of life". In the OECD, this led to the definition of "social concerns", progress towards which is now being measured in many OECD countries by "social indicators". The 1974-75 recession, and the relatively low rates of economic growth and high unemployment which have subsequently persisted, have led to growing awareness of the "social deprivation" of specific groups in society which need special programmes if they are to break out of the vicious circle of multiple disadvantage.

For these needs, a more selective, targeted approach seems appropriate, involving co-operation between different government agencies and between public and private bodies. The constraint may be not so much public expenditure, as the capacity to organise the effective delivery of services to the specific groups that need them.

This is an enormous and complex challenge to public policy. It involves recognition that the very nature of bureaucracy means that it cannot achieve certain kinds of objectives. Bureaucracy can be the instrument of equity, but it is unlikely to be the agent of compassion. There is, today, a misguided tendency to equate action by the State with the proliferation of bureaucracy. It need not be so. The State can exhort, regulate, give contracts to private bodies, establish guidelines and set up incentives for voluntary action. When it does, it is dependent for its success on its relationship with other agents in society: employers, trade unions, local communities, voluntary bodies and individuals.

It flows from the nature of the emerging social needs and aspirations in contemporary post-industrial society that new relationships between state and private action must be sought; new agents for welfare and well-being must be developed; the responsibilities of individuals for themselves and others must be reinforced. It is in this sense that the emergence of the Welfare Society is both inevitable and desirable.

In these difficult economic times, when inflation and energy shortages dominate the agenda, there is a natural tendency to look upon social well-being as a luxury. But I am confident that OECD countries can restore reasonable levels of non-inflationary growth. I also believe that we can defend the Welfare State by being rigorous about its objectives, and make progress towards the Welfare Society.

*Emile van Lennep
OECD Secretary-General*

SOCIAL CHANGE IN OECD COUNTRIES 1950-1980

The only way to approach the problem of evaluating a person's quality of life is to look at the individual components of well-being – such factors as the quality of health, education, work, income, housing, family relationships and physical and social environment. During the last few years an effort has been made in nearly all OECD countries, and in some international organisations such as the EEC, to study these factors, not only quantitatively but qualitatively. The results have been synthesized in a new type of publication called social trends, social data, or social indicators. The following article, which is based on these publications and has the same approach, highlights some of the most striking developments that have occurred since the immediate post-war period when comprehensive welfare systems were established in many OECD countries. Where possible, information is given for all Member countries, but due to the rudimentary nature of much of the presently available data, the situation cannot be compared from country to country.

The Growth Context

Population

More numerous. The population of the twenty-four OECD countries rose from some 566 million in 1950 to 764 million in 1979 – an increase of over a third in thirty years (1). However, the rate of increase is gradually slowing down, and in

some countries the absolute level has been declining over the past few years.

Older. Throughout the period, there has been a marked ageing of the population: the over-65s represent a growing proportion, the under-15s a diminishing proportion.

Age	1950 %	1980 %
under 15	27.6	23.5
15 to 64	64.3	65.1
65 and over	8.1	11.4

Economic Growth

The real gross domestic product – still the most comprehensive indicator of economic activity – more than tripled between 1950 and 1979. This unprecedented surge has unquestionably meant an increase in the standard of living and an improvement in some of the more qualitative aspects of life. It has also required a sustained effort on the part of the population of OECD countries and adaptation to continuous and rapid change.

Health

A Seventy-year Life Span (table 1)

Life expectancy is the most useful indicator of longevity. If calculated at birth, the figure bears the burden of infant mortality which however has fallen stea-

(1) Demographic Trends 1950-1990, OECD, Paris 1979.

1. LIFE EXPECTANCY

at age:	Life expectancy in 1977 ¹ (years) at:										Change from				
	0		1		20		40		60		0		1		2
Australia	68.9	75.9	69.0	75.8	50.9	57.4	32.2	38.1	15.9	20.5	+ 2.8	+ 5.3	+ 1.7	+ 4.3	+ 1.3
Belgium	68.6	75.1	68.9	75.2	50.7	56.7	32.0	37.5	15.5	19.7	+ 7.2	+ 8.3	+ 3.6	+ 5.5	+ 2.7
Denmark	71.5	77.5	71.3	77.1	52.9	58.5	34.0	39.1	17.3	21.6	+ 3.7	+ 7.4	+ 1.3	+ 5.4	+ 0.7
Finland	67.9	76.7	67.5	76.3	49.2	57.7	30.7	38.3	15.2	20.1	+ 4.5	+ 5.9	+ 2.8	+ 5.4	+ 2.2
France	69.7	77.8	69.7	77.6	51.4	59.1	33.0	39.9	17.1	22.0	+ 6.8	+ 9.3	+ 3.5	+ 6.5	+ 2.6
Germany	68.6	75.2	69.0	75.4	50.8	56.9	32.3	37.7	15.8	19.9	+ 4.0	+ 6.7	+ 1.2	+ 4.4	+ 0.5
Japan	72.7	77.9	72.4	77.6	54.1	59.0	35.1	39.6	18.0	21.4	+ 22.6	+ 23.9	+ 18.7	+ 20.2	+ 13.2
Netherlands	72.0	78.4	71.8	78.1	53.5	59.6	34.4	40.2	17.4	22.1	+ 1.4	+ 5.5	+ 0.2	+ 4.6	- 0.2
Spain	70.4	76.2	70.9	76.5	52.6	58.0	33.8	38.6	17.1	20.6	+ 10.6	+ 11.9	+ 7.7	+ 9.2	+ 5.2
United Kingdom	69.2	75.5	69.5	75.6	51.2	57.1	32.2	37.7	15.6	20.2	+ 3.0	+ 4.3	+ 2.0	+ 3.5	+ 1.7
United States ²	70.0	77.7	70.0	77.6	54.9	59.1	36.3	39.8	19.7	22.3	+ 3.7	+ 5.7	+ 2.4	+ 4.5	+ 5.4

(1) or closest year for which data are available. (2) white population only. Men Women

Source: Statistical Yearbook for Finland and the United States; EUROSTAT; Demographic Statistics 1978, OECD, for the other countries.



The population — more numerous ... and older. On average life expectancy at birth is more than seventy years for men and seventy-six for women; the difference has increased.

dily and substantially in all countries due to hygienic and medical progress, thus contributing to the increase in life span. On average, life expectancy at birth is more than seventy years for men and seventy-six for women. The fall in death rates has increased life expectancy at other ages too.

The difference between male and female life expectancy has also increased in all countries — by two or three years. The slower increase for men is partly due to the upsurge of mortality rates in certain age groups due to pathogenic behaviour and increased risk of accident.

Disease and Development

Certain illnesses are caused by stress — the pressures to which the human organism is subjected by modern life — others by the use of drugs; still others are associated with specific technologies, occupations and activities. They can have a high cost in human terms (premature death), or in social (behavioural disturbances) and economic terms (absenteeism, medical expenses).

Alcoholism

In industrial societies, chronic alcoholism is responsible for the most serious illnesses other than heart disease and cancer. Death from cirrhosis of the liver is the most widespread: there has been a considerable increase in its incidence among 35 to 54 year old males. Alcohol is also recognised as a risk factor in all accidents, and particularly traffic accidents (2).

(2) Road accidents cause some 100,000 deaths in OECD countries each year and alcohol plays a part in 30 to 50 per cent of them. New Research on the Role of Alcohol and Drugs in Road Accidents, OECD, Paris 1978 and OECD Observer N° 96, January 1979.

1950¹ (years)

	40		60	
+ 3.9	+ 1.0	+ 3.2	+ 0.5	+ 2.4
+ 4.4	+ 1.4	+ 3.3	+ 0.05	+ 2.2
+ 4.9	+ 0.2	+ 4.1	+ 0.1	+ 3.7
+ 4.9	+ 1.5	+ 4.1	+ 1.2	+ 4.2
+ 5.6	+ 2.2	+ 4.7	+ 1.7	+ 3.6
+ 3.7	- 0.06	+ 3.0	- 0.4	+ 2.4
+ 14.1	+ 8.2	+ 8.7	+ 5.2	+ 3.7
+ 4.2	- 0.5	+ 3.9	- 0.4	+ 3.5
+ 6.4	+ 3.4	+ 4.7	+ 2.2	+ 3.5
+ 3.2	+ 1.3	+ 2.6	+ 0.8	+ 2.3
+ 4.5	+ 5.1	+ 4.2	+ 3.9	+ 3.7



Young people 15-24 have more road accidents than any other age group and this is related to the use of motor bikes and other two-wheeled vehicles.

Yet there has been a rapid increase in per capita consumption of pure alcohol (which however is only an indirect indicator of alcoholism). In several countries, more than 5 per cent of the population are considered to be alcoholics. Regular consumption of alcohol is no longer confined to particular groups but is spreading to the entire population, and its growth is especially rapid among women and young people.

Tobacco is an important risk factor in the development of certain cancers and cardio-vascular diseases, the two main causes of death in industrial societies. A heavy smoker is considered to have a life expectancy of 8-10 years less than a non-smoker, and lung cancer is one of the causes of death which is on the increase in the 45-54 age group, for women as well as men. Campaigns are being conducted to familiarise the public with the hazards of smoking, and preventive measures are being taken to prevent the phenomenon from spreading further.

groups has brought about a dramatic increase in the number of people involved in road accidents. The situation is the more serious in that it affects young people the most: road accidents are the main cause of premature death, and the risk is at a peak for the 15-24 age group, which means that it is related to the very rapid rise in use of two-wheeled vehicles.

In most countries, safety measures have been taken with visible results: in several countries the total number of victims (killed and injured) has fallen in the 1970s despite the rapid increase in traffic. However, this improvement seems to have reached a limit, and in some countries the number of road accident victims is again rising.

New forms of drug addiction

The drug problem is different. It is concentrated mainly or even exclusively on people under thirty, but in its most serious form affects only a marginal number. Drug addiction in its present form is a recent phenomenon (it appeared during the Sixties) and is spreading rapidly from one area and social class to another as well as to younger age groups. Drug control is very difficult because of the wide range of products used and the fact that products available on the open market for other uses (particularly medicines) can also serve as drugs. Despite the recent upsurge, however, drug taking is not widespread enough to constitute a major health problem in Western societies.

The Balance Sheet

Although the average inhabitant of an OECD country lives longer in 1980 than he would have in 1950, his general state of health over the whole of a lifetime cannot be statistically measured because of a lack of relevant data (4). Moreover changes in the social environment – the growing similarity of men’s and women’s ways of life, for example – entail new

(3) People start smoking earlier and earlier, and girls smoke as much as boys.

(4) As an experiment, the United States and Japan have calculated the “health expectancy” at certain ages. The results show that as the life span has lengthened, there has also been an increase in periods of illness and disablement.

Road Accidents

The rapid increase in travel and the extension of car ownership to all social



Smoking

After alcohol, tobacco is the most commonly used and widely accepted drug in modern societies: one man in two and one woman in three smoke, and the number of smokers has greatly increased since the 1950s, as has the proportion of the population which smokes. More women and young people are smoking (3) and have greater health problems than adult males.

risks for personal health which in turn mean greater expenditure on health care.

Education

The level of education and diplomas received by a person are, apart from their intrinsic value, important determinants of the kind of jobs he can get later on. The opening up of schooling to all sections of the population began well before the Fifties, but the effects continued to be felt – and indeed there was further progress – throughout the 30 years under discussion (5).

From Nursery School...

Illiteracy has receded sharply in all OECD countries, leaving only a tiny portion of the population unable to read. Compulsory schooling lasts from eight to ten years depending on the country, and eleven years in the United Kingdom. But for the 3-24 age group, the actual figure is much higher, 13.4 years on the average for the OECD area as a whole in 1976; and it has continued to rise during the past few years in most countries. (The figure includes both pre- and post-compulsory education).

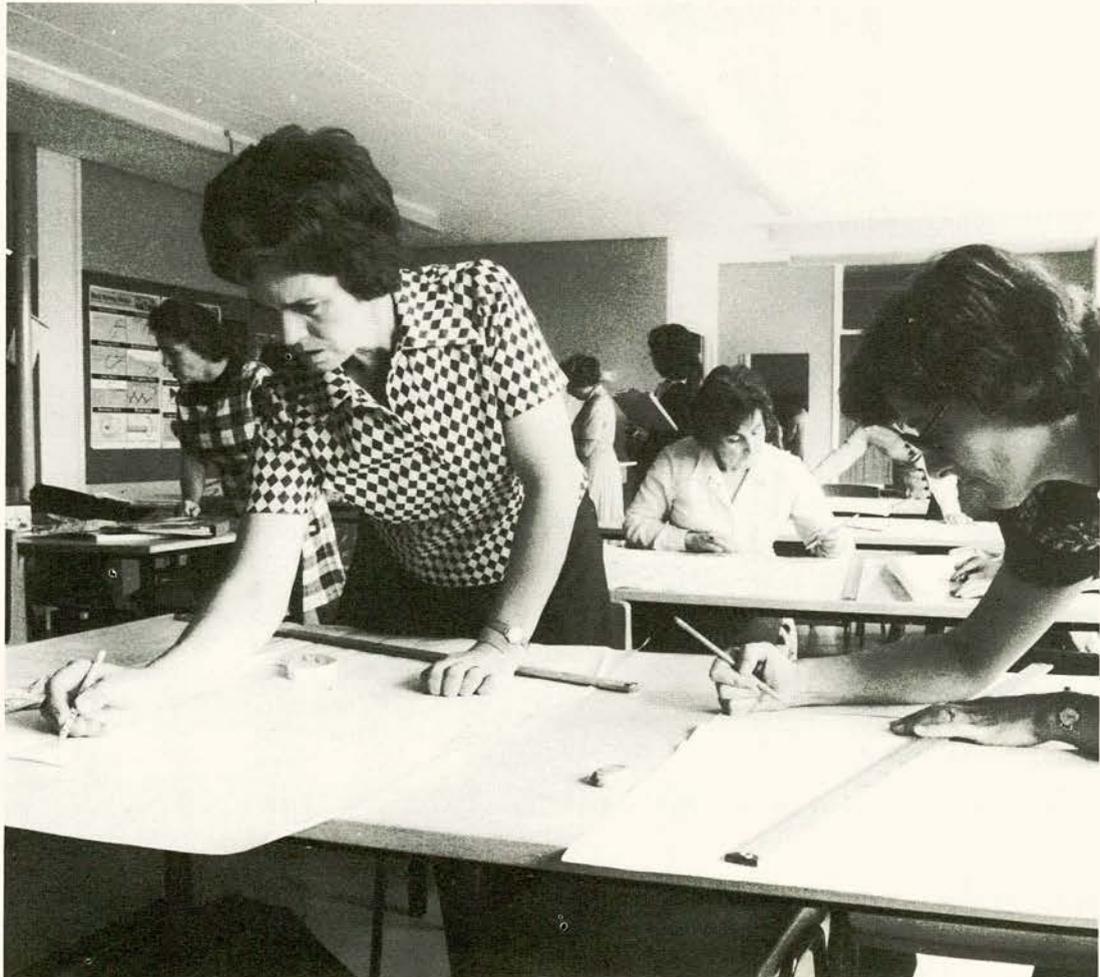
Pre-school attendance is on the rise in all countries, although there are discrepancies in both the level and rate of growth. This change is closely linked to the growing employment of women and policies on the family, as well as to the growth of pre-school facilities.

... to University

In 1980, the majority of young people aged 15 to 19 are still in the educational system (the number depending on the country). Not everyone goes on to higher education, but far more do so than in 1950 when the universities were the province of a privileged few. The rapid expansion of higher education in the past thirty years means that it is open to two



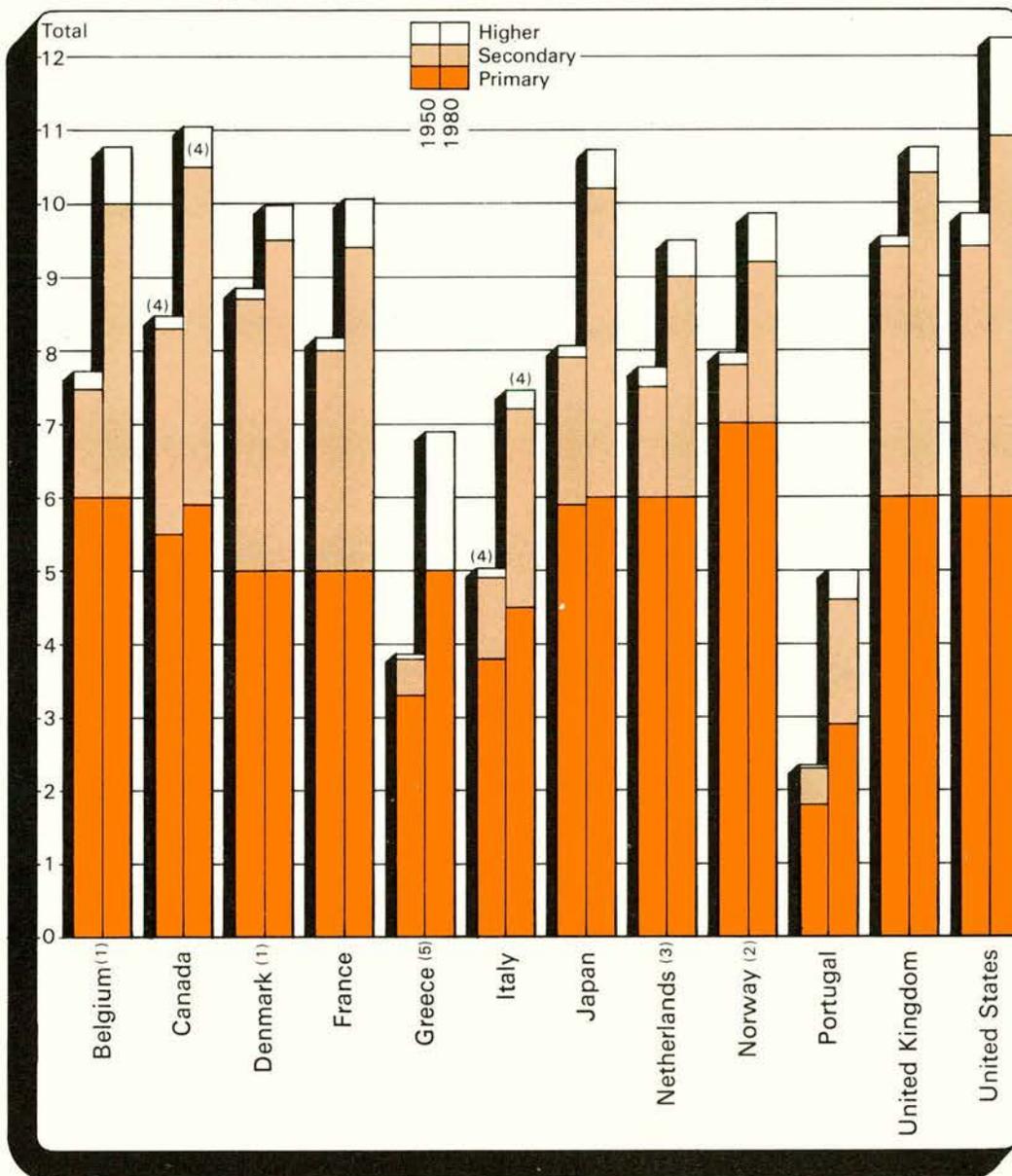
*Pre-school attendance is on the rise in all countries ...
...and there are more incentives designed to encourage adults to go back to school*



(5) For further details see the second edition of the OECD Yearbook of Education Statistics, OECD, Paris 1980, and Future Educational Policies in the Changing Social and Economic Context, OECD, Paris 1979.

A. TRENDS IN EDUCATIONAL ATTAINMENT

Average years of formal education of all inhabitants aged 25-64



- (1) Age group 20-59. (2) Age group 25-59.
 (3) Active labour force. (4) Excludes non-university higher education.
 (5) Higher education and total figures not available.

Source: Secretariat estimates. See OECD Educational Statistics Yearbook, Paris 1974.

A higher level of education.



or three times more university-aged young people than in 1960. Enrolments have now slowed down in some countries, but there are increasing openings for adults and incentives to encourage them to go back to school.

As one generation succeeds the previous one, this extension of schooling is raising the level of education of the population as a whole (Chart A), a basic social gain.

Economic Activity

Participation Rates (6) (Table 2)

Three trends have dominated the period 1950-1980:

- a marked decline in the rate of labour force participation of those under 25 (especially men) because education lasts longer
- a decline in the participation of elderly workers
- a sharp rise in the number of women at work.

These trends have contradictory effects on the participation rate of the working-age population as a whole, the net result varying from country to country. Greece shows the sharpest decrease (the rate fell from 66.8 per cent in 1950 to 56.2 per cent in 1975) while the sharpest rise was in Sweden - from 66.7 to 78.5 per cent, the highest rate in the OECD area.

For married women, the trend towards a rising participation rate is fairly recent but generalised, even for those who have dependent children. In the Scandinavian countries, two-thirds of the married women work, and in several other countries the ratio is almost half (7).

Structure of the Labour Force

In the past thirty years, two main and inter-related structural changes in the

(6) Demographic Trends 1950-1990, OECD, Paris 1979. Labour Force Statistics, OECD, Paris 1980.

(7) Women at work were the subject of a High Level Conference on the Employment of Women held at OECD on 16th and 17th April 1980. See OECD Observer N° 104, May 1980.

2. PARTICIPATION RATES BY AGE

%

COUNTRY		15-19		20-24		25-54		55-64		65 +	
		Men	Women								
Austria	1960	(81.5)	(77.1)	(90.5)	(76.0)	(96.6)	(53.2)	(79.0)	(31.2)	(16.1)	(7.6)
	1980	65.5	59.9	87.7	68.0	96.3	51.9	68.7	26.8	7.3	3.0
Belgium	1960	(51.3)	(40.6)	(87.4)	(51.3)	(95.6)	(29.7)	(79.1)	(15.1)	(10.5)	(3.8)
	1980	29.9	31.8	78.4	67.9	93.3	40.8	69.4	26.8	4.0	1.7
Finland	1960	58.3	41.7	86.2	60.8	96.4	57.6	85.5	44.0	39.7	11.6
	1980	26.9	23.1	72.3	63.1	92.2	77.9	62.5	38.9	4.9	1.4
France	1960	(61.1)	(45.6)	(90.9)	(58.6)	(95.8)	(39.7)	(75.0)	(35.5)	(30.5)	(11.7)
	1980	24.7	18.6	80.9	40.1	95.6	57.5	66.3	38.0	6.8	3.3
Greece	1960	(66.4)	(43.9)	(56.6)	(54.1)	(95.7)	(38.9)	(82.2)	(24.8)	(45.2)	(9.2)
	1980	37.0	25.1	42.1	40.1	92.8	33.4	70.0	22.0	20.0	5.0
Ireland	1960	(65.3)	(54.0)	(90.0)	(67.4)	(97.1)	(23.6)	(89.0)	(23.3)	(52.2)	(14.9)
	1980	44.1	38.1	91.9	69.0	97.2	26.5	86.9	18.2	16.7	3.0
Italy	1960	(64.7)	(38.8)	(88.5)	(40.9)	(94.8)	(25.7)	(70.8)	(14.9)	25.0	6.0
	1980	(30.9)	21.9	(70.5)	49.2	(96.1)	35.7	62.5	15.1	9.2	1.9
Japan	1960	52.4	(48.8)	87.7	70.6	96.5	53.1	86.1	42.8	56.0	25.4
	1980	18.8	19.9	72.7	63.9	97.3	53.1	86.2	43.1	41.7	15.4
Netherlands	1960	63.1	59.2	91.2	52.8	98.0	17.1	87.7	11.9	19.9	2.6
	1980	21.7	31.1	75.9	61.9	93.6	32.3	67.5	15.2	8.9	1.7
New Zealand	1960	(65.8)	(63.7)	(94.9)	(49.5)	(96.2)	(24.2)	(81.4)	(17.2)	(22.3)	(3.4)
	1980	50.2	52.2	88.6	56.3	94.5	36.7	83.1	25.1	19.8	3.7
Spain	1960	74.0	27.1	90.4	28.2	97.0	16.2	91.9	15.9	55.5	10.2
	1980	50.2	46.7	82.5	58.0	91.9	32.7	74.0	24.3	12.1	3.9
Sweden	1960	52.8	46.6	74.9	57.3	95.7	36.9	87.8	27.0	27.1	4.6
	1980	47.2	45.1	82.2	77.2	94.7	83.4	79.9	52.9	10.1	2.8
United States	1960	(52.0)	(33.9)	91.4	46.5	95.7	42.8	84.7	37.0	30.3	9.9
	1980	(55.0)	(48.4)	85.5	70.6	93.0	62.1	71.0	40.5	18.0	7.2

Men Women () OECD Secretariat estimates

Source: Demographic Trends - 1950-1990, OECD, Paris, 1979.

work force have altered its socio-occupational composition:

- a reduction in agricultural employment and a rise in the number of jobs in commercial and other services. Today, in the OECD area as a whole, only a tenth of the labour force is in agriculture, a third in industry, and more than a half in the service sector. (In 1950 the figures were a fourth, a third and two-fifths respectively.)

- a growing proportion of wage-earners (as against the self-employed) in the labour force. Wage and salary earners comprise 80 to 90 per cent of the labour force, a change which began before 1970 and has since continued more slowly, though some countries appear to have reached the limit.

Working Hours (Chart B)

Higher productivity, more jobs and the

change in employment structure has made possible a considerable reduction in the number of hours worked per person. The decline has taken place in fits and starts but became general in the OECD countries in the Sixties.

	1950-60	1960-70	1970-80
Average reduction in working hours	0.3%	0.8%	0.9%

In 1979, estimates of the number of hours worked by the average jobholder in 16 OECD countries ranged from 1,450 to 2,050 a year, and in some countries (Belgium, Denmark, Italy and Norway) there was a reduction of nearly 30 per cent as compared with 1950. It took many forms: a shorter working week, an increase in the number of paid holidays

and, especially during the last few years, the creation of part-time jobs.

Part-time work

Since 1970, the number of part-time jobs has increased from two to four times faster than the total number of jobs in most countries, the rise being mainly in the service sector (where three-quarters of part-time jobs are to be found) and in jobs held by women. For, although the proportion of part-time jobs varies a great deal from country to country, one feature is common to all: women who make up less than two-fifths of the labour force on average account for four-fifths of the part-time jobs. Women not only do more part-time work but also work less overtime. Thus, women generally work shorter hours than men, and the growth of the female work force tends to reduce the average hours for the work force as a whole.

The work week

The length of the work week has gradually altered. The main changes took place before 1970 but have since been consolidated. The trends are for a growing majority of workers to have work hours that are close to a standard work week (40 hours in most countries), for reduction in the longest hours and for an increase in part-time workers.

Work patterns

It is not only the total number of hours

worked but also how they are organised that affects a worker's living conditions and his ability to carry out family and community duties in addition to his job. The pattern of working hours can be varied: over the course of the day (flexitime, shortened lunch hour), the week (three or four long days a week), the year (broken-up holidays) or even the whole of one's working life (alternating periods of work and schooling or other activities).

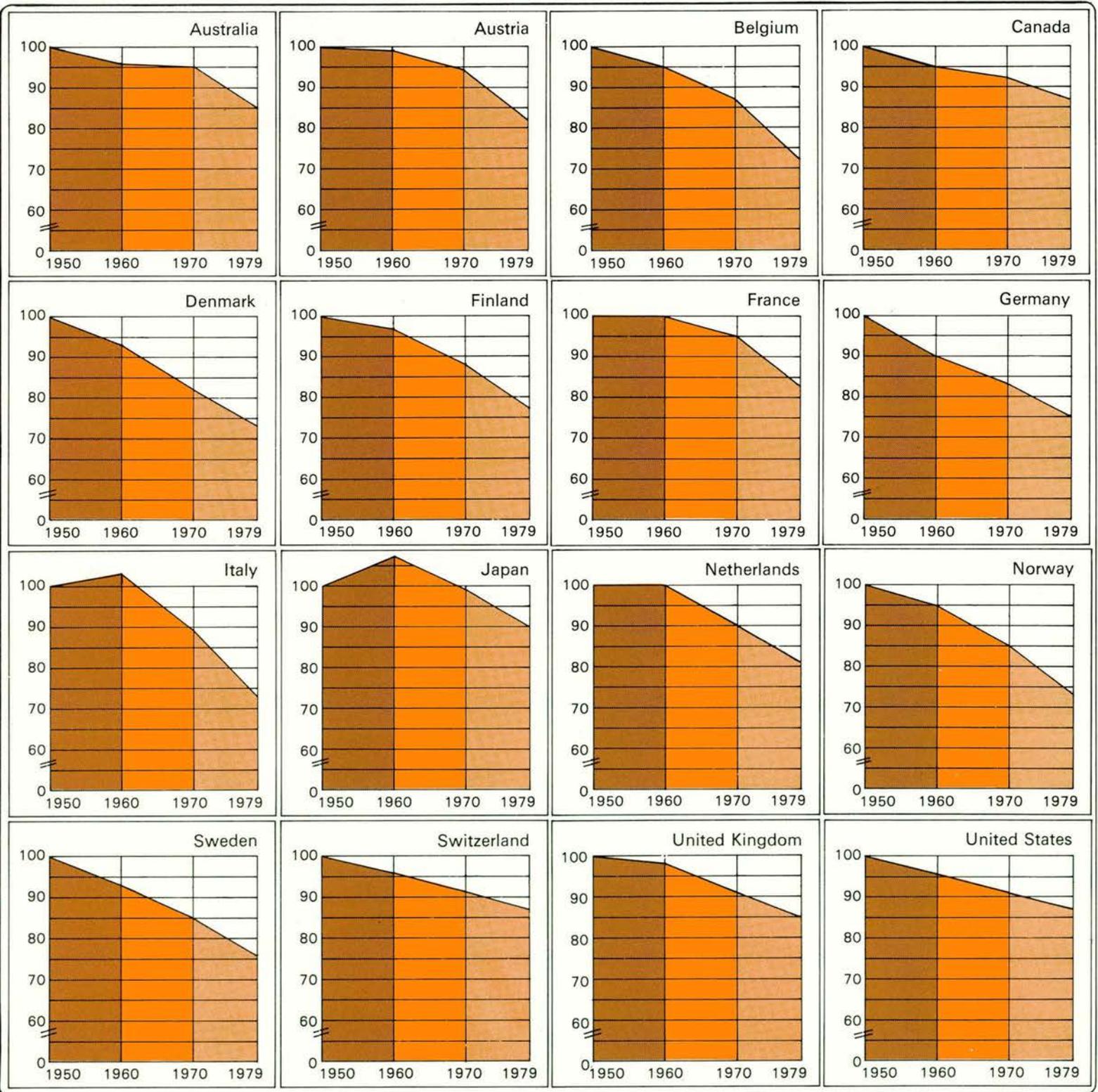
Since 1950, work patterns have chan-

ged, often, though not always, in the direction of better harmonisation of work and other activities:

- The great majority of wage-earners now work a five-day week.
- Flexitime, introduced only at the beginning of the decade, and in only a few countries, will probably continue to spread, because of its success with both employers and employees.
- Shift-work – which has doubled in 25 years – now affects some 15-30 per cent of the work force in OECD coun-

B. HOURS WORKED

per person per year (1950 = 100)



Source : A. Maddison, "Long Run Dynamics of Productivity Growth", in : Banca Nazionale del Lavoro ; and approximations of OECD Secretariat.

tries. Half of this is three-shift work (which implies night shifts) but rotating shifts are also being used more. Shift-work is spreading from manual work to other sectors, computers for example, and is widely used in welfare services where the majority of workers are women. (Part-time work is often associated with unusual working hours).

● Paid annual holidays have become general in all OECD countries, especially since 1960; both the number of holidays and the number of workers who benefit from them are growing. Provisions, both legal and administrative, for other kinds of paid leave – maternity leave, retraining leave, etc. – differ markedly from country to country.

The Standard of Living

Family incomes have risen substantially in real terms over the past thirty years and have undergone an important structural change: the proportion of income determined by welfare criteria has tended to rise as compared with the share determined by economic criteria (8). Per capita social security transfers in OECD countries have increased eightfold in real terms since 1950 and threefold since 1960. This has helped to increase the purchasing power of households during



There is recognition of the need for greater flexibility in

periods of growth and to maintain it in years of slack.

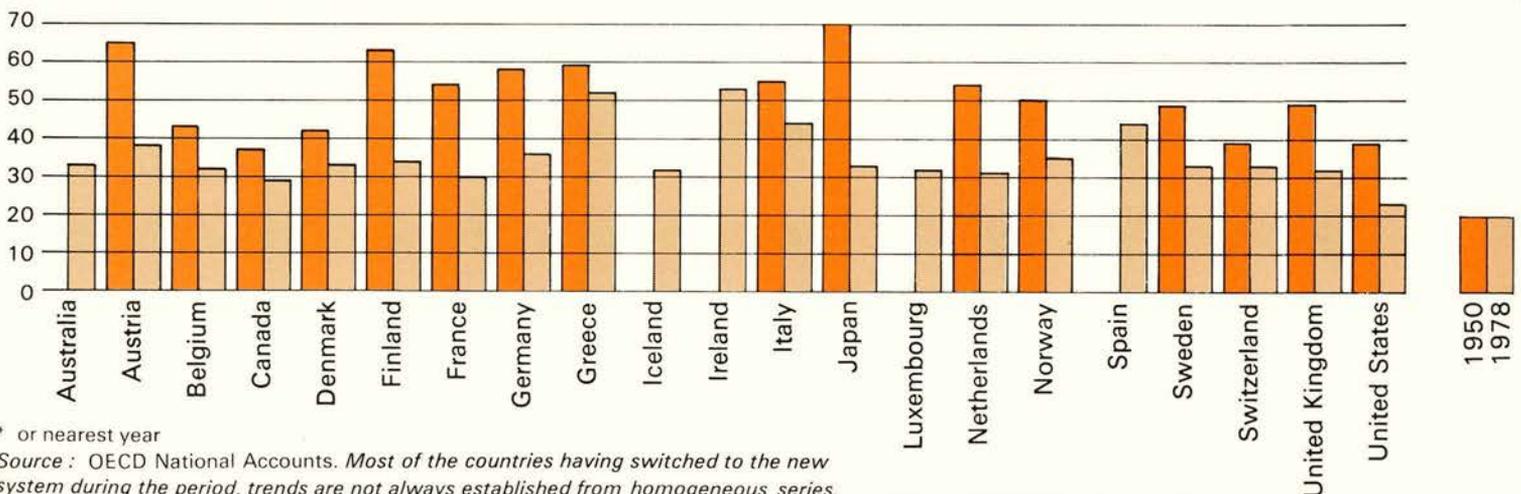
An inhabitant of the OECD area consumes more than twice the quantity of goods and commercial services he did in 1950 on average. The rise in purchasing power has also brought greater diversity in consumption patterns. In all countries food and clothing take up a smaller share of income (Chart C): in only two or three countries does it account for more than half of household expenditure and in the United States it amounts to less than

a quarter. (This slowdown, however, is now reversing in some countries).

The rate of acquisition of consumer durables has increased steadily: nearly nine out of ten households have a refrigerator in the house, nearly half have a television set, and over two-thirds a car. More recently, leisure has increased as a share of total household expenditure.

(8) This statement does not of course apply to all individual families. See the 1978 Tax/Benefit Position of a Typical Worker in OECD Member Countries, OECD, Paris 1979.

C. SHARE OF FOOD AND CLOTHING IN TOTAL HOUSEHOLD CONSUMPTION (PER CENT) IN 1950* AND 1978*



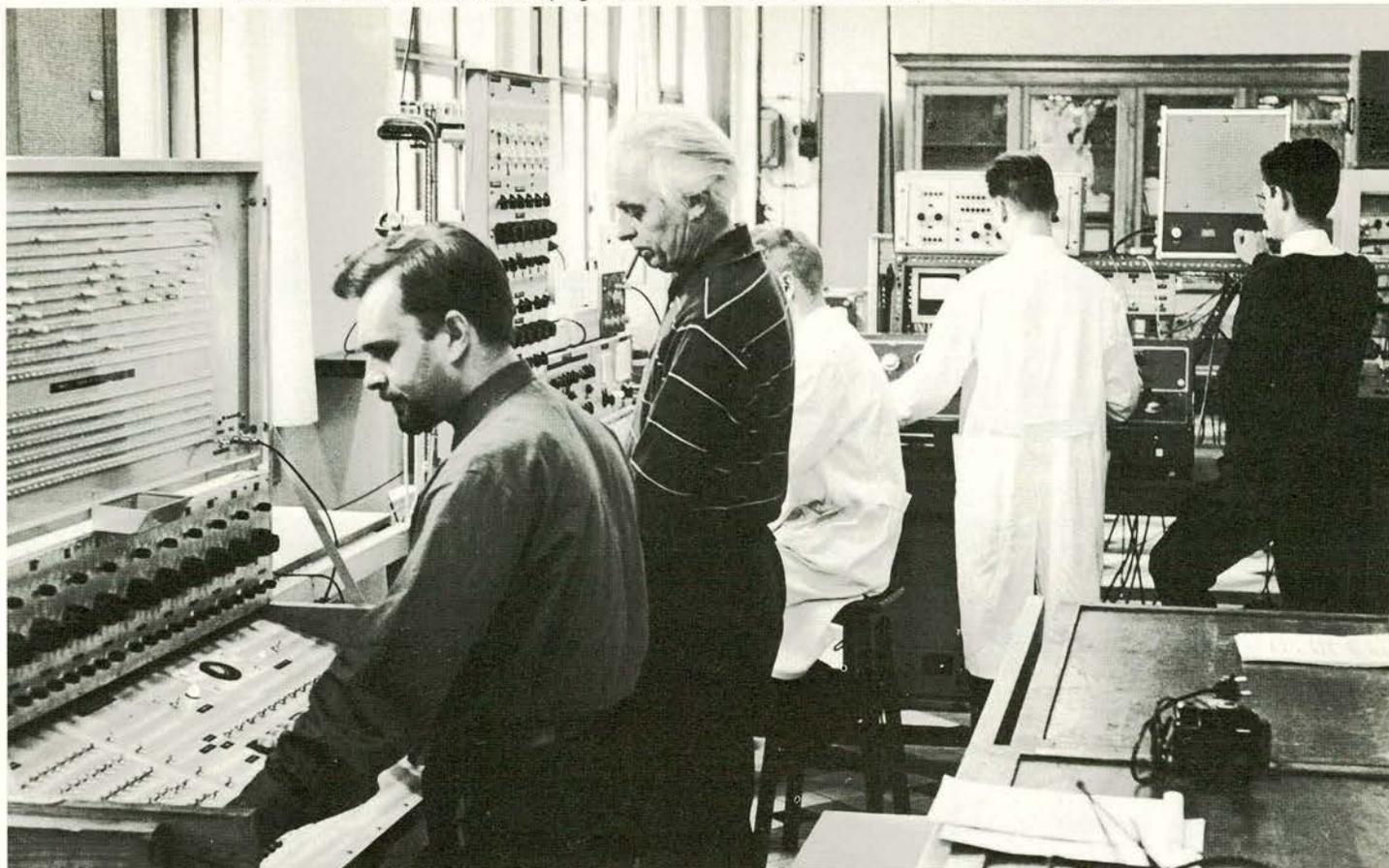
* or nearest year

Source: OECD National Accounts. Most of the countries having switched to the new system during the period, trends are not always established from homogeneous series.

The tertiary sector, which includes very different sorts of work, has grown from two-fifths to more than half the labour force. Below: scientists and musicians studying sound waves at the University of Ghent in Belgium.



working hours.



Housing and Living Patterns

Urbanisation

Rapid economic growth in OECD countries has been accompanied by greater geographical mobility of the working population. Since 1950 there has been a profound change in patterns of residence as a result of large-scale migration towards areas of high employment (9). This concentration of the population in urban areas is one of the main characteristics of the period (table 3). It has caused problems to which satisfactory solutions have not been found.

It seems, however, that this trend has virtually come to an end in some countries: for the past fifteen years, people have been leaving the centres of large cities and moving out to the suburbs and

exurbs; and the ranks of those who want to move out to the country are growing daily.

These changes raise three kinds of challenges for housing and the environment: the renewal of city centres, the provision of physical and cultural infrastructure for the suburbs, and the revitalisation of small rural centres.

Habitat

The massive influx of new inhabitants into towns created a long-lasting imbalance between housing supply and demand, greatly aggravated of course by the destruction of World War II.

After the immediate post-war period, the *overcrowding* problem eased, as a result of housing construction programmes. According to census results, in the 1970s, only five countries still had an occupancy of one person or more per room on average, and the trends show that in 1980 there are probably none. (In the United States today the average is two rooms per person).

Comfort has also improved notably, mainly due to renewal of the housing stock. Nearly all dwellings now have running water, and the number of those with modern sanitation is increasing rapidly in all countries, although there are

(9) See the United Nations' report on Labour Supply and Migration in Europe: Demographic Dimension 1950-1975 and Prospects, New York 1979.

3. URBAN POPULATION¹ %

COUNTRY	1950 ²	1975 ²
Australia	69	86
Austria	49	55
Belgium	63	95
Canada	63	76
Denmark	67	83
Finland	32	59
France	59	73
Germany	72	83
Greece	37	65 ³
Iceland	73	87
Ireland	41	52 ³
Italy	41	53
Japan	38	76
Luxembourg	48	68
Netherlands	70	77
Norway	32	45
Portugal	31	n.a.
Spain	38	71
Sweden	66	83
Switzerland	43	57
United Kingdom	80	76
United States	64	74

(1) According to national definitions; in certain countries a change may have occurred in the definition or the classification by size of localities from one census to the other.

(2) Or closest year. (3) 1970.

Source: Data transmitted by Member countries and United Nations Demographic Year-books.

4. DWELLINGS WITH FIXED BATH OR SHOWER

(%)

COUNTRY	1950 ¹	1960 ¹	1970 ¹	1975 ²
Austria	11	30	53	66
Canada	61	80	92	98
Denmark	38	60	73	81
France	10	29	48	70
Germany	20	48	82	91
Ireland	15	33	56	70
Netherlands	27	n.a.	81	93
Spain	9	24	46	57
United Kingdom	63	77	91	95
United States	66	86	94	97

(1) Or closest year. (2) Or most recent year.

Source: Data transmitted by Member countries and United Nations, A Statistical Survey of the Housing Situation in the ECE Countries around 1970, New York, 1978.

still considerable discrepancies (table 4).

Families have two main new ambitions with regard to housing: to own their own home and to have a separate house rather than an apartment. The move away from city centres is due in part to the very sharp rise in the price of housing there (although the increased cost of energy is having the opposite effect) and in part to this marked preference for individual housing. All this is reflected in the fact that settlement patterns are less dense than in the past. Whereas reconstruction in most countries during the post-war period took the form of apartment-house building, most new construction today (over three-quarters in some cases) consists of individual homes.

Environment (10)

In the 1960s, damage to the natural environment was beginning to evoke some negative reactions to economic growth. In 1980, the environment is still one of the main concerns of people living in the OECD area. Despite the measures already taken, the welfare of the individual is being affected by various environmental hazards, of which noise seems to be the most strongly felt (11).

(10) The OECD has recently carried out a preliminary overall study of changes in the state of the environment between 1965 and 1975. See The State of the Environment in OECD Member Countries, Paris 1979, and The OECD Observer, N° 98, May 1979.

Urbanisation ... and suburbanisation.



Life Styles

During the period examined, life styles have changed profoundly. Some of the changes are the increasing number of women – particularly married women – who work outside their homes, changes in the duration and patterns of work, and the gradual replacement of the extended family by the nuclear family as the typical unit. There has thus been a change in the role of the individual within the social unit, and between the social units themselves, and these have given rise to feelings of alienation which are often reflected in behavioural problems.

Household Structure

Household size is shrinking in nearly all OECD countries. The average of

(11) See the communiqué issued following the Conference on Noise held at OECD from 7th to 9th May, 1980.



The nuclear family living in its own house has become the dominant pattern ... but a fifth of all households are people living alone.



3.3 people at the time of the 1960 census had fallen to 3.0 by 1970. Two factors are mainly responsible for this change: different generations no longer live together, and there are fewer children in each family (12).

The other side of the coin is that there has been an increase in the number of one-person households, which now comprise as much as a fifth of the total number. Most of them are elderly people whose husbands or wives have died and young people who have left home. Yet the nuclear family has become the dominant pattern for households with children. (Eight or nine out of ten such households follow that pattern).

Redistribution of Roles

The increasing frequency with which both members of a couple work causes

problems for the nuclear family in caring for and educating young children (13) and in sharing domestic chores. The higher income provided by the two-earner family does not in itself solve the problems which are not necessarily financial in origin.

For the care of young children, working parents can in theory choose among several solutions which, to varying degrees, imply the transfer of this function to the community. A survey carried out in EEC countries in April 1979 gave the following results:

	Care of children under 3 years old*	Nursery	Other supervision outside the home	Paid care at home	Other solution
Solution preferred by parents %		35	22	29	14
Solution adopted by parents %		20	29	19	41

* Where both parents work, some adopt more than one option at a time.

(12) See Child and Family – Demographic Developments in OECD Countries, CERl, OECD, 1979.

(13) These problems were studied during the

Intergovernmental Conference on Policies for Children held at OECD from 10th to 12th March 1980 (see The OECD Observer N° 104, March 1980).



Redistribution of roles.



The situation is similar in other countries: despite the increase in facilities available for care and education of young children (nurseries, nursery schools and pre-schools), the places available can accommodate only a very small proportion

of pre-school children. (This is not true for children of compulsory school age.) A large part of the potential demand for pre-school education is therefore still unsatisfied. (In Finland and Sweden, for instance, only 25 to 30

5. DIVORCE RATE OF WOMEN

as % of Married Women

Country	1950	1960	1970
Australia	3.7	2.8	5.5
Austria	6.7	5.0	5.9
Belgium	3.0	2.0	2.6
Canada	1.7	1.7	..
Denmark	6.8	6.0	7.5
Finland	4.6	4.1	6.0
France	3.0	2.8	3.1
Germany	6.5	3.4	5.0
Greece	..	1.5	0.8
Iceland	3.8	5.0	..
Ireland
Italy
Japan	5.3	3.7	..
Luxembourg	1.9	1.7	2.6
Netherlands	4.4	2.2	3.3
New Zealand	3.7	3.2	4.9
Norway	3.2	2.8	3.7
Portugal	0.7	0.4	0.2
Spain
Sweden	4.9	4.9	6.7
Switzerland	4.2	3.9	4.5
Turkey	1.8	1.8	..
United Kingdom(1)	2.8	2.2	5.5
United States	10.4	9.4	14.9
Yugoslavia	4.0	5.1	4.1

(1) *England only.*

Source: *OECD-CERI, Child and Family. Demographic Developments in the OECD Countries, Paris 1979.*

per cent of pre-school age children attend public nurseries, and in Finland it is estimated that only 40 per cent of demand for schooling at this level is satisfied.)

There is a need for community facilities, not only for pre-school children but also for the older ones whose school hours and holidays do not always correspond to their parents' schedules.

The tensions caused by imbalance between supply and demand for such facilities could be eased if there were a more equitable distribution of parental time, and this could occur if sex roles were less specialised. (They already are for a good many younger people.) Surveys confirm that it is working women with dependent children who have the least amount of free time during the work week: although they devote less time to their work than men do, and less time to domestic chores than non-working women (three hours less), it is nevertheless they who have the longest working hours.

A redistribution of time could also be achieved by reducing or rearranging hours of work; the demand for new schedules often reflects a desire for greater flexibility and freedom of choice.

Behavioural Problems

The lack of a sense of "belonging"

may cause some individuals to become alienated from their society. The profound social changes OECD countries have undergone since 1950 are often blamed for the development of behavioural problems – suicide, criminality, mental instability, etc. – even though available statistics do not always confirm this view.

The *suicide* rate for the population as a whole does not seem to have varied notably during recent years and remains very low. However, in several countries the rate is on the rise for young people in the 15-25 age group.

As to *crime*, figures for death by homicide remain low in most countries (of the same rough order of magnitude as fire victims), and show a tendency to increase but only slightly and in only a few countries (United States, Italy, United Kingdom). On the other hand certain other offences against private property, especially those associated with drugs,

are on the increase. The statistics show signs of a sharp rise in juvenile delinquency, also connected with drugs.

Although the *divorce* rate, which has been growing more rapidly since 1960, is undoubtedly affected by the legal changes which have taken place, the law has most often been a response to changes in actual behaviour. Thus the figures are a good indicator of the real trend over quite a long period and point to greater instability among *legal families*. However, there are also signs of continuing attachment to family life: the growing rate of remarriage and the fact that young people live together without marrying. It may be that these trends represent a change in the cycle and form of family life rather than a rejection of the family as such. In any case, the number of people, adults and children, who have experienced other kinds of ties means that, in some countries at least, marriage is no longer the rule.

Inequalities

Although fast economic growth has brought a marked rise in the standard of living for all groups of the population, important differences remain – in income, health, education, housing and

6. CHANGES IN DISTRIBUTION OF PRE-TAX INCOMES

	Index: Share of total income...	Deciles ¹									
		I	II	III	IV	V	VI	VII	VIII	IX	X
AUSTRALIA <i>Source</i> : Australian Bureau of Statistics. <i>Income Distribution 1968-69 and Income Distribution 1973-74</i>	...of families in 1973-74 (1968-69 = 100)	100	98	100	106	99	103	105	103	103	92
CANADA <i>Source</i> : Statistiques Canada. <i>Distribution of revenue according to size of revenue</i>	...of families and single persons in 1961* 1971 1978 (1951 = 100)* * farmers excluded	96 82 91		105 95 93		100 96 97		105 107 110		98 102 100	
FRANCE <i>Source</i> : INSEE, <i>Enquêtes sur les revenus fiscaux des ménages</i>	...of households in 1970 1975 (1962 = 100)* * Calculated by extrapolating from figures on distribution by income bracket	185 200		136 142	127 124	106 106	112 114	91 92	113 106	95 93	86 88
ITALY <i>Source</i> : P. Roberti, <i>Le Variazioni nella Distribuzione del Reddito in Italia, 1948-66, Rassegna Economica</i> , vol. XXXV and Banca d'Italia, <i>Reddito, risparmio e alcuni consumi delle famiglie italiane</i> (Annual Bulletin)	...of families in 1958 1968 1978 (1948 = 100)	63 74 121	89 92 114	109 100 113	116 107 113	115 111 114	113 108 113	112 110 114	101 113 113	105 113 104	89 85 79
UNITED KINGDOM <i>Source</i> : Royal Commission on the Distribution of Income and Wealth, <i>Family Expenditure Survey</i>	...of households in 1967 1977 (1959-60 = 100)	150 144	108 87	104 88	103 97	101 104	102 105	102 107	101 107	99 104	92 91
UNITED STATES <i>Source</i> : Bureau of the Census, <i>Current Population Reports, Series P-60</i>	...of families and single persons in 1961 1971 1977 (1950 = 100)	111 122 133	100 108 108	95 98 93	95 95 90	98 96 93	98 99 96	100 102 101	94 97 99	98 102 111	107 102 98

(1) Each decile represents 1/10 or 10 per cent of total households or individuals. Thus the first decile covers 10 per cent of the households or individuals who receive the lowest incomes.

working conditions. And certain characteristics, such as vocational skills, age, sex, race or nationality, seem to be strikingly linked to inequality. These traits affect a person's ability to earn an income, which is the main cause of social inequality, though by no means the only one.

Distribution of Income (Table 6)

Problems of accuracy and completeness make data on income distribution difficult to analyse. So the changes over time must be interpreted with great caution, and generalisation is impossible. However, the unadjusted data tend to show a common feature in several countries: the share of pre-tax income going to the highest income group (the tenth decile) is declining in all Member countries for which data are available. The group which benefits the most varies from country to country: in some countries it is those at the bottom of the income ladder but in others it is those who have incomes just above the average.

From the point of view of individual well-being, income distribution after taxes and transfer payments is more meaningful than pre-tax figures but no easier to establish statistically. These payments have been used to implement redistribution policies aimed at both equality and equity and more particularly at eliminating the pockets of poverty which have remained despite economic growth. However, certain groups which are growing rapidly in number are particularly vulnerable – the elderly, the young unemployed, the monoparental families. These groups, therefore, are target groups for social policy.

Elderly people

By 1990, the OECD area will have over ten million more elderly people than now, and half of them will be over eighty.

Because of their dependence on others and their special needs, this group, which is a large one, poses some of the most difficult problems facing society today. One difficulty is that so many elderly people live alone. (The older the person the more likely it is.) It is mainly women who are affected, both for structural reasons (they have a longer life expectancy) and because there is a generation of World War I widows. Institutionalisation has become more common, particularly for the very old.

The problem of social isolation – the individual housing unit – is compounded by the structurally declining employment rate for older people, particularly men (see above), since not many women in this age group have worked in any case. In the present economic slowdown moreover older workers are particularly likely to lose their jobs. More than four in five households of elderly

people therefore have no wage earner.

Thus the share of transfer payments in the income of older people is increasing rapidly. Recipients of old age pensions have grown in number. Since society as a whole has taken on the liability, and for most elderly households pensions provide the main if not the only source of income. Retirement pensions paid from public funds vary greatly from country to country. But, despite the efforts made by some governments to provide all elderly people with an adequate minimum income, older people having no personal resources over and above this minimum must be counted among the most deprived members of society. The worst off are the very old (who have been contributing to pensions for only part of their working lives), widows who have never worked (pensions paid to surviving wives are generally much smaller than those received by the pensioner himself) (14), and occupational categories which had no pension schemes at all until recently.

Unemployed young people (15)

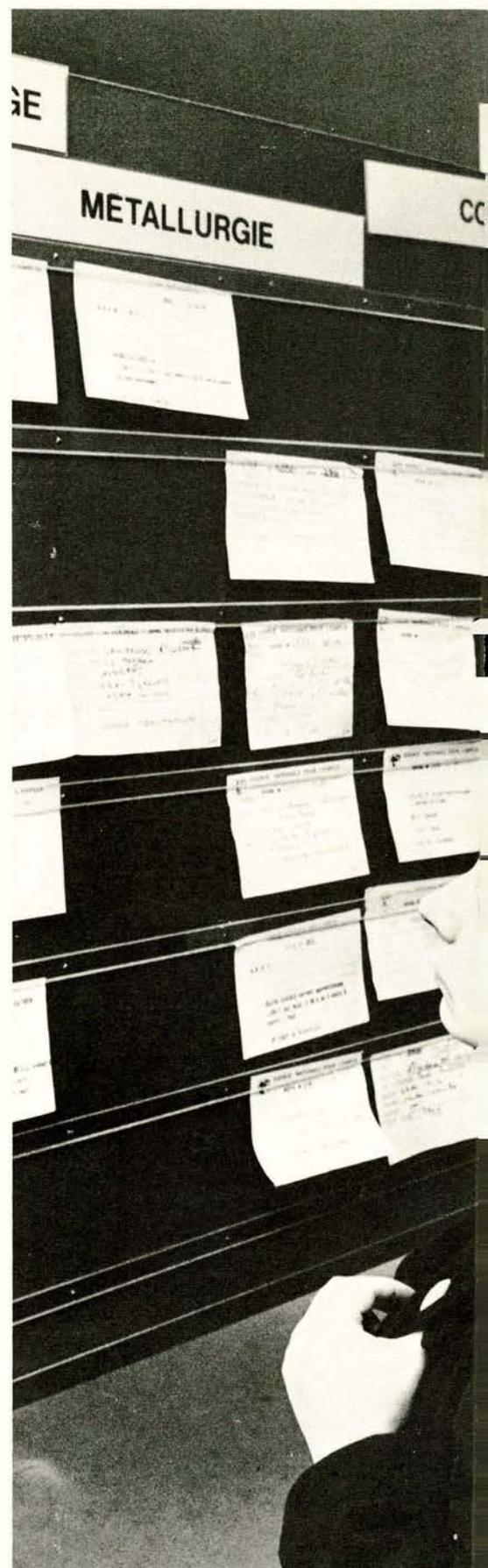
Youth unemployment can be seen as a problem of how a young person can make the transition to working life. It has several facets. The first is demographic: the post-war baby boom coming onto the labour market. The second is cyclical: the economic slowdown since the 1973 oil crisis. And the third is structural: the discrepancy between the training young people have received and the skills employers need. Because of these three factors it seems that today's young people are handicapped as far as employment is concerned; they have from two to three times more unemployment than adult workers and, although the demographic outlook is not expected to remain unfavourable for more than five years or so, the supply of jobs could continue to be inadequate.

During the past twenty years, the creation of skilled jobs and the democratisation of schooling has ensured a certain social mobility. Today, education seems a less likely route to social advancement in terms of a job with a higher status. Even if most young people are unemployed for only a short time and do finally get a job, it is often outside their field and well below their aspirations. What is more, there seems to be a "hard core" of young people in a sort of secondary labour market where the jobs are precarious, unstable, badly paid and ill suited to training.

Usually the young unemployed person is worse off financially than his adult counterpart. If, as is more and more frequently the case, the family does not

(14) See OECD Observer N° 97, March 1979.

(15) See Youth Unemployment, OECD, Paris 1978, and The OECD Observer N° 90, January 1978.



provide support, the jobless young person has no resources at all.

Single-parent families

In several countries, single-parent families account for 10 to 15 per cent of all families with dependent children, and for about the same percentage of all children in the age group. The number of these



Certain poverty pockets remain — particularly among the young unemployed, the elderly and monoparental families.



7. SINGLE PARENT FAMILIES WITH DEPENDENT CHILDREN

as % of total families with dependent children

Australia	1975	8.8
Belgium	1970	13.5
Canada(1)	1971	9.3
Denmark	1970	12.0
Germany	1975	13.0
United Kingdom	1976	11.0
United States(2)	1975	14.6

(1) All families.

(2) Only families of which a woman is head.
National sources.

Policies focussing solely on the traditional kind of family are unlikely to meet the particular needs of single-parent families who require greater protection against economic risks, more community facilities near at hand and, in some cases, household help.

**

Thus profound changes have taken place in the living conditions of people in OECD countries over the last thirty years. Some of these are a continuation of past trends, though perhaps the rate of change is accelerating. Population concentration in high-employment areas and growing participation of women in the work force are cases in point. Other changes are new: the growing portion of incomes allocated on the basis of social rather than economic criteria, and people's desire for a better balance between time spent at work and other kinds of activity.

The result of these changes has been to increase the general level of well-being: the average inhabitant of an OECD country is more healthy, better educated, better housed and better off financially in 1980 than he was in 1950, although some underprivileged groups have benefited less than the society as a whole. At the same time, the changes taking place seem to have led a small number of people to challenge the basic institutions of traditional society — the family, work, etc.

It must be stressed, however, that any analysis of such a wide range of developments over a period of thirty years is limited by the lack of sufficiently reliable data. This applies particularly to all attempts to establish links between the various factors which contribute to the quality of life or between living conditions and social policies.

An improved data base, as well as further conceptual and methodological progress, are necessary if social policy goals are to be more precisely defined. Such progress would strengthen the basis for measures of social policy.

families is increasing constantly and is growing faster than the number of "complete" families in some countries.

The fact that in four cases out of five the head of family is a woman is not unrelated to their financial difficulties. For, although unmarried mothers and divorced women (and to a lesser extent widows and separated women)

tend to work more often than married mothers, their jobs are often precarious and badly paid, and they depend heavily on transfer payments to meet their family's needs. Single-parent families receive a disproportionately high amount of total social assistance and comprise a disproportionately large share of low-income families.

New OECD Guidelines on PRIVACY

THE exponential rise in the use of sophisticated computers and telecommunications has brought, along with the advantages, a recurring nightmare: it is typified by the person who continually applies for a job and, though obviously qualified, is continually turned down. The reason: the computer shows him to have a criminal record. In fact, the "crime" has been overturned in the appeals court, but the computer does not know that; nor does the job applicant know what the problem is.

To prevent such violations of privacy and, more generally, to protect the individual in the information age, a number of governments in the OECD area, where computer and telecommunications equipment is concentrated, have passed privacy laws. Sweden was the first national government to pass such legislation, in 1973, and others – Austria, Canada, Denmark, France, Germany, Luxembourg, Norway and the United States – have followed. Still others – Belgium, Iceland, the Netherlands, Spain and Switzerland – have bills in the works.

Much of the European legislation follows a simple pattern: a data inspection board is charged with protecting the country's citizens by setting ground rules, licensing, registering and supervising data systems. In the United States, on the other hand, the burden of protecting himself falls on the individual, but he is aided by provisions in the law which require the government (and private employers in certain activities) to respond to requests for information. The individual can sue if it is not provided, and can collect damages and get the record corrected if it is wrong.

But with the appearance of privacy laws have come other problems. A number of countries do not yet have such legislation. Standards of stringency vary and those that have the tougher laws fear the privacy of their citizens may be violated in other countries – often called data havens. Moreover, there is a fear that discrepancies in legislation may hamper trade in what is becoming one of the largest and fastest growing industries and may provide an obstacle to other necessary data flows – from the subsidiary of a multinational to the head office for example.

Thus, since 1978, OECD countries have been working on

a code which would serve as a basis for legislation in those countries which do not have it, and would harmonise the treatment of privacy without interfering with the international flow of data. After two years of work, Member countries have now accepted the guidelines (1).

Just prior to the OECD decision, the Council of Europe agreed on a convention for its member states which contains the same basic philosophy (2).

Drawing up the guidelines was no easy task, for the legal traditions of the common-law countries – the United Kingdom, the United States, Canada, Australia and New Zealand – are very different from those of the European countries. In some countries privacy protection extends to legal persons – i.e. firms – whereas in others it applies solely to individuals. There were also difficulties for federal governments where guidelines may have to be agreed with the states.

OECD's guidelines will not only be useful to countries which have no legislation but should enable the countries which already have strict privacy legislation to ease up on its enforcement, especially if all members of the OECD "join the club".

Personal data affects millions of people, covering as it does such things as airline reservation systems, credit cards, banking and police records. But it is only a tiny fraction – perhaps as little as one tenth of one per cent – of all data processed and transmitted. Non-personal data – all the rest – includes corporate flows, scientific and technical information, economic intelligence etc. The next step – and it may be a long process – will be to agree on procedures for the rest.

(1) *Australia, Canada, Ireland, Turkey and the United Kingdom governments have abstained for the present.*

(2) *The OECD guidelines are voluntary while the Council of Europe convention will become legally binding for those countries which ratify when five of them have done so. The Council of Europe convention applies only to automated data whereas OECD's applies to all types of data processing, manual as well as automated.*

RECOMMENDATION OF OECD'S COUNCIL* CONCERNING GUIDELINES GOVERNING THE PROTECTION OF PRIVACY AND TRANSBORDER FLOWS OF PERSONAL DATA

The Council,

Recognising

- that, although national laws and policies may differ, Member countries have a common interest in protecting privacy and individual liberties, and in reconciling fundamental but competing values such as privacy and the free flow of information;
- that automatic processing and transborder flows of personal data create new forms of relationships among countries and require the development of compatible rules and practices;
- that transborder flows of personal data contribute to economic and social development;
- that domestic legislation concerning privacy protection and transborder flows of personal data may hinder such transborder flows;

Determined to advance the free flow of information between Member countries and to avoid the creation of unjustified

- obstacles to the development of economic and social relations among Member countries;

Recommends

- that Member countries take into account in their domestic legislation the principles concerning the protection of privacy and individual liberties set forth in the Guidelines;
- that Member countries endeavour to remove or avoid creating, in the name of privacy protection, unjustified obstacles to transborder flows of personal data;
- that Member countries co-operate in the implementation of the guidelines;
- that Member countries agree as soon as possible on specific procedures of consultation and co-operation for the application of these Guidelines.

* *The Australian, Canadian, Irish, Turkish and United Kingdom Governments abstained.*

THE GUIDELINES

1. GENERAL

Definitions

For the purposes of these Guidelines:

- "data controller" means a party who, according to domestic law, is competent to decide about the contents and use of personal data regardless of whether or not such data are collected, stored, processed or disseminated by that party or by an agent on its behalf;
- "personal data" means any information relating to an identified or identifiable individual (data subject);
- "transborder flows of personal data" means movements of personal data across national borders.

Scope

These Guidelines apply to personal data, whether in the public or private sectors, which, because of the manner in which they are processed, or because of their nature or the context in which they are used, pose a danger to privacy and individual liberties.

These Guidelines should not be interpreted as preventing:

- the application, to different categories of personal data, of different protective measures depending upon their nature and the context in which they are collected, stored, processed or disseminated;
- the exclusion from the application of the Guidelines of personal

data which obviously do not contain any risk to privacy and individual liberties; or

- the application of the Guidelines only to automatic processing of personal data.

Exceptions to the Principles contained in Parts 2 and 3 of these Guidelines, including those relating to national sovereignty, national security and public policy ("ordre public"), should be:

- as few as possible, and
- made known to the public.

In the particular case of Federal countries the observance of these Guidelines may be affected by the division of powers in the Federation.

These Guidelines should be regarded as minimum standards which are capable of being supplemented by additional measures for the protection of privacy and individual liberties.

2. BASIC PRINCIPLES OF NATIONAL APPLICATION

Collection Limitation Principle

There should be limits to the collection of personal data and any such data should be obtained by lawful and fair means and, where appropriate, with the knowledge or consent of the data subject:

PRIVACY LEGISLATION IN OECD COUNTRIES

		AUSTRIA	BELGIUM	CANADA	DENMARK	FRANCE	GERMANY	ICELAND (1)	LUXEMBOURG	NETHERLANDS	NORWAY	SPAIN	SWEDEN	SWITZERLAND (1)	UNITED STATES
Status:	Law or D draft bill		D					D		D		D		D	
Scope:	Covers data			M		M	M			M	M		M		M
	Automatically processed and M also manually processed														
	Processed at home and abroad														
	Public and private														*
	Scope:	Processed by central Government and L also by local governments			L			L			L				
	On physical persons and L also on legal persons	L	L		L				L		L				
	Provision for control authority														
	Individual has right of access to data														
	Individual has right to modify data														
	Individual has legal recourse in case of abuse														
	Penalties for non-compliance														
	Provision for appeal procedure														

* Public only.
(1) Details not known.

Data Quality Principle

Personal data should be relevant to the purposes for which they are to be used, and, to the extent necessary for those purposes, should be accurate, complete and kept up-to-date.

Purpose Specification Principle

The purposes for which personal data are collected should be specified not later than at the time of data collection and the subsequent use limited to the fulfilment of those purposes or such others as are not incompatible with those purposes and as are specified on each occasion of change of purpose.

Use Limitation Principle

Personal data should not be disclosed, made available or otherwise used for purposes other than those specified in accordance with the above paragraph except:

- with the consent of the data subject; or
- by the authority of law.

Security Safeguards Principle

Personal data should be protected by reasonable security safeguards against such risks as loss or unauthorised access, destruction, use, modification or disclosure of data.

Openness Principle

There should be a general policy of openness about developments, practices and policies with respect to personal data. Means should be readily available of establishing the existence and nature of personal data, and the main purposes of their use, as well as the identity and usual residence of the data controller.

Individual Participation Principle

An individual should have the right:

- to obtain from a data controller, or otherwise, confirmation of whether or not the data controller has data relating to him;
- to have communicated to him, data relating to him
 - within a reasonable time;
 - at a charge, if any, that is not excessive;
 - in a reasonable manner; and
 - in a form that is readily intelligible to him;
- to be given reasons if a request made under the above is denied, and to be able to challenge such denial; and
- to challenge data relating to him and, if the challenge is successful, to have the data erased, rectified, completed or amended.

Accountability Principle

A data controller should be accountable for complying with measures which give effect to the principles stated above.

3. BASIC PRINCIPLES OF INTERNATIONAL APPLICATION: FREE FLOW AND LEGITIMATE RESTRICTIONS

Member countries should take into consideration the implications for other Member countries of domestic processing and re-export of personal data.

Member countries should take all reasonable and appropriate steps to ensure that transborder flows of personal data, including transit through a Member country, are uninterrupted and secure.

A Member country should refrain from restricting transborder flows of personal data between itself and another Member country except where the latter does not yet substantially observe these Guidelines or where the re-export of such data would circumvent its domestic privacy legislation. A Member country may also impose restrictions in respect of certain categories of personal data for which its domestic privacy legislation includes

specific regulations in view of the nature of those data and for which the other Member country provides no equivalent protection.

Member countries should avoid developing laws, policies and practices in the name of the protection of privacy and individual liberties, which would create obstacles to transborder flows of personal data that would exceed requirements for such protection.

4. NATIONAL IMPLEMENTATION

In implementing domestically the principles set forth in Parts 2 and 3, Member countries should establish legal, administrative or other procedures or institutions for the protection of privacy and individual liberties in respect of personal data. Member countries should in particular endeavour to:

- adopt appropriate domestic legislation;
- encourage and support self-regulation, whether in the form of codes of conduct or otherwise;
- provide for reasonable means for individuals to exercise their rights;
- provide for adequate sanctions and remedies in case of failures

A DISCUSSION OF

between:

Judge Michael Kirby

Chairman of the Australian Law Reform Commission and Chairman of the OECD group which developed the guidelines,

Gerhard Stadler

Head of the Data Protection Division of the Austrian Federal Chancellery, and

Arthur Bushkin

Special Assistant for Information Policy of the United States National Telecommunications and Information Administration.

*What problems were
OECD's guidelines
designed to solve?*

Gerhard Stadler All kinds of information is now being processed abroad – airline reservation systems, payroll systems, information in libraries, scientific data. These data systems are worldwide; they have terminals in all countries; national data may be communicated by satellites, and we may not even know where it is being processed. So it is necessary to have a regime that protects privacy wherever the data is being processed, to deal with it on a worldwide basis.

Judge Kirby Probably only one tenth of 1 per cent of the vast amount of information moving between computers in different countries is identifiable as referring to particular individuals, but this is where the greatest risk to the individual could arise: if people have access to the data who ought not to, or if the data gets out of date or is unfair or otherwise unreliable.

This data does not even have to be computerised. You can have a very sensitive file which is not computerised

to comply with measures which implement the principles set forth in Parts 2 and 3; and

- ensure that there is no unfair discrimination against data subjects.

5. INTERNATIONAL CO-OPERATION

Member countries should, where requested, make known to other Member countries details of the observance of the principles set forth in these Guidelines. Member countries should also ensure that procedures for transborder flows of personal data and for the protection of privacy and individual liberties are simple and compatible with those of other Member countries which comply with these Guidelines.

Member countries should establish procedures to facilitate:

- information exchange related to these Guidelines, and
- mutual assistance in the procedural and investigative matters involved.

Member countries should work towards the development of principles, domestic and international, to govern the applicable law in the case of transborder flows of personal data.

THE GUIDELINES

but which can do tremendous damage to a person's reputation and, on the basis of it, decisions can be made affecting his life.

In the old days you could have your own little local laws to deal with your own local problems, but the technology here is international, the information is moving rapidly in vast quantities between countries, and it is the technology which forces international cooperation on us. It's no good to have strict regulations in one country if there is haemorrhaging of information from one country to another or the keeping of records in one country to evade the privacy laws of another.

Can you cite some examples of the kind of information that might be damaging to the individual?

Judge Kirby One of the most frequently cited is credit records, records which may be wrong and yet may deny a person access to credit. Within Europe there is great concern about records of extreme sensitivity such as a person's religious or political affiliation, because recent history has taught how damaging information of that personal kind can be if it falls into the wrong hands or is inaccurate, out of date or unfair.

liation, because recent history has taught how damaging information of that personal kind can be if it falls into the wrong hands or is inaccurate, out of date or unfair.

An important segment of the transborder flows of personal data is the movement of personnel data, between corporations with offices in different countries. Decisions may be made, in both the national and the international sphere, on your career, your promotion, your salary and so on, on the basis of information – or misinformation – that's whizzing around the world between the different branches of corporations.

It has been established that, if you could trace a person's every move – where he purchased goods, what books he purchased and so on, there could be what some American legal cases have called a "chilling effect". People would know that somebody was watching them and would be concerned as to who it was. This fear, however irrational, might affect their conduct. Computers provide means by which you can aggregate all this information and, theoret-

tically at least, somebody in authority could be looking at it.

Arthur Bushkin Judge Kirby's last example is very real to the average citizen. He wouldn't speak of it in those terms, but he would probably have five examples in a day where this could occur. It stems principally from the trend for large organisations and governments more and more to take decisions about people on the basis of recorded information. In earlier times when our societies were less complex, the individual and the decision-maker sat down face-to-face and talked things over, and credit was granted or a loan was made or a house was sold. Nowadays with computerisation, there is more and more data, and it's easier to call up a file from a computer than it is to call the citizen. It's a cost issue as much as anything else, and the citizen experiences a loss of control over what's happening to his life. There's nothing inherently wrong with making decisions on the basis of recorded information, but we must ensure that we don't take the citizen out of the loop when it is so important to his livelihood.

In the examples we've given, there's no bad guy, there's no inherent evil. These are public events, each of them in themselves. It is the ability of computerisation to accumulate that creates a new situation that is qualitatively different. But each of these events in itself is something that the average citizen would like to continue to do.

What is being done nationally to solve these problems?

Arthur Bushkin Some countries do not as yet have any legislation. Where they do, laws differ from country to country. Privacy is sometimes a misnomer. In the United States, we sometimes call these laws fair-information practice laws.

Judge Kirby In Europe it is called data protection or data security.

Arthur Bushkin But the central theme is that the individual has the right to see recorded information about himself; he has a right to correct information that is inaccurate. In some countries, in some of the United States laws for example, he has the right to see recorded information that was used to make an adverse decision about him: if he is denied credit, he gets to see the information upon which the denial was based.

Does that mean that the citizen will be informed every time information is being stored about him?

Gerhard Stadler That is one solution, in the Federal Republic of Germany's law, for instance, but the general rule is that you have to ask for the information. That means that you have to play an active role, but you can go to the authority or to an enterprise and ask:

"What information about me is stored?"

Judge Kirby It may well be that we will all ultimately come down the track of the German legislation so that when an adverse decision is made, at least if it is of some importance, the person should be informed as to that decision so that he can activate his right of challenge. It's one thing to have a right of challenge, but if the decisions are made behind closed doors on the basis of files and computerised information and you don't know it, then the right may not be very effective. →



Personal data affects millions of people covering credit cards, banking and police records.

How will the OECD guidelines help to solve these problems?

Judge Kirby The aim was to lay down guidelines which would be used in Member countries of OECD for the privacy legislation which they are adopting one by one. In some countries legislation has already been enacted but in others such as Australia

and New Zealand it has not, and this code will mean that when it is, it can accord with the basic thrust of legislation already adopted elsewhere in the world. It is a statement by the Western communities as to the general format that their laws should follow.

Arthur Bushkin Probably the most significant aspect of the guidelines is the very fact that the majority of the industrial democracies – and I would expect all of them in time – have agreed on a single set of principles. There is now agreement that these principles deserve international recognition, even though we may differ on our methods of implementation. But we have now elevated to the international level a set of agreements on the role of the individual in an information society.

What are the main principles incorporated into the guidelines?

Judge Kirby The guidelines are basically to make sure that, insofar as somebody can look at personal data, it is accurate, up-to-date and fair. The right of the individual to look at how others are seeing him is the essential principle, the golden rule which

comes out of the OECD and Council of Europe exercises. Essentially what this regime is saying is that the individual

should as a general rule have rights of access to personal information about himself. There will be exceptions, for example you can't have rights of access to police intelligence or to information relevant to national security and defence, but the general regime is adopted, and it is a normal right of access by the individual to data about himself.

The aim of the OECD and other international bodies is to uphold the individual at a time when the technology and the forces of government are tending to diminish his role. It is the reaction of the international community of Western countries upholding the rights of the individual.

Gerhard Stadler I think the guidelines of the OECD, like the Convention of the Council of Europe, brings about an equilibrium between the right to have information – or the free flow of information – on the one hand and the right of a citizen to privacy on the other. There are provisions of the data protection acts in some countries which can hinder the data flow. We are to a certain extent afraid that when our data goes abroad, it will not be protected in the importing state. When the guidelines are accepted by Western Europe and also by America and Australia and so on we will no longer need to be afraid. We will be sure that the data is protected in the same way nationally and in the other states which have also accepted the guidelines and the Council of Europe Convention – that there is a real standard for data protection wherever the data is transmitted or processed.

Arthur Bushkin The guidelines don't necessarily prohibit the existence of sensitive records. What they do is establish an umbrella under which the national governments would work to raise the bargaining power of the individual with respect to the record-keeping institution. For example, the individual would be given the right of access to the records, a right to challenge their accuracy, a right, in some cases and in some countries, to add a statement of his side of the story. The countries recognise that there is an inevitable movement towards the use of computers

and information technology. It is important to assure that we have not inadvertently trampled on the rights of the individual. What we're doing is equalising the stake of the individual and the record keeper.

There is another thing: despite efforts of the mass media, the issues don't always percolate to the national consciousness. The guidelines will have a salutary effect merely in raising the issue for the average citizen, making him aware that in many countries he already has rights; many people aren't aware of the rights they already have, let alone the new rights we're attempting to put in place.

Will national laws which follow the guidelines be identical?

Arthur Bushkin No. The interesting challenge of the guidelines was to develop an overarching framework of principles and methods of implementation which forged a consensus among the different nations but at the same time enables different national political philosophies and national administrative structures to work their will in their national manner.

Judge Kirby In the United States for example, there is much greater use of the courts by citizens to enforce their rights, whereas in European countries there is much more use of government data protection authorities while in Australia and Canada and New Zealand there's a sort of compromise between the two – some use of the courts and more use of commissioners and ombudsmen. The guidelines leave it to particular countries to use their own machinery for enforcement of the guidelines. But the basic scheme, the basic rules laid down, are agreed by all.

Within a federation responsibility for the laws governing privacy protection may not be just a federal matter. This is so in the United States, Canada and in Australia, and therefore the aim of the guidelines is also to lay down a regime by which you can bring legislation at federal and state levels into line with a basic scheme.

Up to now we've only been talking about the OECD countries. What about non-OECD countries?

Arthur Bushkin On personal privacy, the OECD countries by and large are further along than non-OECD countries and in particular Third World countries. But the latter are also moving in the direction of computerisation and informatisation.

Gerhard Stadler In some countries in Africa and South America, for example, there is a certain feeling that privacy acts are needed, and these countries are looking at what's

being done in the OECD. As soon as the technological infrastructure is built up in these states, it will be necessary to include them in the privacy debate, because neither privacy acts nor the guidelines will be very useful if they can be circumvented by exporting the data to a state which is not bound by the guidelines or by the Council of Europe Convention. One of the next steps will be to link the states which have an infrastructure for information systems into the privacy discussion.

Judge Kirby The practicalities are that the vast mass of the data is moving between OECD countries, and therefore it is legitimate for the OECD to address itself to its own problems first, but the last principle of the guidelines looks to future developments which will include non-Member countries of the OECD.

What is the next step?

Judge Kirby In those countries which haven't yet agreed upon them, the step is consultation with home authorities to seek agreement that they should subscribe to the guidelines. In cases of federations, at least Australia, that consultation will involve discussion

with the states which have the basic responsibility for privacy protection legislation. This consultation will in itself have an educative effect, because it will mean informing the governments which do not have laws on privacy protection of what the international community says the proper regime ought to be. In those countries that have laws but perhaps haven't covered the whole field, it will be a matter of bringing their laws up to the standard. The guidelines also contain a final clause which mentions the provision of facilities for the exchange of information and international cooperation in this area.

Arthur Bushkin While we are all understandably enthusiastic about the passage of the guidelines, it would be unfair to leave the impression that the problem is solved or that there is nothing left to be done. In each individual state there are actions to be taken. There is probably no state that has taken all the steps that it would like in the areas covered by the guidelines. There are also areas where technology seems to be impinging on the right of personal privacy that are not covered by the guidelines. So there's an agenda ahead.

The guidelines apply only to data which refer to individuals, to natural physical persons. Four Western European countries have laws referring to legal persons as well – corporations. This is not yet universally accepted, and I think these are areas to which the OECD will now turn its attention. The guidelines were the first step in what will likely be a decade of international examination of these issues.

INFORMATION, COMPUTER AND COMMUNICATIONS POLICIES FOR THE 1980s

A conference on Information, Computer and Communications Policies for the 1980s was held at OECD in October. More than 200 senior government officials having a wide variety of responsibilities discussed the impact of advances in electronics and telecommunications on economic growth, productivity, international trade, employment and social progress.

Pierre Juneau, Deputy Minister for Communications and

Under-Secretary of State for Canada, was chairman and the opening address was given by André Giraud, French Minister of Industry. Takeshi Noda, Parliamentary Vice-Minister of International Trade and Industry, Japan, Olof Johansson, Minister for Civil Service Affairs, Sweden, and Matthew Nimetz, Under-Secretary of State for Security Assistance, Science and Technology, the United States, gave keynote statements.

THE ROLE OF NUCLEAR ENERGY IN THE YEAR 2000

by Ulf Lantzke,
Executive Director, International Energy Agency

Recent events in the Middle East have once again shown the importance of developing alternative energy sources — particularly, between now and the year 2000, coal and nuclear. IEA is basically optimistic that these alternatives can materialize and that oil imports into IEA countries can be reduced from 24 mbd today to 20 mbd in 1990 and to 17 mbd by 2000. But the assumptions behind this ambitious — some will say overambitious — goal are:

- average economic growth in industrialised countries of 3.2 per cent per year
- energy growth at half the rate of economic growth
- doubling of IEA coal production and use by 1990 and tripling by 2000
- overall IEA oil and natural gas production to remain at current levels
- an increase in natural gas imports from 25 mtoe today to 300 mtoe in 2000.

The final assumption is that there will be a two-and-a-half-fold increase in nuclear power by 1990 and a five-fold increase by 2000. Perhaps the biggest question in the long-term energy outlook today is whether this sort of growth is realisable.

Nuclear Power in the 1970s

Despite the fact that nuclear power tripled, the 1970s can hardly be called a glorious decade for nuclear power: forecasts of future installed capacity have been repeatedly lowered; plans for new units were cancelled in the United States, Germany and Spain. But the impact of this depressing situation will be visible only in the late 1980s, due to the long lead times; we are still benefiting from the good climate of the early 1970s.

North America

IEA figures show an increase from 60 GW(e) in 1979 to 260 GW(e) in the year 2000 for North America. This assumes that all reactors under construction and ordered in the US will actually be built and additional units with a capacity of 4 GW(e) will be ordered each year throughout the 1980s. This would require a spectacular turnaround from the 1979 performance when there were no new orders and six cancellations.

Europe

IEA would hope to see European nuclear programmes increase from 24 GW(e) in 1979 to 150 GW(e) by 2000 (excluding France which is not a member of IEA). This assumes that, in addition to reactors now under con-

struction and on order or firmly projected, new orders will amount to 6 GW(e) per year.

Only in France, where nuclear capacity is expected to increase from 11 GW(e) today to 86 GW(e) in the year 2000, has the nuclear programme maintained its pace. In Germany, with one exception in 1979, there has been a de facto moratorium on orders for nuclear plants since the mid 1970s. To meet even reduced projections, there must be an average ordering rate of 1-2 GW(e) per year in the 1980s. In Sweden, while it was agreed in the March referendum that plants already in operation could continue and those under construction be completed, there is still a ban on new orders. In Italy, the initial target of 12 GW(e) by 1985 is now seen — and only as a possibility — for the year 2000. The outlook is more

Yet, we still feel that nuclear can increase from today's 100 GW(e) to 245 GW(e) in 1990 and to 485 GW(e) in 2000, at which time it would comprise 15 per cent of total energy requirements as against 4 per cent today. This estimate is roughly 100 GW(e) lower than the lowest estimate of the INFCE (1).

The IEA conclusion from this examination is that, although our expectations are low, they still require what amounts to a Herculean effort. Because lead times in licensing and construction are upwards of ten years, what is available in 2000 will be determined by orders placed within the next decade. An all-out effort is required to ensure that those orders are in fact placed, and this will call for a multifold strategy.

Key Nuclear Issues

A number of critical issues need resolution if we are to see a major nuclear contribution in the next ten to twenty years.

Rate of electricity growth

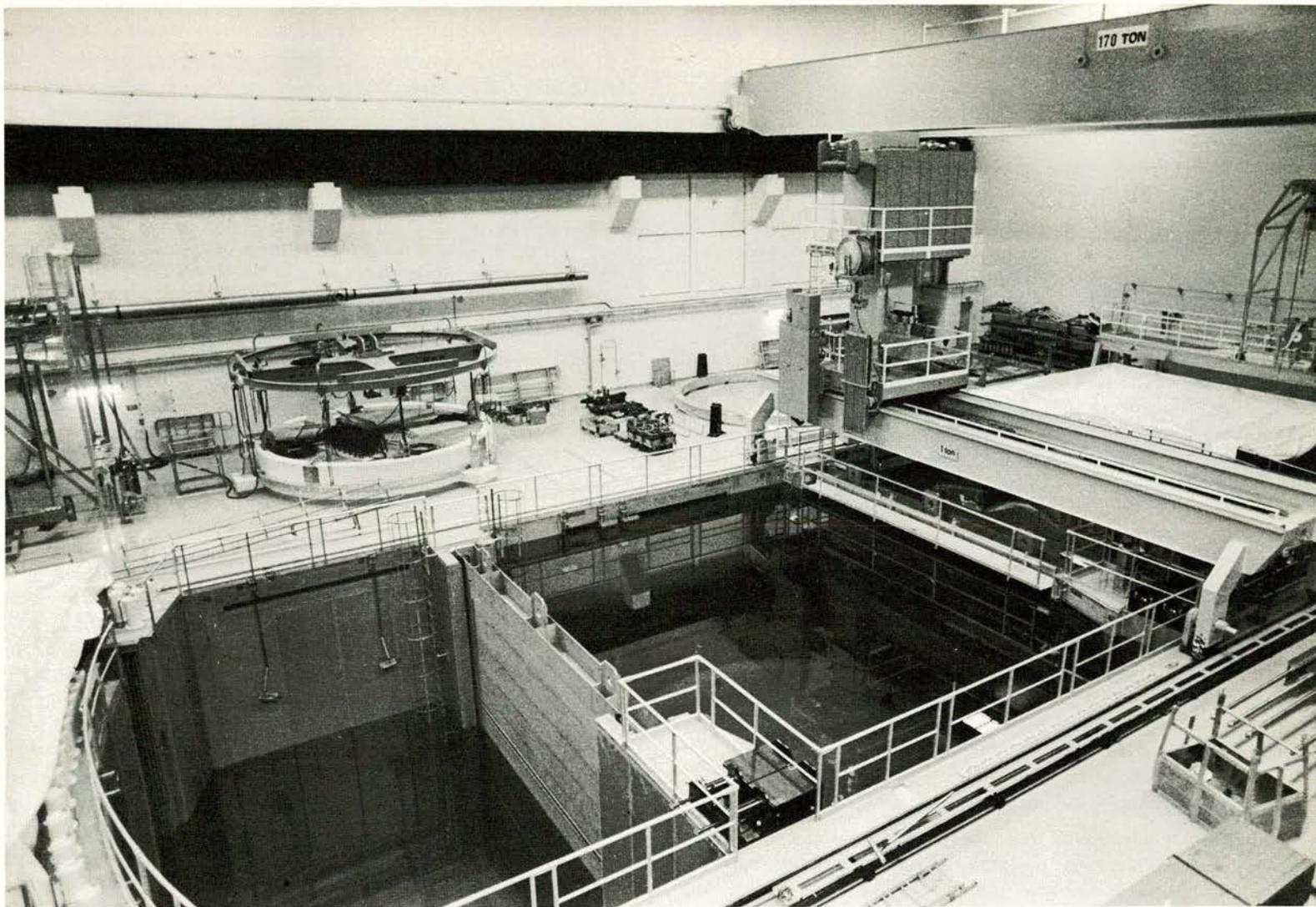
The most immediate way to reduce dependence on imported oil is to replace the latter with other energy sources, notably coal and nuclear, in electricity generation. But this option requires intensified efforts to step up plans for electrification. IEA projections show that, even with low to moderate economic growth, increased electrical generating capacity (at about the same rate as overall economic growth) is essential to meet future energy re-

(1) *The International Fuel Cycle Evaluation (INFCE) published a technical evaluation of all nuclear fuel cycle options in the light of non-proliferation considerations in the month of April.*

encouraging in the United Kingdom where the government firmly supports the need for an order rate of about 1 GW(e) per year. Likewise, in the Netherlands, the building of three new nuclear power reactors has been approved by the government, pending parliamentary approval. While some delays may be experienced in the nuclear programmes of Spain, Belgium and Switzerland, their plans seem to be achievable.

Japan

IEA projections assume an increase in capacity in Japan from 13 GW(e) today to 74 GW(e) in 2000. This would mean that all reactors under construction and ordered are completed and that an additional 5 GW(e) per year are placed on order.



Nuclear power station in Forsmark, Sweden. The March referendum authorised the continued operation of six existing plants and the completion of six under construction.

quirements. We foresee that electricity input as a percentage of total primary energy requirements will increase from 32 per cent in 1978 to 41 per cent in 2000. Both coal and nuclear energy are needed to fuel even modest growth in electrical generation.

IEA has encouraged restrictions on new oil-fired power stations and minimal use of existing oil-fired capacity. And it is clear that all countries share this objective. Japan for example is not expected to put into operation any new oil-fired plant after 1986.

Financing nuclear energy

With the rapid escalation of oil prices since the end of 1979, little doubt remains that, even with very strict safety requirements, nuclear energy is more economical than oil. But financing constraints could seriously hinder nuclear development. First, capital costs of new power stations have escalated very rapidly in recent years, and the trend is likely to continue. Second, there are the historically high interest charges. This is of particular concern in the United States where utility commissions are reluctant to increase tariffs to account for carrying charges for the construction period.

Furthermore, the controversy surrounding nuclear power may lead investors to become reluctant to invest in it; to capture more of the money market, utilities may be forced to pay added premiums to cover the "risk" factor, thereby adding to the burden on utilities. There is a need for government to assure the industry that nuclear projects will not suffer arbitrary restraints and penalties.

Dwindling public confidence

Dwindling public confidence is perhaps the greatest threat to nuclear energy. We are all familiar with figures showing that, even after Three Mile Island, the majority of the public favour nuclear expansion. However, as we have all too often seen, minorities can block the interests of the whole. To restore public and in some cases even government acceptance, there are four primary areas for action:

- A thorough review of existing safety approaches to discover what further efforts are required to minimise the likelihood of nuclear plant accidents and their consequences. Both government and industry have responsibilities. Industry must take a fresh look at its approach to safety in design and operation, but governments must not take the easy way out by tacking additional regulatory requirements onto already cumbersome processes. Rather they should re-examine past actions to see what changes are necessary to assure safety in substance, not procedure.
- With the conclusion of INFCE, prompt international action should be taken to reach international agreements on those phases of the fuel cycle where uncertainty has been abetting public concern over proliferation risks and security of supply.
- A system for disposing of high-level and long-lived radioactive wastes must be chosen. It is not enough to say that acceptable solutions exist but no need to implement them yet. Compounding the problem, of course, is the difficulty of site selection. The public legitimately expects that at this stage of nuclear development, solutions should be found and is likely to interpret delay as uncertainty.

● Finally, it would be appropriate to make an objective and comprehensive assessment of the role of nuclear energy in the global energy picture, along with an assessment of the economic and social consequences of *not* having nuclear power. This kind of analysis, if well done by a responsible and independent group, could provide a valuable input to the public debate about nuclear power now going on in many OECD countries.

The Need for International Cooperation

The need for international cooperation cannot be emphasised enough. If we are to overcome the current range of problems associated with expanded development of nuclear power, we must recognise that national solutions will not be sufficient. At all stages of the nuclear fuel cycle, the basic problems are international in character and require international solutions. This means that, although specific energy policy actions will to a large extent be implemented within a national context, a high degree of international coordination is necessary. In some cases, re-processing for example, a completely international solution may be the only realistic answer to the complex array of technical, economic, political and security issues involved. Critical issues which require international cooperation include:

- clarification of uranium supply conditions by producers and consumers
- reliable conditions for the supply of fuel cycle services including uranium enrichment, fuel reprocessing, and storage and disposal of radioactive wastes; this is particularly important to effectively manage the dangers of proliferation
- setting international standards for construction and operation of nuclear power plants, which are as vital as domestic standards.

There already exist many fora where nuclear cooperation takes place. The centrepiece of international nuclear cooperation, the International Atomic Energy Agency (IAEA), has traditionally focussed its work in three areas – helping establish nuclear programmes, especially in developing countries, improving the conditions of supply of the various phases of the nuclear fuel cycle worldwide and implementing the Nuclear Non-Proliferation Treaty through their safeguard system.

In addition, the IAEA has become an important centre for following up on INFCE. Three groups have been established – on international plutonium storage, international spent-fuel management and, the latest, assurance of supplies of nuclear material. It is important that these groups reach quick agreement on these important issues, in order to keep the positive cooperative

momentum of INFCE and come to concrete international agreements and that they not end up in endless discussions.

The Nuclear Energy Agency of the OECD (NEA), like the IAEA, attempts to improve the basis of nuclear power programmes of Member countries through technical and economic studies and information exchange on all parts of the fuel cycle.

The International Energy Agency provides assessments of the role of nuclear energy in the light of total energy programmes and gives impetus to nuclear growth through encouragement of programmes to reduce oil dependence in general, through, for example, agreement to prohibit new oil-fired capacity.

However, one might realistically question whether these efforts of a more or less technical and commercial character are adequate in the light of current nuclear energy difficulties, which are not so much technical as political and social. Unless the present charged atmosphere improves, we may have to forego totally the nuclear option.

Since dwindling public confidence is the major threat to expansion of nuclear power, affecting all nuclear power issues ranging from more sophisticated and time-consuming regulatory processes to the selection of a waste disposal site – we should re-think how, through international cooperation, greater public acceptance could be encouraged.

One area of stepped-up cooperation which would have very immediate effect is that of radioactive waste disposal. The exchange of information and experience on this subject, and the international R and D projects organised by NEA should be stimulated. In addition we will have to look very seriously for a demonstration of radioactive waste management on an international level in order to show the public that practical solutions to this most important problem do exist, not only in blueprint but also in reality.

Just twenty-five years ago nuclear power offered mankind a hopeful vision of the future – unlimited supplies of a new form of energy to take over from oil, just as oil had taken over from coal. Instead, today we find ourselves confronted with a paralysing crisis of confidence in the future of nuclear power at a time when we can least afford it. The failure to meet nuclear power goals is unlikely to be made up by other energy supply systems but rather to result in still lower economic growth, with the unemployment, hardship and instability this entails.

But this need not be the future path. There are some positive signs on the horizon and with the continued dedication of industry and government, we are confident that in ten years nuclear energy will be an accepted and natural option.

New IEA Actions

In response to the Iraq-Iran hostilities, IEA governments have tightened up another notch on their oil policies. They agreed on 1st October to urge the private and public bodies within their jurisdiction to refrain from abnormal purchases on the spot market and to draw down stocks during the last quarter of 1980.

A follow-up meeting of the Governing Board on October 21st concluded, in the words of outgoing chairman Niels Ersboll (1), that "we can cope with the situation created by the war" and that the oil supply situation for the last quarter of 1980 and the first quarter of 1981 is manageable. The level of stocks before the conflict was unusually high, and some additional supplies – estimated by IEA Executive Director Ulf Lantzke at 1.4 million barrels a day – are expected to be made available by other

producers. No triggering of the emergency oil sharing system is expected.

However, a few countries have had supply problems: first Portugal which, however, has been able to resolve them so far; then Turkey, which requires help. "Member states in a position to do so will participate in a programme of informal cooperation to overcome the Turkish problem", Ersboll explained to the press. Turkey got almost all of its oil from Iraq and is now estimated to be receiving less than 50 per cent of its normal oil supplies. IEA Members will provide about a million tonnes for Turkey.

(1) The new chairman is Hiromichi Miyozaki of Japan, Ambassador to OECD and former Deputy Minister for Foreign Affairs.

NUCLEAR ENERGY

Controlling Long-Term Environmental Effects

by Bertrand Rüegger, OECD Nuclear Energy Agency (1)

Tritium, carbon-14, krypton-85 and iodine-129 are the names of radioactive isotopes discharged into the environment during the normal operation of nuclear reactors and fuel reprocessing plants. Their special property is that they spread out all over the world, and their radioactivity, though very low, may take decades or hundreds and even thousands of years to disappear.

For this reason OECD's Nuclear Energy Agency (NEA) decided to assess the effects of these four isotopes on public health(2), to determine how they accumulate in the environment and the impact — even if it appears at first sight to be small — they may have on future generations. Briefly summarised in the article below, the NEA study also makes a cost-benefit analysis of techniques for retaining and managing these products.

During normal operation, reactors and fuel reprocessing plants emit radioactive products which pervade the environment and can affect man. Although this environmental impact is extremely weak at present, it could be a matter of real concern to the public.

With highly sophisticated and ultra-sensitive measurement methods, it can be detected and monitored at levels well below those where there would be a real danger. The real difficulty is to distinguish contamination due to nuclear installations from ambient natural radioactivity, whose mean value is hundreds of times greater. This means that the public receives far more radiation from natural sources in the ground and in space and from natural radioactive products in bone and other body tissues than from nuclear activities.

The purpose of regular measurements taken in the environment, together with world-wide studies including the report just published by the NEA, is to ensure that these installations are operating properly and to forecast, both for the immediate and distant future, the limited nuclear impact on the environment linked to present or foreseen power station programmes.

The Risks Involved

Although nuclear radiation is one risk among many, it is one to which the public often reacts emotionally. What exactly is the risk? In very small doses, near or below those resulting from natural radioactivity, exposure of a population to radiation may well increase the normal incidence of cancer and genetic defects, though it is impossible to say which ones are attributable to radioactivity. Under certain conditions, therefore, the impact on public health of small doses of radiation is proportional to the sum of all doses received by the individuals composing the population in question, or proportional to the number of persons exposed times the average dose received by each. This quantity is what is called the "collective dose" attributable to radiation.

Costs

Although achieving everywhere the greatest possible degree of security is clearly a legitimate aim, the cost of safety measures

must somehow be taken into account. Since the resources of a community are limited, individual safety necessarily depends on the price society can and is prepared to pay for improving security. Choices are inevitable and must be based on an objective analysis of the situation and on clearly defined criteria. Hence the need to weigh all the dangers on the same basis, so that they can be compared, to evaluate the costs and characteristics of preventive measures, and to use available financial resources as efficiently as possible.

A Procedure

Recent recommendations by the International Committee on Radiological Protection (ICRP) (3) put forward a decision-making procedure for radiation protection. The NEA study shows how the procedure can be applied.

The ICRP dose limitation system

The system gradually developed by the ICRP to protect man and the environment against the effects of radiation is based on three principles:

- No activity involving radiation shall be adopted unless its introduction produces a positive net benefit (justification of the practice).
- All exposure shall be kept as low as reasonably possible, taking into account the economic and social factors involved (optimisation of the protection).
- The dose equivalent to individuals shall not exceed certain limits recommended for the relevant circumstances (limitation of individual risk).

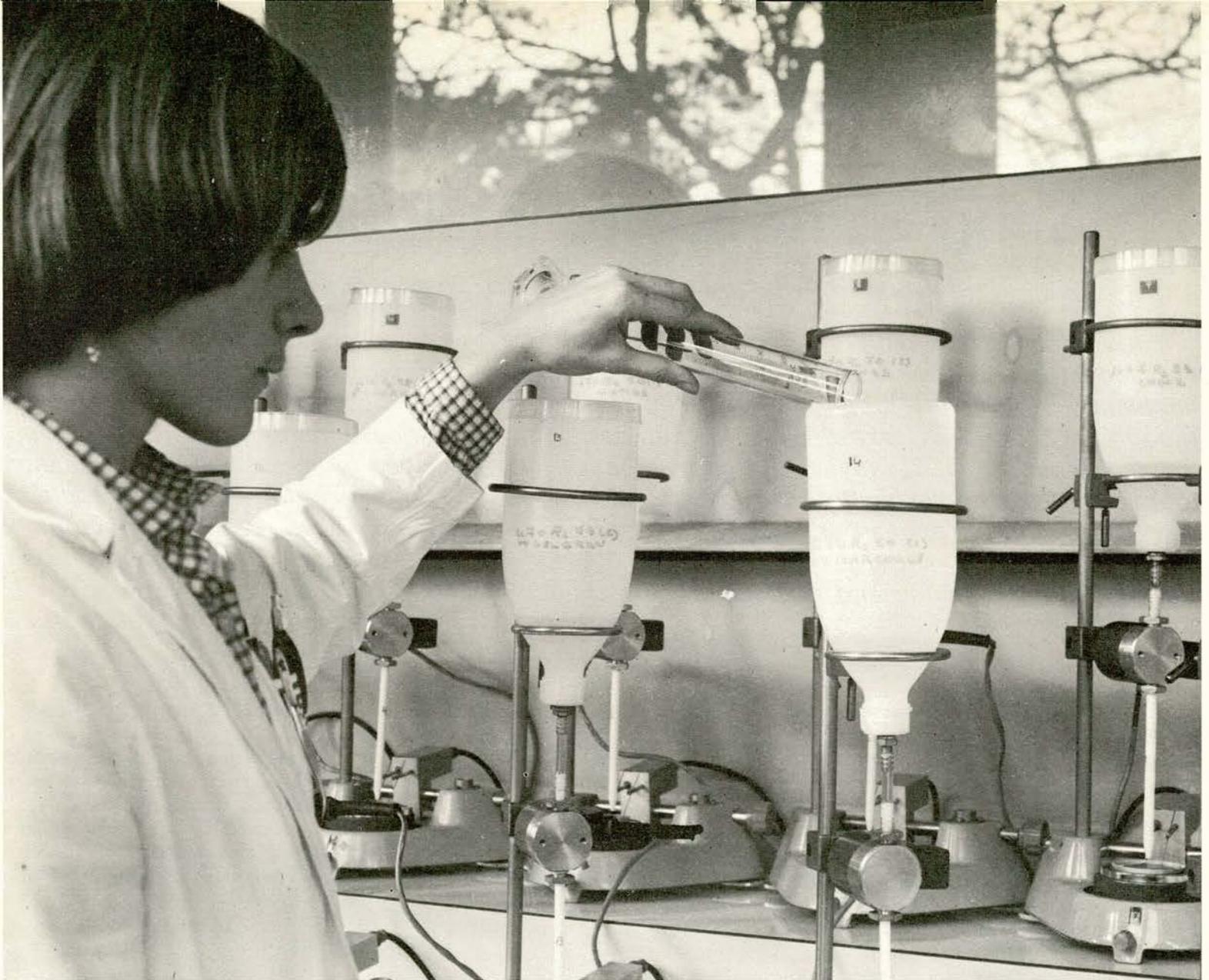
Justification

The first principle means that an activity is only justified if the

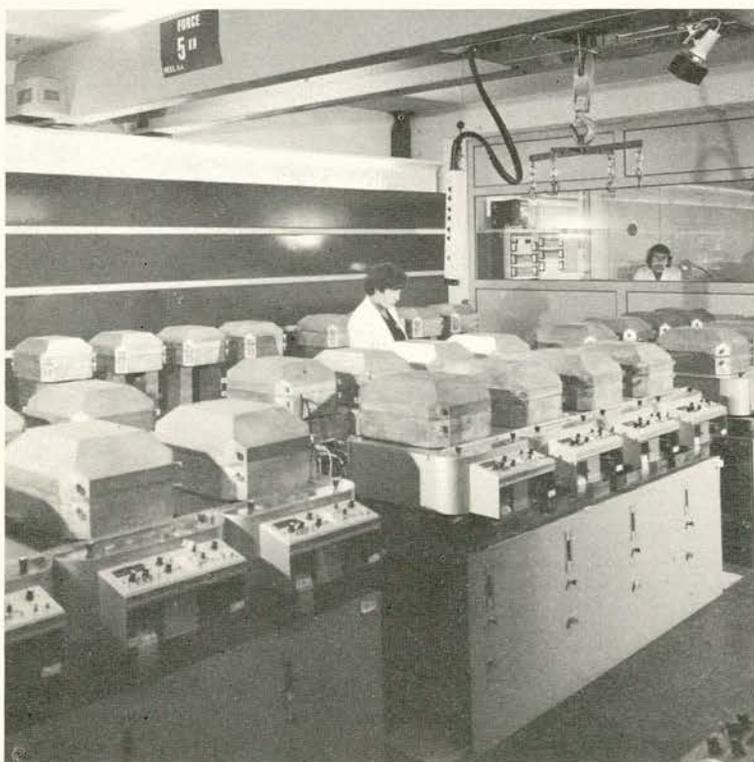
(1) Radiation Protection and Waste Management Division

(2) Radiological Significance and Management of Tritium, Carbon-14, Krypton-85 and Iodine-129 arising from the Nuclear Fuel Cycle, OECD, Paris 1980.

(3) The ICRP was founded in 1928, originally to evaluate the possible hazards of using X-rays in medicine. Its recommendations and reports concerning radiation protection are now regarded as authoritative.



Highly sophisticated measurement equipment monitors the low level emission of radioactive products into the environment. At the French Central Service for Protection Against Ionizing Radiation, the samples to be tested are carefully prepared (above) then inserted into the measurement apparatus (below) where they are isolated from natural radiation by a ton of lead.



benefits exceed the drawbacks. In practice, analysis is not easy because the factors to be compared are often at different and unquantifiable levels. Another difficulty stems from the need to compare all the advantages and all the disadvantages. Thus, the justification of nuclear power depends not only on the value of the energy produced and the costs of building and operating the power stations but also, for example, on public anxiety, the threat of war and the danger of economic and social upheaval if energy were to be in short supply, etc. The relative weight to be assigned to each of these factors is ultimately a political decision.

Optimisation

The second principle means that exposures should be kept as low as is reasonably possible. Hence the fact that a nuclear facility discharges only small amounts of radioactive wastes is not enough. They must be further reduced if this can be done efficiently at a reasonable cost. The limited resources available for protection must be used to maximum effect; there is little sense in a major effort to achieve some slight improvement where safety is already substantial if the same resources could be more efficiently used to reduce other risks which are not as well controlled.

A protective measure can be characterised by its cost-effectiveness ratio, i.e. the total cost of the proposed measure compared to the reduction in the detriment. The lower the ratio,

the more effectively the money is being used. Various possible protective measures can thus be compared and ranked in terms of rising cost-effectiveness. The available resources may then be allocated optimally, that is to say with maximum effectiveness.

Limiting the individual risk

The third principle applies when the detriment and benefit accrue to different people. A case in point is energy production which benefits the entire population of a region, while some people, e.g. those living near the power station, are more heavily exposed than others. The situation is not peculiar to the nuclear industry but applies to most human activities. In such a case the activity concerned is regarded as justified if the risks to the people who do not benefit are of the same order of magnitude as the other risks a member of the public normally runs in everyday life. The principle of limiting individual risk supplements the optimisation requirement: the degree of protection is determined by optimisation, but the individual risk must not exceed the maximum authorised value, and it is the more stringent requirement which tips the scale.

Application to a Concrete Case

The NEA study of emissions of long-lived radioactive effluents.

The recently published NEA study is a specific application of the procedure summarised above. It contains an evaluation of the individual risk and the total detriment (collective dose) associated with the emission of four long-lived isotopes by certain nuclear installations. It describes possible methods of retaining these products and analyses the requirements for optimising reduction measures.

The report studies various types of reactor and spent-fuel reprocessing facilities. Since characteristics depend on an installation's size, site and certain construction features, the experts had to use hypothetical "reference" facilities. Similarly, the analysis is mainly concerned with emissions into both water and atmosphere in the case of reactors, but only into the atmosphere in the case of reprocessing facilities although certain isotopes are currently discharged into the sea. This practice makes it possible to reduce regional and local doses but does not modify the global (world-wide) dose level.

Evaluating the impact of discharges

To evaluate the impact of these discharges, first the quantities of each radioactive element emitted into the atmosphere by each type of reference facility had to be calculated. Tritium, carbon-14, krypton-85 and iodine-129 are produced by nuclear reactions inside the fuel, moderator or coolant in nuclear power reactors, at rates related to the installed capacity of the reactors. They are found in effluents from fuel reprocessing installations and, to a lesser extent, from nuclear power stations. While tritium, carbon-14, krypton-85 and iodine-129 are not the only radioactive elements discharged by nuclear installations, they have the property of spreading widely into the environment and retaining their radioactivity for a long time.

With mathematical models, the environmental pathways of radioactive elements can be traced, and radiation doses received by the public can be calculated in terms of time and space (on a local, regional or world-wide scale).

In compliance with the third radiological protection principle, the risk to the most exposed individuals must be ascertained so as to ensure that it remains low enough. Assuming intensive production of nuclear energy (1 kw per person) over a very long period

(500 years), the individuals most exposed, the analysis shows, would be those living close to a fuel reprocessing facility. They would receive individual doses of some 4 mrem per year from carbon-14 and krypton-85 each, if discharged freely. For purposes of comparison, natural radiation is estimated to amount to 100 mrem per year.

The corresponding figures are 40 mrem for tritium and 100 mrem for iodine-129 per year emitted into the atmosphere, but below 1 mrem per year if these radionuclides are discharged in liquid form into the sea, as is present practice.

Careful review of the detailed calculations shows that exposure of these people is mainly due to discharges from the reprocessing facility, while the influence of other installations in the region or elsewhere in the world is almost negligible. It would therefore be up to the national authorities to decide whether the risk incurred by the individuals most exposed is acceptable, or whether discharges must be limited so as to reduce such exposure.

More generally speaking, the population of the industrialised countries, where large-scale production of energy means a high standard of living, receive an annual average radiation dose of 0.25 mrem from carbon-14 discharges and of 0.04 mrem from krypton-85 discharges. Because these elements are so mobile, the exposure of the people in the non-industrialised countries would be of the same order of magnitude. Thus the problem of retaining carbon-14 and krypton-85 affects everyone on the planet. The calculation of the collective dose which, as has been noted before, is the product of the average individual dose and the number of persons exposed, shows that the overall impact of carbon-14 and krypton-85 discharges is borne by the people who do not benefit directly from the energy produced.

The world-wide impact of tritium and iodine-129 discharges is less, but there is a quite substantial regional component which can be heavily reduced if the wastes are discharged into the sea.

Ways of reducing emissions and cost-effectiveness

One way of reducing the emission of a radioactive element involves three stages: removing the element from other effluents; conditioning it in a suitable form; and storing it until it is no longer radioactive, which means for a number of decades in the case of tritium and krypton-85. Carbon-14 and iodine-129, which remain radioactive far longer must be disposed of in some stable geological formation in order to ensure removal from the biosphere for about 10,000 years — long enough for the doses avoided by future generations to justify the operation.

By applying a reduction technology to a nuclear installation the amount of wastes and hence their impact measured in man.rem (the unit of measurement of the collective dose) can be diminished. Dividing the total cost by the number of man.rem avoided gives the cost-effectiveness ratio of the method — that is, the price to be paid for avoiding one man.rem. The lower the ratio, the more effective the use of the money in mitigating the consequences of waste emission.

A definitive estimate of the cost-effectiveness of methods of reducing radioactive effluents would ideally require several years' testing in a full scale industrial installation. But the techniques here involved are still at the development stage. Most estimates are based on design studies or on operational experiments on a pilot-plant scale. They are therefore somewhat uncertain.

Despite these limitations, some of the findings are striking. Thus, against all expectations, the retention of carbon-14 at a fuel reprocessing plant would only cost \$1.20 per man.rem, whereas retention of tritium from a pressurised water reactor would cost \$33,000 per man.rem.

Various surveys have been conducted recently to ascertain the maximum expenditure which national authorities would consider

warranted in order to save one unit of collective dose. The suggested range is from \$100 to \$1,000 per man.rem depending on economic and social conditions. In the absence of agreement on this point, and depending on how urgent the problem is, a broader range is sometimes considered. Whatever the uncertainty about these estimates, the \$33,000 per man.rem required for tritium in a pressurised water reactor is a very high cost, whereas carbon-14 retention appears to be very cost-effective: the ratio is \$1.20 per man.rem for a double caustic scrubbing process which retains 90 per cent of the radioactive element present in the treated effluent. A more expensive process, which however would retain 99 per cent of the carbon-14, using a molecular sieve, would cost \$30 per man.rem. In both cases, carbon-14 would be disposed of in deep geological formations or on the seabed in the form of a mixture of carbonate and cement.

The same methods applied to light-water nuclear power stations would cost \$51 per man.rem and for heavy-water reactors \$3.20 per man.rem.

Analysis of the results of retaining other radioactive elements must be interpreted more carefully, either because the cost-effectiveness ratio increases, for example, to \$93 per man.rem in the case of krypton-85, or because present practice is to discharge tritium and iodine-129 into the sea, while the study takes into account only discharge into the atmosphere.

* *

The NEA study shows that the impact of discharges of tritium, carbon-14, krypton-85 and iodine-129 from nuclear reactors and fuel reprocessing plants is borne mainly by populations too far remote from the energy-producing regions to benefit directly. The discharge of long-lived and very-long-lived radioactive elements

is responsible for individual exposure which is at a low level but affects very large numbers of people over several generations.

Application of the optimisation principle recently proposed by the ICRP indicates that, subject to confirmation of the financial estimates and to development of the appropriate technologies, some of these elements could be retained at very cost-effective terms. An agreement between the countries concerned on the maximum acceptable price for avoiding one collective dose unit would facilitate decision making on retention measures to be adopted.

Cost-effectiveness analysis could be refined to take account of occupational exposure and accident risks associated with the management of retained effluents, but it could hardly evaluate all the political, emotional and other factors which may influence decisions in so complex a field. Very few countries officially use the optimisation concept at the present time. Certain laws may even require application of the best available technology, whatever analysis shows about their cost-effectiveness. Optimisation will in all cases, however, provide valuable criteria for assessment.

Trends in radiological protection and radioactive waste and effluent management are being closely followed by the NEA. A consultation process, national and international, has been created with a view to revising the basic radiological protection norms in the light of the recent ICRP recommendations. The NEA study is an example of how the new principles can be applied in practice, and the aim of publishing it is to contribute to a consensus on these questions. The findings of the study, together with the technological and regulatory problems it raises, are to be examined in detail by Member countries. Further action is to follow, in order to prepare for more formal decisions which could be taken in the longer term.

The Impact of the Three-Mile-Island Accident on NUCLEAR SAFETY RESEARCH

Background

The accident at the Three Mile Island (TMI) nuclear power plant began at 4 a.m. on 28th March 1979 with an almost routine incident in the station water-treatment plant, a system which is present in all thermal power stations. This fault, compounded by other plant failures and certain human mistakes led to a sequence of events which finally resulted in severe damage to the reactor core. The accident may be regarded as having terminated some 16 hours after it began, following correct action by the operators and complete functioning of the built-in automatic safety systems.

Three months later, in June 1979, United States officials briefed the OECD Committee on the Safety of Nuclear Installations (CSNI)* on the causes of the accident, the sequence

of events, the immediate lessons learned, and the actions already taken and envisaged. The importance of this information (and that made available subsequently) to Member countries cannot be overemphasised. With some 200 power reactors in service in the OECD area, and the increasing calls upon the nuclear option for electricity generation, the first major accident in a nuclear power plant was obviously of enormous significance.

An immediate lesson learned from the accident was that the sequence of events had involved physical situations which had not so far been studied in great depth. Up to the time of the accident, the basis of reactor safety assessments and supporting research had been the premise that accidents leading to core damage and to harmful radioactive releases would be abrupt (due for example to the sudden rupture

of one of the 70 cm-diameter main coolant pipes) and nearly instantaneous. By contrast the TMI accident sequence evolved over a number of hours, and the coolant loss was through a relatively small (7 cm) pipe, equivalent to a "small break" in the system.

Since virtually all the co-operative programme of the CSNI is concerned with nuclear safety research (a vast undertaking upon which the OECD countries are currently spending about \$ 1 billion dollars a year), the Commit-

* *Delegates to CSNI are senior scientists and engineers with responsibilities for nuclear safety and licensing in the OECD Member countries. The Committee provides a forum for the exchange of views and research results, seeks consensus on major safety issues, and is engaged in enhancing knowledge in numerous areas by co-operative means.*

tee decided at an early stage that a joint exercise to determine the precise impact of the accident on safety research would be in the interest of all Member countries. A report "Nuclear Safety Research in the OECD area: the response to the Three Mile Island accident" has therefore been prepared by a consultant and the NEA Secretariat on the basis of contributions provided by Member countries, and will be published by OECD towards the end of 1980. The report describes the changes made to safety research programmes as a result of the TMI accident, under four main headings:

- projects relating to reactor systems and their operation
- the man/system interface and the problem of learning from experience
- evaluating the residual risk of a major accident
- reducing the possible consequences of an accident.

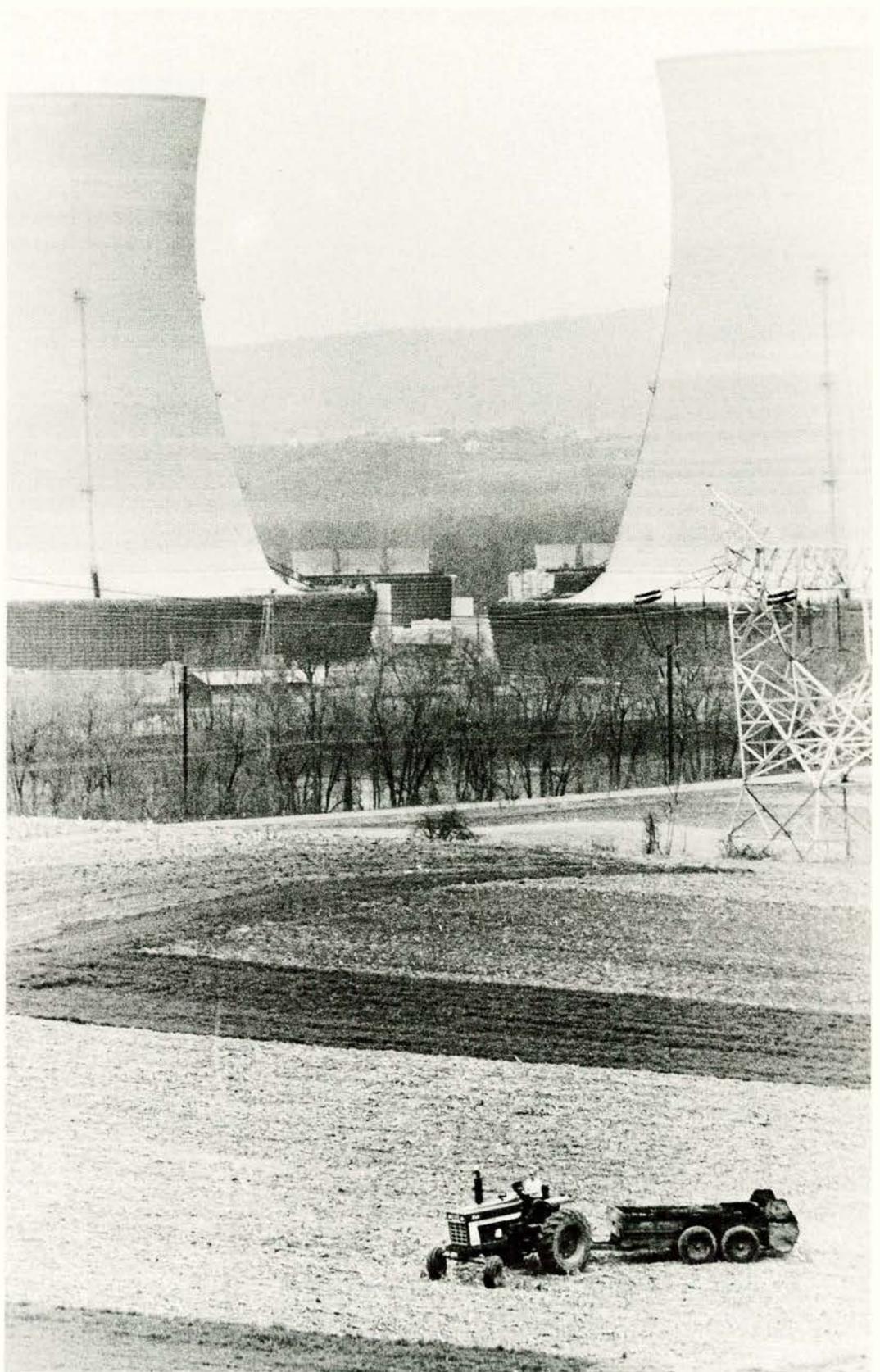
The "Post-TMI" Report

Plant and system behaviour

The TMI accident showed the importance of understanding operating modes of the reactor in degraded conditions which could well occur more frequently than formerly believed.

Of the analyses which must be made as a basis for making decisions to control an accident – either to limit core damage or to ensure adequate cooling to a severely damaged core as at TMI – the heat transfer modes and fluid conditions within the primary system are the most fundamental and the most difficult. Improved understanding of degraded operating modes is therefore essential for effective diagnostic or corrective action. Many countries are therefore now investigating all foreseeable cooling modes, particularly those in which the primary fluid is in two phases.

Research projects on "small break" accidents resulting in a loss of coolant concentrate on the system-wide effects of a small break in the reactor primary system. For this reason they are more often called integral tests and are conducted in large thermal-hydraulic loops or even complete reactors, such as LOFT, which include components representing the complete primary system. Many of these facilities are jointly funded by two or more countries or serve as the basis for international co-operative exchange programmes. Before March 1979 the work at these facilities emphasised the large break LOCA (loss of coolant accident) but, since, the TMI accident research has been redirected to stress



the effects of small-break loss-of-coolant accidents.

As far as the nuclear fuel is concerned, studies, carried out prior to the TMI accident, on how fuel would behave during accidents, considered a wide range of parameters and conditions, and has shown that the fuel assemblies were in general conservatively rated and more resistant to damage than originally presumed. It was widely assumed that an accident of

any consequence would be of short duration, either because it would be terminated by prompt action of the emergency cooling systems, or because otherwise the fuel would melt and its geometry and coolability would no longer be of prime concern.

The TMI accident with its relatively long duration has changed that perception and pointed out the need for something to be known of the status and geometry of the core so that its

coolability in *natural* circulation may be determined. Analyses of the accident sequence led to the conclusion that the reactor core suffered no significant damage until the last reactor-coolant pumps had been shut down 100 minutes after the accident began. The water level in the core then began, almost immediately, to fall at a rate of about one metre every 12 minutes, and the exposed sections of the fuel rods began to heat up.

New research programmes planned or started all focus on this heat-up sequence, either in an integral type of investigation or as separate experiments to study the oxidation of the cladding, the high temperature reactions induced, and so on.

The reports of the major investigations of the TMI accident emphasised that the principal deficiencies causing or worsening the accident arose from poor management and a lack of appreciation of the human factors involved, rather than from the operation of the plant and its hardware. Nevertheless, the reports do contain numerous statements about possible deficiencies in certain components and the need to consider the interrelations between all the systems in the plant. As a result, many studies of reactor equipment behaviour were started or modified by plant suppliers, operators and regulatory organisations.

The accident also drew attention to the uncertainty of whether certain reactor components are dependable enough, particularly in the extreme environmental conditions that may prevail when the situation is degrading towards an accident. These specific concerns are considered in the report.

Improving plant operations

It was in this area that the most severe criticism was levelled against the regulatory authorities and the utilities, based upon the belief that insufficient effort had been placed upon learning from experience in other reactor plants. Although a large number of reports on any unusual occurrences were required from plants in service, the level of discrimination was so low that reports of occurrences with important safety implications were lost in the hundreds of others that had no real significance.

Moreover insufficient attention was being paid to the growing complexity of plant control-rooms as more and more instrumentation was added at the request of design engineers or licensing authorities. That this situation is changing rapidly is evident from the number of new research activities described in the report.

Risk assessment

Prior to the TMI accident, reactor safety assessment for licensing purposes had relied almost exclusively on the "envelope" approach involving a design basis accident (DBA). Accident studies, both theoretical and experimental, were limited mainly to postulated events lower than the DBA on the severity scale and to large-break loss-of-coolant accidents leading to a possible core melt.

After the accident, two major considerations swiftly emerged: the technical lesson that there was an urgent need for careful study of accident situations in which an event with high probability but low consequence degenerates through multiple failures to a much more serious event – the so-called small-break LOCA typified by the TMI occurrence – and the specific conclusion that human failures not plant deficiencies had predominated in causing and extending the accident.

Since the accident, the merit of using risk assessment techniques to identify potential trouble areas in plant systems has been much more widely recognised, and the major investigations of the accident called for increased emphasis on risk assessment. Groups have been set up or strengthened in a number of countries to develop and apply risk assessment techniques to many areas of reactor technology, including the evaluation of core meltdown sequences and the effects of mitigating features defining research priorities, and so on. Both operating plants and those still at the design state are covered in the report.

Reduction of accident consequences

The basic validity of the "defence-in-depth" concept to protect the public from exposure to radioactivity was demonstrated at Three Mile Island. The containment building performed its function so well that radioactivity released to the public originated almost entirely from necessary plant activities related to hydrogen removal or the changing of the charcoal filters. Circumstances more severe than those which happened at TMI could cause serious challenges to the integrity of the containment building. These challenges are perceived by some to be of higher probability than before TMI, while others argue the merits of strengthening the containment barrier against release of radioactive material to the atmosphere. As a result several new research programmes have been started and older ones accelerated.

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