



AIA

Association Internationale des Anciens de l'OECE et de l'OCDE
International Association of Former OEEC and OECD Staff
2, rue André-Pascal, 75775 Paris Cedex 16 - 01 45 24 85 94 - aia@oecd.org

A QUESTION OF PROGRESS

AIA-NAEC SEMINARS AT THE OECD

OCTOBER 2015 - FEBRUARY 2017

List and Summary of these seminars
prepared by Nick Vanston

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FOREWORD

In 2013, the AIA received an increasing number of calls from its members for more information on health care issues. In response, and based on a proposal by Portia Eltvedt to draw on the considerable expertise of former OECD staff, the Association organised a seminar on health schemes in various member countries, with Peter Scherer ; and went on to organise other seminars on subjects such as inheritance or energy resources. These seminars proved very successful and gave rise to the realisation that OECD retired staff do represent a vast pool of corporate memory.

In a subsequent meeting between the AIA and the Secretary-General, the idea of tapping into this pool of corporate memory was explored and accepted by the Secretary General. We were also fortunate that the idea was enthusiastically embraced by Ron Gass, former Director of DELSA who, with his legendary vision and energy, started to put flesh on the bones and develop a coherent strategy for reaching across generations and across disciplines.

By October 2015, with the support and cooperation of William Hynes of NAEC (New Approaches to Economic Challenges), joint AIA/NAEC seminars were arranged involving both active and retired staff and even included members of some delegations. In fact the latest seminar was chaired by the Mexican Ambassador.

Below you will find a list and summary of these seminars written by Nick Vanston. The French version of this summary has been prepared by Sylvie Vanston. For this superb synthesis and its translation our grateful thanks go to Nick and Sylvie, for having captured the essence of the various discussions.

Of course we also warmly thank Ron Gass for marshalling such an impressive number of topics and distinguished speakers. Although they are too numerous to be mentioned here, we nevertheless offer them all our heartfelt thanks.

Lastly, as with all AIA events, nothing would be possible without the dedication of and organisational skills of members of its Secretariat such as Helgard Wienert, Portia Eltvedt and Linda Duboscq who, working with the NAEC staff, prepared and managed the practical side of the seminars. So again we offer our thanks and congratulations.

On a final note, we look forward to continuing our efforts to collaborate on enriching cross-generation, cross discipline events and hope you will enjoy this summary.

Barbara Lerch (Chair of AIA from 2007 to 2017)

John Hembury (present Chair of AIA)

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Background

For some years, the OECD pensioners association, the International Association of Former OEEC and OECD Staff (AIA), has organised seminars on topics of particular interest to pensioners, for example French fiscal treatment of inheritances. Starting in October 2015, the AIA organised a series of lunchtime seminars at the OECD headquarters on more general topics, initially by itself and subsequently in conjunction with the OECD's programme "New Approaches to Economic Challenges" (NAEC). The audiences for these seminars include active OECD staff and invited outsiders as well as pensioners. So far, seven seminars have been held, with the lead speaker in most cases being Ron Gass. Ron joined the OECD in 1958, became Director in 1974 of what was then called the Directorate for Manpower and Social Affairs (now DELSA), and retired in 1989. He has nevertheless continued to comment on, and develop ideas about, the work of the OECD in the field of social policies, broadly defined, and in particular, how the world might evolve, using scenarios rather than forecasts, and basing his views on long experience of social policy-making in OECD countries and wide reading of the relevant literature.

The seminars

Ron Gass can testify that the world has changed enormously in the post World-War II period, and the pace of change is not slackening. Most countries, including OECD countries, have never been so rich, the numbers of people living in acute poverty in developing countries have fallen dramatically, but economic growth itself is now seen as a means to an end, not as an end in itself. But to what end? Who decides? Who should decide? How can their voices be heard? What should be the role of the OECD? How can the various interacting economic, social, regional, technological, environmental, cultural, political and geopolitical forces at work today be harnessed to create the sorts of societies that future generations will want to live in? Can we learn from the past to predict what will (or will not) work in the future? These are the underlying themes of the AIA/NAEC seminars.

Telling truth to power, October 2015

OECD: neo-liberal or honest broker?

Several of the issues that figured in subsequent seminars were raised in this first one. It discussed the role of the OECD as it has been in the past and continues to be in the present. Because it has no power to impose its views on member countries, it derives its influence from its unique committee-directorate structure that covers most areas of government policy-making, combined with the professional analytical expertise of its staff. Its views are not monolithic and immutable: they depend on circumstances, what is happening in the real world. By analysing the results of different policies and institutions in not-so-different countries, valuable lessons can be learned and applied. Thus as regards macroeconomic policy advice, Keynesian policies worked tolerably well in many countries in the early years of the OECD, but policy advice had to change when these same countries were confronted with both high inflation and high unemployment. The OECD was criticised, wrongly, for having become a neo-liberal organisation, when

in reality it is a pragmatic one. When countries went into recession during the financial crisis and inflation was low, essentially Keynesian policy advice came to the fore again. In practice, the OECD's policy recommendations are based on the analytic capacity of its staff which reflects their experience, their pragmatism and their mastery of information of all kinds. Policy-makers demand evidence-based policy recommendations, but knowledge goes beyond statistics and sophisticated statistical analysis. Some things can be measured: economic growth or educational outcomes for example, and policy recommendations made on that basis, but issues like tax avoidance require deep knowledge first and foremost. Political and administrative theory also plays a role: the OECD's Public Governance and Territorial Development Directorate (GOV) has established itself on that basis.

Economic growth for what?

The over-arching priority of developing countries is economic growth, in order to lift their poorest citizens out of acute poverty. For much of the post-war period, stable economic growth with low inflation and unemployment was the main policy priority also of OECD countries. But what people really want everywhere is a "better life" that includes freedom, educational opportunities, self-realisation etc., as well as higher incomes. Economic growth, spurred by science and technology, is increasingly seen as a means to an end, not an end in itself. Human progress is wider than that. The more qualitative desires are now emerging at lower income levels as people in developing countries can see via television, the cinema and the internet how people in richer countries are privileged in more than purely material ways. Hence the pressure to emigrate to Europe, North America and Australia.

There are inequalities of income and wealth in all countries, and they have risen in the richer ones in recent decades. Rising inequality, with elites reproducing themselves and the children of the wealthy not even needing to work, has become seemingly entrenched whether economic growth is fast, sluggish or even negative. The goal of the inclusive society – the theme of the following seminar – will require lifelong learning and the inclusion of the non-active, a kind of social economy in which the economically non-active are involved in some sort of activity, for example non-profit.

China is an interesting example of a society which has had remarkable success in lifting hundreds of millions of its citizens out of acute poverty, but there have been environmental disasters, glaring inequalities and corruption. The Chinese government thus has a problem of legitimacy, to which it has responded by a major anti-corruption drive, and is trying to ensure that an entrenched elite does not take over the meritocracy that has been so successful economically. Like OECD countries, China has to face the key problem of balancing economic growth, social cohesion and environmental stability. So we have a world in which market-oriented states have similar economic views, but very different socio-political ones.

An OECD strategic vision and the road to economic resilience

The seminar addressed the three Ministerial goals of economic resilience, an inclusive society and a sustainable environment. To accomplish them, a strategic vision will be needed, but because responsibility for each goal at central government level is in individual ministries, there can be conflict. Traditionally, each objective requires a different instrument, and there is no guarantee that they will complement each other. More economic growth can result in environmental damage, but there are also possibilities for complementary policies, which can more easily be addressed at the local level. Cities can

more easily attract new businesses and new residents if they have a clean environment and good urban transport systems, for example. Similarly, recent OECD research indicates that non-inclusive growth is bad for growth overall, and there is no reason to believe that growth that is both green and inclusive will not be resilient. The objective of governance should be to construct policies that are complementary rather than in opposition to each other.

The inclusive society

Policies for an inclusive society are hard to implement, and it is hard to establish a goal. After the war, inclusion meant full employment, with income maintenance for the non-active. The OECD tried to enlarge this by means of “active society”, because self-identity is linked to activity, whether salaried or not. People could have perhaps unpaid activities such as volunteering, or care giving, that give them respect and self-respect. A universal income policy would not automatically lead to inclusion of those who do not have a paid activity. The OECD’s indicators of inclusion in its recent work on this topic were limited to three, and largely exclude the non-active (the notion of an inclusive society was treated in greater detail in the second seminar).

Singapore, which has substantial Chinese, Malay and Indian communities that created friction initially, succeeded in building an inclusive society essentially by creating a housing scheme which obliged people to save and invest in housing, so that wealth was distributed over all the communities. But in many other countries the elites have no incentive to build inclusive societies, adding to pressures to migrate. Nevertheless, there has been some progress in South America, where innovative social protection programmes have been created, and also in India. The OECD’s work in tracking illicit flows of money from elites in developing countries is also helping.

From sustainable development to sustainable environment

The OECD’s work on sustainable development is based on the intelligent exploitation of natural resources, but there is also the issue of a sustainable environment, especially in light of climate change. The relationship between sustainable development and a sustainable environment is problematic but the OECD’s environment directorate is addressing it using a combination of an economic model and Image, a socio-political model. All member countries of the UN agreed in 2015 to commit to a carbon budget by 2050.

The OECD organisational model faced with complexity

Historically, the OECD’s committee-directorate structure has been very successful in policy innovation, but faced with today’s more complex world, a stronger central strategy is required to offset the decentralisation of power. It would be a mistake, though, to have a too strong central direction, actively working on policy issues, since that would stifle the innovative capacities of the directorates and committees. Complexity theorists find that when confronted with unpredicted complex situations, a decentralised structure with a recognisable strategy will respond more effectively.

Although the world has become more complex, as have the policy issues facing the OECD, the OECD staff itself has become better able to analyse them. Professional training at the university level is far more sophisticated than in the early years of the organisation, and both the analytic tools now available to the staff, and their ability to use them, have improved out of all recognition. This is all the more important in

that the value of the OECD resides in its staff. Staff policy is all-important, there is no substitute for the professional culture of the OECD's staff. They are a productive resource, not a cost centre.

The inclusive society, February 2016

The issue of democracy

The second seminar focussed on how societies can become more inclusive in the broadest sense. Authoritarian societies have no innate incentive towards promoting inclusiveness, nor social mobility, so inclusiveness is associated with democracy, which responds to human needs. It cannot be assumed that societies will inevitably become more democratic, nor that democratic societies will inevitably become more inclusive. Democracy also poses problems of its own: "free elections" are not free for the candidates, so where does the money come from? Democracy means freedom to choose, but can one be sure that citizens are sufficiently well educated about the issues, and sufficiently interested in them, to make rational choices? In most democratic countries everybody has a right to education and other social benefits as well as to vote, but there may also be a need to intervene on outcomes. Democracy is necessary, but not sufficient.

Open and fair societies

Inclusiveness requires similar opportunities for all, but in many countries, education systems are tending to intensify inequality despite more students entering higher education. Social protection systems need to be transformed so as to redistribute opportunities as well as income over lifetimes. Universal and essentially free education up to the secondary level has been a great leveller, but it is now proving to be a sieve as well as an equaliser. Although women are at least as likely as men to enter higher education, they often still earn less for the same work, and are less likely to be promoted to the highest levels. Employers disproportionately provide training programmes for their better educated employees. Those from poor social backgrounds find it difficult to find and keep stable jobs. Work for less qualified citizens should be a priority, because life choices are largely determined by formal education experience. Particularly in southern Europe, employment is age-dependent: youngsters have to "wait their turn" before getting a job. Countries that have important vocational training programmes for youth have fared better. Unfortunately, the OECD seems to have abandoned the "second chance" for adults strategy.

Inclusion and exclusion form a continuum in principle, but there comes a point when exclusion becomes embedded, and entire communities can no longer enjoy full access to those rights and opportunities that are needed for social integration. Those affected can be the extremely poor, the long-term unemployed, inhabitants of urban ghettos, released prisoners, or those displaced by war. There is no single policy that can address all these groups, but what they have in common is that for them to integrate, "transitional communities" have to be created in the form of support structures. Actions have to be tied to circumstances.

Inclusive growth and inclusive societies

Traditional economic growth policies can exacerbate income inequality, including in countries where inequality is already high. Such policies need to be accompanied with social and socio-economic policies

that promote inclusiveness. Nevertheless, inclusive growth policies might not result in an inclusive society because the non-active are largely excluded. Those who are not in the labour force but are doing something useful, for example caring for family members, could be given an official status to enhance their self-respect.

On a related issue, OECD projections in the past expected that social diversity would be at the heart of progress, but on the contrary, policies in many OECD countries are defensively concentrated on social cohesion, faced with massive inflows of immigrants from very different cultural and economic backgrounds. The focus on combating terrorism is damaging personal freedoms. In parallel, the world-wide expansion of the social media means that self-identity is becoming less tied to citizenship of a particular nation state. Some people feel that they belong to communities that cut across national borders.

A society for future generations

Many people have no wish to join, or rejoin, the “rat-race”. The Local Economic and Employment Development (LEED) programme of the OECD encouraged job-creation in the non-traded sector, and the OECD pioneered the idea of the unemployed becoming entrepreneurs, and the voluntary non-profit sector has grown in importance. The non-traded sector is mostly located in cities, and cities have more possibilities than does the central government to implement policies that create synergies between growth, equity and the environment jobs. But governance structures are changing, and barriers to cross-sectoral synergies and initiatives may be changing.

The hegemony of growth (March 2016)

This seminar centred on a then about-to-be-published book by Matthias Schmelzer (Zurich University) called “The Hegemony of Growth: The OECD and the Making of the Economic Growth Paradigm”. The seminar was chaired by Gabriela Ramos, OECD Chief of Staff. Professor Schmelzer introduced his latest work, focussing on three questions: Why bother? (economic growth between stagnation and obsession) Why ask? (questions and approach) and Why growth? (key arguments about the remaking of the growth paradigm). He explained that his researches were spurred by worries about climate change, rising inequality and the long term prospects for global growth, which led to examination of the role of the OECD in the post-war period.

Currently, many economists worry about the possibility that most OECD countries are entering a period of secular stagnation. The lacklustre recovery from the 2008 recession and the unparalleled experience of persistently very low interest rates are cited as reasons for this worry. At the same time, other economists now question the maximisation of economic growth as the key policy priority to the exclusion of all other goals. Indeed, the term “economic growth” was not even widely used until the middle of the 20th century.

Because of its role in global governance, the OECD has influenced the development of the economic growth paradigm. Economic growth is written into the OECD Convention, and has become its “organisational ideology” according to Prof. Schmelzer. There are valid arguments in favour of implementing policies to spur economic growth, which has been described as desirable, imperative and essentially limitless. Economic growth was held to be necessary to solve problems such as unemployment, debt repayment and other often changing socio-economic challenges. Economic growth

was seen as the universal panacea, and could be adequately measured by changes in GDP, despite the various lacunae involved in this particular concept. Indeed, in the mid-20th century, many economists argued against the use of national income statistics as the guide to policy, but the demand by international organisations for internationally comparable measures won the day.

Prof. Schmelzer argued that throughout its existence, the OECD and its predecessor the OEEC played a key role in promoting the growth paradigm, but also reshaping and modifying it over time. During the 1950s and 1960s, the focus was on growth for its own sake, with emphasis on public sector demand-side policies. The OEEC and the OECD set medium-term growth targets over the 1951- 1970 period, which were if anything exceeded. However, the 1970-1980 target of a 65% expansion was not achieved, and as from the mid-1970s, other issues came to the fore, such as the environment, modern societies and the “quality” of growth. The OECD began to say that economic growth was no longer a goal in itself but a means to achieve a better life for all. Growth should be pro-poor, inclusive, green etc., while at the same time growth-enhancing policy recommendations switched from demand side to market-oriented supply-side structural reforms. Nevertheless, in the end, further accumulation and expansion were prioritised over other goals, on the grounds that all other goals could best be achieved via higher growth. However, in this same period, income inequalities widened, climate warming accelerated, and pollution increased. One reaction to this was the OECD’s creation of the “better lives” index, although this does not incorporate the using up of fossil fuels and other natural resources, or the quality of working life or social inequalities. As noted earlier, economic growth in OECD countries is slowing, and the other problems that growth exacerbates are still rising.

This narrative raises questions such as: are OECD countries now entering a period of secular stagnation; would renewed growth really be beneficial for welfare and employment; should growth be actually curbed to alleviate climate change? If growth is really not an end in itself but rather a means to various ends, some of which are more difficult to achieve with faster growth, should the OECD prioritise those ends and de-prioritise growth?

There was broad agreement with Prof. Schmelzer’s analysis, while emphasising that when incomes are high, societies can worry about other issues than growth, whereas if they are low, growth remains the priority. The OECD budget process is the means for setting priorities for the work of the Organisation, and it adapts its views as circumstances change. The 1961 OECD convention specifically mentions sustainable growth as a goal, but the OECD already studied income distribution issues in the 1970s, and had again done so earlier this century, well before Thomas Piketty published his well-known book. It was further argued that economics became the dominant social science in the early post-war period because it was the sole systemic science at the time, whereas now there are the three interacting systems of the economy, the environment and society.

In response, Prof. Schmelzer noted that for most of the post-war period, “sustainable growth” in the OECD context meant long-term growth without inflation. Social and environmental issues were not part of it, although the OECD created its environmental directorate before many OECD countries even had environment ministries, so the OECD was something of a pioneer in this field. Speakers indeed emphasised that the OECD had worked on social and environmental issues for decades. But that did not fundamentally change the focus on economic growth as the solution for social and environmental problems. He hoped that in 30 years time, the OECD would not still be arguing that the Organisation had

continued to devote many resources to social and environmental problems, which had nevertheless become even worse in the meantime.

The OECD and the emerging geo-political context (June 2016)

This seminar took the form of a bilateral discussion (with questions from the floor) between Ron Gass and Richard Carey, former director of the Development Co-operation Directorate. The theme of this seminar was that shared world-wide progress is the best bulwark against geo-political conflict, but how to bring it about? The lines of division north-south and east-west still exist, but the power of ideologies is waning, and weakening them, and exploitation of common interests is accelerating economic development. Transformation can take place in one generation, and progress could be shared across the world. A world society could emerge as the spread of the internet and its associated social media services mean that groups of people in different countries feel that they have more in common with the other groups than with their fellow-citizens (but this includes groups of actual or potential terrorists). Can a transnational democracy come about? Leadership with a vision is needed, but also decentralisation to ensure resilience, rather like the structure of the OECD itself. The forces behind globalisation come from the national and international elites, not the ordinary people. Will these forces discriminate against them, or include them in a new world order? For the time being however, not all countries share the same values, elites are firmly in place in many and nationalism is growing again.

More generally, what is the role of the nation state in a globalising world? The BRICs favour the G20 group because it constitutes a clear step from a Western-based world system towards a multipolar world. The emerging countries have been driving the world economy in the 21st Century, reflecting a learning process that has an ongoing history. In the past, Germany learned from the United States (Friedrich List from Alexander Hamilton), Japan learned from Germany, and South Korea and China learned from them both.

Now China has created global economic interests, including the “Silk Road” states, South America, Africa and the Middle East. Understanding China’s system and politics has become essential for global cooperation and economic governance. Democracy is embedded in the Chinese constitution, but not in practice, although there are accountability systems. There is an implicit social contract in which as long as the quality of governance is good, then there is social peace, but protest does occur and episodes are carefully registered by the authorities. Citizens enjoy much personal freedom provided that they pose no challenge to the State and its territorial integrity. To ensure that there is no sudden social movement that threatens political stability, the state keeps an extensive and constant watch on social media and on ethnic challenges and terrorist threats.

Globalisation and interdependence mean that states have an interest in closer integration and are not about to go to war with each other. But at the same time there are some predatory states with high levels of corruption. And there are varying levels of violence within states, requiring costly security systems and military budgets. Progress helps to develop security but terrorism is contingent on political grievances, not poverty. We are perhaps moving to one world, but without a world government. But under the G20 we see a kind of coalition between international agencies, with the OECD playing a key role, and a growing interface between the G20 and the UN system.

The creative society and the new technological revolution (November 2016)

This seminar was presented by Ron Gass, and commented on by Riel Miller (Sector for Social and Human Sciences, UNESCO), Neil Martin (OECD Consultant) and Barrie Stevens (Senior Advisor to the OECD Directorate for Science, Technology and Innovation). Ron posed 6 questions for discussion: Homo sapiens at the crossroads; The next stage of capitalism; Society on the move; Technology on tap but not on top; Harnessing techno-economic progress to human goals; A society for future generations.

Homo sapiens at the crossroads

The term “creative society” in the OECD context was coined towards the end of the 20th century within the International Futures programme, which concluded that “the prospects for prosperity and well-being in the 21st century will probably depend on leveraging social diversity in order to encourage technological, economic and social dynamism”.

Recent advances in biotechnology and artificial intelligence, combined with digitisation and exploitation of “big data” could result in a future in which plants, animals and even human beings are “designed”, but robots would take over many of the skilled professional jobs, as they have already done with many low-skilled jobs. In the longer term, people will be better off, but there will be a difficult transition from these disruptive technologies. How should it be managed? Should science interfere with the process of natural selection?

In practice, agriculturalists and animal breeders have been interfering with natural selection for centuries with few undesirable side-effects, and if bio-engineering results in fewer heritable diseases and defects, so much the better. But using such techniques to select for gender or other physical attributes raises ethical questions that have not yet been resolved.

The next stage of capitalism

It is clear that capitalism today is not like the capitalism of the 19th century, in which a small elite owned or controlled most of the “means of production”, typically heavy manufacturing, minerals and mining, and transport companies. Nowadays, industrial shares and bonds are more likely to derive from the services sector and be owned by pension funds and banks, and their underlying value derives more from the human capital of the employees and less from the value of the machinery. In many OECD countries, would-be entrepreneurs with a convincing business plan but little collateral can now access finance in relatively novel ways. Nevertheless, questions of appropriate regulation arise, as before.

Society on the move

Independently of technological changes, our societies are also changing. Power is becoming more decentralised, in part because of deliberate policy decisions to give regions and cities more room to order their own affairs, and in part because (as already noted) it is often easier for regions and cities than central governments to create complementary policies regarding growth, the environment and transport networks. The NGOs wield influence on the policies of national governments and also on international organisations. Although these changes are not the result of the new technologies, the advances in rapid and almost costless dissemination of information have aided them.

Technology on tap but not on top

It is important that the brilliant electronic engineers of Silicon Valley are not tempted to become also social engineers; otherwise there is a risk that our societies will become mono-cultural without realising it until too late. Technological advances spur economic growth, but to what end? Societies must first define where they want to go, then adopt the technologies that will bring this about. For example the 3D printer permits small-scale artisanal production methods, and can help to bring into being an economy based more on repair and recycling than replace and discard. Renewable energies and the threat of climate change are bringing about different attitudes towards the use of energy in general.

Global governance and the fourth industrial revolution: complexity, systems thinking and human well-being. (February 2017)

In this seminar, Ron Gass was accompanied by Richard Carey (ex OECD) and Martin Lees (ex OECD, Club of Rome and UN). The central thesis was that for continuing human progress, humanity needs to find a balance between the economy, nature and society, and one which requires an effective and flexible system of world governance. This is not the case at present: there are global economic imbalances and growing inequality within countries, natural resources are being consumed at an unsustainable rate, which is leading to global warming and mass extinctions. The international organisations that served well in the past are not well equipped to do so in the future, and recent events show that the credibility of national governments is eroding. In turn, the increasingly globalising and interconnected world means that their effectiveness is increasingly limited, and they cannot ignore pressures coming from the international financial system and multinational corporations, pressures that are resented by their citizens. Their governance structures of individual ministries that concentrate on single issues are not well suited to address the complexities of the world as it is, and even less so the world that could come about if they continue to rely on incremental ad hoc policy solutions. New technologies should be harnessed to help humanity progress towards a future that is desired, and not be allowed to dictate what that future will be.

History on the march

The initial post-war period was dominated by Keynesian thinking about short-term macroeconomic issues and state planning for the longer term for both advanced and developing countries. That was replaced in the 1980s by the neo-liberal world-view which held that democratic governments that practised prudent budgetary policy, anti-inflationary monetary policy and reliance on the workings of free markets domestically and internationally for finance, goods, services and labour would lead to better results than anything that governments could achieve by direct interventions in the economy. The role of government was to govern, ensure a stable macroeconomic framework and ensure that markets could act freely in a competitive environment. The neo-liberal viewpoint was found wanting even before the 2008 financial crisis: income inequalities were becoming intolerably high, and entire communities were becoming stranded by structural changes too rapid for them to adjust to. Internationally, military interventions in “failed states” and elsewhere did not result in peaceful democracies but rather anarchy and violence.

Neo-liberalism is now being replaced by neo-realism, a return to the nationalism and balance of power politics of the Westphalian system of international relationships, with its principles of national

sovereignty and non-interference. The post cold-war US hegemony has given way to a multipolar world, with the BRICS becoming players in a world of disruptive change. The challenge is to contain the potential for anarchy by constructing an international society that answers three basic challenges: capturing shared and common interests in a world of diverse states; managing unequal power; and mediating cultural diversity. The G20 is a response to this challenge of constructing such an international society. Its significance is that it is a Heads of State process. Heads of State can reach across ministerial “silos” and can convene across international organisations. Hence the range of issues on the G20 agenda to do with integrating economic, social and environmental phenomena. The G20 has an associated structure of social partners, think tanks and civil society groups and regional outreach. And it has embraced the 2030 UN sustainable development goals, also a response to the challenge of constituting an international society that generates human progress and overcomes economic, cultural and ecological divisions. It is remarkable and encouraging that so many countries have signed up to these goals. The north/south and the advanced/developing impasses have been leap-frogged. The world may be moving towards an updated Westphalian system of international relationships, with each state equal in international law, non-intervention in domestic affairs, with a preference for democracy (but no attempt to impose it from the outside) and openness to trade. However, the Westphalian system does not prevent wars between states, nor does it prevent leaders of authoritarian states from enriching themselves at the expense of their citizens; the risks of reverting to the worst dynamics of the Westphalian system remain, including a new nuclear arms race and the various forms of cyber warfare. Working for a cooperative world is thus more vital than ever.

Systems thinking

All systems are complex to some degree, but human societies and economies have become complex to the point where this complexity has to be taken into account first, before designing and implementing new policies. For example, policies to stimulate economic growth will also impact on the environment and income inequality, which will in turn impact on economic growth. Hence the secondary effects of different possible policies to achieve the same goal need to be examined carefully before any of them are implemented. In principle at least, this can be achieved at the national level if the cabinet office or its equivalent is both sufficiently well informed and powerful enough to be able to guide ministerial policies in an optimal direction. But complexity spills over into interactions at the international level. Optimal policy implementation at the national level might not be so when its impacts on its neighbours and the globe in general are taken into account. Mistaken policies in one small country that result in a financial crisis there can contaminate other, similar, countries even if their policies are broadly unexceptionable. Examples are crises throughout Latin America in the 1980s and in Asia in the late 1990s. Another example is the mechanism of global warming, where feedback systems might come into play, leading to a runaway rise in global temperatures, rather than a gradual one. The Leuphana University of Lüneburg in Germany is promoting research on “systems properties where a small shift can lead to fundamental changes in the system as a whole”. International organisations where national policies are discussed have an important role to play in addressing these issues. The OECD itself is an obvious contender.

Political vision and leadership

Ever since the enlightenment, it has been accepted that progress comes about through the mastery of nature by science and reason. The world’s population has increased several fold since then, but although

large numbers of people still live in acute poverty in some countries, most do not and many have very high and still-rising living standards by historical comparison. In that sense “Western civilisation” has been a success, and the same process can continue, but not unchanged. In the majority of countries in recent decades, the benefits of economic growth have gone disproportionately to those who were already well off, or had the best education. It is recognised that economic growth is not an end in itself, especially for richer countries, but rather that such growth and the technology that supports it must be aimed at human ends. Higher material incomes must not be accompanied by ever higher levels of pollution and global temperatures. The OECD “Better Lives Initiative”, the 2030 Sustainable Development Goals and the UN Human Development programmes are recognition of this, and the need for international cooperation and political leadership to bring it about. A complicating factor that has arisen recently is political developments in the United States and some EU countries, which seem to mark a rejection of international cooperation and a growing distrust or dislike of the scientific method and of experts in general. Global governance, such as it is, is now having to defend itself rather than advancing.

Strategic action: how to get there

Strategy is in the purview of the commander-in-chief, but at the global level, there is no such person or even institution, still less an army. Nevertheless, actions need to be taken. The G20 Hangzhou summit did commit those countries to action on the international taxation system, combating illicit financial flows, financing green growth, energy collaboration and inclusive growth. If other countries join in, the 2030 SDGs could be attainable. The OECD itself would need to promote stronger inter-departmental collaboration around complex issues, and encourage participation in common flagship projects and horizontal programmes.

Progress and security

During the Cold War, the threat to security was that of world-wide nuclear annihilation. Nuclear conflict cannot be ruled out entirely, but there is now also the terrorist threat to security in many countries irrespective of their level of development or political views. Economic growth itself, coupled with rising populations, will intensify the competition for natural resources, and lead to conflict. Despite great progress in medical science and treatment, pandemics could arise at any time and spread rapidly. All models of climate change predict that there will be more extreme weather events as the world warms up. Progress will not be possible without peace, and it will also require international cooperation on all those threats to global security.

The first OECD Futures report predicted that socio-cultural diversity would be an important ingredient of, and spur to, human progress. This continues to be an ideal within some countries, but not universally so. Globalisation is seen as westernisation by some, and is resisted. It is seen as a threat to traditional values in “western” countries themselves, and is also resisted for that reason. The only way forward for these attitudes not to end in conflict has to be mutual respect for different cultures and identities.

The way ahead?

The end of the Cold War and the emergence of China have resulted in a less concentrated power in the world. At the same time, devolvement of political power to lower levels of government, and the spread of social networks have brought about governance by coalition, consensus and wider participation. These

developments mark the possible emergence of more open societies, but they render international governance even more problematic. The UN specialised agencies are helping, by setting common standards in their areas, and the OECD is aiding policy learning through its global fora, which involve non-member countries. The private sector also needs to be involved, but the clash between private interests and the common good in some issues should not be ignored. This is particularly the case regarding climate warming. The fossil fuel industry is large and politically powerful in both producing and consuming nations, and it has little interest in combating climate change. In fact, to the extent that such a combat is successful, fossil fuel reserves will eventually become stranded assets of little value. The energy majors for the moment seem not to be particularly perturbed, for as long as economic growth proceeds, especially in fast-growing developing countries, the demand for their products will also likely increase, even as renewable energy sources become more important.

Conclusions

If progress is shared across the world and within countries, it will likely continue. Some of the national and international discontents arise because some communities within countries, and some entire countries, have been “left behind”. The new technological revolution could help, but only if it is geared to human needs. The systemic reforms that will be needed challenge the prevailing view that problems that cannot be solved with market capitalism cannot be important problems, and must ensure that the fruits of progress are equitably distributed within and between nation-states.

The multipolar and polycentric world of the 21st century brings new risks and uncertainties, requiring concentrated cooperative efforts. It is a world that generates new connections among diverse nations and peoples. And it is entering a new technological age. We will need and we must promote a new humanism that draws on the fundamental common values of community, compassion and cooperation, recognising and sharing widely the richness of diverse civilisations.