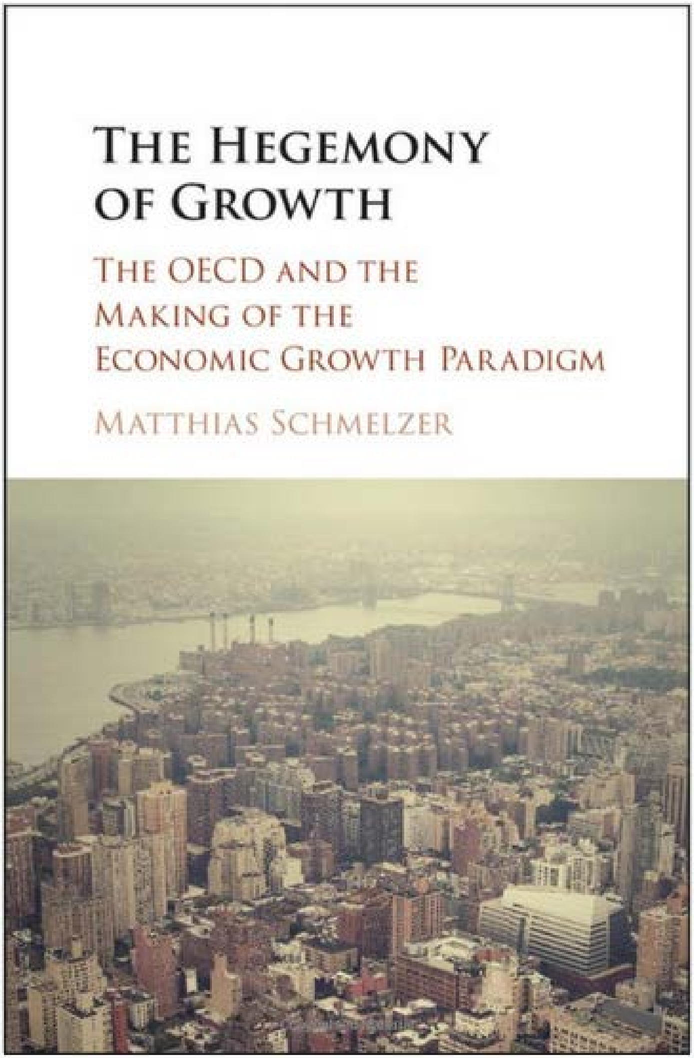
The Hegemony of Growth

The OECD and the Making of the Economic Growth Paradigm

Matthias Schmelzer



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The Hegemony of Growth

In modern society, economic growth is considered to be the primary goal pursued through policy-making. But when and how did this perception become widely adopted among social scientists, politicians, and the general public? Focusing on the OECD, one of the least understood international organizations, Schmelzer offers the first transnational study to chart the history of growth discourses. He reveals how the pursuit of GDP growth emerged as a societal goal and the ways in which the methods employed to measure, model, and prescribe growth resulted in statistical standards, international policy frameworks, and widely accepted norms. Setting his analysis within the context of capitalist development, postwar reconstruction, the Cold War, decolonization, and industrial crisis, *The Hegemony of Growth* sheds new light on the continuous reshaping of the growth paradigm up to the neoliberal age and adds historical depth to current debates on climate change, inequality, and the limits to growth.

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Abbreviations

AEA	American Economic Association
BAK	Bundesarchiv Koblenz, Germany
CEA	Council of Economic Advisors
CERI	Centre for Educational Research and Innovation (OECD)
CSP	Committee for Science Policy
DAC	Development Assistance Committee (OECD)
DAG	Development Assistance Group (OEEC)
ECA	Economic Cooperation Administration
ECHA	European Commission Historical Archives, Brussels
ECSC	European Coal and Steel Community
EEC	European Economic Community
EPA	European Productivity Agency
EPC	Economic Policy Committee (OECD)
EPU	European Payments Union
FRUS	Foreign Relations of the United States
GDP	Gross Domestic Product
GNP	Gross National Product
IARIW	International Association for Research in Income and Wealth
IBRD	International Bank for Reconstruction and Development
IEA	International Energy Agency
ILO	International Labor Organization
IMF	International Monetary Fund
JRNS	King's College Archive Centre, Cambridge – The Papers of John Richard Nicholas Stone
MIT	Massachusetts Institute of Technology
MPS	Material Product System
NARA	National Archives and Records Administration, College Park, Maryland, United States
NARU	National Accounts Research Unit (OECD)

NATO	North Atlantic Treaty Organization
OECD	Organization for Economic Co-operation and Development
OECD-HA	OECD Historical Archives, Paris
OEEC	Organization for European Economic Co-operation
OTC	Overseas Territories Committee (OEEC)
TNA	The National Archives, Kew, Britain
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
UNESCO	United Nations Educational, Scientific and Cultural Organization
WP-2	Working Party No. 2 of the EPC on Policies for the Promotion of Economic Growth (OECD)
WP-3	Working Party No. 3 of the EPC on Policies for the Promotion of Better International Payments Equilibrium (OECD)
WP-5	Working Party No. 5 of the Council on Selective Expansion (OEEC)
WTO	World Trade Organization

Introduction

In 2012, Kenneth Rogoff, professor at Harvard and former chief economist at the IMF, described economic growth as "the be-all and end-all of policy." Considering the long-term future of economic development and the underlying causes of the current financial turmoil, Rogoff concluded: "There is a certain absurdity to the obsession with maximizing long-term average income growth in perpetuity, to the neglect of other risks and considerations."[1] And indeed, the dominance of the growth imperative is hard to ignore: growth statistics regularly appear on the front pages of newspapers, play a key role in economic analyses, and pervade political debates, not only across the political spectrum but also in all countries. Since these numbers have come to form our very language, it seems almost impossible to think about economic issues without referring to Gross Domestic Product (GDP) and its proxies. The recent global economic crisis has conspicuously demonstrated how dependent capitalist economies are on growth and how even minor reductions of GDP are received with almost religious disappointment.[2]

Environmental historian John R. McNeill has argued that the "overarching priority of economic growth was easily the most important idea of the twentieth century."[3] Although this statement might at first seem exaggerated, there are good reasons that justify this view (if more with regard to the second half of the twentieth century than to the first). Not only was the idea of economic growth at the core of the ideologies of the socioeconomic and political systems whose competition marked the twentieth century, capitalism and communism in their different varieties. More importantly, the social and economic policies that were the result of

[1] Kenneth Rogoff, "Rethinking the Growth Imperative," *Project Syndicate*, 2012, www.project-syndicate.org/commentary/rethinking-the-growth-imperative (accessed March 3, 2013).

[2] Tomas Sedlacek, *Economics of Good and Evil: The Quest for Economic Meaning from Gilgamesh to Wall Street* (Oxford: Oxford University Press, 2011).

[3] John Robert McNeill, *Something New Under the Sun: An Environmental History of the Twentieth-Century World* (New York: W.W. Norton & Company, 2000), 236.

the overarching priority of economic growth, or were justified by it, have fundamentally and irreversibly reshaped human life and the planet itself. Over the twentieth century, millions of people have come to take part in the production and consumption of ever increasing quantities of goods and services. At the same time, economic growth has caused environmental changes of unprecedented proportions that are threatening the livelihood of millions of people today, and even more so that of future generations. Ecologists, geologists, and historians have used the concept of the "anthropocene" to mark the fundamental transformations related to the fact that humanity itself has become the dominant geological force on planet earth.[4]

In light of the sweeping acceptance of the pursuit of growth as a key policy goal around the world it is easy to forget that not only the reality of economic expansion, but even more so growth as a key category of economic and public discourse is a surprisingly recent phenomenon. Before the nineteenth century, when economic growth accelerated in the context of the industrial revolution, economic activity around the world had been characterized by periodic ups and downs, only expanding by an average of 0.05 percent annually – as far as this can be measured retrospectively – and this was largely due to the slow increase of populations.[5] Even more recently, the term "economic growth" was not widely used before the middle of the twentieth century, but during the 1950s it advanced to become a key notion, not only within economics and other social sciences, but also in political discourses and everyday speech (see Figure I.1).[6] One of the aims of this study is to contribute to explaining this change.

Although a highly ambivalent and elusive term, the semantic core of economic growth is statistically fixed. It is generally defined as the annual increase in the monetary value of all the goods and services produced within a country, including the costs of producing all the services provided by the government. Or, more technically, as the annual increase of

[4] Christophe Bonneuil and Jean-Baptiste Fressoz, *L'événement anthropocène: La Terre, l'histoire et nous* (Paris: Seuil, 2013); Dipesh Chakrabarty, "The Climate of History: Four Theses," *Critical Inquiry* 35, no. 2 (2009): 197–222.

[5] Angus Maddison, *The World Economy: Historical Statistics* (Paris: OECD, 2003). However, these estimates, which Maddison and others have elaborated since the 1950s (largely within the OECD), have been continuously contested. See for example the critique in Desmond C.M Platt, *Mickey Mouse Numbers in World History: The Short View* (Basingstoke: Macmillan, 1989); or, with a different perspective, Marshall D. Sahlins, *Stone Age Economics* (New Brunswick: Transaction Publishers, 1972).

[6] The same trend can be analyzed within public discourse and non-academic publications, where the term "economic growth" (or its French and German translations) and its statistical correlates "GNP" and "GDP" only emerged from the 1950s onwards. See Google's Ngram Viewer, https://books.google.com/ngrams.

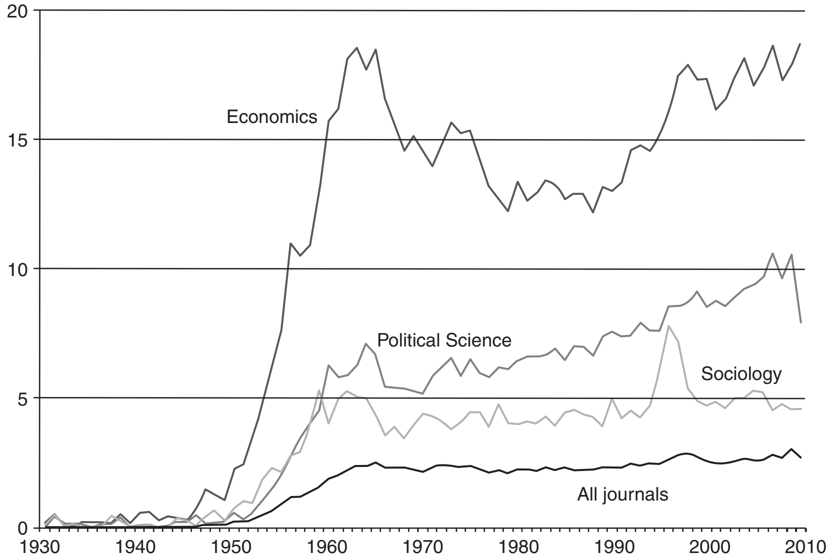

Figure I.1 Percentage of all articles published per year in all academic journals in the JSTOR database that contain the term "economic growth," by discipline, 1930–2010
Source: JSTORs Data For Research (DFR) tool, http://dfr.jstor.org, own calculations.

what has been called "the world's most powerful number," Gross National Product (GNP) or GDP, which are sometimes expressed as per capita values to account for changes in the size of populations.[7] While these definitions have always stayed at the core of what is meant by economic growth, the concept has become charged with a multitude of contested and shifting meanings, assumptions, and connotations.

Economic growth has in fact raised the living standard of millions of people, even though socially and geographically very unevenly, and still is

[7] Lorenzo Fioramonti, *Gross Domestic Problem: The Politics behind the World's Most Powerful Number* (London: Zed Books, 2013). While GNP measures the output generated by a country's enterprises (whether physically located domestically or abroad), GDP measures all the output produced within the borders of a countries (including the output produced by foreign firms). Until the 1960s, GNP was more widely used, but GDP has since become the standard measure. Furthermore, national income differs from GDP in various ways, most importantly in so far as GDP subtracts the depreciation of capital. The differences between these measures, while important for the technical debates about growth modeling (and also for North-South relations), are not relevant to the questions discussed in this book and will thus be neglected in favor of a more general perspective.

the rallying cry for millions of others, who hope for a better life. And, as French economist Thomas Piketty has demonstrated in *Capital in the Twenty-First Century*, economic growth seems to be essential to counter capitalism's tendencies to increase inequality since in times of slow growth inequalities in income and wealth increase as wages tend to grow much slower than returns on capital.[8]

However, there are good reasons to question the desirability or possibility of further quantitative growth in industrialized countries. First, the universal merits of maximizing growth have become rather dubious. Research in welfare and feminist economics, social history, and ecological economics has definitely shown that the focus on GDP is "mismeasuring our lives." It has raised cogent doubts regarding the continuing positive relationship (beyond a certain threshold) between further GDP growth and welfare, equality, distribution, happiness, and employment. This relates not least to the fact that GDP is a "blind meter" – a statistical measure that "counts only output; it ignores costs and losses" – and that therefore the deceptive logic "more is better" leads to problematic results. A wealth of studies demonstrate that growth has not been beneficial to all, that the level of inequality is much more decisive than average per capita incomes, and that in industrialized countries since the late 1960s or 1970s the costs of growth have been increasing faster than the benefits, thus making GDP growth increasingly "uneconomic."[9]

Second, the ecological and social costs of economic growth are not negligible, especially in the context of achieving global social justice to overcome the North–South divide and repay the accumulated ecological debt of the rich countries. The fundamental promise of growth – to raise the living standard and consumption of soon to be nine billion people to Western levels through a continuous expansion of world GDP – has been irrevocably shattered by the ecological predicament, most importantly climate change.[10] Economic analyses show that achieving equitable development in the global South while staying within planetary

[8] Thomas Piketty, *Capital in the Twenty-First Century* (Cambridge: Harvard University Press, 2014).

[9] Dirk Philipsen, *The Little Big Number: How GDP Came to Rule the World and What to Do about It* (Princeton: Princeton University Press, 2015), 2–3; Avner Offer, *The Challenge of Affluence: Self-Control and Well-Being in the United States and Britain since 1950* (Oxford: Oxford University Press, 2006); Joseph Stiglitz, Amartya Sen, and Jean-Paul Fitoussi, *Mismeasuring Our Lives: Why GDP Doesn't Add Up* (New York: New Press, 2010); Marilyn Waring, *Counting for Nothing: What Men Value and What Women Are Worth* (Toronto: University of Toronto Press, 1999); Richard Wilkinson and Kate Pickett, *The Spirit Level: Why Greater Equality Makes Societies Stronger*, Reprint edition (New York: Bloomsbury Press, 2011).

[10] Wolfgang Sachs, *Planet Dialectics: Explorations in Environment and Development* (London: Zed Books, 1999); McNeill, *Something New Under the Sun*; Peter Dauvergne, *The*

boundaries will only be possible if the countries in the North drastically reduce their ecological footprint, which most likely implies reductions of economic output to be effective.[11]

Third, the future possibilities of actually achieving further quantitative growth have become more and more precarious due to resource and energy scarcities and internal structural problems, which have led to declining or stagnating growth rates in the early-industrialized countries. Average per capita growth rates in Western Europe have, for example, continuously decreased since decades from almost 5 percent annually in the 1950s to around 1 percent in the 2000s and growing number of economists are convinced that it will be impossible to repeat the phenomenal growth rates of the last century.[12] Growth will most likely be much slower in the twenty-first century or even stall.[13] In a growth society, in which all kinds of policies are predicated upon ever increasing production and consumption, slower growth thus reinforces all the social and economic problems associated with economic crises such as rising inequality, unemployment, public debt, social tensions, and even an undermining of democracy. A growing array of economists and theorists thus demand to look "beyond growth," arguing that growth may currently be causing the same problems it was originally hoped to solve and that political responses need to adapt to the changing social, economic, and environmental circumstances to work independently of growth.[14]

Shadows of Consumption: Consequences for the Global Environment (Cambridge: The MIT Press, 2008).

[11] Ida Kubiszewski, Robert Costanza, Carol Franco, Philip Lawn, John Talberth, Tim Jackson, and Camille Aylmer, "Beyond GDP: Measuring and Achieving Global Genuine Progress," *Ecological Economics* 93 (September 2013): 57–68; Herman E. Daly and Joshua C. Farley, *Ecological Economics: Principles and Applications*, 2nd ed (Washington: Island Press, 2011); Marc Fleurbaey and Didier Blanchet, *Beyond GDP: Measuring Welfare and Assessing Sustainability* (Oxford: Oxford University Press, 2013); Tim Jackson, *Prosperity without Growth: Economics for a Finite Planet* (London: Earthscan, 2009).

[12] This theme will be further discussed in the Conclusion. See also Hans Christoph Binswanger, *Die Wachstumsspirale: Geld, Energie und Imagination in der Dynamik des Marktprozesses* (Marburg: Metropolis, 2009); Richard Heinberg, *The End of Growth: Adopting to Our New Economic Reality* (Gabriola Island, Canada: New Society Publishers, 2011); Jeff Rubin, *The End of Growth* (Toronto: Random House Canada, 2012).

[13] Piketty, *Capital in the Twenty-First Century*, chap. 2.

[14] Robert Costanza, Ida Kubiszewski, Enrico Giovannini, Hunter Lovins, Jacqueline McGlade, Kate E. Pickett, Kristín Vala Ragnarsdóttir, Debra Roberts, Roberto De Vogli, and Richard Wilkinson, "Development: Time to Leave GDP Behind," *Nature* 505, no. 7483 (2014): 283–85; Giacomo D'Alisa, Federico Demaria, and Giorgos Kallis, eds., *Degrowth: A Vocabulary for a New Era* (London and New York: Routledge, 2014); Barbara Muraca, *Gut leben: Eine Gesellschaft jenseits des Wachstums* (Berlin: Wagenbach, 2014).

In light of these perspectives the pervasiveness of GDP as a measure of social well-being and of growth as a policy goal seem rather peculiar – a "puzzle" or "paradox" in need of explanation.[15] Indeed, by the beginning of the twenty-first century, even strongholds of economic orthodoxy have come to question the identification of growth with progress and well-being. For example, the Organization for Economic Co-operation and Development (OECD) proclaimed in 2008:

> For a good portion of the 20th century there was an implicit assumption that economic growth was synonymous with progress: an assumption that a growing GDP meant life must be getting better. But now the world recognizes that it isn't quite as simple as that. Despite high levels of economic growth in many countries, we are no more satisfied with our life (or happier) than we were 50 years ago.[16]

Similarly, Britain's Sustainable Development Commission in 2009 criticized that "the state has become caught up in a belief that growth should trump all other policy goals," a belief regarded as "a horrible distortion of the common good" that the pursuit of growth pretends to serve.[17]

In spite of these considerable problems, in the second half of the twentieth century economic growth has become and largely remains what scholars from a variety of fields, including renowned historians, have described as a "fetish" (John R. McNeill) or "obsession" (Barry Eichengreen, Elmar Altvater), an "ideology" (Alan Milward, Charles S. Maier), a "social imaginary" (Cornelius Castoriadis, Serge Latouche), or an "axiomatic necessity" (Nicholas Georgescu-Roegen).[18] With varying emphasis, these scholars have highlighted the quasi-religious adoration of growth by economists and policy-makers, the underlying interests that are served and at the same time concealed by the dominance of the

[15] Offer, *The Challenge of Affluence*, 17; Jeroen C. J. M. van den Bergh, "The GDP Paradox," *Journal of Economic Psychology* 30, no. 2 (April 2009): 117–35.

[16] OECD, *Statistics, Knowledge and Policy: Measuring and Fostering the Progress of Societies* (Paris: OECD, 2008). The quote is from the book cover.

[17] Jackson, *Prosperity*, 99.

[18] McNeill, *Something New Under the Sun*; Clive Hamilton, *Growth Fetish* (Crows Nest, NSW: Allen & Unwin, 2003); Barry J. Eichengreen, *The European Economy since 1945. Coordinated Capitalism and Beyond* (Princeton: Princeton University Press, 2007), 59; Elmar Altvater, "The Growth Obsession," *Socialist Register* 38 (2009): 73–92; Alan S. Milward, *The Reconstruction of Western Europe, 1945–51* (Berkeley and Los Angeles: University of California Press, 1987), 36; Charles S. Maier, "The World Economy and the Cold War in the Middle of the Twentieth Century," in *The Cambridge History of the Cold War, 3 Volumes*, ed. Melvyn P. Leffler and Arne Westad (Cambridge: Cambridge University Press, 2010), 48; Cornelius Castoriadis, *Philosophy, Politics, Autonomy. Essays in Political Philosophy* (New York: Oxford University Press, 1991), 184; Serge Latouche, *Farewell to Growth* (Cambridge: Polity, 2010); Nicholas Georgescu-Roegen, "The Steady State and Ecological Salvation: A Thermodynamic Analysis," *BioScience* 27 (1977): 266–70.

growth discourse, in particular in the context of postwar class conflicts and Cold War confrontations, or the general acceptance of "growthism" as an incontestable and self-evident dictum.[19]

However, the question how economic growth attained its status as an overarching priority in public discourse as well as in academia and politics has not received much attention by historians, nor by researchers in other disciplines. While studies on economic growth – explaining, assessing, and modeling its causes, effects, and various growth policies – constitute the core of both economics and economic history, there are strikingly few accounts on how economic growth became a priority among social scientists, politicians, and the general public.[20] Obviously, since this discourse was at the core of policy-making in the postwar era, some of the historiographical narratives about that period are closely related to the establishment of what contemporaries have called "growthmanship."[21] For example, historians have analyzed the rise of the consumer society, processes of Westernization or Americanization, or the conceptual framework of modernization theory and development discourses or the history of economic statistics. Yet studies that specifically focus on growth as an idea, discourse, or policy goal are rare.

Probably the most influential book on the subject is economic historian Heinz W. Arndt's *The Rise and Fall of Economic Growth* (1978), an intellectual history that focuses on publications by British and US economists in the three postwar decades.[22] More recently, historians have presented an ideology-theoretical synopsis of the evolution of the growth paradigm and analyses of the politics and idea of growth focusing on the US, Japan, Sweden, and West Germany.[23] While highlighting the

[19] The term "growthism" is employed by O'Bryan, but was already used in the 1970s by Paul Ehrlich. See Scott O'Bryan, *The Growth Idea: Purpose and Prosperity in Postwar Japan* (Honolulu: University of Hawaii Press, 2009).

[20] See, for example, Daron Acemoglu, *Introduction to Modern Economic Growth* (Princeton: Princeton University Press, 2008); Thomas Bittner, *Das westeuropäische Wirtschaftswachstum nach dem Zweiten Weltkrieg: eine Analyse unter besonderer Berücksichtigung der Planification und der sozialen Marktwirtschaft* (Münster: LIT Verlag, 2001); Eichengreen, *The European Economy since 1945*.

[21] Politicians and economists used the term "growthmanship" since the 1950s. See, e.g., Colin Clark, *Growthmanship: A Study in the Mythology of Investment* (London: Institute of Economic Affairs, 1961).

[22] Heinz W. Arndt, *The Rise and Fall of Economic Growth: A Study in Contemporary Thought* (Melbourne: Longman Cheshire, 1978). There are several other good accounts, which, however, are largely based on Arndt. See, for example, Peter A. Victor, *Managing Without Growth: Slower by Design, Not Disaster* (Cheltenham: Edward Elgar, 2008), chap. 1.

[23] Robert M. Collins, *More: The Politics of Economic Growth in Postwar America* (Oxford: Oxford University Press, 2000); Gareth Dale, "The Growth Paradigm: A Critique," *International Socialism* 134 (2012), 55–88; Liah Greenfeld, *The Spirit of Capitalism: Nationalism and Economic Growth* (Cambridge: Harvard University Press, 2001); O'Bryan, *The Growth Idea*; Eva Friman, "No Limits: The 20th Century Discourse of

specific national peculiarities to explain the emergence of growthmanship – for example the structural ills of Japanese capitalism or the end of the American frontier and American nationalism – these studies reveal some noticeable similarities between the growth discourses in these countries. Not only have these scholars all argued that the political focus on growth emerged during the 1950s (first in the US, somewhat later in Europe and Japan), but they emphasized the strength and pull of growthmanship as the all-embracing and overarching priority shaping political and economic debates, and described quite similar dynamics of the national debates in the three postwar decades, in particular regarding the challenges to growthism in the early 1970s. Further, historians have analyzed the making, influence, and problems of GDP statistics. In particular in recent years, there have been a number of books addressing how GDP statistics relate to the nation state, to socioeconomic and military conflicts, and to understandings of global inequality and historical accounts have critically scrutinized "how GDP came to rule the world" or have "affectionately" described its functionality.[24] Finally, the hegemony of growthmanship has been highlighted in studies on postwar European and US economic history. Characteristically, Michael M. Postan has argued about the postwar European situation that

> [w]hat was really remarkable (and to some historians and social scientists unexpected) was that economic growth was so powerfully propelled by public

Economic Growth" (Dissertation, Umeå University, 2002); Jürgen Bossmann, "Arrested Development, Obsessionen im Wachstumsdenken," in *Obsessionen: beherrschende Gedanken im wissenschaftlichen Zeitalter*, ed. Michael Jeismann (Frankfurt a.M.: Suhrkamp, 1995), 26–77; André Steiner, "Wachstum als wirtschaftspolitisches Leitbild," in *Leitbild Europa? Europabilder und ihre Wirkungen in der Neuzeit*, ed. Jürgen Elvert and Jürgen Sikora (Stuttgart: Steiner, 2009), 244–55; Andrew L. Yarrow, *Measuring America: How Economic Growth Came to Define American Greatness in the Late Twentieth Century* (Amherst and Boston: University of Massachusetts Press, 2010). On the US with a focus on the co-construction of "the economy" and "the environment," see the PhD thesis by Richard Lane, "The nature of growth: The postwar history of the economy, energy and the environment" (University of Sussex, 2015).

24 See, for example, Diane Coyle, GDP: A *Brief but Affectionate History* (Princeton, NJ: Princeton University Press, 2014); Fioramonti, *Gross Domestic Problem*; Philipp Lepenies, *Die Macht der einen Zahl. Eine politische Geschichte des Bruttoinlandsprodukts* (Frankfurt a. M.: Suhrkamp, 2013); Philipsen, *The Little Big Number*; Diane Coyle, *GDP: A Brief but Affectionate History* (Princeton, NJ: Princeton University Press, 2014); Zachary Karabell, *The Leading Indicators: A Short History of the Numbers That Rule Our World* (New York: Simon & Schuster, 2014); Daniel Speich Chassé, *Die Erfindung des Bruttosozialprodukts: Globale Ungleichheit in der Wissensgeschichte der Ökonomie* (Göttingen: Vandenhoeck & Ruprecht, 2013); Géraldine Thiry, "Au-delà du PIB: un tournant historique. Enjeux méthodologiques, théoriques et épistémologiques de la quantification." (PhD thesis, Université catholique de Louvain, 2012).

sentiments and policies. By comparison, the purely material achievements of the age are easier to explain.[25]

Unlike existing accounts, this is a study of growthmanship at the transnational level and at the interface of academia, national bureaucracies, and international organizations. More particularly, as explained below, I focus on the emergence and evolution of knowledge about economic growth within the OECD and its predecessor, the Organization for European Economic Co-operation (OEEC), one of the least researched international organizations.[26] Three characteristics of the existing accounts of the history of growth ideas are striking and will be addressed by this approach: While providing important insights into the discussions in specific national contexts and key national actors, in particular economists and politicians, these studies fall short of analyzing growthmanship as an eminently transnational set of ideas, expertise, and norms.[27] Yet a transnational analysis is best suited to understand the significance of the standardization of economic statistics, of the internationalization of economics and related transnational transfers, and of international comparisons and competition between countries, all of which were crucially important for the rise and evolution of economic growth as a policy goal and the debates justifying and challenging it. Furthermore, following Arndt's influential account of the *Rise and Fall of Economic Growth*, a rather linear narrative has become accepted according to which the economists' belief in growthmanship was a product of the postwar and

[25] Michael M. Postan, *An Economic History of Western Europe: 1945–1964* (London: Taylor & Francis, 1967), 22. See also Eichengreen, *The European Economy since 1945*, 59, 1–14; David W. Ellwood, *Rebuilding Europe: Western Europe, America, and Postwar Reconstruction* (London: Longman, 1992); Milward, *The Reconstruction of Western Europe*, 1945–51; Hermann Van der Wee, *Der gebremste Wohlstand: Wiederaufbau, Wachstum und Strukturwandel der Weltwirtschaft seit 1945* (München: Deutscher Taschenbuch-Verlag, 1984), 24–28.

[26] Unless otherwise stated, the acronym OECD will refer to the OECD and its predecessor, the OEEC.

[27] The studies of national growth discourses have referred to similar debates in other countries and have mentioned the possibly influential role of international organizations, but they have not analyzed this dimension. Further, they have all tended to emphasize that the importance of growth discourses were stronger in their respective country than in other countries. For example, O'Bryan characterizes Japan as the "premier icon of the postwar growthist ideal," while Collins argues that growthmanship was dominant throughout the Western world, but "nowhere more dramatically than in the bastion of materialistic excess, the United States." O'Bryan, *The Growth Idea*, 8; Collins, *More*, x. Exceptions are the related remarks in Charles S. Maier, "The Politics of Productivity: Foundations of American International Economic Policy after World War II," *International Organization* 31, no. 4 (1977): 607–33; David W. Ellwood, "The Marshall Plan and the Politics of Growth," in *Explorations in OEEC History*, ed. Richard T. Griffiths (Paris: OECD, 1997), 99–105; Stephen J. Purdey, *Economic Growth, the Environment and International Relations: The Growth Paradigm* (London and New York: Routledge, 2009).

Cold War situation of the 1950s and 1960s that, even though powerful, was short-lived and subsided after it was cast into doubt in the 1970s.[28] This study, in contrast, emphasizes the politically contested and more complex evolution of the growth discourse, and discusses the continuous remaking and, in particular, the resurgence of growthmanship in the 1970s, which gave rise to its continuing hegemony until today. Finally, by relying on published materials and focusing on professional economists and official policy statements, existing studies have tended to treat economic ideas as detached from particular socioeconomic, political, or organizational contexts.[29] By analyzing growth discourses in their political and economic context within the OECD, this study takes a more grounded perspective that focuses on how economic growth became ingrained in statistical standards, international policy frameworks, and widely accepted norms.

The making and remaking of the growth paradigm in a nutshell

The book argues that the pursuit of economic growth is not a self-evident goal of industrialized countries' policies, but rather the result of a very specific ensemble of discourses, economic theory, and statistical standards that came to dominate policy-making in industrialized countries under certain social and historical conditions in the second half of the twentieth century. Thus, I aim at analyzing the idea of economic growth in its historical genesis in a similar way as this has been done with regard to the idea of "development" by cultural anthropologists of the so-called Post-Development school, focusing on the close nexus of power and knowledge.[30] It rests on the thesis that the exceptional position of economic growth as a core policy goal is based on the hegemony of what I call the "economic growth paradigm" and cannot be adequately understood without taking into account the complex structure and long-term historical evolution of this paradigm. Economic growth is, of course, one of the key features of capitalist societies, which are predicated upon the continuous accumulation of capital, and to some degree all states in a competitive state system pursue the national interest of increasing their wealth

[28] Arndt himself defended growth against its critics and has thus to be read as a participant in the debates of the 1970s. Arndt, *Rise and Fall*, 142–56.
[29] An exception is the study on US growth policies by Collins, *More*.
[30] See, for example, Arturo Escobar, *Encountering Development: The Making and Unmaking of the Third World* (Princeton: Princeton University Press, 1995); Serge Latouche, *In the Wake of the Affluent Society: An Exploration of Post-Development* (London: Zed Books, 1993); Wolfgang Sachs, ed., *The Development Dictionary: A Guide to Knowledge as Power* (London: Zed Books, 1992).

and thus their power. In fact, capitalist societies are dynamically stabilizing and reproducing themselves in a steady process of expansion and intensification with regard to space, time, and energy.[31] Yet, similar to "development," growth was not merely a socioeconomic process or the result of anarchic power-relations, but also "a particular cast of mind [. . .], a perception which models reality, a myth which comforts societies, and a fantasy which unleashes passions."[32] Following Gilbert Rist, the aim of the study is "to scrutinize the aura of self-evidence surrounding a concept which is supposed to command universal acceptance but which – as many have doubtless forgotten – was constructed within a particular history and culture."[33] Or, put differently, the study is about provincializing a discourse, which globally and categorically articulates the core policy goal, by analyzing its distinctly Western history.[34]

The term "growth paradigm" was first introduced by ecological economist Herman Daly in 1972 to characterize the pre-analytic vision of mainstream economists that justified their belief in unlimited growth, and the term has since been employed rather vaguely by ecologists, political scientists, and in public discourse to describe the worldview associated with growthmanship.[35] Thomas S. Kuhn's paradigm theory is helpful in understanding how "the entire constellation of beliefs, values, techniques and so on shared by members of a given community" create normalcy and repress conflicting ideas.[36] Yet his account, which is geared toward understanding paradigm maintenance and change in the natural sciences, has to be considerably broadened to capture the predominance of growthmanship that pervades not only a specific scientific community, but multiple academic, political, and social communities of experts and

[31] Joyce Appleby, *The Relentless Revolution: A History of Capitalism* (New York: W. W. Norton & Company, 2010); Klaus Dörre, Stephan Lessenich, and Hartmut Rosa, *Soziologie – Kapitalismus – Kritik: eine Debatte* (Frankfurt am Main: Suhrkamp, 2009); Jürgen Kocka, *Geschichte des Kapitalismus* (München: C.H. Beck, 2013); Hartmut Rosa, *Alienation and Acceleration: Towards a Critical Theory of Late-Modern Temporality* (Malmö and Arhus: NSU Press, 2010); Karl Polanyi, *The Great Transformation* (New York: Farrar & Rinehart, 1944); Karl Marx, *Das Kapital. Kritik der politischen Ökonomie. Erster Band* (Berlin: Dietz, 1962).

[32] Wolfgang Sachs, "Introduction," in *The Development Dictionary: A Guide to Knowledge as Power*, ed. Wolfgang Sachs (London: Zed Books, 1992), 1.

[33] Gilbert Rist, *The History of Development: From Western Origins to Global Faith* (London: Zed Books, 1996), 2.

[34] Dipesh Chakrabarty, *Provincialising Europe. Postcolonial Thought and Historical Difference* (Princeton: Princeton University Press, 2000).

[35] Herman E. Daly, "In Defense of a Steady-State Economy," *American Journal of Agricultural Economics* 54, no. 5 (1972): 945–54. See also Joseph A. Schumpeter, *History of Economic Analysis* (London and New York: Routledge, 1954), 38–45.

[36] Thomas S. Kuhn, *The Structure of Scientific Revolutions*, 3rd ed. (Chicago: University of Chicago Press, 1996), 175.

the wider public. Thus, even though loosely drawing on Kuhn's conception, I analyze growth as a "social paradigm," in the making and legitimation of which the academic community of economists played a key role, but which is much more general.[37] Furthermore, building on critical discourse analyses, the book presents a genealogy of the growth dispositive that not only encompasses and produces a complex ensemble of growth discourses, but also non-discoursive practices and their materializations such as statistical standards, benchmarks, and economic procedures.[38] My understanding thus differs from Daly's definition, which targets economics as a scientific discipline, or that of Richard Tilly and Toni Pierenkemper, who examine growth as a paradigm of economic historians.[39] Rather, "growth paradigm" as used here resembles Charles S. Maier's characterization of "the idea of sustained economic growth" as "the economic 'ideology' that came to play the greatest role in the non-Communist world" in the postwar era or the use by Gareth Dale and Stephen Purdey, who emphasize the function of growth as an idealized refiguration of capital accumulation.[40]

Building on these accounts and broadening Kuhn's original conception, I use the term "growth paradigm" to describe a specific ensemble of societal, political, and academic discourses, theories, and statistical standards that jointly assert and justify the view that GDP growth is desirable, imperative, and essentially limitless. Four discourses will be highlighted in this study. These assumed that GDP, with all its inscribed reductions, assumptions, and exclusions, adequately measures economic activity; that growth is a panacea for a multitude of (often changing) socioeconomic challenges; that growth is essentially unlimited, provided the

[37] In sociology and marketing research, the concept of a "dominant social paradigm" has been developed since the late 1970s. This concept is mostly used empirically to analyze the dominant world views and values that govern modern societies. It is conceptualized as an extension of Kuhn's definition of paradigms at the sociocultural level of societies and has been defined as "the values, metaphysical beliefs, institutions, habits, etc. that collectively provide social lenses through which individuals and groups interpret their social world." Lester W. Milbrath, *Environmentalists, Vanguard for a New Society* (Albany: State University of New York Press, 1984), 7.

[38] On discourse analysis, see Achim Landwehr, *Historische Diskursanalyse* (Frankfurt and New York: Campus, 2008); Ruth Wodak and Michael Meyer, eds., *Methods for Critical Discourse Analysis* (London: SAGE, 2009).

[39] Richard H. Tilly, "Das Wachstumsparadigma und die europäische Industrialisierungsgeschichte," *Geschichte und Gesellschaft*, 3, no. 1 (1977): 93–108; Toni Pierenkemper, *Wirtschaftsgeschichte* (München: Oldenbourg, 2005).

[40] Maier, "The World Economy and the Cold War in the Middle of the Twentieth Century," 48; Dale, "The Growth Paradigm: A Critique;" Purdey, *Economic Growth*; see also Isabelle Cassiers, ed., *Redefining Prosperity* (New York: Routledge, 2015). My understanding is also inspired by Terry Eagleton, *Ideology: An Introduction* (London: Verso, 1991).

correct governmental and inter-governmental policies were pursued; and that GDP-growth is practically the same as or a necessary means to achieve essential societal goals such as progress, well-being, or national power.

This book seeks to disentangle and analyze the complex interplay of these mutually reinforcing strands that constitute the growth paradigm, to examine how they collectively structured the way not only economists, but politicians, media, and society at large interpreted the world and defined appropriate behavior of states, and thus to explore the politics behind the growth paradigm.[41] As will be shown, even though asserting universal validity for all places and in perpetuity, the growth paradigm and its statistical surrogate were invented in very specific social, spatial, and historical contexts for limited purposes and are to this day inherently shaped by these contexts, interests, and power constellations. Most fundamentally, it rested on the newly emerging conceptualization of "the economy" as a self-contained totality of monetary flows forming the relations between production, distribution, and consumption within national boundaries. This notion, which is nowadays largely taken for granted but emerged only in the 1930s and 1940s in connection with the rise of oil, superseded a view of economic processes conceptualized in terms of physical flows of resources, matter, and energy, which suggested limits to growth. In contrast, the new measures such as GDP, which focused on "the speed and frequency with which paper money changed hands," could expand without increasing in physical or territorial size.[42]

The growth paradigm and GDP-statistics were originally designed to manage the wartime economies in the Allies' fight against fascism during World War II and to solve the specific problems of Western European reconstruction in the postwar and Cold War period. By promising eternally rising living standards for all economic growth has not only united opposing communities around the pursuit of mutual enrichment, but its promises of social mobility, societal betterment, and political stability have vindicated all sacrifices made in its name. The politics of growth turned social conflicts into non-ideological and technical questions of output and efficiency and by providing a social adhesive weakened societal tensions and class-based politics. In fact, the growth paradigm submerged one of the most politicized categories of political debates of the first half of the twentieth century, the question of distribution and equality. The fact that

[41] Martha Finnemore and Kathryn Sikkink, "International Norm Dynamics and Political Change," *International Organization* 52, no. 4 (1998): 887–917. See also the different interpretation in Purdey, *Economic Growth*.

[42] Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (London: Verso, 2011), 139.

the Cold War competition came to be waged over whether communism or capitalism was able to provide more material output (and not over equality, employment, or democratic participation) and was thus "outgrowing the enemy" turned the pursuit of growth into a seemingly inevitable mission – on both sides of the Iron Curtain.[43] Further, it was no coincidence that the growth paradigm emerged at a time of exceptional stability and high growth rates, the postwar golden age, "Wirtschaftswunder," or "trente glorieuses."[44] It was at the same time the period that has subsequently been described as the "Great Acceleration" because it also marked the beginning of processes of accelerated growth in key global socioeconomic trends as well as earth system trends such as water use, large dams, transportation, international tourism, fertilizer consumption, but also carbon dioxide emissions, ocean acidification, or terrestrial biosphere degradation.[45] Even though many analysts and politicians regard growth rates of 3 or 4 percent as desirable and achievable (and many economic models and policy instruments rely on this assumption), the long-term historical perspective shows that even after industrialization took off economies generally showed per capita growth rates of no more than 1–1.5 percent per year over a lengthy period. The postwar decades – in particular in continental Western Europe, where per capita growth rates averaged around 5 percent between 1950 and 1970 – and various emerging markets since are the historical exception.[46]

The growth paradigm was not a monolithic or unified set of discourses, and its emergence was not a linear and irreversible development. Rather, it was continuously renegotiated and remade in an open and contingent process characterized by historical ruptures, competing theories, and counter-currents, in which the growth paradigm proved remarkably flexible in adapting to changing circumstances, integrating newly emerging problems and perspectives without changing its basic tenets. Thus, the growth paradigm not only outlived the Cold War and was adapted to quite diverse social and geographical contexts around the world, but it managed to absorb the fundamental social and ecological critique that has accompanied the "growth-first" mentality since the 1970s through ongoing chameleonic transformations – from "qualitative," to "sustainable," "inclusive," and "green growth." In this context, the book is not

[43] Peter Wiles, "Growth versus Choice," *The Economic Journal* 66, no. 262 (1956): 244.

[44] Eric J. Hobsbawm, *Age of Extremes: The Short Twentieth Century, 1914–1991* (London: Abacus, 1995); Jean Fourastié, *Les Trente glorieuses ou la Révolution invisible de 1946 à 1975* (Paris: Fayard, 1979).

[45] Will Steffen, Wendy Broadgate, Lisa Deutsch, Owen Gaffney, and Cornelia Ludwig, "The Trajectory of the Anthropocene: The Great Acceleration," *The Anthropocene Review* 16 (January 2015): 1–18.

[46] Piketty, *Capital in the Twenty-First Century*, chap. 2.

only motivated by the desire to better understand the historical making and remaking of and the political power behind the growth paradigm, but also by the stunning absence of a historical perspective in the various current efforts to overcome the focus on growth. Both the search for new statistical measures "beyond GDP" and the lively debates about political alternatives to the growth fetish (what is often called "post-growth" or "degrowth") are fundamentally ahistorical in that they largely ignore and underestimate the long-term historical roots, path dependencies, and power relations of statistical standards and the growth paradigm more generally.[47]

Analyzing the growth paradigm: questions, methods, sources

The various elements of the growth paradigm and their interplay will be studied through an analysis of the discussion, production, and diffusion of knowledge within the transnational space of the OECD. More specifically, I focus on two sets of questions. First, how did the pursuit of economic growth become the essential and definite goal of economic policy-making in industrialized countries in the second half of the twentieth century? Or, put differently, how did economic growth come to be almost universally seen as a self-evident goal of economic policy-making and how was this constantly reproduced in changing circumstances? To answer these questions I describe the emergence, functioning, and evolution of the "growth paradigm." Since its flexibility was central to its continuing hegemony, a second set of questions looks at historical dynamics: How did the growth paradigm evolve over time from the late 1940s to the 1970s and beyond? What were the assumptions underlying and reinforcing the growth paradigm? How was the growth paradigm related to the transformations of social and power relations in the postwar era and to the general rise of economic knowledge in policy-making? How has growth become defined, how was growth justified, and what policies were envisaged? How was the growth paradigm questioned? And what were the corresponding trajectories, continuities, transformations, and ruptures?

Furthermore, a third set of questions focuses on the OECD: How can the OECD and its mode of functioning be conceptualized? What were its organizational structure and the underlying "anatomy of influence" and

47 See, for example, D'Alisa, Demaria, and Kallis, *Degrowth*; Latouche, *Farewell to Growth* and the references in the Conclusion.

how have they evolved over time?[48] How did the OECD manage to survive the major transformations in the global political economy in the postwar era? And how did the OECD contribute to the production, stabilization, generalization, and legitimation of macroeconomic knowledge, including statistics, models, conceptual frameworks, and policy norms?

The OECD – the locus of this history – will be studied both as a forum and as an actor. As a transnational forum, in which civil servants from the industrialized non-communist countries developed, harmonized, and collectively legitimated their economic expertise, standards, norms, and policies, the OECD provides rich source material for the study of an international economic norm. As an agent, which generated, set, diffused, and promoted particular benchmarks, proposals and political agendas on economic growth, the OECD provides insights into the functioning and emergence of transnational networks of economic expertise that span international organizations, national administrations, and academic economists.

To avoid misunderstandings: I do not argue that the OECD was the center of the establishment of the growth paradigm, that growth discourses emerged earlier or were more pronounced within the OECD, or that the OECD was causally responsible for the formation of growthmanship in member countries. Of course, the importance of the OECD as an agenda-setter or norm producer will be highlighted in specific chapters. Yet, in line with recent trends in historical studies on international organizations and building on existing research on the specific functions of the OECD, I mainly use this agency as an exemplary and particularly meaningful observation platform to explore the production, negotiation, and legitimation of the transnational growth paradigm.[49]

Due to its policy focus and its specific role in regional and global governance, the OECD lends itself to such an analysis. First, the OECD's key task is authoritatively defining good economics and the ruling norms of adequate government behavior, not only for its member countries. As Jim McNeill, high-level official of the OECD Economics Department in the 1970s, has stated: "the OECD is to classical economics what St. Peter is to Christianity. I mean it's the keeper of the keys."[50] In contrast to many international organizations, for the most part the

[48] Robert W. Cox and Harold K. Jacobson, *The Anatomy of Influence: Decision Making in International Organizations* (New Haven: Yale University Press, 1974).
[49] Sandrine Kott, "International Organizations – A Field of Research for a Global History," *Zeithistorische Forschungen/Studies in Contemporary History* 8, no. 3 (2011): 446–50.
[50] Cited in Steven F. Bernstein, *The Compromise of Liberal Environmentalism* (New York: Columbia University Press, 2001), 198.

OECD did not rely on legal or financial means to achieve agreements, but rather on "soft power" mechanisms. Soft power – "getting others to want the outcomes that you want" – means that the OECD's way of working aimed at shaping the ideas and preferences of member countries through the production, standardization, diffusion, and legitimation of economic policy norms and expertise.[51] This study examines three key mechanisms, through which the OECD – founded as the "economic conscience of the free world" – advanced its self-proclaimed key rationale, the "construction of an international economic philosophy":[52] production, legitimation, and diffusion of policy ideas, conceptual frameworks, expertise, and values; policy evaluation, coordination, and harmonization through peer pressure and naming and shaming techniques; and the standardization and generation of comparable and seemingly objective data.

Second, the OECD is the international organization most closely associated with economic growth: growth is its defining policy goal, it is the first aim in the OECD Convention, which prompts countries "to achieve the highest sustainable economic growth," and growth has until nowadays been discussed center-stage at all-important Ministerial meetings. One could interpret the focus on economic growth as the "organizational ideology" of the OECD, which has been described by one of its most influential directors as "a kind of temple of growth for industrialized countries – growth for growth's sake was what mattered."[53]

The OECD's key contribution to global governance was the provision of a generally acceptable framing of issues and cause-and-effect relationships, the creation of convincing narratives, and the production of powerful models and metaphors, all of which enabled civil servants of Western countries to perceive social facts and political problems in similar ways.[54] As stated by the first Secretary-General of the OECD Thorkil Kristensen, the OECD's key task was the production of "a common value system at the level of civil servants in the OECD countries that should form the

[51] Joseph S. Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004), 5.

[52] NARA, RG 59, Entry 5304, Box 22, Folder OECD Ministerial Meeting 1962, Remarks by Ball, November 27, 1962; Entry A1 5605, Box 12, Folder E 1 – EPC, 1967–71, J. P. Ferriter to Dallas Jones, October 2, 1968.

[53] Alexander King, cited in Robert Shannan Peckham, "Alexander King," *The Independent*, March 26, 2007. On King, see Chapters 2, 7, and 8. On the concept of "organizational ideology," see Robert W. Cox and Harold K. Jacobson, "The Framework for Inquiry," in *The Anatomy of Influence: Decision Making in International Organizations*, ed. Robert W. Cox and Harold K. Jacobson (New Haven: Yale University Press, 1974), 22.

[54] On the theory behind such an analysis of economics, see Deirdre N. McCloskey, *If You're So Smart: The Narrative of Economic Expertise* (Chicago: University of Chicago Press, 1990); Mary S. Morgan, *The World in the Model: How Economists Work and Think* (Cambridge: Cambridge University Press, 2012).

basis for consensually shared definitions of problems and solutions in economic policy making."[55]

Part of the production of a "common value system among civil servants" was a process of socialization to a culture of Western administrative expertise and bureaucratic camaraderie. This was reinforced by the OECD's headquarter – an elegant castle, the Château de la Muette, which had been erected by the Rothschilds in a quiet and posh Parisian neighborhood of old money next to the Bois de Boulogne.[56] The OECD was an integral part of the construction of the community of highly "developed" or "advanced" countries on the "mental maps" of officials, and increasingly the wider public, symbolizing what it meant to be a modern state, and it has been described as a "paradigmatic example of an identity-defining international organization."[57] The actors that shaped growthmanship in the OECD were part of a transnational expert community and pursued both professional and national agendas at the interface of academia, administration, and politics.

The main focus of the study is thus on the growth discourse within the industrialized non-communist world of OECD member countries – Western Europe, after the refoundation as OECD in 1961 the US and Canada, and then Japan (1964), Finland (1968), Australia (1971), and New Zealand (1973). Nonetheless, through the observation platform provided by this international organization, the book will take a transnational perspective in which Cold War competition and Western efforts to "develop" the global South played pivotal roles. This book starts in 1948 with the foundation of the OEEC, which is also the time when the idea of economic growth as the key policy goal started to be articulated, first among US economists in the Council of Economic Advisers (CEA), and then also among Western European policy-makers. As will be discussed, the idea of economic progress, preliminary growth theories, and macroeconomic policies geared toward expansion already emerged in the nineteenth and early twentieth century. However, the modern growth paradigm differed in three ways from those earlier concepts, all of which will be examined: Only with the development, standardization, and

[55] Marcussen, paraphrasing Secretary General Thorkil Kristensen, in: Martin Marcussen, "The OECD in Search of a Role: Playing the Idea Game," ECPR Joint Session of Workshops, Grenoble, 2001, 1. On Kristensen, see Matthias Schmelzer, "Thorkil Kristensen," *Biographical Dictionary of Secretaries-General of International Organizations*, 2013, www.ru.nl/fm/iobio.

[56] Michael W. Oborne, *A History of the Château de La Muette* (Paris: OECD, 1999).

[57] Tony Porter and Michael Webb, "The Role of the OECD in the Orchestration of Global Knowledge Networks," in *The OECD and Transnational Governance*, ed. Rianne Mahon and Stephen McBride (Vancouver: University of British Columbia Press, 2008), 44.

internationalization of national income accounting techniques could a uniform conception of "the economy" take hold, a new economic matrix that framed what exactly was growing, and the techniques of quantification to make this measurable. Next, not until the 1950s did economic growth become the primary policy goal, the responsibility of governments, and the most salient indicator for national success and societal welfare. And finally, not before the mid-1950s did the notion that long-term unlimited economic growth was actually achievable gain acceptance, in connection with the birth of the first modern growth theories, and only since then has the narrative of progress become bound up with continuing growth of GDP.

This study is based on a large body of archival and published sources. The main sources are the records and materials available in the archives located in the Parisian headquarter of the OECD. While rich in information about the expertise generated within the OECD and official procedures, OECD documents and minutes have several drawbacks: they are written in the detached, sanitized language of international organizations, making it rather difficult to uncover disagreements, conflicts of interest, specific positions, or influences of the different actors within the organization or of particular countries. Therefore, the OECD archive is complemented by sources from national archives in the US, Britain, and West Germany, which have been analyzed with a view to better understand actors, disagreements, and positions within the OECD. Furthermore, Chapter 1 is based on papers by the British statistical economist Richard Stone at the King's College Archive Centre at the University of Cambridge and some chapters rely on archival sources from the edited collection *Foreign Relations of the United States* (*FRUS*) and from the European Commission Historical Archives (ECHA), Brussels. Finally, a wealth of publications has been consulted, including OECD reports and series (such as *The OECD Observer*, *Economic Outlook*, or *OECD at Work*) and publications and memoirs by key actors involved in the OECD's work.[58]

Economic expertise, the growth paradigm, and the "superiority of economics"

By studying the making and remaking of the economic growth paradigm within the epistemic space of the OECD, this study lies at the interface

[58] Since it is difficult to clearly separate with regard to these publications between primary sources and secondary research literature, and some accounts have been analyzed in both respects, the bibliography abstains from separate bibliographies for published sources and literature.

between two fields of burgeoning historical inquiry: a broadened history of knowledge, which takes its cues from the history of ideas, cultural history, and the history of economic expertise; and a history of international organizations, which is inspired by transnational and global historical approaches. It aims at contributing to neglected aspects in both areas: while the history of economic knowledge largely disregarded the production, circulation, and application of economic knowledge in international organizations, historical research on international organizations has only paid scant attention to economic institutions. Both fields of research will be discussed in turn.

To begin with, this study is situated within recent trends to apply cultural approaches to the study of economic problems and analyze the history of knowledge in its social context, focusing particularly on economic expertise.[59] Even though the history of economic doctrines has a long tradition, the relation of economic theories to the social contexts in which they emerge, the role of economists in governments and international organizations, and their effects on political and social transformations is not yet settled and has been intensely debated. Research into the global spread of Keynesianism and neoliberalism has, for example, demonstrated the complexity of assessing the diffusion processes of economic doctrines and the implementation of certain policy programs in diverse national contexts.[60] While much research on economic doctrines has treated these as detached from social and organizational contexts and, as a rational quest for better theories, recent scholarship has introduced the "practice turn" from the history of science into the study of economics, and has analyzed the narratives and rhetoric of economic arguments.[61] This approach has been particularly productive regarding research on the making of techniques of quantification, yet this perspective has also been employed to analyze the expertise, knowledge networks, and practices of

[59] For example, Hartmut Berghoff and Jakob Vogel, *Wirtschaftsgeschichte als Kulturgeschichte: Dimensionen eines Perspektivenwechsels* (Frankfurt and New York: Campus, 2004).

[60] Peter A. Hall, *The Political Power of Economic Ideas: Keynesianism across Nations* (Princeton: Princeton University Press, 1989); Philip Mirowski and Dieter Plehwe, eds., *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (Cambridge: Harvard University Press, 2009).

[61] Margaret Schabas, "Coming Together: History of Economics as History of Science," *History of Political Economy* 34, no. 5 (2002): 208–25; Ross B. Emmett, "History of Economics and History of Science: A Comparative Look at Recent Work in Both Fields," *Research in the History of Economic Thought and Methodology* 28 (2010): 71–94; Roger E. Backhouse and Philippe Fontaine, "Introduction: History of Economics as History of Social Science," *History of Political Economy* 42, no. Suppl 1 (2010): 1–21. See also McCloskey, *If You're So Smart*; Gilbert Rist, *The Delusions of Economics: The Misguided Certainties of a Hazardous Science* (London: Zed Books, 2011).

international development.[62] Historians have also called to further develop global or transnational histories of ideas, models, concepts, and discourses.[63]

Building on these studies on expertise, I analyze the making and remaking of the transnational growth paradigm within the epistemic space of the OECD. To capture the crucial nexus between knowledge and power, these perspectives of intellectual history or history of knowledge have to be combined with approaches of historical and critical discourse analysis and a grounded analyses of the actors.[64] This is particularly relevant for economic expertise, macroeconomic models, and econometric and statistical systems, all of which heavily rely on largely taken-for-granted yet power-laden assumptions about how the world works and how humans behave.[65] While there has been a tendency in transnational histories to interpret the encounters and entanglements as progressive and cooperative, in analyzing the growth paradigm in the OECD I also focus on conflicts, power structures, and the exclusion of other voices and perspectives, which are necessary to produce hegemonic economic norms.

Under the label "scientization of the social," a recent strand of research has discussed the application of social scientific knowledge to ever-widening areas of social and political life as a key feature of modern societies.[66]

[62] For the literature on techniques of quantification, see Chapter 1. On development, see Frederick Cooper and Randall M. Packard, eds., *International Development and the Social Sciences Essays on the History and Politics of Knowledge* (Berkeley and Los Angeles: University of California Press, 1997); Frederick Cooper, "Writing the History of Development," *Journal of Modern European History* 8, no. 1 (2010): 5–23; Rist, *The History of Development*.

[63] Christopher Bayly, "History and World History," in *A Concise Companion to History*, ed. Ulinka Rublack (Oxford: Oxford University Press, 2011), 3–26; Emma Rothschild, "Arcs of Ideas International History and Intellectual History," in *Transnationale Geschichte: Themen, Tendenzen und Theorien*, ed. Gunilla Budde, Sebastian Conrad, and Oliver Janz (Göttingen: Vandenhoeck & Ruprecht, 2006), 217–26; Andrew Sartori, "The Resonance of 'Culture': Framing a Problem in Global Concept-History," *Comparative Studies in Society and History* 47, no. 4 (2005): 676–99.

[64] This has been particularly highlighted by Michel Foucault and historical and critical discourse analyses. See, for example, Michel Foucault, *The Essential Works of Michel Foucault, 1954–1984. Vol. 3, Power*, ed. James D. Faubion (London: Penguin, 2002). See also Landwehr, *Historische Diskursanalyse*; Wodak and Meyer, *Methods*.

[65] The specific assumptions of neoclassical and Keynesian economics have been highlighted by feminist and ecological economics. See Waring, *Counting for Nothing*; Lourdes Benerìa, Ann Mari May, and Diana Strassmann, *Feminist Economics, Vol. 1: Feminist Economics: Feminism, Economics, and Well-Being* (Cheltenham: Edward Elgar, 2011); Daly and Farley, *Ecological Economics*.

[66] Lutz Raphael, "Die Verwissenschaftlichung des Sozialen als methodische und konzeptionelle Herausforderung für eine Sozialgeschichte des 20. Jahrhunderts," *Geschichte und Gesellschaft* 22, no. 2 (1996): 165–93. See also Speich Chassé, *Erfindung*, chap. 3;

Historians working on Western Europe and the US have scrutinized the role of economic experts in political life and the increasing importance of the connections and rotation of personnel between academia, politics, and business.[67] These accounts have highlighted the changing context and status of economics as a social science, which had far-reaching effects: The professionalization and internationalization of economics in the twentieth century was accompanied not only by the rise of economic expertise and economists into key government positions and international bureaucracies, but also by the construction of comparative statistical and analytical tools and perspectives.[68] The Great Depression provided opportunities for economists and economic ideas to move into governments, a trend that was reinforced by the management of wartime economies in the early 1940s, the efforts aimed at Western reconstruction after the War, and the end of Western empires with the corresponding rise of development economics and development policies. The foundation of dozens of international and regional organizations dealing with economic questions in the late 1940s and 1950s further revitalized and strengthened the role of economists in administrations.[69] While in the nineteenth- and early twentieth-century international economic issues had been negotiated via legal discourse, from the 1930s onwards economics took the place of law as the technical language of national and international administrative machineries.[70]

Benjamin Ziemann, Dirk Schumann, Richard F. Wetzell, and Kerstin Brückweh, "The Scientization of the Social in Comparative Perspective," in *Engineering Society: The Role of the Human and Social Sciences in Modern Societies, 1880–1980*, ed. Kerstin Brückweh, Benjamin Ziemann, Dirk Schumann, and Richard F. Wetzell (Basingstoke: Palgrave Macmillan, 2012), 1–40.

67 Alfred W. Coats, *The Development of Economics in Western Europe since 1945* (London and New York: Routledge, 1999); Mary O. Furner and Barry Supple, *The State and Economic Knowledge: The American and British Experiences* (Cambridge: Cambridge University Press, 2002); Alexander Nützenadel, *Stunde der Ökonomen. Wissenschaft, Politik und Expertenkultur in der Bundesrepublik 1949–1974* (Göttingen: Vandenhoeck & Ruprecht, 2005); Tim Schanetzky, *Die große Ernüchterung: Wirtschaftspolitik, Expertise und Gesellschaft in der Bundesrepublik 1966 bis 1982* (Berlin: Akademie Verlag, 2006).

68 Marion Fourcade, *Economists and Societies: Discipline and Profession in the United States, Britain, and France, 1890s to 1990s* (Princeton: Princeton University Press, 2009); Marion Fourcade, "The Construction of a Global Profession: The Transnationalization of Economics," *American Journal of Sociology* 112, no. 1 (2006): 145–94.

69 Patricia Clavin, *Securing the World Economy: The Reinvention of the League of Nations, 1920–1946* (Oxford: Oxford University Press, 2013); Daniel Laqua, ed., *Internationalism Reconfigured: Transnational Ideas and Movements between the World Wars* (London and New York: Palgrave Macmillan, 2011).

70 Theodore J. Lowi, "The State in Political Science: How We Become What We Study," *The American Political Science Review* 86, no. 1 (1992): 1–7; Niels P. Petersson, *Anarchie und Weltrecht: das Deutsche Reich und die Institutionen der Weltwirtschaft 1890–1930* (Göttingen: Vandenhoeck & Ruprecht, 2009); Speich Chassé, "Macroeconomic Expertise and International Organizations."

I argue that these changes since the mid-twentieth century – the emergence of what has been called the "superiority of economics" – were intimately connected to the rise of the growth paradigm.[71] Both developments reinforced each other. The capability to measure, analyze, model, forecast, and prescribe economic growth and growth policies equipped economist with a set of powerful skills and tools that made economic experts increasingly indispensable for governing growth societies. To a significant degree, the new prominence of economists grew out of their authority over the subject that had become the political obsession, economic growth. At the same time, the rise of economists – these "evangelistic worshippers of GNP" – to powerful government positions and the increasing importance of economic knowledge production as a key justificatory basis for policy-making within the modern state strengthened the growth paradigm.[72] The links and reciprocal influences of professional economists to their contexts of application – most key economists in the postwar era also worked in national administrations or international organizations for part of their career – were instrumental not only in their efforts to quantify economic growth, but also concerning the resultant modeling of economic change and the production of policy advice. The growth discourse and the related privileged positions of technocratic power of economic experts thus constructed and reinforced the primacy of the economy over politics. It furthered a process of continued economization, in which economic logics came to pervade other spheres of social life, reducing their autonomous logics to instrumental rationality. By turning the growth process into an intransient phenomenon and thus making the expansion of "the economy" one of the key tasks of governments, the growth paradigm has transformed the very role of the state in relation to the economy.

The OECD as an "observation platform"

Next to research on economic expertise, this book is situated within historical analyses of international organizations. That similar growth policies were pursued, coupled with similar analytical frameworks and discursive strategies, and even that a shared understanding of the very

[71] Marion Fourcade, Etienne Ollion, and Yann Algan, "The Superiority of Economists," *Journal of Economic Perspectives* 29, no. 1 (2015): 89–114. This aspect is not adequately addressed in the literature on economization and the rise of economics, which tends to focus on other developments (such as the rise of finance in Fourcade et al.).

[72] This expression was used in William Nordhaus and James Tobin, "Is Growth Obsolete?," in *Economic Research: Retrospect and Prospect Vol. 5: Economic Growth*, ed. NBER (New York: NBER, 1972), 4.

notion of "economic growth" and the tools for its statistical measurement prevailed in basically all Western states in the postwar period, was not a mere coincidence of independently acting governments that happened to pursue similar policies. Rather, during the twentieth century, in particular in the postwar period, a dense network of intergovernmental organizations emerged that connected governments and generated multifaceted layers of technocratic coordination, standardization, and harmonization.

While traditional "realist" approaches to international relations have interpreted the actions of international organizations as the outcome of the interplay of the national interests of their member states in an anarchic world of power games, recent studies, in particular from the so-called "social constructivist" and "critical" schools of International Relations, have stressed the influence of international organizations on the very formation of "national interests" and the international dimensions of interest and class formation.[73] The emergence of the economic growth paradigm provides a lucid illustration, since raising GDP could only become articulated as a major national interest after this statistical measure was invented and internationally standardized by economic and accounting experts and international organizations, chief among them the OEEC.[74]

Recent years have seen a rising interest among historians in international, transnational, or global history, the entanglements and transfers of globalizing interconnections, and in governance structures.[75] Within this general trend, the history of international organizations, which had long been reserved to experts in political science and international relations, has attracted increasing attention by historians. Recent syntheses on the issue have stressed the importance of international organizations as agents of globalization. More particularly, these accounts highlight the importance of international organizations as meeting points for transnational communities of bureaucrats and experts and the complexity of the internal dynamics of international bureaucracies and their relation to

[73] Martha Finnemore, *National Interests in International Society* (Ithaca: Cornell University Press, 1996); Michael Barnett and Martha Finnemore, *Rules for the World: International Organizations in Global Politics* (Ithaca: Cornell University Press, 2004); Alexander Wendt, "Anarchy Is What States Make of It: The Social Construction of Power Politics," *International Organization* 46, no. 2 (1992): 391–425; Robert W. Cox, "Gramsci, Hegemony and International Relations: An Essay in Method," *Millennium – Journal of International Studies* 12, no. 2 (1983): 162–75.

[74] Daniel Speich, "The Use of Global Abstractions: National Income Accounting in the Period of Imperial Decline," *Journal of Global History* 6, no. 1 (2011): 7–28.

[75] See the programmatic essay by Patrick O'Brien, "Historiographical Traditions and Modern Imperatives for the Restoration of Global History," *Journal of Global History* 1, no. 1 (2006): 3–39.

member states and other international actors.[76] Besides analyzing the national debates in the plenary sessions of international organizations, historians have started to focus on the work of the secretariats, commissions, or technical agencies, the experts and officials that work in these international bureaucracies, and their relationships to and fluctuating careers in academia, governments, and international organizations. In this perspective, international organizations can be interpreted as contested social and epistemic spaces through which historians can observe the production, negotiation, and circulation of ideas, norms, and international networks and their interaction with national and local societies.[77]

Even though historical research on international organizations is still in its infancy, historians have not only analyzed European integration and the EEC/EU, the study of which has developed into a booming research field, but in recent years more and more international organizations have come under scrutiny. These studies have largely focused on international organizations in the area of social, developmental, cultural, or technical cooperation and have paid less attention to those organizations dealing with macroeconomic questions. Only recently has this started to change with new research on the League of Nations, the World Bank, the IMF, and the GATT.[78] By analyzing the growth paradigm within OECD, this book contributes to this emerging body of research.

Yet what exactly is this rather elusive organization, which is often dubbed the "Club of the Rich," and what is its history? Answers to these questions are not easy to find. Most researchers regard the OECD more as a resource – providing statistics, expert opinions, and authoritative reports – than as a field of enquiry. The history of the OECD and to a lesser extent that of the OEEC have largely been neglected by historical research and only recently moved into the limelight of scholars in political science and sociology. The relative disregard of the OEEC's history can partly be attributed to Alan Milward's influential argument that the

[76] See, for example, Akira Iriye, *Global Community: The Role of International Organizations in the Making of the Contemporary World* (Berkeley and Los Angeles: University of California Press, 2002); Madeleine Herren, *Internationale Organisationen seit 1865. Eine Globalgeschichte der internationalen Ordnung* (Darmstadt: Wissenschaftliche Buchgesellschaft, 2009); Bob Reinalda, *Routledge History of International Organizations: From 1815 to the Present Day* (London and New York: Routledge, 2009).

[77] Kott, "International Organization."

[78] Michele Alacevich, *The Political Economy of the World Bank: The Early Years* (Stanford: Stanford University Press, 2009); Patricia Clavin, *Securing the World Economy: The Reinvention of the League of Nations, 1920–1946* (Oxford: Oxford University Press, 2013); Harold James, *International Monetary Cooperation since Bretton Woods* (Washington: Oxford University Press, 1996); Francine McKenzie, *Accidental Organization: The GATT and Global Geopolitics, 1947-1994* (forthcoming).

American authorities' failure to turn the OEEC into an early prototype of a Western European supranational government had led to the "depoliticization" and "collapse" of the organization already by 1949.[79] In a similar vein, the comparative lack of research on the OECD can to some extent be explained by the OECD's soft power form of governance, by its politically neutral and non-controversial image, and by the relative absence of historical interest by the OECD itself.

Historical research on the OEEC and OECD has largely focused on the organization's early history during the 1950s – its role in the European Recovery Program, in the liberalization of trade and payments, and the organization's productivity campaign.[80] The organization's later development from the 1960s onwards has so far only received scant attention – some pioneer studies have analyzed the organization's science, development, environmental, energy, trade, and welfare state politics. Only recently, a more structured investigation of the history of this "elusive warden of global capitalism" has been launched, mostly connected to a Geneva- and Zürich-based research project, which also organized the first conference on the OECD in August 2015.[81] This

[79] Milward, *The Reconstruction of Western Europe, 1945–51*, 56–125, 168–211.

[80] Next to Milward, see the contributions in Richard T. Griffiths, ed., *Explorations in OEEC History* (Paris: OECD, 1997); Werner Bührer, *Westdeutschland in der OEEC: Eingliederung, Krise, Bewährung 1947–1961* (München: Oldenbourg, 1998); Bent Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961* (Copenhagen: Museum Tusculanum Press, 2003); Jacob J. Kaplan and Günther Schleiminger, *The European Payments Union: Financial Diplomacy in the 1950s* (Oxford: Oxford University Press, 1989); Patricia Hongler, "Die OEEC und ihre unsichtbare Kolonialgeschichte. Lektüre einer Kakaostudie von 1956," in *Neue Beiträge zur Wirtschaftsgeschichte*, ed. Thomas David, Tobias Straumann, and Simon Teuscher (Zürich: Chronos, 2015), 235–50.

[81] See, for example, Thomas Hajduk, "A Code to Bind Them All: The Multinational Dilemma and the Endeavour for an International Code of Conduct," in *Multinationale Unternehmen und Institutionen im Wandel – Herausforderungen für Wirtschaft, Recht und Gesellschaft*, ed. Sandra Brändli, Roman Schister, and Aurelia Tamò (Bern: Stämpfli Verlag, 2013), 311–39; Vincent Gayon, "L'OCDE au travail. Contribution à une sociologie historique de la 'coopération économique internationale' sur le chômage et l'emploi" (PhD thesis, Université Paris Dauphine, 2010); Benoit Godin, *The Making of Science, Technology and Innovation Policy: Conceptual Frameworks as Narratives, 1945–2005* (Montreal: Centre – Urbanisation Culture Société de l'Institut national de la recherche scientifique, 2009), www.csiic.ca/index_f.html; Rüdiger Graf, *Öl und Souveränität: Petroknowledge und Energiepolitik in den USA und Westeuropa in den 1970er Jahren* (Berlin: De Gruyter Oldenbourg, 2014); Matthieu Leimgruber, "The Embattled Standard-Bearer of Social Insurance and Its Challenger: The ILO, the OECD and the 'Crisis of the Welfare State', 1975–1985," in *Globalizing Social Rights: The International Labor Organization and Beyond*, ed. Sandrine Kott and Joëlle Droux (Basingstoke: Palgrave MacMillan, 2013), 293–309; Matthias Schmelzer, "The Crisis before the Crisis: The 'Problems of Modern Society' and the OECD, 1968–74," *European Review of History* 19, no. 6 (2012): 999–1020; Robert Wolfe, "From Reconstructing Europe to Constructing Globalization: The OECD in Historical Perspective," in *The OECD and Transnational Governance*, ed. Rianne Mahon and Stephen McBride (Vancouver: University of British Columbia Press, 2008), 25–42. For

first truly historical monograph on the OECD – based on a wealth of original sources – thus charts new ground.[82]

In the wake of constructivist turn in the 1990s, political scientists, sociologists, and scholars interested in the international political economy, who had hitherto largely disregarded the OECD, have started to pay serious attention to the organization and published two monographs, several collective volumes and special issues, a comparative analysis of the OECD as a "compound bureaucracy," and many articles dealing with most of the OECD's many fields of activity.[83] These studies are similar in several respects: they are generally very theoretical and focus on defining, identifying, and explaining the specific modes of OECD governance; in contrast to historical research on the OEEC and to earlier studies they emphasize the OECD's importance and the efficacy of its soft-power influence; and they mostly deal with developments after the late 1980s and only use limited archival sources, if at all. Next to these studies, a wealth of publications by former administrators of the OECD also provide a rich source of information and interesting inside narratives on the workings of the bureaucracy and its committees and expert groups. However, these accounts generally overstate the importance of the

the OECD history project at the University of Geneva/Zürich and for the international conference "Warden of the West. The OECD and the global political economy, 1948 to present" (August 2015) see oecdhistoryproject.net (September 20, 2015).

82 Previous studies on the OEEC have not analyzed what later became the key role of the organization after it was reorganized as the OECD in 1961 and have not dealt with the period of transition from the West European organization to an Atlantic and then triadic (Euro-Atlantic-Pacific) capitalist think tank. By exploring the OEEC's role in the international standardization of national income accounting, the production of overall policy norms geared toward productivity and growth, and the international harmonization of long-term growth strategies, the following analysis examines some of the neglected issues. Exceptions are Richard Griffiths, "'An Act of Creative Leadership': The End of the OEEC and the Birth of the OECD," in *Explorations in OEEC History*, ed. Richard Griffiths (Paris: OECD, 1997), 235–56; Ellwood, "The Marshall Plan."

83 The only recent monographs are Richard Woodward, *The Organisation for Economic Co-Operation and Development (OECD)* (London and New York: Routledge, 2009); Peter Carroll and Aynsley Kellow, eds., *The OECD. A Study of Organisational Adaptation* (Cheltenham: Edward Elgar, 2011). Unfortunately, Carroll and Kellow only use a small subset of select archival files from the OECD's highest decision-making body and rely uncritically on OECD inside accounts. Edited volumes on the OECD are Rianne Mahon and Stephen McBride, eds., *The OECD and Transnational Governance* (Vancouver: University of British Columbia Press, 2008); Kerstin Martens and Anja P. Jakobi, eds., *Mechanisms of OECD Governance: International Incentives for National Policy Making* (Oxford: Oxford University Press, 2010); Jarle Trondal, Martin Marcussen, Torbjörn Larsson, and Frode Veggeland, *Unpacking International Organisations. The Dynamics of Compound Bureaucracies* (Manchester: Manchester University Press, 2010). See also the fall 2011 issue of the *Review of International Political Economy* and spring 2014 issue of the *Journal of Comparative Policy Analysis*, most importantly Judith Clifton and Daniel Díaz-Fuentes, "The OECD and Phases in the International Political Economy, 1961–2011," *Review of International Political Economy* 18, no. 5 (2011): 552–69.

OECD, are partly self-congratulatory, and thus do not qualify as independent analyses.[84]

More than a rational number cruncher: the OECD in historical perspective

OECD officials have regularly described the OECD's tasks as assembling, producing, and diffusing "knowledge relevant to *rational* policy-making in *every* major field of economic activity" and have thus interpreted the OECD as "speaking truth to power."[85] And even researchers have tended to idealize the OECD's work as a rational process of "epistemic learning," in which economic experts and civil servants strove to find best practices and to further human progress – the OECD as a "truth-seeker" and "truth-teller."[86] In this vein, the OECD has been described as a "communication system," an "orchestrator of global knowledge networks," or an "ideational artist" and has been analyzed as a relatively non-hierarchical, knowledge-based forum for the production and exchange of expertise among civil servants and economists from member states.[87]

Highlighting the OECD soft power functions may shed light on its distinctive modes of governance, but this perspective impedes a more thorough understanding of the OECD's role and tends to downplay or even ignore the use and diffusion of power and (geo-)political interests within and through the OECD as well as its competition and collaboration with other international organizations. By focusing almost exclusively on the post-1989 period and by basing their studies on published

[84] For general accounts, see Jean Bonvin and Christian Morrisson, *L'Organisation de coopération et de développement économiques (OCDE)* (Paris: Presses universitaires de France, 1998); Henri Chavranski, *L'OCDE: au coeur des grands débats économiques* (Paris: Documentation Française, 1997); Scott Sullivan, *From War to Wealth: Fifty Years of Innovation* (OECD, 1997). Further studies on particular fields of OECD work will be cited in the relevant chapters.

[85] *OECD at Work* (Paris: OECD, 1969), 1 (emphasis added); Ron Gass, "Speaking Truth to Power," *The OECD Observer* 296 (2013).

[86] Niklas Noaksson and Kerstin Jacobsson, *The Production of Ideas and Expert Knowledge in OECD: The OECD Jobs Strategy in Contrast with the EU Employment Strategy* (Stockholm: SCORE, 2003). See also Carroll and Kellow, The OECD.

[87] Gunnar Sjöstedt, "OECD-Samarbetet: Funktioner och effekter" (Stockholms Universitet, 1973); Tony Porter and Michael Webb, "The Role of the OECD in the Orchestration of Global Knowledge Networks," in *The OECD and Transnational Governance*, ed. Rianne Mahon and Stephen McBride (Vancouver: University of British Columbia Press, 2008), 43–59; Martin Marcussen, "The OECD as Ideational Artist and Arbitrator: Reality or Dream?," in *Decision Making within International Organizations*, ed. Bob Reinalda and Bertjan Verbeek (London and New York: Routledge, 2004), 90–105.

materials and interviews, these accounts have established a static view of the OECD largely devoid of interests and power. If these authors address at all the longer-term history of the OECD, they tend to narrate a linear success story that conspicuously resembles the organization's own view of its past, as it was, for example, depicted around its 50th anniversary in 2011: Starting from successful Western European cooperation in the context of the Marshall Plan, the organization developed first into a transatlantic and then seamlessly into a global knowledge hub, advising industrialized countries and advancing development aid to the global South.[88] As will be shown, however, this narrative obscures the foundational role the OECD's entanglements in the (post-)colonial period (Western European colonies being de-facto part of the organization in the 1950s) and the Cold War.

In taking a different perspective, this book contributes in three ways to the flourishing field of research on the OECD. First, I argue that the history of the OECD is best understood if one analyzes it as the organization's continuous endeavor to reinvent itself after it had lost its original purpose at the end of the Marshall Plan. In this process, the OECD developed into a warden of liberal capitalism and the West – a role that it had to redefine again after the fall of the Berlin Wall. The OECD functioned both as a custodian – a keeper and promoter of the key tenets of economic expertise, but also as a highly flexible geopolitical platform and tool that member countries could mobilize for analyzing certain problems, negotiating inter-capitalist economic tensions, pre-negotiating a common stance to present in less exclusive fora (i.e., the UN), or defusing developments that were adverse to international free trade capitalism and economic growth. While the OECD was an important geopolitical actor throughout its history, its predecessor – the OEEC – never fulfilled the geopolitical role it was designed for in 1948, to serve as the incubator for the United States of Europe. Yet it soon took on another related role: up until 1989 (and possibly beyond) the organization was *the* economic grouping representing the economic interests of the capitalist West vis-à-vis the communist East and the decolonizing countries in the global South. The organization never openly acknowledged this role and it has largely been overlooked in the existing research. This broad perspective enables an understanding of the dynamic changes of the OECD's role within the framework of postwar developments (e.g., Cold War, decolonization, rise of economic expertise) and how the Organization responded to challenges to the hegemony of its larger member countries.

88 See, for example, http://www.oecd.org/about/, and the OECD-made promotional film "OECD at 50: How's Life?" (2011), https://www.youtube.com/watch?v=MIEzs_AlxPE.

Second, by analyzing the organization's orthodoxy from the late 1940s onwards, this book closely links the histories of the OEEC and the OECD and focuses on long-term transformations. Going beyond the rather static and theoretical accounts of the emerging OECD scholarship, it reveals long-term trajectories and fundamental continuities and ruptures in personnel, working methods, policy agendas, and organizational structures, but most importantly with regard to its fundamental raison d'étre. Rather than imposing contemporary conceptions of the OECD on its past, we need a thorough analysis of how the think tank and talking shop functions of the OECD emerged and evolved, when and how they did shape the OECD, to what varying degrees, and in which changing contexts. Indeed, the OEEC was founded to administer European Marshall Plan aid and as an early embryo of Western European integration – it only later shifted toward being a knowledge-based expert organization. During much of its history, the OECD was not, or not primarily, a think tank but served other important functions. And when this expert-outlook became increasingly prominent in the early 1960s, it was consciously constructed and defended by the OECD Secretariat. Analyzing the OECD as a Cold War institution helps in understanding the OECD more generally, also at present, in its geopolitical dimension and its search for a new, post–Cold War role. Relatedly, the focus on specific networks of actors from academia, politics, and international bureaucracies, which is at the core of most chapters, enables situating the OECD within an emerging field of internationalizing expertise rather than seeing the organization as insular. This also makes it possible to unravel the various threads of discourses and coalitions of experts from different disciplines and countries that have shaped the OECD and are in turn influenced by the organization. The source-based analysis of the growth paradigm within the OECD thus provides an account focusing on historical change, the internal workings of the organization, and the process of reciprocal application at the interface between an international bureaucracy, national administrations, and economics that mutually generated the prestige of the OECD and of economic experts.

Third, the historical significance of the OECD can only inadequately be understood if we consider it as a non-hierarchical and knowledge-based expert talking-shop. The analysis of archival sources permits a look inside the bureaucracy and the OECD's expert bodies that reveals processes ignored in existing accounts. In this perspective, the OECD is characterized by its survival strategies in competition to other international organizations, by its fundamental geopolitical and identity-defining role, by formal and informal hierarchies, by restricted spaces within the organization, and by internal rivalries, both between countries and between different academic disciplines and directorates. More specifically, officials working at the OECD and their counterparts from member countries were not a group of disinterested "experts," but a transnational elite of Western government officials, predominantly male, well-educated (largely as economists), and from upper-class backgrounds, who pursued both professional and national agendas. Rather than searching for "truth" they were engaged in a complex negotiation process of defining problems, concepts, and norms that furthered their shared interests, both as representatives of the governments of the relatively rich capitalist countries of Western Europe, North America, Japan, Australia, and New Zealand, and as part of the political establishment. Further, while the organization boasted its role as a meeting-place and level playing-field, poorer member countries not only lacked the financial resources to fully participate in the OECD's work, but – being excluded from official and unofficial committees that pre-negotiated key issues – only enjoyed what could be described as second-class membership. While claiming to herald analyses, forecasts, and advice that was universally applicable, aimed at better policies for the world economy and at increasing the common good, the OECD regularly excluded and concealed the perspectives of the less powerful member countries, let alone of people in the global South and of disadvantaged groups within OECD countries.

This book is structured in three chronological parts, each of which is characterized by a growth target set in 1951, 1961, and 1970. These are preceded by an introductory chapter that presents an overview of the history and structure of the OEEC and the OECD. The three chapters in each part are not intended to cover the respective periods completely, but rather take changing perspectives that illuminate key aspects and transformations of the growth paradigm in the postwar era. As illustrated in Figure I.2, while the first two growth targets were achieved – to the surprise of most officials at the time – the third growth target set in 1970 grossly overestimated the potential of OECD economies.[89] Much more relevant, however, for analyzing the evolution of the growth paradigm were the intense discussions waged among experts and policy-makers in the process of the setting of these three targets, which offer case-studies of Western growth thinking at key junctures of postwar history.

[89] Roughly, OECD countries experienced real GDP growth rates averaging just over 4 percent each year in the 1950s, almost 5 percent annually in the 1960s, 3 percent in the 1970s and 2 percent in the 1980s. See Stephen A. Marglin and Juliet B. Schor, *The Golden Age of Capitalism: Reinterpreting the Postwar Experience* (Oxford: Oxford University Press, 1992); N. F. R. Crafts and Gianni Toniolo, *Economic Growth in Europe since 1945* (Cambridge: Cambridge University Press, 1996).

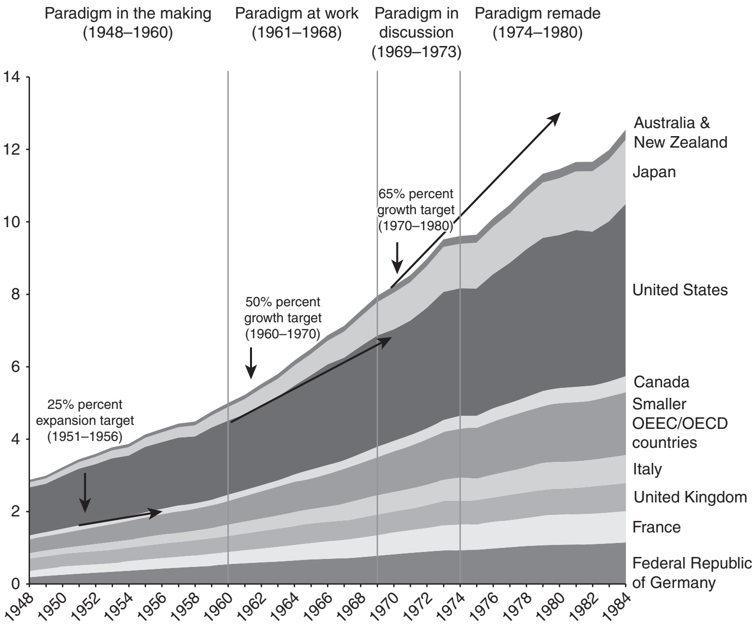

Figure I.2 GDP of OECD countries (million 1990 International Geary-Khamis dollars), chronology of the parts of the book, and OECD growth targets
Source: Own calculations, based on Angus Maddison (2007), Historical Statistics for the World Economy: 1–2003 AD, GGDC database, www.ggdc.net. The vertical arrows depict the timing of the growth targets; the diagonal arrows map the set objectives. The membership of the OEEC/OECD was enlarged in that period, which is reflected in the location of the red arrows.

Part I deals with the making of the growth paradigm in the late 1940s and 1950s. Its chapters focus on how the process of the international standardization of national income accounting laid the conceptual basis for the growth paradigm; how the focus in high-level policy debates shifted from reconstruction to selective expansion to all-out growth; and how a consensus for a long-term growth strategy emerged among the highest economic advisers of the large Western European countries and the US.

Part II examines the working of the growth paradigm during the height of growth thinking in the 1960s. It analyzes the justifications around the setting of a very ambitious growth target for the OECD area at the first

Ministerial meeting in 1961; how policies and discussions in other policy fields were influenced by the growth paradigm; and explores the relations between the focus on growth, the development paradigm, and the global South.

Part III analyzes how the growth paradigm was questioned and then reclaimed in the 1970s, focusing on the actors of and reasons for these criticisms and the way the organization framed its response. Its chapters scrutinize the debates on the ecological and social costs and the "qualitative" aspects of economic growth and the relations between the Club of Rome and the OECD; on the resulting internal conflicts within the Secretariat and the counterstrategies developed; and finally on the emergence of environmental policy-making within the OECD and on the organization's vain efforts to design and standardize social indicators as an alternative to GDP. The Epilogue discusses the refashioning of growthmanship from the mid-1970s to the present, focusing on the transformations of growth regimes and the continuous incorporation of new forms of questioning growth. The Conclusion, finally, sharpens key results and arguments and sets them in the larger context of current debates around secular stagnation, rising inequality, and ecological crises.

Setting the stage
A historical introduction to the OECD

> [W]hile some other organizations are useless but represent themselves as important, the OECD, though important, presents itself as useless.[1]

"Why do international organizations never die?" This question, posed by international relations scholar Susan Strange, has relevance not only for the general study of international organizations, whose numbers have continuously expanded during the twentieth century, but in particular for the evolution of the OECD.[2] The history of this international organization can be analyzed as the continuous endeavor to reinvent itself after it had lost its original purpose. However, the two explanations advanced by Strange to explain the survival of international organizations – the "symbiotic relationship with well-entrenched national bureaucracies" that staff these organizations and the legal obligations of member states as employers of international executives – only partially account for the OECD's continued existence.[3] The OECD not only sustained itself through several organizational crises due to the personal interests of its employees in well-paid and secure jobs and the legal obligations of states to provide these, but also because the Secretariat and powerful member country governments managed to repeatedly reinvent the organization's purpose in line with the changing needs of capitalist states' developments. This chapter first outlines key mechanisms of OECD influence, describes the crisis-ridden history of the OEEC and the contested refoundation of the OECD, and finally provides an overview of the functioning of the organization by focusing on its principal bodies and the underlying "anatomy of influence."[4]

[1] TNA, FCO 69/228, Chadwick to Douglas-Home, October 7, 1971.
[2] Susan Strange, "Why Do International Organizations Never Die?," in *Autonomous Policy Making by International Organizations*, ed. Bob Reinalda and Bertjan Verbeek (London and New York: Routledge, 1998), 213–21. See also Michael N. Barnett and Martha Finnemore, "The Politics, Power, and Pathologies of International Organizations," *International Organization* 53, no. 4 (1999): 699–732.
[3] Strange, "Why Do International Organizations Never Die?," 217.
[4] Cox and Jacobson, "The Framework for Inquiry"; Barnett and Finnemore, *Rules for the World*, esp. 16–46.

Understanding the OECD's role in global governance has been a controversial and elusive quest from the beginning until today. Already in 1964 Kristensen complained that not only national delegates in the committees and working groups, but even the bureaucrats working for the OECD in Paris were constantly asking the same questions: "what should the OECD do; what is its domain; what is its raison d'etre?"[5] Drawing on constructivist, post-structural, and critical theories of international relations, and the existing studies on the OECD from political science and sociology, three mechanisms are particularly important to understand the OECD's role in global governance: first, production, legitimation, and diffusion of policy ideas; second, policy evaluation, coordination, and harmonization; and finally, standardization and generation of data.[6]

In its internal reports, the hundreds of yearly routine and extraordinary official publications, and its public statements and speeches, the OECD presented visions and values, developed scenarios, set agendas, defined guiding principles and narratives, framed topics and cause-and-effect relationships. This role of the OECD has taken a variety of forms. While OECD officials such as long-term science director Alexander King have argued that generally "new initiatives seldom come from national delegations" but rather from "an innovative international secretariat," regularly one or more member countries launched ideas and projects or used the OECD structure to spread and propagate their agenda.[7] As predicted by critical international relations theory, the key impetus not only for the foundation of the OEEC and the reorganization of the OECD, but for many of its economic norms and rules came from the US, the dominant state in the international system.[8] However, in many cases discussed in this book, the OECD Secretariat – often closely collaborating with some of the larger member countries – acted as an agenda-setter. By introducing new

[5] As a consequence, an internal analysis had found that in the early 1960s OECD committees spent 60 percent of their time discussing operational questions and only 30 percent on policy discussions. NARA, RG 59, Entry 5304, Box 9, Folder 225 Manpower Committee, CES/64.06, Statement by Kristensen at the 59th meeting of the Council, January 30, 1964.

[6] This chapter builds on the existing literature by social scientists discussed in the introduction. The typology closely resembles that of Woodward, who distinguishes between cognitive, normative, legal, and palliative governance, and that of Mahon and McBride, who distinguish between inquisitive and meditating modes of regulation within the OECD. See in particular Clifton and Díaz-Fuentes, "The OECD and Phases in the International Political Economy, 1961–2011"; Mahon and McBride, *The OECD and Transnational Governance*; Martens and Jakobi, *Mechanisms of OECD Governance*; Woodward, *The OECD*.

[7] Alexander King, *Let the Cat Turn Round: One Man's Traverse of the Twentieth Century* (London: CPTM, 2007), 276.

[8] Cox and Jacobson, *The Anatomy of Influence*.

questions, perspectives, guiding concepts, or policy proposals, OECD officials used the organization's committee structure, expert conferences, and the "semi-academic prose" of the various OECD publications to advance and diffuse their agenda, thus exercising some autonomy from member countries.[9]

Next to the production and diffusion of ideas, the OECD – "an organization of civil servants talking to civil servants" – was engaged in policy evaluation, coordination, and harmonization.[10] Even though financial incentives did play a considerable role in the early years of the OEEC, and some legally binding agreements were adopted (such as the Capital Movements Code), the core instrument of the organization was the procedure of multilateral surveillance that was developed since the 1950s and became the hallmark of the OECD. This involved processes of "confrontation," "examination," and "peer review," in which the performance of a particular member country was scrutinized and monitored by the civil servants and experts from other member countries, leading – in most cases – after a long process of joint redrafting to the publication of a report that included criticism and policy recommendations. In this process, bureaucrats from national executive branches collaborated with OECD officials in collectively defining standards of best practice, over which countries thus had a certain ownership, and each national delegation acted both as examiner and as examinee. Characteristically, a Japanese delegate has described the work of the peer review procedure practiced within the OECD committees as that of "a friendly family doctor taking care of a patient in a convalescent stage," encouraging the country concerned to "return to normal activities as early as possible."[11] While the resultant recommendations did not directly force governments to change their policies, they often strengthened certain factions within national political institutions by providing authoritative endorsement to a set of economic policies. As will be demonstrated, the OECD's advice often provided what Müller-Armack

[9] The term is borrowed from Marcussen, "The OECD as Ideational Artist and Arbitrator," 105. For examples of this relative autonomy of the Secretariat see in particular Chapters 5, 7, and 9.

[10] Miriam Camps, *"First World" Relationships: The Role of the OECD* (Paris: Atlantic Institute for International Affairs, 1975), 41.

[11] OECD-HA, Folder F213744, Mr. Katsukawa, notes, May 25, 1977. On peer reviews, see, in particular, Fabrizio Pagani, *Peer Review: A Tool for Co-Operation and Change. An Analysis of an OECD Working Method* (Paris: OECD, 2002); Porter and Webb, "The Role of the OECD in the Orchestration of Global Knowledge Networks." Due to the success of the OECD's peer review model, this method has increasingly been adopted and applied by other international organizations, including the EU and the IMF. See Armin Schäfer, *Die neue Unverbindlichkeit: Wirtschaftspolitische Koordinierung in Europa* (Frankfurt and New York: Campus, 2004).

called "effective fire support" for governments in national public debates, and the OECD was used by governments as "an independent source against their critics both in and out of Parliament," or, by the US in the early 1960s, as an "ally in its relations with Congress on economic matters."[12] Sometimes, if the OECD worked as a "catalyst of unity" among member countries, it even served as a forum to "pre-cook solutions to be implemented in other international organizations, e.g., GATT, UN, IMF."[13]

The third governance mechanism, data generation, describes the OECD's capacity to develop and standardize statistical concepts and to assemble large sets of quantitative data that are internationally comparable and mostly available as long-term time series. From the beginning, the OECD successfully aimed at building up its "reputation for objectivity and impartiality which elicit increasing confidence in its work," as explained by one of the founding fathers of the organization.[14] By the early 1970s, the "OECD Economic Surveys" were widely regarded "as being the most reliable source of information available anywhere about the economic situation and policy of the country concerned."[15] The OECD not only produced data, but the production of data in turn proved crucial in creating the identity and shaping the organizational procedures of the OECD itself. Starting to work on a new area, the OECD regularly synthesized existing academic work and transferred it into a comparative perspective, making it comparable between countries and over time, then internationalized existing data, mostly based on the traditions developed within the US, and finally used rankings, benchmarking, and indicators to identify "leaders" and "laggards."[16] The publication of OECD rankings was a test of the performance of its member states that often sparked public debates and furthered a policy process of convergence toward what the ranking constructed as best practice.

[12] Alfred Müller-Armack, *Auf dem Weg nach Europa* (Tübingen: Wunderlich, 1971), 93. TNA, FCO 69/227, Chadwick to Gallagher, January 15, 1971; TNA, FCO 69/377, Gallagher to Douglas-Home, August 9, 1973.

[13] NARA, RG 59, Entry 5304, Box 21, Folder Council on Foreign Relations, John C. Renner to Robert Schaetzel, April 10, 1964.

[14] Randolph W. Burgess, "Reunion of the Group of Four," *Atlantic Community Quarterly* 9, no. 4 (1971): 441.

[15] TNA, FCO 69/227, Chadwick to Gallagher, January 15, 1971.

[16] Godin, *The Making of Science, Technology and Innovation Policy*, 8–9. On the practice of ranking states, see Alexander Cooley and Jack Snyder, eds. *Ranking the World: Grading States as a Tool of Global Governance* (Cambridge: Cambridge University Press, 2015); Sally Engle Merry, Kevin E. Davis, and Benedict Kingsbury, eds., *The Quiet Power of Indicators: Measuring Governance, Corruption, and Rule of Law* (Cambridge: Cambridge University Press, 2015).

A short history of the OEEC and its two organizational crises

Assessments of the OEEC tend to oscillate between the self-congratulatory perspective of insiders and dismissive scholarly remarks. Historian Alan Milward has described the evolution of the OEEC as a process of "depoliticization," resulting in nothing more than a mere "forum for registering international agreements made elsewhere, increasingly of a minor kind." Similarly, he characterized the development of the OEEC as a "transition to honest statistical toil."[17] At the other extreme is the self-image of officials working with the OEEC. As reported in 1956 by a US bureaucrat closely involved in the European Recovery Program and its European office:

> In corridor and dining-room conversations during the past eight years among national representatives and Secretariat officials in the handsome Chateau de la Muette on the western edge of Paris, it has often been boasted that the [OEEC] is the most successful of the many postwar experiments in international organization.[18]

How is one to account for the history of the OEEC in the face of these contrasting assessments? While Milward's perspective might capture the OEEC's history as evaluated in light of early American plans for European integration, it ignores those crucial soft-power functions of international organizations that do not entail the delegation of sovereignty to a supranational level and that came to characterize the work of the OEEC in the latter 1950s and the OECD until today. The view of the US official, on the other hand, glamorizes the OEEC's crisis-ridden evolution. In contrast, I argue that the defining role of the OECD in global governance that has been highlighted earlier was largely developed within the framework of the OEEC, whose history represents a process of creative adaptation to changing circumstances.[19] The OEEC was faced with two organizational crises: in the early 1950s, when the Marshall Plan, for which it had been founded, ended; and in the late 1950s, when the OEEC was unable to resolve inner-European trade disputes. Both crises were resolved, and the second led to the refoundation of the organization as the OECD. In this process, the organization came to increasingly focus on the soft-power mechanisms that have become the hallmark of the OECD.[20]

[17] Milward, *The Reconstruction of Western Europe, 1945–51*, 207, 191.
[18] Lincoln Gordon, "The Organization for European Economic Co-operation," *International Organization* 10, no. 1 (1956): 1.
[19] See also Carroll and Kellow, *The OECD*.
[20] For an account of the working methods of the OEEC, see OEEC, *At Work for Europe: An Account of the Activities of the Organisation for European Economic Co-Operation* (Paris: OEEC, 1956).

The trajectory of the OEEC was set in the context of postwar reconstruction, the intensification of Cold War confrontations, and diverging conceptions of Western European integration.[21] After the rule of fascism and the devastation of war, Europe lay in ruins – millions had lost their lives, cities, infrastructure, and industrial capacity had been destroyed, and peoples were demoralized and divided by nationalist resentment and ideological conflicts. While European economies were shattered and millions needed food and shelter, at the end of the War the US emerged as the unquestioned hegemon. Its economic capacity had vastly increased during the war, and the US accounted for almost two-thirds of worldwide industrial output.[22] European elites, which had already discussed postwar European developments, and the US administrations of Franklin Roosevelt and Harry Truman were anxious to counterbalance the threat of communist expansion and to avoid the mistakes of the post–World War I period, which had led to protectionism and the economic turmoil of the 1930s. Because ad hoc and bilateral US aid in the first two postwar years had not prevented worsening scarcities of food, housing, raw materials, and fuel, dwindling international liquidity paralyzed trade, and there was widespread social unrest and strong communist parties in many European countries, the US intervened with a more coordinated approach toward Europe. In his famous speech in June 1947, Secretary of State George Marshall stated that longer-term US aid in the form of the ERP would be conditional on effective European cooperation in devising a common reconstruction plan.

Only weeks later – after it had become clear that the Soviet Union could not join this deliberately Western and Cold War program and had denied its satellites participation – France and Great Britain invited sixteen European countries to a conference that formed the Committee for European Economic Co-operation (CEEC).[23] With the help of several technical committees, the CEEC produced a report on a common recovery

[21] On the context, see the historical debates about reconstruction, e.g., Mark Mazower, "Reconstruction: The Historiographical Issues," *Past & Present* 210, no. suppl. 6 (2011): 17–28. On the following, see Daniel Barbezat, "The Marshall Plan and the Origin of the OEEC," in *Explorations in OEEC History*, ed. Richard T. Griffiths (Paris: OECD, 1997), 33–44; Michael J. Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947–1952* (Cambridge: Cambridge University Press, 1987) esp. 88–134; Milward, *The Reconstruction of Western Europe, 1945–51*, chap. 2 and 5.

[22] Eric J. Hobsbawm, *Age of Extremes: The Short Twentieth Century, 1914–1991* (London: Abacus, 1995), 258.

[23] On the entangled Cold War histories of the foundation of the Western European OEEC and the broader European UNECE, see Daniel Stinsky, "A 'Community of Destiny'? OEEC and the United Nations Economic Commission for Europe (ECE), 1947–1953," paper presented at the conference *Warden of the West. The OECD and the Global Political Economy* (University of Zurich, August 2015).

program that was presented to the US government in September 1947, which estimated a European payments deficit of $22 billion to be largely covered by US dollar aid. Although deliberations within the CEEC were hampered by deep internal disputes, authorities discussed the viability and structure of a more permanent institution to administer the Marshall Plan. This led to the foundation of the OEEC in April 1948 by the sixteen CEEC member countries, the commanders of the West German occupation zones (West Germany became full member in 1949), and the US and Canada as observers (both became associated members in 1950). The headquarter of the OEEC was set up in Paris as part of a deal between France and Britain and in 1949 the OEEC moved into the Château de la Muette.[24]

While US and French authorities attempted to give the new organization supranational powers, these efforts were successfully obviated by Britain, Sweden, and Switzerland, who promoted a less tight form of integration and the foundation of an intergovernmental institution, foreclosing any transfer of sovereignty to the supranational level. As put by Milward, the US initiated the OEEC "as the first stage in the political and economic integration of Western Europe, the embryonic hope for a Western European government."[25] Similarly, but less ambitiously, French authorities were hoping to form an executive board that could make decisions and take action between the meetings of the larger conferences.[26] However, the OEEC did not become the executive of the United States of Europe. After it was decided that all decisions would have to be taken unanimously, the French Planning Commissioner and key architect of European integration, Jean Monnet, and his associates lost interest in the new organization and pursued European integration in the context of the Schuman-Plan (the only exception was Robert Marjolin, who became Secretary-General of the OEEC).[27] At that time Monnet stated: "But the OEEC's nothing; it's

[24] Europeans were particularly divided about three problems: the problem of Germany, the question which international trade mechanisms should operate in Europe, and the economic situation of Italy. Milward, *The Reconstruction of Western Europe, 1945–51*, 71–89, 172. On the difficult discussions about the integration of West Germany into the new institution, see Bührer, *Westdeutschland in der OEEC*.

[25] Milward, *The Reconstruction of Western Europe, 1945–51*, 168, 208. The compromise was that NATO would set up its headquarters in Brussels, and the OEEC in Paris, that France would hold the Secretariat and Britain key directorates. See also Mark Gilbert, *European Integration: A Concise History* (Lanham: Rowman & Littlefield Publ., 2012), 11–15.

[26] George W. Ball, *The Past Has Another Pattern. Memoirs* (New York: Norton, 1982), 81. On the French integration plans, which focused in particular on the German question, see Milward, *The Reconstruction of Western Europe, 1945–51*, 126–67.

[27] Johnny Laursen, "Integration at Cross-Currents. The OEEC and the European Coal and Steel Community, 1952–1956," in *Explorations in OEEC History*, ed. Richard Griffiths

only a watered-down British approach to Europe – talk, consultation, action only by unanimity. That's no way to make Europe."[28]

The focus of the OEEC's work and its achievements have varied considerably over time, and the organization has had to overcome several organizational crises and to continuously justify its existence. Yet this organization, which came to define and thus produce the geographical space of "Western Europe" during the 1950s, generally flourished. The activity of the OEEC bureaucracy was intense from the beginning and already in its first year, over 800 temporary officials were recruited, the OEEC hosted hundreds of meetings and produced thousands of documents (see Figure S.1).

It proved extremely difficult to produce within this intergovernmental structure what the Americans had demanded – a common recovery plan and an agreement on the distribution of US aid.[29] The OEEC nevertheless managed to draft yearly recovery plans and to oversee the distribution of ERP funds, but unanimity on the allocation of aid could only be reached through arbitration.[30] Furthermore, under severe US pressure, from 1949 onwards the OEEC achieved through a variety of cooperative deals a continuous liberalization of intra-European trade.[31] Next to the allocation of Marshall Plan aid and the liberalization of intra-European trade, the most prominent achievement of the organization lay in the creation of the European Payments Union (EPU) under the auspices of the OEEC in September 1950. Until it was replaced by the European Monetary Agreement in 1958, and despite extreme strains due to large payments imbalances, this highly sophisticated system proved important in helping create free convertibility among its members, and thus alleviated the dollar problem by boosting intra-European trade.[32]

(Paris: OECD, 1997), 149–58; Wolfram Kaiser, Brigitte Leucht, and Morten Rasmussen, eds., *The History of the European Union: Origins of a Trans- and Supranational Polity 1950–72* (London and New York: Routledge, 2009). On Marjolin, see Alix Heininger, "Robert Marjolin," *Biographical Dictionary of Secretaries-General of International Organizations*, 2014, www.ru.nl/fm/iobio.

[28] Quoted in Ball, *The Past Has Another Pattern*, 81.

[29] OEEC, *A Decade of Co-Operation. Achievements and Perspectives* (Paris: OEEC, 1958).

[30] The arbitrators were a "Committee of Wise Men" (in 1948) and Baron Snoy d'Oppuers, Deputy Chairman of the Council, and Secretary-General Marjolin (in 1949).

[31] Wendy Asbeek Brusse, "Liberalising Intra-European Trade," in *Explorations in OEEC History* (Paris: OECD, 1997).

[32] Monika Dickhaus, "'It Is Only the Provisional That Lasts': The European Payments Union," in *Explorations in OEEC History*, ed. Richard T. Griffiths (Paris: OECD, 1997), 183–200; Milward, *The Reconstruction of Western Europe, 1945–51*, 299–334; Kaplan and Schleiminger, *European Payments Union*. See also Corso Paolo Boccia, "The United States, Convertibility, and the Reform of the European Payments Union in 1954: A View on the Debate in the Eisenhower Administration," in *Explorations in OEEC History*, ed. Richard T. Griffiths (Paris: OECD, 1997), 209–17.

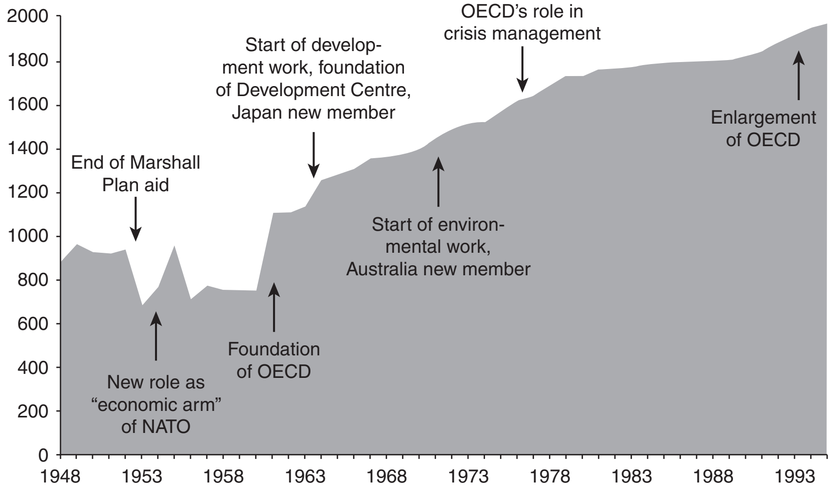

Figure S.1 Number of staff working at the OEEC/OECD headquarters in Paris, 1948–1995
Source: OECD annual budgets and a list provided by P. Vigoureux from the OECD Personal Division.

Until the end of the Marshall Plan period, the OEEC had been transformed from a standing political conference with a small staff and an unstable political agenda into an established international bureaucracy that had an international secretariat with a large permanent staff and whose operations were highly formalized.[33] However, by the early 1950s the OEEC was losing its original raison d'être: Marshall Plan aid was phasing out, European integration was pursued through competing routes such as the European Coal and Steel Community (ECSC), and in the wake of the Korean War several countries, most importantly the US and Britain, shifted their focus to NATO. There was an intense debate about the future of the OEEC, which almost stroke a deathly blow to this international organization. In particular the idea to use NATO instead of the OEEC as the agent to distribute a blend of economic aid and military assistance, but also proposals to amalgamate the OEEC and the Council of Europe were discussed.[34] A committee of three "wise men" that was set up to develop an economic strategy for NATO came up with the compromise that the OEEC should take responsibility for all economic

33 Milward, *The Reconstruction of Western Europe, 1945–51*, 207.
34 TNA, PREM 8/1434, State Department to Foreign Office, April 19, 1951; FO 371/150087, Foreign Office to Armstrong, April 28, 1951.

questions in Western Europe, focusing in particular on those tasks related to the Atlantic military alliance.[35] Decisive was not only the insistence of small countries, which valued the technical work of the OEEC, and of the neutrals, which resisted its militarization, but most importantly the interest of the US, which rejected cooperation with the Europeans on economic issues "as an equal with each of the other fourteen members of NATO or seventeen members of OEEC."[36]

The OEEC thus became the "'economic arm' of NATO" and both organizations collaborated closely.[37] The OEEC actually provided the bureau and permanent staff for NATO's Defense Financial and Economic Committee, Marjolin and part of the OEEC's economists regularly worked at the Brussels headquarter of NATO, and both organizations shared data and expertise in the preparation of its annual reviews. The OEEC's economic analyses have been instrumental in reaching agreements on the military efforts each country could afford in NATO's "burden-sharing exercise" – a major reason why the US and Canada fully participated in the OEEC's annual review procedure from 1952 onwards.[38] The first organizational crisis of the OEEC was thus resolved by linking its work closer to the Atlantic military alliance, by strengthening the activities of the EPU, and by opening up new areas of activity. During the 1950s the OEEC became an important Western European and Atlantic site of economic norm production and governance, in particular by spreading the productivity gospel through the European Productivity Agency (EPA) and the coordination of economic growth policies among its members and the US. Furthermore, even though largely ignored in historical scholarship, the organization played an important role in coordinating the colonial affairs of the European colonial powers – in the organization's understanding in the mid-1950s, the African and Asian colonies comprised part of the OEEC and its Overseas Territories Committee coordinated common interests, trade

[35] Helmut R. Hammerich, *Jeder für sich und Amerika gegen alle? Die Lastenteilung der NATO am Beispiel des Temporary Council Committee 1949 bis 1954* (München: Oldenbourg, 2003), 133–60.

[36] NARA, RG 469, Entry UD 379, Box 91, Folder OEEC General 1952–53, John Kenney to William H. Draper, October 10, 1952.

[37] NARA, RG 469, Entry UD 379, Box 89, Kay Shorter to John Hulley, April 15, 1953. See also Gérard Bossuat, "The Marshall Plan and European Integration: Limits of an Ambition," in *The Marshall Plan Today: Model and Metaphor*, ed. John Agnew (London and New York: Routledge, 2004), 143f.

[38] NARA, RG 469, Entry UD 379, Box 91, Folder OEEC General 1952–53, The OEEC and Its Assistance to NATO, 1950–1953, March 1953. See also TNA, FO 371/150091, M 551/223, Gore-Booth, G.O.F.E.O. Comments by the U.K. member on Report and Draft Convention, April 20, 1960.

issues, and early development aid.[39] These three aspects will be analyzed in Chapters 2, 3, and 6.

The policy field, in which many countries had hoped the OEEC would play a leading role, however, the creation of a Western European free trade zone without quotas and tariffs, proved particularly ill suited to its soft-power governance mechanisms. From the beginning, this had been one key assignment of the organization, and the OEEC had passed a Liberalization Code in 1952 and continuously worked – rather successfully – through its Trade Liberalization Program on lowering intra-European trade restrictions.[40] Yet, by the mid-1950s the six members of the ECSC (Belgium, France, Italy, Luxemburg, Netherlands, and West Germany) started to push for a customs union and a common market, advancing a free-trade zone of their own. This raised the threat of a discriminatory bloc within the OEEC that would fence off trade with other OEEC countries.[41]

As a result, from 1956 until its dissolution the OEEC became entangled in an unsuccessful attempt to form a pan-European free trade area as an alternative to a restrictive customs union, and a standoff between two rival blocs of member countries paralyzed its work. The looming feud between intergovernmentalists and supranationalists within the Western European alliance intensified when the six members of the ECSC, with tacit US support, established the European Economic Community (EEC) in 1957 as a common market with common external tariffs.[42] This provoked severe tensions within the OEEC and within the Atlantic community. In particular Britain, but also the other non-EEC countries that came to form the "Seven" (Austria, Denmark, Norway, Portugal, Sweden, Switzerland), used the OEEC to promote a pan-European free trade area aimed at coping with the tariff and quota discrimination of the EEC. The British attempts to negotiate within the OEEC a pan-European Free Trade Area were met by harsh French opposition, and by 1958 also the Eisenhower administration dismissed the creation of a pan-European tariff regime that discriminated against US exports and aggravated its deteriorating

[39] Hongler, "Die OEEC und ihre unsichtbare Kolonialgeschichte;" OEEC, *From Recovery towards Economic Strength. Sixth Annual Report of the OEEC* (Paris: OEEC, 1955), 157–71.

[40] Brusse, "Liberalising Intra-European Trade."

[41] TNA, FO 371/72016, Moore on file containing letter of Hall-Patch to FO, July 21, 1951. The entire process is described in Griffiths, "An Act of Creative Leadership," 235–40.

[42] Emile Benoit, *Europe at Sixes and Sevens: The Common Market, the Free Trade Association, and the United States* (New York: Columbia University Press, 1961); Jeffrey Glen Giauque, *Grand Designs and Visions of Unity: The Atlantic Powers and the Reorganization of Western Europe, 1955–1963* (Chapel Hill: University of North Carolina Press, 2002), 47–76.

external balance. The British–French antagonism culminated in the hostile break-up of the OEEC's Ministerial meeting in December 1958 that gave a final blow to the ongoing negotiations.

Incapable of consolidating its two most important member countries, the OEEC's future was seriously cast into doubt. It had not only lost its monetary function with the dissolution of the EPU in December 1958, but was also unable to reconcile the diverging commercial interests that arose from the existence of the EEC. The seven non-six OEEC members started negotiations that led to the creation of the European Free Trade Association (EFTA) in 1960.[43] Certainly, the organization had accomplished its two key tasks, Western European reconstruction through the distribution and management of Marshall Plan aid, and the liberalization of intra-European payments, mainly through the EPU. However, in the late 1950s conflicts over the form of European integration and harsh British–French disagreements paralyzed the OEEC and caused a crisis of such proportions that an end of the organization seemed inevitable. Member countries had come to regard the organization as having lost its functions and as "moribund."[44]

The contested refoundation of the OECD and its trajectory

In sharp contrast to its official historiography and other scholarship, the OEEC was not transformed into the OECD merely because the success of the intra-European trade and payments schemes had made this organization superfluous. Rather, after ten years of existence, the OEEC experienced its second existential crisis. As couched in an internal British report, by 1959 the OEEC had become "precarious in the extreme – impossible to kill but very difficult to keep alive."[45] By analyzing the transitional period of the refoundation of the OECD and by closely examining the three key controversies among founding countries and the Secretariat about the OECD's novelty, its role in trade agreements, and its functional and geographical identity, I argue that the continuities in its structure, governance mechanisms, and its personnel outweigh the

[43] Richard T. Griffiths, "The Origins of EFTA," in *EFTA 1960–2010: Elements of 50 Years of European History*, ed. Kåre Bryn and Guðmundur Einarsson (Geneva: European Free Trade Association, 2010); Wolfram Kaiser, "Challenge to the Community: The Creation, Crisis and Consolidation of the European Free Trade Association, 1958–1972," *Journal of European Integration History* 3, no. 1 (1997): 7–33.

[44] TNA, FO 371/150108, Hankey to Jackling, October 12, 1960. See also Bührer, *Westdeutschland in der OEEC*, 395–416.

[45] TNA, T 234/717, Clarke to Makins, November 19, 1959. For a similar argument, see Griffiths, "An Act of Creative Leadership."

substantial changes – the foundation of the OECD constituted more a key "turning point" than a break.[46]

In the late 1950s, as the OEEC was entangled in its failing attempt to agree on a trade agreement, a new field of transnational governance was increasingly discussed among policy-makers and experts in Western Europe and North America: the need for closer Atlantic economic cooperation to counter the Soviet economic offensive and cope with the powerful assertion of the global South as an independent bloc. NATO was not only caught unprepared to meet the Soviet offensive on the economic front of the Cold War, in particular in the decolonizing world, but also French threats to withdraw part of their fleet from NATO disrupted its unity.[47] Further, the rich countries lost their majority and thus their ability to dominate the United Nations around the year 1960.[48] In this context the idea emerged to transform the OEEC into an Atlantic organization, with the US and Canada as full members, that would focus on two key tasks: the coordination of Western responses to the business cycle to boost faster economic growth, and the setting up of aid programs to counter communist influences in "developing countries" and help in their take-off toward self-sustained capitalist growth.[49]

The idea was first formulated in June 1959 in a petition of 157 internationally known figures to the Atlantic Congress, a meeting initiated by NATO and the US Senate to strengthen political and economic cooperation in the Cold War theater. The petition proposed transforming the OEEC into an "Organization for Atlantic Economic Co-operation," with the US and Canada as full members.[50] At the same time, Jean Monnet and top European Commission circles around the Committee for the United States of Europe promoted a similar idea of completely transforming the OEEC to coordinate transatlantic economic cooperation and coordinate aid to "underdeveloped countries." The new organization, Monnet argued in unofficial talks with US President Eisenhower and Under-Secretary of State Douglas Dillon in June 1959, should be mainly concerned with the economic relations between Western Europe and

[46] On analyzing change in international organizations, see Cox and Jacobson, "The Framework for Inquiry," 7–8.

[47] Griffiths, "An Act of Creative Leadership," 242–44. See also Evanthis Hatzivassiliou, *NATO and Western Perceptions of the Soviet Bloc: Alliance Analysis and Reporting, 1951-69* (New York and London: Routledge, 2014), chap. 2.

[48] John Toye and Richard Toye, *The UN and Global Political Economy: Trade, Finance, and Development* (Bloomington: Indiana University Press, 2004).

[49] As Randolph Burgess stated, the foundation of "OECD was in part a response" to the debates within NATO to increase economic cooperation. NARA, RG 59, Entry 5304, Box 21, Folder Council on Foreign Relations, Study Group Reports, First Meeting, April 13, 1964.

[50] Griffiths, "An Act of Creative Leadership," 242.

Northern America and not any longer with internal European questions which should be dealt with by the EEC; further, the effective decisions of the new organization should be in the hands of a Standing Group that consisted only of the US, Britain, France, and the European Commission, while the Council with all member countries would only meet two or three times a year.[51]

As had been the case when the OEEC was set up, the key driving force behind the foundation of the OECD was the US government.[52] In November 1959 the US administration began to seriously consider becoming a full member of the OEEC, which was a fundamental shift away from its position during the 1950s, when the US had always enjoyed great influence in the OEEC without any of the obligations of full membership. As noted in an internal letter within the British Treasury, the "Americans seem to be ready, for the first time, to start talking to Europeans on a basis of equality and not a basis of giver-to-receiver."[53] The US, anxious to strengthen the Western front against Soviet expansionism, thought a reformed OEEC was better suited than NATO, in particular to deflect the suspicion of too close an association between aid and the Cold War. The US was mainly concerned about two problems – how to increase aid flows from their Western European partners and how to prevent an imminent "trade war" between the Six and the Seven – and thought that a "revitalized" OEEC could solve both. Furthermore, the US aimed at solving the balance of payments problems related to the functioning of the Bretton Woods system – it had accrued a considerable deficit in the later 1950s – and to strengthen the role of the US dollar as the global lead currency by joining the OECD and thus gaining more direct influence over the monetary policies of the larger partner countries.[54] The underlying concern, however, was economic growth:

[51] From the beginning, the smaller countries that were not members of the ECSC feared being "frozen out of a larger sector of European economic co-operation" and employed the OEEC to prevent the institutionalization of a closed trade bloc within Europe. TNA, FO 371/150075, Ellis-Rees to Foreign Office, 4 January 1960; T 234/718, Gore-Booth to Lee, January 19, 1960.

[52] BAK, B 102, 139611, Vertretung der Bundesrepublik Deutschland bei der OECD to AA, BMWi and Minister Ludwig Erhard, October 12, 1962. See also TNA, FO 371/134422, Washington to Foreign Office, January 9, 1960; FO 371/134422, M 551/7, letter to Sir Paul Gore-Booth, January 4, 1960.

[53] TNA, T 234/717, Clarke to Makins, November 19, 1959; TNA, T 234/717, Note of Discussion with Mr. Dillon at H. M. Treasury, December 9, 1959.

[54] Francis J. Gavin, *Gold, Dollars, and Power: The Politics of International Monetary Relations, 1958-1971* (Chapel Hill: The University of North Carolina Press, 2007); Lucia Coppolaro, "US Policy on European Integration during the GATT Kennedy Round Negotiations (1963–67): The Last Hurrah of America's Europeanists," *The International History Review* 33, no. 3 (2011): 409–29; Schmelzer, "A Club of the Rich to Help the Poor."

If these two vital problems in the field of development and trade are not dealt with through cooperative action, they could lead to a serious decline in the rate of economic growth of the Free World (which must be increased in the face of the Communist threat).[55]

Cold War growth rates were thus at the core of the OECD's refoundation. After hasty bilateral negotiations, the heads of government of the US, Britain, France, and West Germany announced this proposal at a four-power summit in Paris in December 1959 and initiated a process, during which in the following year the OECD was founded.[56] The first step was a meeting of representatives from EEC and EFTA governments, Canada, and the US in January 1960 at the Hotel Majestic in Paris. That this meeting not only took place outside of the premises of the OEEC, but that the Secretariat was entirely excluded from the discussions about its own future, showed how far the top of the Secretariat, especially Secretary-General René Sergent, had lost their credibility with regard to the internal conflicts within the organization.[57]

Although the dispute between both camps, the Six and the Seven, dominated the discussions, countries expressed the common intention to reform or disband the OEEC and set up a group of government experts to find appropriate solutions for the shipwrecked organization. This "Group of Four on Economic Organization," representing the US, the EEC, the EFTA, and one "peripheral" European country (Greece), was charged with producing a common report on the basic functions of a "remodeled" organization and with drafting a new convention. In lengthy and difficult negotiations it prepared a report that sketched a new Western organization, encompassing all OEEC members and the US and Canada, that focused on promoting capitalist growth both in the developed and in the developing world.[58]

There were three major areas of dissension within the Group of Four, which also dominated the following complicated and controversial negotiations that finally led to the signing of the Convention establishing the OECD on December 14, 1960.[59] To begin with, countries debated

[55] Proposal for U.S. Membership in a Reorganized OEEC, attached to: Memorandum from Secretary of State Herter to President Eisenhower, November 24, 1959, *FRUS 1958–1960, Volume IV,* 58–62.

[56] TNA, PREM 11/4228, Statement, December 21, 1959. See also OEEC, *A Remodelled Economic Organisation: A Report by the Group of Four* (Paris: OEEC, 1960), 7.

[57] Sergent's leadership had been extremely weak during the last years, many senior posts were vacant due to personal quarrels over positions within the Secretariat, and key staff had started to leave the organization. TNA, FO 371/150075, France to Lee, January 22, 1960; FO 371/150079, Ellis Rees to Foreign Office, January 16, 1960.

[58] OEEC, *A Remodelled Economic Organization.*

[59] On the following, see also Griffiths, "Creative Leadership," 246–50.

whether the future organization would be a new organization or rather a remodeled OEEC. The "abolitionists," on the one hand, in particular France and the US, "want[ed] to kill OEEC altogether" and start with a "complete 'New Deal'," and therefore argued that all existing OEEC acts should expire, and that only those decisions and recommendations unanimously consented to should become part of the new organization.[60] From the outset, the US had envisaged a weak organization that was entirely consultative and had none of the powers of decision of the 1948 OEEC Convention.[61] Britain and other EFTA countries, on the other hand, wanted to retain as many functions of the OEEC as possible and therefore argued that all the acts of the OEEC should be upheld unless they were modified by the new organization, thus requiring unanimity for any changes to the status quo. In the consultations and negotiations within the Group of Four and in the later drafting process of the Convention, both the US and France had to make "considerable concessions" due to Western European pressure. The result was that the powers of decisions of the new organization were formally very similar to those of the OEEC, that the OECD would retain the legal personality of its predecessor, and that some of the most essential acts were carried over to the OECD. However, as had been anticipated by US strategists, the OECD rarely ever used the instrument of legally binding decisions and largely relied on the soft power mechanisms of recommendations and declarations.[62]

The second area of controversy, which almost led to a "complete breakdown in Paris," was waged between more or less the same camps around the importance of trade.[63] Many EFTA countries, in particular

[60] TNA, T 234/719, Clarke to Bell, January 4, 1960; TNA, PREM 11/4228, UK Delegation to OEEC to Foreign Office, January 14, 1960. The French were particularly keen to abandon the OEEC and to create a new Atlantic organization focusing on issues other than European integration and trade "to make sure that such a thing [the discussion about EFTA] could never happen again." TNA, FCO 69/54, Sir Edgar Cohen's Valedictory Despatch, December 23, 1968.

[61] The first draft for an OECD Convention, written by the US delegation, reflected this approach. In November 1959, John Tuthill from the US delegation was still asked by heads of delegations and OECD staff: "Is the United States out to kill the OEEC?" NARA, RG 56, Entry UD-UP 734-A1, Box 65, Folder OEEC/6/60 Ministerial Working Party, Vol. 4, John Tuthill, Notes of Various Conversations in Paris, November 2–5, 1959.

[62] NARA, RG 56, Entry UD-UP 734-A1, Box 65, Folder OEEC/6/60 Ministerial Working Party, Vol. 4, John Tuthill, Notes of Various Conversations in Paris, November 2–5, 1959; TNA, FO 371/150091, M 551/223, Gore-Booth to Llyod, April 20, 1960; Gore-Booth, G.O.F.E.O. Comments by the U.K. member on Report and Draft Convention, April 20, 1960; Griffiths, "Creative Leadership," 247–50.

[63] TNA, PREM 11/4228, Letter to Macmillan, July 20, 1960. Britain was in a somewhat difficult position because the Commonwealth countries opposed any important trade agreements within the OECD, which they regarded as weakening the GATT.

Austria, Norway, Sweden, and Switzerland, were anxious to retain a prominent role for the new organization in the liberalization of trade, hoping to retain the OEEC's Liberalization Code and to make further progress toward a pan-European free trade zone. Switzerland even prepared an alternative draft convention that envisaged far-reaching powers in the area of trade to the OECD.[64] The US and France, on the other hand, were not willing to make any binding trade arrangements within the framework of the OECD, which they regarded as discriminatory against the larger free trade regime promoted through the GATT.[65] The compromise that was finally reached was to add the "expansion of world trade on a multilateral, non-discriminatory basis" to the key goals in the new Convention, which had only focused on growth and development in the Group of Four's initial draft.[66] Further, a supplementary protocol allowed the European Commission to participate in the work of the OECD. Thus, again, the US and France formally lost in their attempt to repeal the OECD's trade function. However, in practice the OECD never played an important role within trade negotiations, apart from the pre-negotiation of trade agreements for other international fora such as GATT and the upholding of the morale of free trade in the early 1970s through its yearly "Trade Pledges."

Finally, though less controversial, governments discussed the terms by which the community of countries within the OECD would be defined and the territorial scope of the community. That the coordination of Western development aid would become one of the major goals of the new organization was part of the original proposals for reorganization. It was also a key strategic goal of the US, which wanted to include Japan in this endeavor, preferably as a full member of the new organization.[67] To progress in this direction, parallel to the reorganization of the OEEC, a new group of "capital exporting countries" was founded in January 1960

[64] OECD-HA, OECD(60)3, Proposal of the Swiss Delegation, May 23, 1960. See also TNA, FO 371/150100, Cohen to Foreign Office, July 12, 1960; PREM 11/4228, Lloyd to Macmillan, June 28, 1960. Switzerland only became a member of GATT in 1966 and was thus dependent on intra-European free trade arrangements. On Switzerland in the OECD, see Julie Rausis, "Intégrer le nouvel ordre économique international. La Suisse face à la réforme de l'Organisation européenne de coopération économique (OECE) (1958–1961)," Master-thesis, University of Geneva, 2014.

[65] TNA, FO 371/150109, Hankey to Barclay, October 26, 1960; TNA, FO 371/150100, Bowker to Foreign Office, July 6, 1960. See, more generally, Griffiths, "The Origins of EFTA."

[66] OECD-HA, Convention on the Organisation for Economic Co-operation and Development, Paris, December 14, 1960.

[67] Memorandum from Secretary of State Herter to President Eisenhower, November 24, 1959, *FRUS 1958–1960, Volume IV,* 58–62. On the related negotiations, see the material in NARA, RG 59, A1 3102, Box 2, Folder 151, OECD/Japan.

by Belgium, Britain, Canada, France, West Germany, Italy, Portugal, the US, and the Commission of the EEC: the Development Assistance Group (DAG).[68] Japan was immediately invited, and the Netherlands participated in the group since July 1960. Although this group was formally independent from the OEEC, it was immediately incorporated into the structure of the new organization when the OECD was established as the Development Assistance Committee (DAC), properly situated within the OECD committee structure.[69]

This constitution of a community of donors *within* the OECD, with Japanese membership, raised complicated demarcation questions. Two general conceptions of the membership of the new organization competed with one another: one was "Atlantic," comprising the members of NATO plus the European neutrals, the other was that of "developed countries," encompassing NATO countries, Japan, and possibly some of the "Old Dominions" of Britain such as Australia, New Zealand, or South Africa, but excluding the "less developed" countries or "peripherals" within the OEEC (Greece, Turkey, Spain, Iceland, Ireland, and Portugal).[70]

In particular the possible full membership of Japan, which argued that it was difficult to explain to its public why it could only become a member with regard to giving aid, but not generally, and which showed a "great concern that [its] industrial achievements should be recognized," provoked hostile reactions among Europeans.[71] They feared that if Japan were accepted as a member, other countries such as Israel, Tunisia, Yugoslavia, or Argentina would also apply for full membership, which was inconceivable to all concerned.[72] Further, there was considerable skepticism as to the ability and will of Japan to accept all the legal obligations, but in particular to fully participate in the more subtle soft-power governance such as peer reviews, "playing the 'OECD game' rather than

[68] OECD-HA, OT/DI/225, The Development Assistance Group, Annex I, Resolution on Development Assistance adopted by the Special Economic Committee meeting in Paris on January 13, 1960.

[69] OECD-HA, OT/DI/225, The Development Assistance Group, Annex II, Aid to Developing Countries. Resolution adopted at the Ministerial meeting on July 23, 1960.

[70] TNA, FO 371/150075, Holliday, Memorandum: Future of OEEC, January 1, 1960. More generally, see Schmelzer, "A Club of the Rich to Help the Poor?"

[71] TNA, PREM 11/4228, Record of a Meeting between Ball and Lord Home, December 21. On Japanes accession, see Peter Carroll, "Access, Influence and Policy Learning in the 1960s and 1970s: Australian, Japanese and New Zealand Membership of the OECD," paper presented at the conference *Warden of the West – The OECD and the Global Political Economy, 1948 to Present* (University of Zürich, August 2015).

[72] Yugoslavia was given observer status when the OECD was formed in 1961. See also FO 371/150108, Record of a conversation with Kristensen, October 18, 1960; PREM 11/4228, Record of a Meeting between Ball and Lord Home, December 21, 1962; OECD, "Working with Yugoslavia," *The OECD Observer* 3 (March 1963): 12–13.

taking the traditional posture of a trade negotiation." In the face of this opposition, the US government decided to wait "until the OECD is a going concern" and it was only in 1964, after another round of intense debate, that Japan became a full member.[73] After similar debates, Australia (1971) and New Zealand (1973) became members in the early 1970s.[74] This initial uncertainty was also revealed in the different names that were discussed, such as "Organization for Atlantic Economic Cooperation" or "Atlantic Economic Organization (A.E.O.)," and even though the final name did not contain any geographic indication or similarity to the name of NATO, which would have upset the neutral member countries, at its foundation the OECD was in fact conceptualized as a "North Atlantic body."[75] The term "development" in the final name of the OECD testified to the importance attached to development aid (see also Chapter 6).[76] And, as will be further discussed in the following chapters, in the coming decades the OECD thus helped to construct and naturalize "the West" as an imagined community of countries.

The decision to fundamentally transform the organization came as a "definite shock to the morale of the Secretariat." Deputy Secretary-General Flinth Cahan complained that it was "becoming difficult to hold the Secretariat together."[77] In July 1960, Sergent was replaced with the designate Secretary-General of the OECD, the former Danish Minister of Finance Thorkil Kristensen, whose position was considerably strengthened, and who also led the Secretariat through the difficult period of reorganization until the OECD finally started to operate in September 1961. While internally a difficult period, the transition from the OEEC to the OECD was not a widely noticed event, both among member countries administrations and in the general public, and the basic structure of most

73 Already in June 1961 the US proposed in talks with the ambassadors of OEEC countries to include Japan as a full member within the OECD. The US and Japan were both interested in Japanese membership in the OECD to tie Japan from its isolated position as a "Western ally on the periphery of Asia" closer not just to the US, but also to Western Europe. NARA, RG 59, Entry A1 3102 Bureau of European Affairs. Office of Atlantic Political Economic Affairs, Decimal Files, Box 2, Folder 1961 Japan-OECD, Memoradum: Japanese Membership in the OECD and its Implications for the Future, June 1961.

74 Aynsley Kellow and Peter Carrol, "Australia and the OECD," *Revista de Economia Mundial* 28 (2011): 93–112.

75 TNA, FO 371/150108, Record of a conversation with Kristensen, October 18, 1960; TNA, FO 371/150087, Ellis-Rees to Foreign Office, March 29, 1960. In April 1960 Soviet Russia expressed its interest to participate in the new economic organization, but the proposal was rejected.

76 TNA, FO 371/150087, Ellis-Rees to Foreign Office, March 29, 1960.

77 TNA, FO 371/134422, Mackenzie to Crawford and Ellis-Rees, January 26, 1960; FO 371/150075, Jackling, Minutes of Meeting with Cahan, December 31, 1959.

of the bodies, policy areas, as well as the specific working methods (the "OECD game") were bequeathed to the remodeled organization. As noted by a British permanent delegate, the "OECD inherited its predecessor's Secretariat" and with it a set of norms, procedures, and governance mechanisms.[78]

The history of the OECD, which is weaved through the following chapters and will not be summarized here, can be structured through a periodization that is loosely linked to the changes of Secretary-Generals, dates that tend to coincide with deeper transformations of the organization's setup, tasks, and overall outlook.[79] Table S.1 provides a very rough summary of the overall trajectory of the organization that charts the organization's perimeter, its core areas of work, its overarching economic philosophy, and its raison d'être, all of which will be analyzed throughout the chapters of this book.

Role and organizational structure of the OECD

The following description of the functioning and organizational structure of the OECD can only be fragmentary, since, as aptly noted by the British permanent delegate, the "OECD apparatus is a highly complex system – wheels within wheels."[80] The basic organizational structure of the OECD was very similar to that of the OEEC – again testifying to the similarity of both organizations (Figure S.2).[81] To begin with, it is important to distinguish between the committees and working groups, in which several

[78] TNA, FCO 69/322, F. G. K. Gallagher, "Some Impressions of OECD," Permanent UK Representative to the OECD at Paris to the Secretary of State for Foreign and Commonwealth Affairs, August 24, 1972. See also Camps, *"First World" Relationships*; Wolfe, "Reconstructing Europe."

[79] Other proposals for periodization have been decades or shifts in the political economy (1961-1973-1989-2008). See Carroll and Kellow, *The OECD*; Clifton and Díaz-Fuentes, "The OECD and Phases in the International Political Economy, 1961–2011."

[80] TNA, FCO 69/228, Chadwick to Douglas-Home, October 7, 1971, "Sir John Chadwick's Valedictory Despatch on the OECD." A good introduction to the OECD working methods, although neglecting historical dynamics and change, is provided in Woodward, *The OECD*, 43–61. The Rules of Procedure of the Organization were adopted by the Council on September 10, 1961, and have subsequently only been slightly amended in 1962, 1965, 1970, and 2008; OECD-HA, OECD/C(61)21, Rules of Procedure of the Organization, September 30, 1961. See also C(62)115(Final), July 24, 1962; C(65)87, July 24, 1965; C(70)133(Final), September 29, 1970. The current version is available at http://www.oecd.org/legal/internal-rules.htm (November 16, 2015).

[81] While this section generally describes the bodies and functioning of the OECD, this also applies to the OEEC. Some important differences are mentioned. On the OEEC, see OEEC, *Organisation for European Economic Co-Operation: History and Structure* (Paris: OEEC, 1948); OECD, *The European Reconstruction, 1948–1961: Bibliography on the Marshall Plan and the Organisation for European Economic Co-Operation* (Paris: OECD, 1996), 48–52; Barbezat, "The Marshall Plan and the Origin of the OEEC."

Table S.1 *The OEEC/OECD trajectory*

	1948–1961	1961–1969	1969–1984	1984–1996	1996–2013
Secretary-generals	Robert Marjolin (FRA) 1952–1955 René Sergent (FRA) 1955–1960	Thorkil Kristensen (DK)	Emile van Lennep (NL)	Jean-François Paye (FRA)	Donald. J. Johnston (CAN) 1996–2006 Angel Gurria (MEX) 2006–
Members	*Marshall Plan beneficiaries (and their colonies)*	*+ USA, Canada* *+ Japan (1964)* *+ Finland (1968), Australia (1971), New Zealand (1973)*			*+ Korea, Mexico, Poland, Hungary, Slovenia, Czech Rep., Slovakia, Chile, Israel, Estonia*
Perimeter	Western European (including colonies) – Atlantic	Triadic			Global (?)
Core areas of work	*Reconstruction, liberalization of payments, European Productivity Agency (EPA), "economic NATO"*	*Economic growth, stabilizing Bretton Woods, development aid*	*Stabilizing liberal capitalism, environment, integration in G7 system*	*Liberalization, deregulation, MAI, adapting to the end of the Cold War, Jobs Study*	*Managing globalization, financial governance, development, long-term problems*
Economic philosophy	Interventionist, increasingly Keynesian microeconomic	Keynesian consensus, macroeconomic demand side management	First more heterodox, then increasingly supply side, microeconomic	Neoliberalism, Washington Consensus	Rethinking of neoliberalism, inclusive globalization
Raison d'être	*Reconstruction, European integration, Atlantic cooperation*	*Economic Cold War, coordinating capitalist rich countries vis-à-vis communist bloc and global South*	*Stabilizing economic relations among capitalist countries; rethinking quantitative growth paradigm*	*Deepening liberalization; managing the transformation of formerly Soviet*	*Stabilizing economic relations among member countries and with BRICS; rethinking free market*

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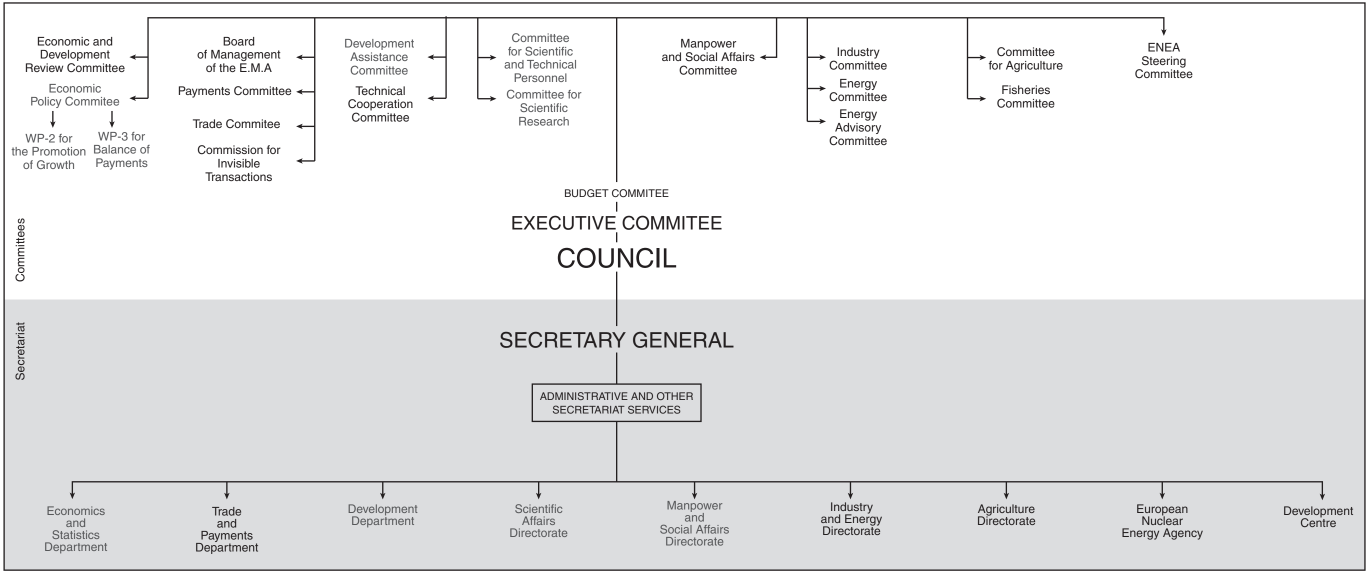

Figure S.2 Organigram of the OECD in the 1960s, showing the OECD Secretariat and its directorates/departments in the lower part, and the related committees in the upper part Adapted from several OECD organigrams in different publications.

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thousand civil servants and experts from member countries met yearly at the OECD headquarter in Paris, and the Secretariat with its directorates, which employed international bureaucrats that permanently worked for the OECD. Yet the formal organizational structures depicted in the organigram are deceptive and diverge markedly from the OECD's actual power dynamics, informal hierarchies, and decision processes, which are difficult to detect and follow. Even high-ranking officials working within the OECD have stated in interviews, "it is de facto impossible to find out where and by whom the most decisive decisions are made."[82] While the OECD regularly portrayed itself as a knowledge-based non-hierarchical meeting place for member countries, and powerful member states even regarded the OECD as "excessively democratic," the following discussion examines the underlying internal hierarchies of the OECD's more complex, informal, and power-laden structures.[83]

Even though the Secretariat has often followed a logic of its own, the OECD was essentially an intergovernmental organization, which was driven by its member countries. These influenced the work done and the output of the OECD in five ways.[84] First, each member state hosted a permanent delegation in Paris, which worked similar to an embassy and ensured that the views of its national government were taken into account in the OECD's work. The head of delegation normally represented a country in the Council and economic councilors served on some of the OECD committees. Second, member states provided almost all of the budget, the core of which was contributed according to the size of the country's economy (with an upper limit of 25 percent for the US), while the supplementary budget comprised funds that member or non-member countries contributed voluntarily to particular programs or the semi-autonomous agencies of the OECD. Some additional funds came from private foundations such as the Ford or Rockefeller Foundations.[85] Every year, there was a harsh "battle of the budget," in which member countries tried to get support for those working programs they were most interested in and tried to block those they regarded as superfluous.[86] Third, officials and bureaucrats from member government departments determined the work of OECD committees and working parties, in which

[82] Trondal, Marcussen, Larsson, Veggeland, *Unpacking International Organisations*, 201.
[83] TNA, FCO 69/54, Sir Edgar Cohen's Valedictory Despatch, December 23, 1968.
[84] This builds on Woodward, although I have added a fifth mode of influence; Woodward, *The OECD*, 44–45.
[85] Giuliana Gemelli and Girolamo Ramunni, "De la reconstruction à la globalisation. La collaboration entre la Fondation Ford et l'OECE-OCDE entre 1950 et 1970," in *Réseaux économiques et construction européenne/Economic networks and European integration*, ed. Michel Dumoulin (Brussels: Peter Lang, 2004), 73–99.
[86] TNA, FCO 69/56, Chadwick to Combs, August 2, 1969.

they served as delegates, and tried to dominate these, in particular through the position of chairs and vice-chairs. Fourth, through the Council member states appointed the Secretary-General, who exerted considerable influence over the organization's personnel and agenda. Finally, member countries were keen to place their own national bureaucrats into powerful positions within the officially neutral OECD Secretariat, in particular in the positions of directors and heads of unit.[87]

Further, governments have always used a variety of informal channels, unofficial working groups, and bilateral contacts to increase their influence beyond the designated tracks. For example, the members of the EEC have generally coordinated their position before all major OECD meetings in special closed sessions.[88] Similarly, in the 1970s all the meetings of the OECD's core committee, the Economic Policy Committee (EPC), were prepared by an informal discussion group of the largest seven countries, the chairman of the EPC, and several high-level OECD bureaucrats. This so-called "Expanded Bureau of the EPC," which its members regarded as an extremely useful forum for open debates, had been set up informally, since the small countries resisted the official efforts to "formalize their exclusion."[89] The OECD actually worked with an informal "two-tier system." As a British delegate to the OECD stated:

> The day-to-day work at Council level is, in practice, organized and controlled by the Ambassadors of the "major shareholding" countries (United States, Britain, France, Germany, Japan and Canada) who hold frequent unofficial meetings to discuss on-going work.[90]

Thus, the official structure of the OECD does not adequately represent the distribution of power and influence within the organization. Although all members are formally equal, the larger countries have dominated OECD work, in particular in the core of economic and financial

[87] On the close collaboration between the subsequent directors of the Economics and Statistics Department, Christopher Dow and John Fay, and the British Treasury, i.e., preparing agendas, sending documents before general circulation etc., see the files in NARA, RG 59, Entry A1 5605, Folder E 1 – EPC, 1967–71. More generally, see Clifton and Díaz-Fuentes, "The OECD and Phases in the International Political Economy, 1961–2011"; Martin Marcussen, *OECD Og Idéspillet – Game Over?* (Copenhagen: Hans Reitzels Forlag, 2002).

[88] TNA, FCO 59/1248, OECD Ministerial Meeting. Steering Brief by FCO, May 1974.

[89] NARA, RG 56, Entry A1 803, Box 3, Folder EPC 1975, Ralph V. Korp, EPC Reform, February 18, 1975. The British permanent delegate Chadwick emphasized as one of the most effective functions of the OECD "les couloirs," the corridor-talks. TNA, FCO 69/228, Chadwick to Douglas-Home, October 7, 1971, "Sir John Chadwick's Valedictory Despatch on the OECD."

[90] TNA, FCO 59/1239, Gallagher to Marshall, December 16, 1974.

governance at the heart of this book. The first Secretary-General of the OEEC Robert Marjolin recalled that he had always to be sure of British and French agreement and of US support to effectively advance a proposal in the OEEC: "France and Britain called the tune in the OEEC."[91] In the OECD, this did not change much. Yet, whereas the US had largely informally influenced all important decisions in the 1950s, during the 1960s Americans slowly advanced to become the informal hegemon within the organization and increasingly occupied key posts.[92] These imbalances caused considerable friction. In the late 1960s, for example, many countries criticized that Britain "enjoyed excessive preponderance in the Secretariat because it happened that the most effective parts of the Secretariat were headed by Britons – Mr. Dow [director of economics] and Dr. King [director of science]."[93] The following chapters will analyze the key roles played by these two directors. Yet, by discussing the political cleavages about quantitative growth that emerged between Dow and King and their respective departments in the late 1960s and early 1970s, this study also highlights the limits of explanations that focus on nationality alone.[94]

The OECD as a transnational forum: council, committees, and working groups

Council and Executive Committee

The Council, which was composed of representatives of all member countries (and, in the case of the OECD, the European Commission), was formally the OECD's principal governing body that not only issued all the decisions and recommendations of the organization, but also created and reformed the structure of the Secretariat and committees and appointed key positions within the bureaucracy. The Council also gave strategic direction to the organization by authorizing the Secretary-General to steer the Secretariat on a desired path, examining all important reports, and by approving the budget. All the decisions and

[91] Robert Marjolin, *Architect of European Unity: Memoirs, 1911–86* (London: Weidenfeld & Nicholson, 1989), 95, 91.
[92] TNA, FCO 69/322, F. G. K. Gallagher, "Some Impressions of OECD." On the dominance of Britain, France, and the US on the OECD – not least through the number of nationals in the OECD's staff – see Clifton and Díaz-Fuentes, "The OECD and Phases in the International Political Economy, 1961–2011."
[93] TNA, T 354/440, Williams to Britten, October 15, 1969.
[94] For a discussion of different logics available to international civil servants (intergovernmental, departmental, epistemic, or supranational), see Trondal, Marcussen, Larsson, Veggeland, *Unpacking International Organisations*, 12–15.

recommendations by the Council, which were binding on the economic policies of member countries, were taken unanimously, and individual countries could withdraw and not implement certain decisions. The Council's chair was a highly influential position that exerted considerable power over the entire organization and its outputs. In the OEEC, the regular Council meetings at the level of permanent delegations were chaired by politicians, all of them well-known at that time, such as the Belgian prime minister Paul-Henri Spaak, the Belgian minister of foreign affairs Paul van Zeeland, or the Dutch industrialist, minister of foreign affairs, and later Secretary-General of NATO, Dirk Stikker. When the OECD was founded, this position was deliberately given to the Secretary-General to enhance the independence of the organization from individual member country interests.[95] The annual Ministerial Council Meeting (MCM), attended by ministers of finance, trade, or foreign affairs, many government experts and observers from other international organizations and the OECD's social partners, was the highlight of the OECD's year. At MCMs key debates were launched and priorities for the next year defined, and their final communiques captured the shared OECD norms.[96]

The Executive Committee assisted the Council in its work. In the OEEC, the Executive Committee comprised only seven member countries, which were formally appointed yearly by the Council. In fact, however, it was "designed as the main instrument for Anglo-French domination of the proceedings."[97] In its weekly meetings it discussed all the questions and decisions to be submitted to the Council and coordinated the work of the technical committees. It also drew up the twelve annual reports that were approved by the Council between 1948 and 1961.[98] In the OECD the Executive Committee included all member countries, but was still very powerful. While formally only advising the Council on OECD acts and key strategic decisions, the crucial questions were often already pre-negotiated and decided in the Executive Committee. It is important to note that the permanent delegates, who normally met in the Council and also the Executive Committee meetings, were of a much lower standing within their respective government's chain of command than representatives on some of the committees or even

[95] TNA, FO 371/134422, Washington to Foreign Office, January 9, 1960. See also TNA, FO 371/134422, M 551/7, letter to Sir Paul Gore-Booth, January 4, 1960.

[96] Woodward, *The OECD*, 48f.

[97] Milward, *The Reconstruction of Western Europe, 1945–51*, 65. Besides France and Britain, members of the Executive Committee were Italy, the Netherlands, and Norway.

[98] See the different editions of OEEC, *History and Structure*, which appeared between 1949 and 1961.

working parties, such as the EPC's WP-3, where thus the more substantive debates were held. [99]

Committees and working parties

The heart of the OECD's work were the different committees and their working parties, in which representatives from member countries discussed all the substantive issues, peer reviewed each country's performance, and, contingent on Council approval, produced policy advice, the OECD soft law instruments, or legally binding agreements. The complicated structure of the dozens of committees, which were divided by different issue areas and specific tasks, and their working parties, instituted to perform more specialized and technical work, has continuously changed over time, reflecting shifting organizational priorities. Until the mid-1950s, the heart of the OEEC's economic coordination were its thirteen "vertical committees" (coal, electricity, oil, iron and steel, machinery, textiles, chemical products, non-ferrous metals, timber, pulp and paper, food and agriculture, maritime transport, inland transport). Established in 1948, their meetings provided European technicians, civil servants, and many industrialists with opportunities for the exchange of views and the harmonization of outlooks and policies.[100] Alongside the vertical committees, several horizontal committees (economic, trade, intra-European payments, overseas territories, and productivity and applied research committee) discussed broader issues of economic cooperation. With the refoundation of the OECD, the work of the vertical committees was considerably reduced, and over the decades several new committees on issues such as science, manpower, and the environment were created (see Figures S.2 and S.3).

Generally, all member countries, and in special cases even non-member countries, were entitled to participate in the work of these bodies. However, some of the committees and working groups that were valued most by member countries had only restricted membership.[101] Thus, the informal "two-tier" system, which ensured the dominance of the larger

[99] Even though time and again mentioned in the research of the OECD, there is still no good account on the history of WP-3. See, however, the recent PhD dissertation by Floriane Galeazzi, *La France et la réforme du système monétaire international (1961-1987). Le rôle des experts du Groupe de Travail n°3 de l'OCDE* (Université de Rouen 2015).

[100] OECD-HA, C(53)324, Activities of the Vertical Committees. Memorandum by the Secretary-General, December 19, 1953.

[101] These official restricted spaces were the Executive Committee of the OEEC, the Committee on Capital Movements and Invisible Transactions, the WP-3 of the Economic Policy Committee (EPC WP-3), and the DAC, all created in 1961, as well as the OECD's High Level Oil Group, and the Executive Committee in Special Session (ECSS), which was created in 1972.

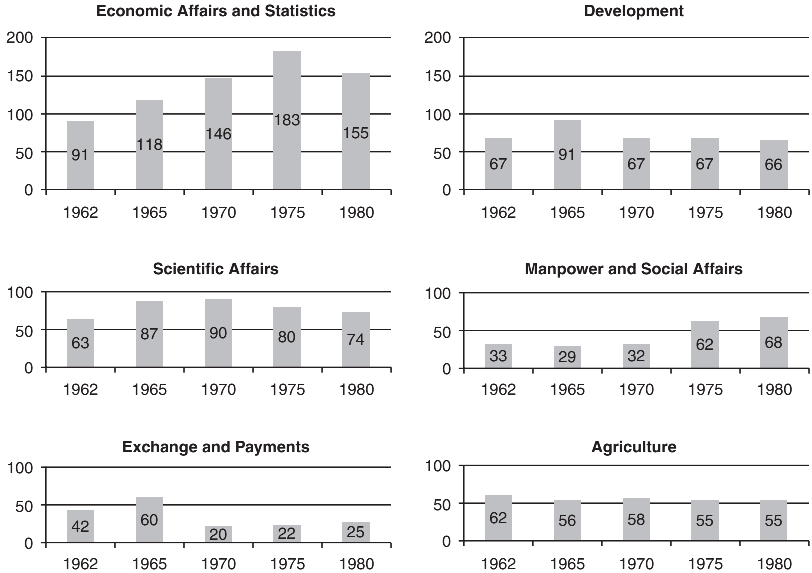

Figure S.3 Officials working in different departments of the OECD (A, B, and C staff combined), 1962, 1965, 1970, 1975, 1980
Source: Data from the OECD history project Geneva

member countries in the organization, was paralleled by some embryonic forms of formal first- and second-class OECD membership.[102] Furthermore, since participation within committees and working parties was expensive and required considerable time of scarce qualified personnel, actual participation was very unequal, and some of the smaller and less affluent member countries opted out of some of the bodies. Member countries were required not only to fund their country contributions, but also to conduct and finance most of the research, their permanent delegation in Paris, and all the travel expenses for their delegates themselves, and all in all, even US officials conceded that “to participate properly in the OECD, a country must be prepared to spend considerable sums.”[103]

Committees and working groups met in very different intervals, but usually between once a month and four times a year, sometimes even less

[102] TNA, FCO 59/1239, Gallagher to Marshall, December 16, 1974.

[103] NARA, RG 59, Entry A1 5605, Box 15, Folder LAB 3, Howard S. Carpenter, The work of the Manpower and Social Affairs Committee of the OECD, August 30, 1967. For the current participation of different countries in OECD bodies, see Woodward, *The OECD*, 53.

often. These one to four-day meetings were not only attended by thousands of delegates, senior officials, or experts from member states' capitals, but also by some of the high-ranking officials working in the Secretariat who produced most of the background analyses, draft reports, and discussion papers, on which the committee work was based.[104] Occasionally, committees have met at Ministerial level to launch major projects or give a new impetus to the ongoing work (see Table S.2).[105]

The interests of member countries in different areas of OECD work, and therefore also the level of a country's engagement and the standing and competence of its representatives varied considerably between countries and has also changed over time. This is most lucidly explained in an internal British brief, in which the permanent delegate described the "coconut-theory" prominent among British government members. There was, he explained,

> a school of thought in London which likens the OECD to a coconut, comparing its hairy outside to the amorphous mass of committees and working parties which hold their desultory discussions here, the white meat to the Economic Committee, and the pure milk to that Committee's Working Party No. 3, which deals with the Balance of Payments Process.

This great divergence of interests between member countries in different work done in the Paris-organization was further complicated by differences of interest within the various departments of member countries' executives. Even from the British perspective, which was generally regarded as the "least OECD-minded of all the member governments" during the 1960s, a closer look revealed that "there is virtually nothing done here [at the OECD] which is of no interest" to some department at Whitehall. "A closer simile is a swarm of bees."[106]

A more general mapping of the organizational structure of the OECD and of the related member states' interests is still a desideratum for further research. While this will be referred to more specifically in the related chapters of this study, roughly speaking the larger countries were most interested in the economic work of the OECD, in particular in the restricted working bodies, the least industrialized member countries were most interested in the development-related work and in technical cooperation, and the non-EEC members were most interested in the

[104] Currently, over 40,000 delegates visit the OECD headquarter every year to attend committee or working group meetings, see www.oecd.org.

[105] Even though these provide some first insight into the highlights of OECD work, the MCMs do not adequately capture the shifting priorities within the organization but were heavily skewed toward agriculture, science, and the environment, while core economic issues of the OECD were generally discussed at the regular annual MCMs.

[106] TNA, FCO 69/53, Chadwick to Stewart, August 1, 1969.

Table S.2 *Chronology of meetings of committees at Ministerial level*

1962	November 19–20	Agriculture
1963	October 3–4	Science
1964	February 26–27	Agriculture
1965	June 17–18	Agriculture
1966	January 12–13	Science
1966	October 27–28	Agriculture
1968	March 11–12	Science
1971	October 13–14	Science
1973	April 11–13	Agriculture
1974	November 13–14	Environment
1975	June 24–25	Science and Technology
1976	March 4–5	Manpower
1978	February 9–10	Agriculture
1978	October 19–20	Education
1979	May 7–8	Environment
1980	March 5–6	Agriculture
1981	March 19–20	Science and Technology
1982	March 4–5	Manpower
1982	December 2–3	Agriculture
1983	April 13–14	Urban Affairs
1984	November 20–21	Education
1985	June 18–20	Environment

Source: OECD, *Manual for the Guidance of Chairmen of Subsidiary Bodies of the Organisation* (Paris: OECD, 1987), 126.

OECD's trade work. Further, smaller countries used the OECD to advance projects they were particularly interested in, such as the Tourism Committee or the Fisheries Committee, and used their veto power to block their discontinuation.[107] In this regard, a British official has adequately characterized the OECD from the perspective of member countries as a "curate's egg":

> The price one pays for any international organization is that it must do some things which are welcome to each of the members. This means, inevitably, that not all of the work is welcome to all of the members.[108]

The key task of the work within the committees was the "continuous adjustment of national policies through confrontation of senior officials from capitals," for which, bearing in mind all the differences in the

[107] For example, the Tourism Committee was particularly important for Southern European countries and the Fisheries Committee for Scandinavian countries. Yet countries generally had their particular 'pet projects' they advanced through the OECD.
[108] TNA, FCO 69/227, Gray to Britten, February 17, 1971.

relatively autonomous bodies, the OECD had developed a particular method.[109] When the OECD initiated work on a new policy problem, the Secretariat first collected statistical information or qualitative reports, which the member countries were required to provide. Second, the relevant directorate analyzed the data and information, produced internationally comparable statistics, identified trends and correlations, advanced hypotheses, and proposed possible areas for consensus and policy advice. At this stage, the Secretariat functioned as an international think tank, whose experts aimed at producing innovative ideas and policy frameworks that guided the discussion in the committees and working groups, and regularly drew on ongoing academic work. Third, informed by the Secretariat analysis, the delegates and senior officials from member states' capitals discussed the relevant issues, exchanged information, policy experiences, and ideas, and thus built not only a better understanding of the respective political situations, difficulties, and strategies, but a "common value system" of bureaucrats in OECD countries. Building on these discussions, committees moved on to propose solutions, define best practices, and draft reports that contained mutual analysis and policy advice, which states were expected to implement. In a final step, building on the shared frameworks and norms (or the legal instruments) consensually agreed upon in the discussions, committees routinely engaged in a process of "confrontation," "examination," or "peer review," in which the performance of each member country was scrutinized and monitored by the "peers" – a process that has been described as "accountability theater."[110] With regard to economic policy, the peer review procedure was regularly employed by the Economic Development Review Committee, which did little else than run through this complicated process that resulted in the routine publication of the *Economic Survey*.[111] As will be discussed in the next chapters, more substantive debates on policy norms took place within the EPC and its working

[109] NARA, RG 56, Entry UD-UP 734-H, Box 1, Folder OECD/0/00 General, Vol. 1, Memorandum, Appraisal of OECD and Suggestions for Further Action, June 18, 1963. See Woodward, *The OECD*, 56–58; Schäfer, *Die neue Unverbindlichkeit*; Marcussen, "The OECD as Ideational Artist and Arbitrator."

[110] William Glenn Gray, "Peer Pressure at the OECD: Reviewing Performance & Performing Reviews in the 1960s and 1970s," paper presented at the conference *Warden of the West – The OECD and the Global Political Economy, 1948 to Present* (University of Zürich, August 2015). Over a period of more than a year the peer review ran through seven stages: (i) Preparation, (ii) Visits to the Field, (iii) Mission to the capital, (iv) Peer Review Meeting (v) Editorial Session, (vi) Publication, and (vii) Follow-up. See Pagani, *Peer Review*; Goran Ohlin, "The Organization for Economic Cooperation and Development," *International Organization* 22, no. 1 (1968): 136–37.

[111] Ohlin had characterized peer reviews as the heart of OECD work, referring to the DAC aid-review, as an "exercise in shame tactics," at which officials show up for "the grilling." Ohlin, "OECD," 136–37.

parties, which also employed similar review procedures than the Review Committee, but without the formal stringency of the peer review method.[112]

All these meetings and activities made the OECD an exceptionally busy place. For example, in 1971 OECD committees and working parties held almost 2000 meetings, all of which (besides the Council and the Executive Committee) involved the attendance of officials from capitals. And already in the first year of the OECD's operation, almost every second day a new publication was brought out, almost all of which were discussed and redrafted in at least one of the committees.[113]

The OECD as an international bureaucracy: Secretary-Generals, the Secretariat, and its directorates

Secretary-General

The Secretary-General was the head of the Secretariat, and not only chaired regular Council sessions, but made proposals and determined the agenda of all the bodies of the organization, orchestrated the multi-faceted secretariat units, committees, and working groups, and acted as the external representative of the OECD – he was "the hub of OECD activities."[114] The Council appointed the Secretary-General for a five-year period, and there was an implicit understanding that he (they have all been men) should not come from one of the larger member countries. The two Deputy Secretary-Generals, who took responsibility for a particular area of the organization and have also had considerable influence, have until 1985 always been a French national (being the host country of the OECD headquarter in Paris) and a US national.[115]

Even though the organization was as a Cold War institution structurally driven by member country interests and the underlying power structures, the Secretary-Generals (and other powerful officials) exerted a substantial influence on the way the OECD was run and which issues were dealt with.[116] The

[112] On the multilateral surveillance process, see Marcussen, "Ideational Artist."

[113] TNA, FCO 69/322, F. G. K. Gallagher, "Some Impressions of OECD," Permanent UK Representative to the OECD at Paris to the Secretary of State for Foreign and Commonwealth Affairs, August 24, 1972; Thorkil Kristensen, "The OECD Observer," *The OECD Observer* 1 (1962): 3.

[114] TNA, T 379/1, Personality Note on Jonkheer Emile van Lennep, February 10, 1976.

[115] TNA, FCO 59/1531, Maddocks to Maud, April 7, 1978. For a list of Secretary-Generals, see www.oecd.org.

[116] The following chapters will demonstrate that this focus on actors does not mean taking a personalistic approach that ignores the structural drivers influencing international organizations.

two Secretary-Generals of the OEEC were Robert Marjolin (1948–1955) and René Sergent (1955–1961). Marjolin was a young French politician and economist who had been involved in Charles de Gaulle's government-in-exile during the War and closely collaborated with Jean Monnet. Born in 1911 in a Parisian working class family, he took evening courses at the Sorbonne and became particularly influenced by two years studying sociology and economics at Yale as a fellow of the Rockefeller Foundation in the 1930s, which turned him from a young socialist into a fervent advocate of capitalist growth, state planning, and economic integration. Even though he was unable to transform the OEEC into the executive of European integration Monnet and he had hoped, Marjolin passionately led the organization in the first years and developed new strategic directions, in particular in the area of promoting long-term growth. However, by mid-1953 he grew frustrated with the slow progress toward European unification, came to regard the OEEC as having "outlived its time," and soon left the organization.[117]

René Sergent, who succeeded Marjolin in April 1955 and was Secretary-General throughout the difficult period until the dissolution of the OEEC in September 1960, was another high-ranking French civil servant. Born in a Paris banking family in 1904, he studied at the École Polytechnique and gained extensive experience in the Ministry of Finance and the French embassy in London. Immediately before he became Secretary-General of the OEEC, between 1952 and 1955, Sergent was Assistant Secretary-General of the NATO, focusing on economic and financial issues. His appointment not only tightened the many personal links between the OEEC and the NATO, which have been mentioned earlier, but was also an expression of the strengthened unspoken alliance between the military and the economic organizations on the Western side of the Cold War conflict. Not only due to the difficulties with resolving the internal disputes about the pan-European free trade area in the late 1950s, but also because of his personal lack of proficiency to effectively steer the organization, Sergent's term was widely regarded by member countries as a failure.[118]

[117] Quoted from his diary from December 16, 1953, in Marjolin, *Architect of European Unity*, 246. On his biography, see Heininger, "Robert Marjolin". On June 3, 1953, Marjolin wrote: "The growing sense of boredom, the enervation, the loss of any real interest, these are due to the degeneration of the job that has been mine for more than five years. From a man I have turned into a function, and a not very interesting function at that." Marjolin, *Architect of European Unity*, 246.

[118] In 1960, the British delegate stated plainly: "M. Sergent has not been a success." TNA, FO 371/150075, France to Lee, January 22, 1960. See already the remarks in NARA, RG 469, Entry UD 379, Box 92, Folder OEEC July-Dec 1954 Urschel to Fitzgerald, December 20, 1954.

The first two heads of the OECD Thorkil Kristensen (1961–1969) and Emile van Lennep (1969–1984) had significantly diverging conceptions of the role of the organization. Kristensen, born in 1899 in a Danish farming family, was an internationally respected economist and liberal-conservative politician. He had not only gained considerable experience as the Danish Minister of Finance from 1945 to 1947 and 1950 to 1953 in implementing the Marshall Plan and advocating harsh austerity policies, but had also been in contact with the difficult OEEC negotiations as Danish representative in the Consultative Assembly of the Council of Europe and the Nordic Council. In his view, the OECD was conceptualized as an avant-garde think tank with a "catalytic role," and the Secretariat focused on providing innovative ideas that could be picked up by member countries if they became interested. Accordingly, Kristensen gave considerable autonomy to the various directorates, and, in particular during the early 1960s, he regularly isolated himself from the routines and administrative practices for several weeks to personally undertake research he deemed important or interesting.[119]

In contrast, under van Lennep the organization's role in policy-making and policy-cooperation was strengthened, the work of the different directorates was streamlined, and the Secretariat focused on influencing member countries through both its hard and soft power governance mechanisms. Born in 1915 in Amsterdam in a wealthy merchant and banking family with ties to the royal house, van Lennep was a top-ranking official within the Dutch Ministry of Finance. Already before his appointment as Secretary-General, he had served in many different functions within the OECD and was one of the most respected and best-connected international experts in the field of monetary policies. His long-term chairmanship of the EPC and its WP-3 during the 1960s, a position directly offered to him by President Kennedy, was partly a compensation for his non-election as Secretary-General in 1961.[120] In the view of a

[119] King, science director and close associate of Kristensen, described the approach in the following way: "Our policy was roughly that we should be at least five years ahead of the thinking of the nation-states; second, however, we should never appear to be more than two years ahead. Otherwise, we would be killed! Our policy was to look at everything that is new, at speculative matters, matters of uncertainty. We had many failures, but then again, when we were successful, and the nation-states would get interested, we had completed our catalytic role. We would drop those activities and begin new ones. It was a very mobile and very interesting approach." Alexander King, "Interview: Club of Rome Founder Alexander King Discusses His Goals and Operations," *EIR* 8, no. 25 (1981): 19. On Kristensen, see Poul Nyboe Andersen, *Thorkil Kristensen: En Ener I Dansk Politik* (Odense: Odense Universitetsforlag, 1994); Schmelzer, "Thorkil Kristensen."

[120] On van Lennep, see Matthieu Leimgruber, "Emile van Lennep," ed. Bob Reinalda and Kent Kille, *Biographical Dictionary of Secretaries-General of International Organizations*, forthcoming, www.ru.nl/fm/iobio.

high-ranking OECD director, van Lennep was actually transforming the OECD into "less of a 'think-tank' to which member countries can bring any of their problems and more of an 'action-oriented, policy-making body'."[121] Warning of the danger of "paralysis by analysis," van Lennep stated in 1970:

> I stress the word policy advisedly in order to remove any misapprehension that the OECD is some form of academic seminar in permanent session. The formulation of economic policies, with the clear intention that our objective is to make our impact on governments, is the heart of the matter at the OECD.[122]

However, as will be discussed later, these efforts to increase the policy impact of the OECD, which can partly be attributed to van Lennep's socialization within the power circles managing the international monetary system of Bretton Woods, were only partly aligned to the turbulent 1970s, leading to an increasing refocusing on the OECD's expert and research functions. Jean-Claude Paye, a French free-market economist and diplomat who replaced van Lennep as the head of the organization in 1984 and stayed Secretary-General until 1996, further established the OECD's think tank role by focusing the organization's work on the liberalization of global markets for products, services, investments, and capital.[123] Thus, because OECD Secretary-Generals have directed the organization in very different ways, changes in this position were key events in the periodization of OECD history.

Secretariat and directorates

The Secretariat was the international executive, which employed hundreds of international civil servants, ranging from high-flying economists and administrators to maintenance staff and an armada of translators,

[121] TNA, FCO 55/417, Chadwick to Combs, OECD: Current Round-up, June 15, 1970. On the influence of van Lennep see Robert W. Russell, "Transgovernmental Interaction in the International Monetary System, 1960–1972," *International Organization* 27, no. 4 (1973): 431–464.

[122] OECD-HA, Annex 1 to the minutes of the first meeting, ENV/M(70)1, November 24–25, 1970; OECD-HA, CES Divers 1970, Meeting of the Committee on Economic Affairs and Development of the Consultative Assembly with the Secretary-General, July 3, 1970. On van Lennep's vision for the OECD, see Emile Van Lennep, "New Perspectives of International Economic Co-Operation," in *Fifteen Years of International Economic Co-Operation. Selected Speeches of Emile van Lennep, Secretary-General 1969–1984* (Paris: OECD, 1984).

[123] Emile Van Lennep, "The Seventies: A Review - The Eighties: A Preview," *The OECD Observer* 102 (January 1980): 3–8; Woodward, *The OECD*, 29–32; Carroll and Kellow, *The OECD*, 80–94; OECD-HA, C(80)104(Final), Communiqué, June 6, 1980; *New York Times*, June 9, 1991, p. F7.

who ran the day-to-day work at the OECD headquarter in Paris. The Secretariat was subdivided into directorates or departments, which resembled the organization of departments by various portfolios within member countries' executives and which serviced the OECD committees and semi-autonomous bodies.[124] Departments or directorates, although steered by the Secretary-General and the Council, were relatively independent, giving their heads and key experts considerable leeway. Kristensen, for example, "ran his office on a shoestring, allowing the various Directors to develop into Robber Barons."[125] While van Lennep made an effort to execute stronger guidance and give more coherence to the different directorates of the OECD, this moderately decentralized structure quintessentially defines the OECD's history, and – as will be discussed in more detail – could lead to considerable internal rivalry and opposition. Most officials working at the OECD stayed within one department, which provided the main frame of reference, and some of the directors became at least as influential as the Secretary-Generals with regard to their area of work.[126] The shifting distribution of the budget and personnel among the different departments was an underlying tension both within the Secretariat as well as among member countries, and the outcome of these diverging interests indicates the evolving centers of gravity within the organization (see Figure S.3).

Characteristic for bureaucracies and international organizations at that time, while of all the staff working at the OECD roughly half were women, only few women worked among the influential and higher paid clique of professional economists and specialists. Women predominantly worked as translators or clerks and there was not a single female director until 1980.[127] Most of the maintenance staff and some of the lower paid

[124] On the work of OECD-directorates, see J. C. R. Dow, "The Organization of Economic Cooperation and Development," in *The Role of the Economist in Government: An International Perspective*, ed. Joseph A. Pechman (London: Harvester, 1990), 255–78.

[125] TNA, FCO 55/417, Chadwick to Combs, OECD: Current Round-up, June 15, 1970.

[126] See also Trondal, Marcussen, Larsson, Veggeland, *Unpacking International Organisations*, 117.

[127] For example, in 1975 only 17 percent of the A-level staff (economists, directors etc.) were women (data from the OECD history project, University of Geneva). The first female director in the OECD was Sylvia Ostry, Canadian economist and head of the Department of Economics and Statistics from January 1980 to September 1983. This was general practice of that time within international organizations, even though the OECD seems to have been even more male-dominated than other organizations. See, for example, Margaret Joan Anstee, *Never Learn to Type: A Woman at the United Nations* (Oxford: Wiley-Blackwell, 2004); Carol Riegelman Lubin and Anne Winslow, *Social Justice for Women: The International Labor Organization and Women* (Durham: Duke University Press, 1991).

administrative support staff was recruited from France, yet the corps of professional economists, scientists, and lawyers (growing from around 300 in 1961 to around 600 in 1980), which produced the OECD reports, data, and analyses in collaboration with the committees, were recruited from member countries, mostly from Britain, the US, and France.[128] Work at the OECD headquarter was attractive. Not only did the OECD provide a safe work beyond political instability, but remuneration for economists and other experts working at OECD was significantly higher (when tax benefits are included) than that of most academic and non-academic economists apart from some professors and those in the upper echelons of the business world.[129]

This community of partly top-level bureaucrats, who either worked for the OECD for many years, were seconded from national governments for shorter periods, or were recruited from universities, the private sector, or other international organizations, formed the heart of the supposedly neutral, disinterested, and impartial international organization that served the member states.[130] However, as stated in a recent volume on "compound bureaucracies," international executives such as the OECD Secretariat

> are not merely neutral tools used by member governments to fulfill predetermined preferences; they are also Weberian rule-driven bureaucracies, epistemic communities of professional experts, and socializing institutions that transform nationally oriented officials into community-minded supranational officials.[131]

To varying degrees, these international civil servants followed an *intergovernmental* logic (officials are guided by member state instructions and see themselves as loyal to their national government), a *supranational* logic (officials personally identify with the international norms promoted by the OECD), a *departmental* logic (officials are loyal to the OECD, but in particular to their department or unit within the Secretariat), or an *epistemic* logic (officials are influenced by external professional references

[128] Judith Clifton and Daniel Díaz-Fuentes, "From 'Club of the Rich' to 'Globalisation À La Carte'? Evaluating Reform at the OECD," *Global Policy* 2, no. 3 (October 1, 2011): 300–11.

[129] Alfred W. Coats, "The Role of Economists in Government and International Agencies: A Fresh Look at the Field," *History of Economics Review* 34 (2001): 19–32. See also the contributions in Alfred W. Coats, ed., *Economists in International Agencies: An Exploratory Study* (New York: Praeger, 1986).

[130] While on average only working at the OECD for several years, some experts stayed for much longer periods and made entire careers within the Paris-based institution. In the 1990s, the average tenure at the OECD was four to five years, after which experts largely returned to their home countries. While there are no data for earlier decades, the cursory evidence from the sources for this book point to a similar pattern for the 1960s and 1970s. See also Marcussen, "Ideational Artist," 99.

[131] Trondal, Marcussen, Larsson, Veggeland, *Unpacking International Organisations*, 12.

and legitimate their authority in terms of academic proficiency and their expert status).[132] How OECD officials played out these roles will be discussed in the following chapters.

The key administrators and experts were an integral part of the global power elite. People working in the different directorates were highly educated, and many pursued careers in academia, but also in national administrations and the private sector before or after their tenure at the OECD. The recruitment of distinguished academics and "brilliant men" was a conscious strategy of the Secretariat and worked as a win-win relationship, in which the organization benefitted from up-to-date expertise from top universities, and OECD officials reaped the advantages from the well-equipped international environment of the Secretariat.[133] To stay updated on the most recent academic developments (in particular at US universities), the Economics Department deliberately instituted a "rotating staff" and was continuously engaged in special studies that provided young academics with the opportunity to take a short leave from their universities and advance their research in an international environment.[134] A few examples of these dual careers both in academia and in the OECD will be discussed in the following chapters, but it would be worthwhile to pursue a more systematic prosopographic analysis aiming at assessing if this was the exception or the rule.[135] Generally, the fluctuation of staff within the OECD bureaucracy seems to have been much higher than in other secretariats such as the EEC, where economists tended to work for their entire careers.[136]

The Economic and Statistics Department was the largest directorate of the OECD, and also the one that showed the strongest increase both in personnel and funds during the 1960s and early 1970s, employing ninety-one persons in 1962 and 183 in 1975 (see Figure S.3). Even though some outstanding economists have worked in that department, the OECD had difficulties in recruiting adequately qualified economists, in particular during the 1960s. Because "the demand for economists was increasing and they were becoming a scarce commodity," this international think

[132] Ibid., 15. See also Martin Marcussen and Jarle Trondal, "The OECD Civil Servant: Caught between Scylla and Charybdis," *Review of International Political Economy* 18, no. 5 (2011): 592–621.

[133] TNA, FCO 69/54, Sir Edgar Cohen's Valedictory Despatch, December 23, 1968.

[134] NARA, RG 59, Entry A1 5605, Box 12, Folder E 1 – EPC, 1967–71, J. P. Ferriter to Dallas Jones, October 2, 1968; NARA, RG 59, Entry A1 5605, Box 27, Folder Dow Visit, Dallas L. Jones to Ruth H. Phillips, September 13, 1966.

[135] Thus, for example, one of the very influential economic studies on growth, Maddison's *Economic Growth in the West* (New York: Twentieth Century Fund, 1964) was actually written while the author worked at the OECD. See also the experience of Wilfred Beckerman, and the discussion in Chapter 5.

[136] Katja Seidel, *The Process of Politics in Europe: The Rise of European Elites and Supranational Institutions* (London: I. B. Tauris, 2010).

tank had difficulties "to compete on the labor market" with other international organizations such as the EEC, GATT, or the UN and its agencies, all of which were expanding and partly paid higher wages than the OECD.[137] Although the OECD was one of the most "research-minded" international organizations, and, in particular in its first years, high-ranking OECD officials essentially worked as international research teams, there were key differences to academic work at universities.[138] As Stephen Marris, long-term economist at the OECD, explained:

> at the OECD "good economics" merges almost imperceptibly into the art of persuasion. Particularly in the macroeconomic area, the scientific basis of economics is simply not strong enough to permit many of the most central issues to be resolved through rigorous and indisputable analysis.[139]

The research had to be presented to politicians, there were difficult diplomatic issues to be resolved, and results were therefore simplified, contained less qualifications and more charts than at universities, and relied on an easy narration: "Intellectual qualms and professional conscience must, at least on occasions, be overruled so as to permit over-simplification in order to advance what is hopefully a good cause."[140]

Most of the key economists that shaped OECD ideas had been academically socialized at the top universities in the US and in Britain. Characterizing the key economists within the OECD, Marris argued:

> Of course, as usual, the people concerned were products of their time, they were very largely Anglo-Saxon trained economists, and the organization was extremely lucky they were, for the most part, extremely able. So the heroes or the villains, as you like it, of this period, were Brian Reddaway, Milton Gilbert, Eivind Erickson [Erichsen], Jack Downey [Downie], Christopher Dow, Angus Maddison, Wilfred Beckerman, and of course John Fay and Kjel Andersen.[141]

These are some of the heroes or villains in the following chapters, who became influential in diffusing an international consensus around growth policies during the late 1950s and 1960s. One of them has provided a

[137] NARA, RG 59, Entry A1 5605, Box 12, Folder E 1 – EPC, 1967–71, J. P. Ferriter to Dallas Jones, October 2, 1968; OECD-HA, C/M(69)5. Unfortunately, we still lack a systematic analysis of the OECD's economic department.

[138] Trondal, Marcussen, Larsson, Veggeland, *Unpacking International Organisations*, 162.

[139] Marris estimated that from the middle grades on all economists working in the OECD spent only half of their time researching and thinking about the solution to a problem; "the other half will be devoted to trying to find the best way to persuade people that it is the right answer." Stephen Marris, "The Role of Economists in the OECD," in *Economists in International Agencies: An Exploratory Study*, ed. Alfred W. Coats (New York: Praeger, 1986), 113.

[140] Ibid., 103.

[141] Stephen Marris, "My History of My Time at the OECD. Unpublished Record of Two Seminars given to the OECD Secretariat in June 1983," 1983.

fascinating description of the complex work of international civil servants at the OECD, who had to convince their counterparts from national governments through good arguments because "they command[ed] no battalions," but who also enjoyed a close knowledge of "what member governments are thinking." In particular, Dow claimed: "For an economist working there, OECD is an unsurpassed vantage point from which to observe the world economy."[142] This book will use this "vantage point" to scrutinize the emergence and evolution of the growth paradigm.

[142] Dow, "OECD," 258.

Part I

Paradigm in the making

The emergence of economic growth as the key economic policy norm (1948–1959)

Roughly speaking, the long-term emergence of the modern growth paradigm occurred in three steps: First, in the context of intensified capitalist industrialization in the early eighteenth century the conception of economic progress emerged in conjunction with a first generation of classical growth theories. With the rise of econometrics and neoclassical economics in the later nineteenth century, these fell into oblivion. Second, in the 1920s and 1930s important statistical developments, the political reactions to the Great Depression, and a renewed interest in macroeconomic questions gave rise to the modern conception of "the economy," to preliminary quantitative growth theories (in particular among Russian economists), and to interventionist economic policies geared toward stability and employment. Third, in the context of World War II, European reconstruction, and Cold War competition in the late 1940s and early 1950s, economic expansion became a key policy goal throughout the world, spurred by the development and international standardization of modern-day national income accounting, and followed by a first generation of Keynesian and neoclassical growth theories. Before delving into OEEC debates to analyze these latter developments, this part provides a short overview of the longer-term transformations of growth thinking.

Even though difficult to assess and highly controversial, most historians argue that economic growth in its modern form only began after the 1820s in Britain, spreading quite rapidly to other European countries, and accelerating in the late nineteenth century.[1] The "great divergence" between northern and central Europe and developments in other regions such as China, India, or the Ottoman Empire, which had until then achieved comparable or even higher standards of living, was fuelled by the shift from renewable energy resources such as wood to the use

[1] Jürgen Osterhammel, *Die Verwandlung der Welt: Eine Geschichte des 19. Jahrhunderts* (München: C.H. Beck, 2009), 104–9; Maddison, *The World Economy*. On the longer-term precursors to the modern growth paradigm see the forthcoming book by Gareth Dale.

of coal. The surge in industrialization, which was based on a regime of colonial exploitation and exchange, occurred almost everywhere under capitalistic conditions. The continuous proliferation of capitalist social relations and societal nature relations around the world asserted an economic system that was fundamentally dependent on the continuous accumulation of wealth and thus on forms of economic expansion.[2] These transformations in economic conditions gave rise to fundamental changes in the perception of temporality that occurred with the coming of the modern age in the second half of the eighteenth century, in which people stopped thinking of the past, the present, and the future as fundamentally alike, and in which concepts gained prominence that themselves articulated historical time, such as "development" or "progress."[3] In particular the emergence of the notion of progress, which has since come to be so closely bound up and identified with development, technological advancement, and economic growth, articulated a key feature of the modern age – the fact that expectations in the future grew further and further apart from everything that had been experienced in the past.[4]

The idea that a continuous increase in total production over a long period of time was the natural state of the capitalist economy was first articulated in the writings of classical economists, most importantly Adam Smith, who analyzed the expansion of what he called the *Wealth of Nations*. While Smith barely wrote of "growth," but rather

[2] Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton, NJ: Princeton University Press, 2000); Osterhammel, *Die Verwandlung der Welt*, 907–57; Appleby, *Revolution*; Marx, *Das Kapital. Kritik der politischen Ökonomie. Erster Band*; Mitchell, *Carbon Democracy*, chap. 2; Immanuel Wallerstein, *The Modern World-System III: The Second Era of Great Expansion of the Capitalist World-Economy, 1730s–1840s* (Berkeley: University of California Press, 2011); Fabian Scheidler, *Das Ende der Megamaschine. Geschichte einer scheiternden Zivilisation* (Wien: Promedia, 2015).

[3] Reinhart Koselleck, "Einleitung," in *Geschichtliche Grundbegriffe. Historisches Lexikon zur politisch-sozialen Sprache in Deutschland*, ed. Otto Brunner, Werner Conze, and Reinhart Koselleck, vol. 1 (Stuttgart: Ernst Klett Verlag, 1975), XVI. On the related emergence of the concept of "scarcity" see Nicholas Xenos, *Scarcity and Modernity* (London and New York: Routledge, 1989).

[4] Reinhart Koselleck, "'Erfahrungsraum' und 'Erwartungshorizont' – zwei historische Kategorisierungen," in *Vergangene Zukunft: Zur Semantik geschichtlicher Zeiten* (Frankfurt a.M.: Suhrkamp Verlag, 1988), 349–75. On the idea of progress see Reinhart Koselleck, *The Practice of Conceptual History: Timing History, Spacing Conepts* (Stanford, CA: Stanford University Press, 2002), 218–35; Robert A. Nisbet, *History of the Idea of Progress* (New Brunswick, NJ: Transaction Publishers, 1994); Bedrich Loewenstein, *Der Fortschrittsglaube: Geschichte einer europäischen Idee* (Göttingen: Vandenhoeck & Ruprecht, 2009); Reinhart Koselleck and Christian Meier, "Fortschritt," in *Geschichtliche Grundbegriffe. Historisches Lexikon zur politisch-sozialen Sprache in Deutschland*, ed. Otto Brunner, Werner Conze, and Reinhart Koselleck, vol. 2 (Stuttgart: Ernst Klett Verlag, 1975), 351–423.

of "progress of opulence," "continual increase of national wealth," or the "natural progress of things toward improvement," his writings contained elements of a preliminary growth theory.[5] Classical economists, following Smith, came to interpret long-term growth as the normal condition of capitalist commerce, which could only be impeded by harmful government intervention and was thus not an explicit policy goal. What is striking, however, is that all classical economists foresaw a "stationary state" as the inevitable endpoint of capitalist expansion that would come about due to population growth, diminishing returns, and the limits of natural resources, in particular land.[6] They only differed in their assessments of the end of growth. Whereas most classical economists, most famously Robert Malthus, but also Smith and David Ricardo, feared the end of economic expansion as a deplorable but unavoidable result of economic development, John Stuart Mill did not share the pessimistic view but rather welcomed the "stationary state" as a desirable future.[7]

However, with the professionalization and mathematization of economics in the context of the marginalist revolution and the emergence of neoclassical economics in the late nineteenth century, the initial focus on growth disappeared from Western economics. While growth as an aspect of the process of accumulation and extended reproduction did play a role in Marxist theorizing, from the 1850s onwards mainstream economists had come to take economic expansion for granted and worried about other questions such as stability or allocative efficiency.[8] At the same time, among economic bourgeois circles, demands for government policies geared toward expanding trade and industrialization became more and more common, notions of "endless growth" became articulated, and economic expansion played an important role in debates about

[5] All quotations from Anthony Brewer, "Adam Ferguson, Adam Smith, and the Concept of Economic Growth," *History of Political Economy* 31, no. 2 (1999): 237–54. On the "invention of growth," see Anthony Brewer, *The Making of the Classical Theory of Economic Growth* (London: Taylor & Francis, 2010), 1–36.

[6] Fred Luks, *Die Zukunft des Wachstums. Theoriegeschichte, Nachhaltigkeit und die Perspektiven einer neuen Wirtschaft* (Marburg: Metropolis, 2001); Anthony Brewer, "The Concept of Growth in Eighteenth-Century Economics," *History of Political Economy* 27, no. 4 (1995): 609–38. On the utopian origins of the modern conception of growth and the idea of infinite consumption of nature, that also emerged in the nineteenth century, see Steven Stoll, *The Great Delusion: A Mad Inventor, Death in the Tropics, and the Utopian Origins of Economic Growth* (New York: Hill and Wang, 2008).

[7] John Stuart Mill, *Principles of Political Economy, with Some of Their Applications to Social Philosophy* (London: Longmans, Green, Reader, and Dyer, 1909), bk. 4, ch. 6.

[8] Heinz W. Arndt, *Economic Development: The History of an Idea* (Chicago: University of Chicago Press, 1987), 31; Marx, *Das Kapital. Kritik der politischen Ökonomie. Erster Band* esp. ch. 21–23; Mark Blaug, *Economic Theory in Retrospect* (Cambridge: Cambridge University Press, 1996), chap. 7.

colonial expansion and imperialism.[9] Within academia, however, the focus shifted away from macroeconomic and growth-related issues. This was largely related to the professionalization of economics, which only in the nineteenth century emerged as an independent profession from its close entanglements with public administration, natural sciences, and political science. To gain acceptance as an academic discipline, economists relied on the methodological self-conception of the natural sciences, in particular physics, and strove toward the postulation of universal laws expressed in formal models, and the reliance on statistical data to prove these.[10] This mathematization of economics went along with a reduction of economics to market phenomena, which were analyzed by abstracting from their social, political, cultural, institutional, or ecological context and embeddedness, and with a shift to microeconomic questions. The microeconomic foundation of neoclassical economics that focused on the maximization of individual utility left no space for the analysis of economic expansion, which was interpreted as a natural by-product of the ups and downs of the business cycle. Recessions were not seen as pathological developments or justifications for political interventions, but as characteristic elements of capitalist markets that would, according to the general equilibrium theory, stabilize themselves.[11]

In this context, not only was economic expansion not a policy goal, but for many decades economists simply did not care about growth. Thus, when writing his influential book on growth in the 1950s, Nobel Prize-winning development economist Arthur Lewis observed, "no comprehensive treatise on the subject [of economic growth] has been published for about a century."[12] Needless to say, the nineteenth century did experience a considerable speeding up of industrialization, even though geographically extremely uneven, and an intensification of global connections. This further universalized the experience of acceleration and spread conceptions of progress, which exhibited a remarkable reduction to the

[9] These issues definitely need further study. See, however, Rudolf Boch, *Grenzenloses Wachstum? Das rheinische Wirtschaftsbürgertum und seine Industrialisierungsdebatte 1814–1857* (Göttingen: Vandenhoeck & Ruprecht, 1991); Osterhammel, *Die Verwandlung der Welt*, chapter 7–8; Eric J. Hobsbawm, *The Age of Empire, 1875–1914* (London: Pantheon Books, 1987).

[10] Philip Mirowski, *More Heat Than Light: Economics as Social Physics, Physics as Nature's Economics* (Cambridge: Cambridge University Press, 1989). See also Margaret Schabas, *The Natural Origins of Economics* (Chicago: University of Chicago Press, 2009).

[11] In the context of the marginal revolution, the stationary state of classical economics was transformed from an actual future of capitalist development into a fictional analytical construction of economic theory, the general equilibrium model. See Luks, *Zukunft des Wachstums*, 95–142. For an examination of neoclassical economic thinking see the sections in Blaug, *Economic Theory*, chap. 8–11, 15.

[12] William Arthur Lewis, *The Theory of Economic Growth* (Homewood: R.D. Irwin, 1955), 1.

technological dimensions of progress.[13] In the context of emerging nation-state rivalry and imperialist expansion, the economic advancement of national commerce was considered an important policy goal. This was, however, not expressed in terms of contemporary conceptions of "the economy," there were no growth policies, and it was intimately bound up with notions of territorial expansion and cultural grandeur, which were the key driving forces of politics and national identities.[14] Accordingly, as aptly summarized by economic historian Heinz W. Arndt, "[h]ardly a line is to be found in the writings of any professional economists between 1870 and 1940 in support of economic growth as a policy objective."[15] While neglecting developments in the non-English-speaking world, most importantly in postrevolutionary Soviet Russia, Arndt's assessment is generally accurate.[16]

This long period of disregard for macroeconomic questions and of political liberalism ended in the 1920s and 1930s, when a system of beliefs and practices that have been called "high modernism" spread around the world, which aimed at increasing the power of the state in order to reshape societies in line with what were believed scientific ideas, aiming at maximizing production to improve the human lot.[17]

Often neglected in recent accounts of economic thought, early precursors of modern growth theory were actually devised in the 1920s in the context of Soviet debates about industrialization, socialist primitive accumulation, and the New Economic Policy (NEP). Closely connected to the state's demand for guidelines for economic planning, economists and statisticians such as Yevgeni Preobrazhensky, Nikolai Bukharin, and Grigory Alexandrovich Feldman launched innovative work on macroeconomic modeling and elaborate national income statistics.[18] These

[13] Osterhammel, *Die Verwandlung der Welt*, 126–28.

[14] Sönke Neitzel, *Weltmacht oder Untergang. Die Weltreichslehre im Zeitalter des Imperialismus* (Paderborn: Schöningh, 2000); Hobsbawm, *The Age of Empire*.

[15] Arndt, *Rise and Fall*, 13. See also Karl Pribram, *A History of Economic Reasoning* (Baltimore: Johns Hopkins University Press, 1983).

[16] A remarkable exception is Josef Schumpeter's *Theory of Economic Development*, published in 1912, which did, however, not immediately have much impact on economic debates.

[17] James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven, CT: Yale University Press, 1998).

[18] One of the key models, Feldman's mathematical growth theory, was based on Marx's reproduction scheme and aimed at dynamically balancing the investment and consumption sector. On these debates see the articles in Nicolas Spulber, *Foundations of Soviet Strategy for Economic Growth: Selected Soviet Essays, 1924–1930* (Bloomington, IL: Indiana University Press, 1964); Michalis Hatziprokopiou and Kostas Valentzas, "Preobrazhensky and the Theory of Economic Development," in *The Canon in the History of Economics: Critical Essays*, ed. Michalis Psalidopoulos (London and New York: Routledge, 2002), 180–95; Vincent Barnett, *The History of Russian Economic Thought* (London and New York: Routledge, 2005), 93–117; Simon Johnson and Peter

debates were promptly terminated by the Stalinist crackdown in the late 1920s. Nonetheless, partly transferred through Weimar Germany or by Russian émigrés to the US, these Soviet economists strongly influenced Western income accounting and growth theorizing in the 1940s and 1950s, and the partial adoption of their models by Soviet planners gave a boost to Western government policies geared toward economic expansion.[19]

In the early decades of the twentieth century the discipline of economics was fundamentally recast as the study of the circulation of money. While many of the founders of the discipline had essentially regarded economics as the examination of natural resources, material flows, and energy and had thus been concerned about the possibility of a future depletion of the earth, they lost a battle against the price theorists, who focused on prices, money, and markets. Related to both an increase in and new forms of circulation of money in industrialized countries and the weakening of European empires, economists started to perceive the circulation of money within national boundaries as an object – "the economy."[20] Further key developments came from the advance of statistical efforts in measuring national income. Entrenched in the continuously changing frameworks and techniques of estimating economic activity or output, which came to influence how states produced statistics, were conflicting visions of what constitutes national income or wealth, ranging from the stock of gold, to net agricultural product and to private material production excluding or including services.[21] While income estimates aimed at assessing distributional questions date back to the seventeenth century, it was only in the 1920s and 1930s that national *income* was interpreted in a purely "economic" framework and was

Temin, "The Macroeconomics of NEP," *The Economic History Review* 46, no. 4 (1993): 750–67; Alexander Erlich, *The Soviet Industrialization Debate, 1924-1928*, (Cambridge, Mass.: Harvard University Press 1960.

19 William Jefferies, *Measuring National Income in the Centrally Planned Economies. Why the West Underestimated the Transition to Capitalism* (New York: Routledge, 2014), chaps 2–3. On the role of Weimar Germany in transferring Soviet macroeconomic debates to the Anglo-Saxon world see Adam Tooze, *Statistics and the German State, 1900–1945: The Making of Modern Economic Knowledge* (Cambridge: Cambridge University Press, 2001). On transfers to the US, in particular through emigrants such as Simon Kuznets or Wassily Leontief, see Vincent Barnett, "Russian Émigré Economists in the USA," in *Economics in Russia: Studies in Intellectual History*, ed. Vincent Barnett and Joachim Zweynert (Aldershot: Ashgate, 2008), 107–22.

20 Mitchell, *Carbon Democracy*, chap. 5. See also Karabell, *The Leading Indicators*, chap. 4.

21 Paul Studenski, *The Income of Nations: Theory, Measurement and Analysis: Past and Present* (New York: New York University Press, 1958), esp. 11–12. See also Benjamin H. Mitra-Kahn, "Redefining the Economy: A History of National Accounting and Economics," Dissertation (City University London, 2011); André Vanoli, *A History of National Accounting* (Amsterdam: IOS Press, 2005), 1–24.

combined with estimates of total *production* and total *expenditure* to form the comprehensive picture of the economy as a self-contained "circular flow" of three statistical terms, a central statistical metaphor of economics until today.[22] These and other statistical innovations gave rise to a new matrix of economic expertise. As Timothy Mitchell and others have argued, what today is self-evidently understood as the totality of "the economy" – a conception of a separate system of production and exchange of goods, services, and the public sector, constituted by dynamic and interrelated economic processes within national boundaries – only emerged in the 1930s and 1940s.[23] This new perspective culminated in the international standardization of national income accounting discussed in Chapter 1.

The greatest impulse to the modern growth paradigm came in the wake of the Great Depression, which proved extremely disruptive of social and economic relations in many regions of the world. The severe economic crisis was dreadful not only in terms of unemployment, poverty, and deprivation, but in accelerating the rise of fascism in Europe. Yet, next to its extremely destructive side, the crisis led to productive reactions that aimed at reforming and stabilizing capitalism. To contemporaries, the Great Depression manifested two key flaws of liberal capitalism, which provoked the rise of radical social movements pressing for change: its serious oscillations between boom and bust, which, if unchecked by state regulation, could turn out intensely destructive; and its inherent tendency to increase social inequalities.[24] In response to this economic turmoil, but also to the more stable and rapid expansion of the Soviet economy, political leaders in Western countries began to seek for an alternative, capitalist, but equally compelling socioeconomic model. Most famously, in the US Roosevelt's New Deal institutionalized strong government regulations, strengthened the welfare state, and initiated large public-

[22] This will be further discussed in Chapter 1. See in particular Tooze, *Statistics and the German State, 1900–1945*, 8–11.

[23] Timothy Mitchell, "Fixing the Economy," *Cultural Studies* 12, no. 1 (1998): 82–101; Mitchell, *Carbon Democracy*, chap. 5. While the term "Volkswirtschaft" was used since the mid-nineteenth century in Germany, in Britain the reified concept of "the economy" only came into common use in the 1930s. Johannes Burckhardt, "Wirtschaft," in *Geschichtliche Grundbegriffe. Historisches Lexikon zur politisch-sozialen Sprache in Deutschland*, ed. Otto Brunner, Werner Conze, and Reinhart Koselleck, vol. 7 (Stuttgart: Ernst Klett Verlag, 1992), 511–94; Mike Emmison, "'The Economy': Its Emergence in Media Discourse," in *Language, Image, Media*, ed. Howard Davis and Paul Walton (Oxford: Basil Blackwell, 1983), 139–55.

[24] Appleby, *Revolution*, 265–330. On the international dimension of the Great Depression see in particular Charles P. Kindleberger, *The World in Depression, 1929–1939* (Berkeley and Los Angeles: University of California Press, 1986); Patricia Clavin, *The Great Depression in Europe, 1929–1939* (New York: St. Martin's Press, 2000).

sector programs aimed at fighting unemployment and economic stagnation.[25] Similar policies were enacted in most other Western countries at that time, in particular in Western Europe; but the planning spirit of high modernism that imbued these policies and a heightened role of the state in economic affairs also pervaded the economies of Nazi Germany and the Soviet Union.[26]

To a degree never seen before, these policies were informed by economic theories and economic experts. The interwar period had not only experienced the statistical revolution but also the rapid advancements in econometric techniques to statistically test theories described earlier and a new surge in macroeconomic theorizing that offered the tools for a state-managed capitalism that dealt with the key problems of the time, instability and unemployment. Even though the so-called Keynesian revolution was at the center of this shift, it has to be set in the context of a broader statistical and econometric revolution that included theoretical innovations in the US, Scandinavia, Germany, the Netherlands, other countries, and within international organizations such as the League of Nations, which began earlier.[27] The role played in this revolution by economic theories, the improvisation of policy-makers, the pressures of social movements, or the specific contribution of Keynes or other economists elsewhere are still debated.[28] In stark contrast to past practices, economists around the globe became increasingly concerned with the possibilities of manipulating macroeconomic aggregates such as national income, employment, or demand through monetary and fiscal interventions in order to overcome the periodic crises that had historically plagued capitalism.

[25] Ronald Edsforth, *The New Deal: America's Response to the Great Depression* (Malden and Oxford: Wiley-Blackwell, 2000).

[26] Philip G. Nord, *France's New Deal: From the Thirties to the Postwar Era* (Princeton, NJ: Princeton University Press, 2010); Daniel T. Rodgers, *Atlantic Crossings: Social Politics in a Progressive Age* (Cambridge: Harvard University Press, 1998); Adam Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy* (New York: Penguin Books, 2008); Robert C. Allen, *Farm to Factory: A Reinterpretation of the Soviet Industrial Revolution* (Princeton, NJ: Princeton University Press, 2003). On the transnational context of the New Deal, see in particular Kiran Klaus Patel, *The New Deal: A Global History* (Princeton, NJ: Princeton University Press, 2016).

[27] William J. Barber, *From New Era to New Deal: Herbert Hoover, the Economists, and American Economic Policy, 1921–1933* (Cambridge: Cambridge University Press, 1985); Tooze, *Statistics and the German State, 1900–1945*; Lars Jonung, ed., *The Stockholm School of Economics Revisited* (Cambridge: Cambridge University Press, 1991); Clavin, *Securing the World Economy*.

[28] Hall, *The Political Power*. Whether the changes in economics amount to a revolution or were rather more subtle and longer-lasting is controversial. See David Laidler, *Fabricating the Keynesian Revolution: Studies of the Inter-War Literature on Money, the Cycle, and Unemployment* (Cambridge: Cambridge University Press, 1999).

In the years following the Great Depression, economic expansion slowly moved up the hierarchy of government goals, in particular during the economic build-up of World War II, which has hence been labeled the "gross national product war" because it fundamentally became a contest over which alliance would outproduce the other.[29] It was particularly the statistical measure GNP that fundamentally "evolved as a war-planning tool" and became a powerful instrument in the estimation of militarization costs and economic planning during the war.[30] Yet, rather than aiming at long-term growth, policies sought to counter cyclical swings and to finance the war effort without impoverishing workers, and even after World War II, in the US, the forerunner in this regard, growth remained a by-product of full employment. Growth only became an end in itself after 1949, first in the US, then in Western Europe, and – transcending the iron curtain and spreading to the decolonizing global South – around the world.[31] While the Keynesian revolution launched what has been called the "pioneering" period of quantitative growth theories, it was only in the mid-1950s that the first modern growth theories were developed by Keynesian and neoclassical economists.[32] The making of the growth paradigm in the postwar era – the final phase of its long-term evolution – will be discussed in Part I.

[29] Collins, *More*, 10–14; Mark Harrison, ed., *The Economics of World War II: Six Great Powers in International Comparison* (Cambridge: Cambridge University Press, 2000).

[30] Political analysts Clifford Cobb, Ted Halstead, and Jonathan Rowe, quoted in Fioramonti, *Gross Domestic Problem*, 31.

[31] Collins, *More*, 17–39.

[32] Flavio Comim, "On the Concept of Applied Economics: Lessons from Cambridge Economics and the History of Growth Theories," *History of Political Economy* 32, no. Suppl 1 (2000): 145–76; Arndt, *Economic Development*, 31; Moses Abramovitz, *Thinking about Growth and Other Essays on Economic Growth and Welfare* (Cambridge: Cambridge University Press, 1989), 322.

1 Measuring growth

The international standardization of national income accounting

> But what is meant by riches, needs, performances, ability to pay, situation and progress, and how are they to be measured and compared?[1]

> Since the proof race is so expensive that only a few people, nations, institutions or professions are able to sustain it, this means that the production of facts [. . .] will occur only at restricted places at particular times.[2]

The lack of a "comprehensive and consistent picture of a nation's economy" was widely perceived as one of the most pressing problems facing the work of national governments and in particular international organizations in the postwar period.[3] The deficiency or nonexistence of government statistics had been increasingly criticized by economists and bureaucrats, most prominently by Keynes in his treatise *How to Pay for the War* of 1939. Keynes compared the economy to a "cake" and lamented that without statistics the distribution of that cake was insecure. "Every government since the last war has been unscientific and obscurantist, and has regarded the collection of essential facts as a waste of money."[4] Even though this situation had changed considerably during World War II, it posed considerable difficulties for postwar national governments and the newly founded international organizations. Reliable and comparable economic statistics were requested by the European Recovery Program for the allocation of aid, international organizations needed data to determine national contributions to their budgets, and NATO required statistics for its burden-sharing exercises. As Robert Marjolin, Secretary-General of the OEEC that had started to operate in 1948, later recalled indignantly: "Most of the governments

[1] Richard Stone and Kurt Hansen, "Inter-Country Comparisons of the National Accounts and the Work of the National Accounts Research Unit of the OEEC," *Review of Income and Wealth* 3, no. 1 (1953): 101.
[2] Bruno Latour, *Science in Action: How to Follow Scientists and Engineers through Society* (Cambridge: Harvard University Press, 1987), 179.
[3] OEEC, *A Standardised System of National Accounts* (Paris: OEEC, 1952), 11.
[4] John Maynard Keynes and Donald E. Moggridge, *The Collected Writings of John Maynard Keynes*, vol. IX (London: Macmillan, 1972), 318.

represented did not have a national plan and some not even an overall picture of the national economy."[5]

One aspect of this problem is vividly illustrated by an incident in the late summer of 1947 described by Marjolin. To facilitate the distribution of Marshall Plan aid, all Western European capitals had been requested to submit data in the blank tables provided by the Committee for European Economic Co-operation.

> I [Marjolin] was in the Grand Palais with Eric Roll [the British delegate to the OEEC] when we noticed the Greek delegate in his office with the tables spread out before him. Apparently deep in thought, he would enter a figure from time to time. Indignantly I called out to him: "What are those tables doing here? They should have been in Athens for at least a week now. It's not for you to fill them in. You can't know the answers to those questions." "That's true," he replied calmly and with a smile, "I'm having to invent a lot, but do you think they know any more in Athens than I do?" Nonplussed, I retreated, and the Greek figures compiled in this way appeared in their due place in our overall tables.[6]

In many countries in continental Europe, World War II had delivered a destructive blow to the emergence of national statistics that had started during the 1930s.[7] The problems, however, ran deeper than merely a lack of official economic data. There was no standardized and internationally comparable system of definitions and methods to determine what was to be measured and how. Most importantly, what was to count as "the economy" was not yet fixed in the way it seems obvious today. The statistics and numbers that came to be taken for granted as the metronome of modern life – GNP, demand, inflation, or productivity – still had to be defined in exact mathematical and comparable terms.

A 1951 paper by two key statistical experts of the OEEC, Richard Stone and Kurt Hansen demonstrates this situation. At the 1951 conference of the International Association for Research on Income and Wealth (IARIW), the leading academic association for this newly emerging field of expertise, Stone and Hansen justified their work at the OEEC and the standardization of national income accounting more generally, both of which will be at the heart of this chapter. Their paper starts by summarizing the postwar demands for national economic statistics:

> When an international organization is established the question of financial contributions arises and it is usually decided that rich countries should contribute more than poor ones. If aid is to be allocated, some rules are needed as a basis and these rules are likely to take account of needs. The continuation of such grants

[5] Marjolin, *Architect of European Unity*, 185. [6] Ibid.
[7] In other countries such as the US and Britain World War II had the opposite effect, as will be discussed later. For an overview see Studenski, *The Income of Nations*.

> must bear some relationship to performance and the contributions of different countries to a common effort must depend in some sense on ability to pay. In addition to these practical administrative needs there is the further fact that partners in a common enterprise will wish to be kept informed of one another's situation and progress, for in this way dangerous situations and costly mistakes may be avoided.

A contemporary reader will be familiar with all the concepts alluded to in these remarks, and technical expertise and data are readily available to provide the related quantitative assessments. But in the early 1950s, the conceptual basis for answering these questions was just in its making. As Stone and Hansen put it, "But what is meant by riches, needs, performances, ability to pay, situation and progress, and how are they to be measured and compared?"[8]

These were difficult questions. They had to be answered, otherwise economic analysis or policy-making, as well as international cooperation in the areas of reconstruction, national defense, or development aid, rested on shaky grounds. The statistical technique of national income accounting, which was internationalized in the early 1950s, provided powerful and seemingly simple answers to these questions. Moreover, it had a constitutive power in providing the epistemology of how economists, politicians, but also the general public came to see and think about economic problems and solutions. Following Tomo Suzuki, it can "be understood as a construction of reality in which growing numbers of community members have come to accustom themselves with the concept of the macro-economy via a *lingua franca* of accounting."[9] It is thus no wonder that national income accounting instruments have been described as "the most important new tools of economic analysis and policy-making in the second half of the 20th century."[10]

This chapter analyzes how an internationally standardized framework of national income accounting, and with it the idea that GNP or GDP define "the economy," was established in the late 1940s and early 1950s and argues that this laid the statistical foundation of what I conceptualize as the economic growth paradigm. It focuses in particular on the work of economic experts within the OEEC and its National Accounts Research Unit (NARU) headed by Richard Stone, which established the first

[8] Stone and Hansen, "Inter-Country Comparisons of the National Accounts and the Work of the National Accounts Research Unit of the OEEC," 101.

[9] Tomo Suzuki, "The Epistemology of Macroeconomic Reality: The Keynesian Revolution from an Accounting Point of View," *Accounting, Organizations and Society* 28, no. 5 (2003): 473.

[10] Zoltan Kenessey, "The Genesis of National Accounts: An Overview," in *The Accounts of Nations*, ed. Zoltan Kenessey (Amsterdam: IOS Press, 1994), 1.

international standard for national income accounting that was then globalized through the UN. Even though often mentioned as highly influential, the OEEC's early statistical work and the international standardization of GNP-statistics more generally have not yet been analyzed.[11] The chapter starts with an overview of the emergence of efforts to quantify economic output up to the establishment of modern national income accounting in the context of World War II; then sketches the international standardization of these accounts between 1947 and 1952; discusses some of the early controversies about the merits and dangers of national income statistics during that period; analyzes the foundation, driving forces, the network of actors involved in and the work of the OEEC's NARU; and finally discusses why this new statistical device came to provide the basis for the economic growth paradigm.

Quantifying "the economy": the emergence of national income accounting

In studying the quantification of the economy, scholars have focused on the changing and continuously improving techniques and frameworks that were used by ingenious social scientists since the seventeenth century to measure the economy. However, by assuming the economy as a preexisting and stable thing waiting to be measured by some best set of tools this research has tended to misinterpret national income accounting as a mere technical

[11] Exceptions are some notes in the Appendix of Vanoli, *A History of National Accounting*, 130–32; Philipp Lepenies, *Die Macht der einen Zahl. Eine politische Geschichte des Bruttoinlandsprodukts* (Frankfurt a.M.: Suhrkamp, 2013), 157–61; Duncan McDowall, *The Sum of the Satisfactions: Canada in the Age of National Accounting* (Montreal: McGill-Queen's Press, 2008), 84–120; Speich Chassé, *Die Erfindung des Bruttosozialprodukts*, chap. 2. The only archive-based work on Stone is Suzuki, "The Epistemology of Macroeconomic Reality." Historical research on the emergence of national income accounting has focused on academic doctrinal developments, the long-term evolution of national income measurement since the seventeenth century, on particular countries such as France, Germany, the US, and Canada, and on the difficulties of applying these concepts to the colonial and postcolonial South. See Carol S. Carson, "The History of the United States National Income and Product Accounts: The Development of an Analytical Tool," *Review of Income and Wealth* 21, no. 2 (1975): 153–81; Coyle, *GDP: A Brief but Affectionate History*; François Fourquet, *Les comptes de la puissance: histoire de la comptabilité nationale et du plan* (Fontenay-sous-Bois: Recherches, 1980); Zoltan Kenessey, ed., *The Accounts of Nations* (Amsterdam: IOS Press, 1994); Karabell, *The Leading Indicators*, chap. 3 and 4; McDowall, *The Sum of the Satisfactions*; Philipsen, *The Little Big Number*, chap. 2-5; Speich Chassé, *Die Erfindung des Bruttosozialprodukts*; Studenski, *The Income of Nations*; Tooze, *Statistics and the German State, 1900–1945*; Adam Tooze, "Imagining National Economies: National and International Economics Statistics 1900–1950," in *Imagining Nations*, ed. Geoffrey Cubitt (Manchester: Manchester University Press, 1998), 212–28; Michael Ward, *Quantifying the World: UN Ideas and Statistics* (Bloomington: Indiana University Press, 2004).

device, ignoring how in this process – as discussed in the previous section – "the economy" in its present-day meaning was constructed in the first place.

The Great Depression became a watershed, not only with regard to the interest of states in economic statistics that progressively became produced by official government branches, but also vis-à-vis work on more elaborate income and product or expenditure accounts than before and with regards to first attempts to transfer the accounting techniques from private firms to the society. In that period, national income estimates were most advanced in Britain and the US, where economists such as Colin Clark or Simon Kuznets produced data that already included estimates of income, output, consumer expenditure, capital formation, savings, government revenue and expenditure, and balance of payments. But similar work, often depicting specific national or regional variations in the accounting frameworks, was developed in Hungary, Germany, Sweden, Canada, the Netherlands, Belgium, and the Soviet Union.[12] National income estimates started to be used to compare economic situations over time and space. The most impressive and influential work was Colin Clark's *The Conditions of Economic Progress* (1940), a comparative study of the performance of all existing states, and there were first attempts to construct time series of the changes in national income, which provided early numerical depictions of the expansion of economies.[13]

However, in contrast to contemporary national income accounting, much of the statistics produced at that time were collections of large data sets produced with little internal, much less international, consistency. It was not uncommon to present isolated statistical rows such as the production of food, minerals, or certain industrial products as evidence of the evolution of national income.[14] Further, these approaches essentially aimed at measuring the welfare of nations. For example, Kuznets's view of national income, which was inspired by ongoing debates in his country of origin Russia, focused on the ability of people

[12] Vanoli, *A History of National Accounting*, 17–20. In France, statistics were comparably poor and there was a lack of public interest in their production. Carson, "The History of the United States National Income and Product Accounts"; John W. Kendrick, "The Historical Development of National-Income Accounts," *History of Political Economy* 2, no. 2 (1970): 284–315; Fourquet, *Les comptes de la puissance*; and the contributions in Kenessey, *The Accounts of Nations*.

[13] Colin Clark, *The Conditions of Economic Progress* (London: Macmillan, 1940). For the early history of time series analysis more generally see Judy L. Klein, *Statistical Visions in Time: A History of Time Series Analysis, 1662–1938* (Cambridge: Cambridge University Press, 1997).

[14] Flavio Comim, "Richard Stone and Measurement Criteria for National Accounts," *History of Political Economy* 33, no. Suppl 1 (2001): 213–34. See also the *Statistical Yearbooks* of the League of Nations, online at http://digital.library.northwestern.edu/league/stat.html (January 12, 2014).

to consume things they enjoyed.[15] In his influential 1935 article in the *Encyclopedia of Social Sciences* he defined national income as the "net total of desirable events enjoyed" by the citizens of a country.[16] As generally practiced at that time, government services were not included in his accounts, nor were military investments, and he even subtracted all the consumption that he deemed a disservice to society, such as smoking.[17]

Until the 1940s, economists and statisticians not only disagreed on how to calculate national income. More fundamentally, liberal economists such as Friedrich von Hayek or Joseph Schumpeter questioned the entire endeavor of measuring statistically economic production. Schumpeter, for example, considered "total output a figment which, unlike the price level, would not as such exist at all, were there no statisticians to create it" and criticized it as a "meaningless heap."[18]

World War II has been described as the "take-off" for national income accounting.[19] The first framework that contained the essential elements of today's national income accounting, including the idea that GNP defines the size of the economy, was published in 1941 by Richard Stone and James Meade in Britain and in 1942 by Milton Gilbert in the US. Stone, who would receive the Nobel Memorial Prize in Economics in 1984 for his innovations in national income accounting, had studied at the University of Cambridge, where he was greatly influenced by Clark, who shared his interest in econometrics and accounting. In September 1939, after the War broke out, Stone joined the Ministry of Economic Warfare, where he predicted the entry of Italy to the War by analyzing the movements of oil tankers. In the summer of 1940 Stone was recruited as an economic statistician at the Central Economic Information Service of the War Cabinet, where economists under the supervision of John Maynard Keynes were "busy studying the problems of financing the war effort and establishing a structure of interlocking national accounts and had said he needed someone 'to fill in the figures.'"[20] By the end of 1940, Stone and Meade had finished a first set of what are widely

[15] On the influence of Russian emigration on American growth accounting see Barnett, "Russian Émigré Economists in the USA."

[16] Simon Kuznets, "National Income," in *Encyclopaedia of the Social Sciences*, ed. Edwin A. Seligman and Alvin S. Johnson (New York: Macmillan, 1935), 205.

[17] Suzuki, "The Epistemology of Macroeconomic Reality," 489. See also Mitra-Kahn, "Redefining the Economy," chap. 9.

[18] Joseph A. Schumpeter, *Business Cycles: A Theoretical, Historical, and Statistical Analysis of the Capitalist Process* (New York and London: McGraw-Hill Book Company, 1939), 484.

[19] Vanoli, *A History of National Accounting*, 21.

[20] "Annual Report of King's College, Cambridge" 1992, quoted in Suzuki, "The Epistemology of Macroeconomic Reality," 484. See also Richard Stone and M. Hashem Pesaran, "The Interview: Professor Sir Richard Stone," *Econometric Theory* 7 (1991): 85–123; Angus Deaton, "Stone, Richard John Nicholas," in *The New Palgrave: A*

regarded as the first fully fledged national income accounts, and these were published as part of Keynes' White Paper that was circulated with the 1941 Budget.[21] At the same time, similar efforts were under way in the US. While official income estimates had until the early 1940s essentially followed the same methods devised by Kuznets in 1934, they were fundamentally restructured in the years after 1941. The new head of the Division of National Income at the Bureau of Economic Analysis, Milton Gilbert, worked on explaining the economic situation of the US in Keynesian terms.

Keynesianism and Keynes himself played key roles in the making of these accounts. Keynes was not only personally involved both in setting up and devising the accounts produced by Stone and Meade in Britain, and was also in close contact with US statistical authorities around Gilbert.[22] In his *General Theory* (1936) Keynes had provided a theoretical basis for the macroeconomic aggregates that had hitherto been assembled in a purely empirical approach. The emergence of macroeconomic policies based on such theoretical constructs as consumption, demand, savings, investment, expenditure, and their relationships made the rigorous measurement of these aggregates a public necessity, reaching far beyond the mere interest in the comparative wealth of a country and the different production factors. As Tomo Suzuki has demonstrated, the accounts were deliberately designed to represent the key aggregates of Keynesian thinking, thus producing an epistemology of macroeconomic reality in which the equation Y (national income, or GNP) = C (private consumption) + I (gross investment) + G (government spending), and the related equation S (savings) = I (investment) could be expressed.[23]

The key question that the governments in the US and Britain were interested in when they worked on devising income accounts during the 1940s was how to increase war production and armament while at the

Dictionary of Economics, ed. John Eatwell and Peter Newman (London: Macmillan, 1987), 509–12.

[21] Comim, "Richard Stone"; Richard Stone, "Autobiography," 1984, www.nobelprize.org. See also the contributions Enrico Giovannini, *Social Statistics, National Accounts and Economic Analysis: International Conference in Memory of Sir Richard Stone* (Rome: ISTAT, 1995).

[22] Geoff Tily, "John Maynard Keynes and the Development of National Accounts in Britain, 1895–1941," *Review of Income and Wealth* 55, no. 2 (2009): 331–59. See also John Kenneth Galbraith, "The National Accounts: Arrival and Impact," in *Reflections of America: Commemorating the Statistical Abstract Centennial*, ed. Norman Cousins (Washington, DC: U.S. Department of Commerce, 1980), 75–80; Comim, "Richard Stone and Measurement Criteria for National Accounts"; Lepenies, *Die Macht*, 98–102; Mitra-Kahn, "Redefining the Economy."

[23] The equation Y = C + I + G is normally amended by adding: X (exports) – M (imports). Suzuki, "The Epistemology of Macroeconomic Reality." See also Tily, "John Maynard Keynes and the Development of National Accounts in Britain, 1895–1941," 350.

same time preventing a decline in civilian consumption.[24] Hitherto, in the tradition of Alfred Marshall, most economists and statisticians like Clark or Kuznets had conceptualized national income strictly in private market terms, thus counting the final consumption of goods and services produced by private actors as economic activity. In contrast, the accounts promoted by Keynes, Stone, and Meade in 1941 for the first time included government expenditure as part of the national product. This redefinition of the economy turned increased government spending (e.g. investment for the war effort) from a deduction of national income – the more the government spent, the less was left for private consumption – into a contribution to economic output.[25] As Gilbert put it in 1942:

> The process of converting national income to gross national product, therefore, was essentially one of increasing the size of the national product concept to make it fit the concept implicit in the war expenditures.[26]

While military spending was originally only included as a temporary measure in the context of fighting a global war, national accounting was never reshaped as a "peacetime concept" and military spending became one of the most important pillars of GNP – and thus of economic growth – until today.[27]

International standardization: tripartite negotiations and international organizations

World War II did not merely produce new ways of measuring and thus thinking about and defining national economies, but it also marked both a shift in the relevant forum for the corresponding academic debates, which became increasingly international, and the beginning of the international harmonization of this social technique. Before analyzing the role of the OEEC in this field, this section sketches the contours of the internationalization and standardization of national income accounting, which spanned the decade following the end of World War II. Already in 1939 the League of Nations had discussed the normalization and harmonization of national income accounting, but these efforts came to a sudden end due to the War.[28] In September 1944, while the Bretton Woods

[24] Carson, "The History of the United States National Income and Product Accounts." See also Philipsen, *The Little Big Number*, chap. 5.
[25] Mitra-Kahn, "Redefining the Economy," chap. 8.
[26] Milton Gilbert, "Measuring National Income as Affected by the War," *Journal of the American Statistical Association* 37, no. 218 (1942): 197.
[27] Fioramonti, *Gross Domestic Problem*, 33.
[28] Vanoli, *A History of National Accounting*, 130. See also Clavin, *Securing the World Economy*, chap. 6.

conference was laying the foundations for the international postwar monetary and economic order, transatlantic exchanges and negotiations were again taken up. In the spirit of Bretton Woods, the new international economic regime needed a common statistical basis. Much more below the radar of public attention than the then famous meeting of all allied nations at Mount Washington Hotel, key national income experts from the US, Great Britain, and Canada discussed the conceptual and statistical mechanisms developed and used in these countries and tried to negotiate a common statistical standards for measuring the economy. The protagonists of these "tripartite" meetings were three young men: Richard Stone visited the young Canadian national income expert George Luxton in Canada, and then both met with Milton Gilbert and his team in Washington.[29] These experts agreed on an international framework for national income accounting that was very similar to the accounts produced by Stone and Keynes in Britain, the centerpiece of which was the concept of GNP. The final report of the meeting stated that "[a]s a result of the Washington discussions, most of the quantitatively important differences among the three countries in measuring national income and national product will be eliminated" and that some of the more controversial definitions will be "uniform as a consequence of the adoption by the US and Canada of the United Kingdom methodology."[30] The outcome of these discussions was thus "extremely satisfactory" for Stone.[31] The framework agreed upon was explicitly "contrasted in particular to the welfare approach of national income measurement," which had most prominently been promoted by Kuznets, and national income accounts were described as the "most important tool in the formation of national policy."[32] In the following years, and building on this agreement, Stone and Gilbert spread the gospel in their respective countries and internationally. Stone promoted the GNP accounts as the first director of the Department of Applied Economics at Cambridge, while Gilbert and his team started to produce the first fully coordinated national accounts of the US, which, as had been agreed in Washington, included for the first time all military and government expenditure.[33] And from

[29] Stone, "Autobiography." The only report of the meeting is Edward F. Denison, "Report on Tripartite Discussions of National Income Measurement," *Studies in Income and Wealth* 10 (1947): 3–22.

[30] Denison, "Report on Tripartite Discussions of National Income Measurement," 21.

[31] Stone, "Autobiography"; Denison, "Report on Tripartite Discussions of National Income Measurement," 3.

[32] Denison, "Report on Tripartite Discussions of National Income Measurement," 7, 4.

[33] The first fully integrated US accounts were published in 1947. Richard Ruggles, "The United States National Income Accounts, 1947–1977," in *The U.S. National Income and Product Accounts. Selected Topics* (Chicago: University of Chicago Press, 1983), 15–49.

1948 onwards both came to play key roles in the OEEC's efforts to standardize national income accounting internationally.

After the Washington meeting, international organizations – most prominently the OEEC and the UN – became both the driving force and the arena of the internationalization of national income accounts. These efforts were advanced by a relatively small transnational network of economic experts (almost exclusively men) from the US, Canada, and the wealthier European countries, who worked during and after the War in the statistical offices of their countries or at international organizations, and who were heavily influenced by the framework devised by Stone and Gilbert. The demands of international organizations for comparable economic data were instrumental to the establishment of international standards for economic statistics. They were not only the justification for the first report on the issue to the UN – whose statistical director argued that "there is a strong inclination on the part of international organs to base their allocation of expenses on national income statistics which either do not exist or are cooked for the purpose" – but also for the OEEC's statistical work.[34] During the 1950s there was a general awareness that "despite the importance of the purely scientific approach to international comparison the more effective stimulus to [the] spread of national economic accounting and [the] standardization of [the] method has been the practical administrative and policy needs of international organizations."[35]

In 1945, Stone was asked to prepare a report on national income estimates for the UN. His influential *Measurement of National Income and the Construction of Social Accounts*, published in 1947, was approved, without much debate, by the newly instituted Statistical Commission of the UN as one of its first actions.[36] Yet the highly complex and technical accounting system spelled out in this UN report was unsuitable to directly provide the basis for the development of an international income accounting standard for the postwar period. Statistical practices diverged too widely among UN member countries and statistical offices simply lacked

[34] JRNS/5/1, Loveday to Stone, June 14, 1945; OECD-HA, C(49)29, Proposal for a research unit on national income and related matters, March 24, 1949.

[35] John W. Kendrick, "Introduction: Problems in the International Comparison of Economic Accounts," in *Problems in the International Comparison of Economic Accounts*, ed. NBER (Princeton, NJ: Princeton University Press, 1957), 5; János Árvay, "The Material Product System (MPS): A Retrospective," in *The Accounts of Nations*, ed. Zoltan Kenessey (Amsterdam: IOS Press, 1994), 221.

[36] JRNS/5/1, League of Nations, Committee of Statistical Experts, Report of the Subcommittee on National Income Statistics, April 1946; Richard Stone, *Measurement of National Income and the Construction of Social Accounts. Report of the Sub-Committee on National Income Statistics of the League of Nations Committee of Statistical Experts* (Geneva: United Nations, 1947).

the detailed numbers that were needed to implement this system. As will be described in more detail in the next section, in the following years the OEEC became the global trendsetter in the standardization of economic statistics. After a statistical standard had been established within this more restricted regional organization (with more homogenous membership), the UN served the globalization of the system agreed upon in the framework of the OEEC, most importantly with two standards published in 1951 and 1952.[37] In only one month, in July 1952, the entire deliberation process within the UN was tied up and a group of experts – again under Stone's leadership – established the global standard. In 1953, the UN adopted the famous *System of National Accounts* (SNA), which was largely identical with the accounting framework developed within the OEEC.[38] That these decisions, which had far reaching consequences until the present day, were taken by a small transatlantic economic elite of accounting experts was justified by the complexity of the issues involved. As Stone has indicated, "[i]n 1952, not many statisticians were familiar with national accounting and so there was no need for elaborate discussions outside the committee" of experts assembled by the UN.[39]

The postwar period experienced the astounding rise of the OEEC and UN standard to Western and finally global preeminence. In the context of decolonization, it was adopted by the newly created non-communist postcolonial states and laid the foundation for the global aid regime.[40] Within merely a decade, sixty countries published national accounts.[41] Despite the widespread homogenization of accounting techniques, for many years there remained some important national idiosyncrasies, for example Scandinavian accounting techniques or the French "Plan" methods. The key demarcation line, however, was the iron curtain. As long as the Cold War separated capitalist from communist states, the world remained divided on the issue of national accounting. The Soviet bloc (with the exception of Hungary after 1968) did not adopt the Western SNA. Building on Marx's theory of value and pioneering work by Soviet economists and statisticians, from the 1920s onwards the communist world adopted the so-called System of Balances of the National

[37] OEEC, *A Simplified System of National Accounts* (Paris: OEEC, 1951); OEEC, *A Standardised System of National Accounts*. Vanoli, *A History of National Accounting*, 132.
[38] United Nations, *A System of National Accounts and Supporting Tables* (New York: United Nations, 1953); Ward, *Quantifying the World*, 44.
[39] Stone, "Autobiography."
[40] Speich, "The Use of Global Abstractions." For more details on the OEEC's and OECD's work in this field see Chapter 6.
[41] François Lequiller and Derek Blades, *Understanding National Accounts* (Paris: OECD, 2006). On Japan see O'Bryan, *Growth Idea*, chap. 2.

Economy, or Material Product System (MPS). It was adopted by Eastern European states in the late 1940s and subsequently also by China.[42]

The main difference to the Western standard – which in fact also build on Marx's reproduction schema – was that the MPS excluded all services from the production boundary. In the Soviet framework, economic activities were classified into two spheres: "material" production, which creates national income, and "non-material" services, which were framed as non-productive and as consuming that income. Thus, entire areas of economic life included in the Western SNA, such as science, culture, social welfare, housing, public utilities, financial services, or administration were excluded, and transportation, communications, and commerce were only partially included in the MPS. Furthermore, since in the command economy prices were set by political authorities, this had large effects on the final measurement, in particular since the "plan prices" used to calculate the Net Material Product (the aggregate closest to GNP) valued capital goods relatively lower and focused more on measures in volume terms rather than current prices.[43] For these reasons, comparisons were extremely difficult and the attempts to estimate the Soviet national product developed into a major concern for American "Sovietologists" during the 1950s and 1960s.[44] Within the statistical division of the UN differences between the MPS and the SNA were a constant concern of reforms, and in particular the 1968 revision of the SNA attempted to bring the two statistical systems closer together.[45] However, it was only after the fall of the Berlin Wall that all former Soviet states adopted the Western system in the 1990s.[46] The next chapter analyzes some of the Western efforts – both within the OEEC and NATO – to estimate the economic power of the Cold War enemy and devise strategies to counter the perceived rapid catch-up of the Soviet Union.

[42] When Eastern European states introduced the MPS in 1948/49, there was still no manual available that set out descriptions of the concepts and methods, and statisticians relied on bilateral exchange with the USSR and on learning by doing. It was only in 1960 that the USSR published a description outlining the main balances and tables of the MPS. Árvay, "Material Product System." On China see SSBC and Institute of Economic Research of Hitotsubashi University, *The Historical National Accounts of the People's Republic of China, 1952–1995* (Tokyo: Institute of Economic Research, Hitotsubashi University, 1997), chap. 1.

[43] Árvay, "The Material Product System (MPS)"; Vaclav Holesovsky, "Karl Marx and Soviet National Income Theory," *The American Economic Review* 51, no. 3 (1961): 325–44; David C. Engerman, *Know Your Enemy: The Rise and Fall of America's Soviet Experts* (Oxford: Oxford University Press, 2009), chap. 4; Jefferies, *Measuring National Income* in the Centrally Planned Economies.

[44] Engerman, *Know Your Enemy*.

[45] Ward, *Quantifying the World*, 76–86.

[46] See Yoshiko M. Herrera, *Mirrors of the Economy: National Accounts and International Norms in Russia and Beyond* (Ithaca, NY: Cornell University Press, 2010).

Contested standard: early controversies around national income accounts

In light of the exceptional rise of national income accounting to a Western and – since the 1990s – a global standard it is important to highlight that this standard has always been disputed. The welfare critique of national income accounting is as old as the statistics themselves. Already in 1934, Simon Kuznets warned Congress that the "welfare of a nation can scarcely be inferred from a measurement of national income."[47] And in 1940, Colin Clark wrote that national income measures "only part of economic welfare, which in itself is only part of well-being as a whole," and criticized the discipline of economics because it dealt exclusively "with those things which can be bought and sold for money" while remaining "quite unmoved by the charge that it is neglecting the most important aspects of human life."[48]

When modern GNP figures were standardized in the late 1940s, the protagonists repeatedly emphasized that they were "not trying to measure welfare, but the value of production from a business point of view."[49] However, this cautious contextualization and qualification of the statistical framework was continuously undercut by contradictory statements by national accounting experts, in particular by economists and public officials, and was soon forgotten. Stone and Hansen, for example, even though emphasizing the limits of the OEEC approach, also stated as their ultimate goal to measure "whether one country is better off than another."[50] By the mid-1950s, there was no question anymore as to whether GNP represented the "welfare" of a country; it was simply taken for granted.[51]

In the earlier period, critical voices were particularly strong regarding the comparisons between industrialized countries and what had just been defined as "under-developed" countries, and against the use of these figures for development economics and policies. The exclusion of unpaid

[47] Simon Kuznets, "National Income, 1929–1932," in *Senate Document No. 124, 73rd Congress, 2nd Session* (Washington, DC: US Government Printing Office, 1934).

[48] Clark, *The Conditions of Economic Progress*, 1–2.

[49] Milton Gilbert, "National Income: Concepts and Measurements," *Measuring and Projecting National Income*. Studies in Business Policy, no. 5 (New York: National Industrial Conference Board, 1945), 5. See also Richard Stone, in: Milton Gilbert et al., "The Measurement of National Wealth: Discussion," *Econometrica* 17 (1949): 259; or Colin Clark, in: Ibid., 258.

[50] Stone and Hansen, "Inter-Country Comparisons of the National Accounts and the Work of the National Accounts Research Unit of the OEEC," esp. 102–4.

[51] NARA, RG 469, Entry UD 379, Box 93, Folder OEEC General 1955, Kaufmann, OEEC Meeting of National Accounts Experts, November 26, 1955. See also Angus Maddison, "Confessions of a Chiffrephile," *Banca Nazionale Del Lavoro Quarterly Review* 189 (1994): 123–85.

labor, housework, and the entire non-market sector, as well as the concept of the "household" and anthropological assumptions about humans as "economic man" – all developed with the US and Western Europe in mind – made the application of GNP accounting to colonial or decolonizing subsistence economies highly problematic or even, many thought, impossible.[52]

Another key debate that demonstrates the contested nature of GNP accounting in its making, and which has been neglected in most of the histories of these events, centered on the exclusion of unpaid work from the accounts. Much later, from the 1970s onwards, feminist economists have criticized that GNP accounting does not account for non-monetary labor, done predominantly by women in the household, and thus devalues female work and contributed to driving women out of the industrial jobs they had performed during the War. While this research has been vital in highlighting the gendered nature of GNP accounting, it has rested on the unquestioned assumption that the work of women was just not taken into account by the makers of national income accounting because it was regarded as "non-economic" or "unproductive."[53] However, the record shows that until the 1940s there was a diversity of existing approaches, some of which actually did count non-monetary domestic work as a crucial part of national income, and an ongoing but inconclusive academic debate on these questions. Existing approaches and discussions were deliberately homogenized and streamlined by the international standardization of national income accounting. In this process, domestic work was not just forgotten, nor was it regarded as self-evidently unproductive or non-economic. Rather, it was explicitly written out of the accounts.[54]

Up until the 1950s, many economists and statisticians regarded household labor as part of the productive activities of societies. Domestic unpaid

[52] Speich Chassé, *Die Erfindung des Bruttosozialprodukts*. On the current situation see for example Morten Jerven, *Poor Numbers: How We Are Misled by African Development Statistics and What to Do about It* (Ithaca: Cornell University Press, 2013).

[53] See for example Waring, *Counting for Nothing*; Marianne Ferber and Julie A. Nelson, *Beyond Economic Man: Feminist Theory and Economics* (Chicago: University of Chicago Press, 1993); Diane Elson, ed., *Male Bias in the Development Process* (Manchester: Manchester University Press, 1995); Benerìa, May, and Strassmann, *Feminist Economics, Vol. 1*; Lourdes Benerìa, Ann Mari May, and Diana Strassmann, *Feminist Economics, Vol. 2: Households, Paid and Unpaid Work and the Care Economy* (Cheltenham: Edward Elgar, 2011); Ester Boserup, *Woman's Role in Economic Development* (London: Allen & Unwin, 1970).

[54] For a feminist perspective on how to reorganize economic accounting see David Chioni Moore, "Feminist Accounting Theory as a Critique of What's 'Natural' in Economics," in *Natural Images in Economic Thought: "Markets Read in Tooth and Claw,"* ed. Philip Mirowski (Cambridge: Cambridge University Press, 1994), 583–610.

services, which were (and still are) predominantly done by women, were not only included in many of the early national income estimates, but during and after the War they also became part of the official national accounts in countries such as Norway and Hungary.[55] However, in the discussions on international standardization non-monetary domestic income was defined as outside the "production boundary." Already the tripartite expert meeting in 1944 singled out the final net products of what were regarded as two important institutions contributing to the production of economic goods, business and the public, while explicitly "exclud[ing] completely the product of the third – the family." The justification was not that it was a "noncash income," since the experts agreed on the imputation of a variety of other non-cash incomes such as the net imputed rent on owner-occupied dwellings, payments in kind by employers to employees (for example the food given to members of the armed forces), or the services of financial intermediaries such as banks and financial holding companies.[56] Rather, in the process of international standardization, domestic work was increasingly sidelined as impossible to measure and not interesting for economic policy-making.[57] For example, Stone and Hansen, in presenting the work of the NARU, discuss what should count as "economic" activity:

> Activity may be "economic" or otherwise. Many types of activity can be fairly easily allocated to one class or the other. "Living" in the sense of organizing one's domestic and private life is in many respects hard to classify. In most work relating to monetized, industrial economies it is assumed that "living" can be separated out and that it is not a form of economic activity.[58]

Both – the general exclusion of non-monetary sectors and the imputation of many non-cash incomes other than domestic services – became general

[55] Colin Clark, in Gilbert et al., "Measurement," 257. In Norway, domestic labor was calculated as accounting for 15 percent of national income in 1912. Erling Joar Fløttum et al., *History of National Accounts in Norway. From Free Research to Statistics Regulated by Law* (Oslo: Statistics Norway, 2012), 24. The neglect of female labor had, of course, long historical roots. See for example Nancy Folbre, "The Unproductive Housewife: Her Evolution in Nineteenth-Century Economic Thought," *Signs* 16, no. 3 (1991): 463–84.

[56] Denison, "Report on Tripartite Discussions of National Income Measurement," 14–16.

[57] NARA, RG 56, Entry UD-UP 734-M, Box 48, Folder National Income – U.S., J.B.D. Derksen, The Comparability of National Income Statistics, Economic and Social Council of the United Nations, August 28, 1947. A similar argument was made in Richard Stone, "Functions and Criteria of a System of Social Accounting," *Review of Income and Wealth* 1, no. 1 (1951): 22, 55; Richard Ruggles, *National Income and Income Analysis* (New York: McGraw-Hill Book Company, 1949), 8; Nancy D. Ruggles and Richard Ruggles, *The Design of Economic Accounts* (New York: NBER, 1970), 39–40.

[58] Stone and Hansen, "Inter-Country Comparisons of the National Accounts and the Work of the National Accounts Research Unit of the OEEC," 123. See also Richard Stone and Giovanna Saffi Stone, *National Income and Expenditure* (London: Bowes & Bowes, 1977), 36.

accounting practices, shaping the accounts of the postwar period until today. Whereas from the mid-1950s onwards the exclusion of domestic labor from national income figures was just taken for granted, in the late 1940s it was broadly discussed, explicitly justified, and regarded as a fundamental problem and limit to the informative value and explanatory force of national income accounts.[59]

The influence of international standardization is demonstrated by the example of the Norwegian national budget, which abandoned the inclusion of unpaid work in its accounts in 1952 due to the pressure of international standardization procedures and the difficulties of international comparison. The 1949 budget still stated:

> In Norway, it is common to include the value of housewives' work, contrary to the practice followed in other countries. For international comparability purposes, the calculated value is added at the end, in order to provide domestic product estimates both including and excluding unpaid domestic services in the 1949 national budget.[60]

Yet from 1952 onwards, unpaid domestic work was not anymore included in the Norwegian accounts.

The ecological critique of GNP accounting, finally, is more recent. While there were early antecedents in the national income debates of the 1930s and 1940s, it really took off only in the 1960s. In the wake of environmental movements, critics claimed that due to the entire neglect of the embeddedness of the economy in a natural world and due to its focus on flows instead of stocks, GNP statistics are unable to take into account eco-system services such as natural resources or sinks. In the national income framework, the services provided by nature, without which no economic activity would be possible, were only included insofar as they were priced. This has also become standard practice in the emergent neoclassical circular flow model.[61] The fact that only flows were regarded as relevant in measuring the state of an economy, while the analysis of stocks was excluded from national accounts, has laid the foundation for the more general neglect within economics of how economic activities affect the social and ecological basis of society and economic life itself.[62]

[59] See for example Stone, *Measurement of National Income*, esp. 93–94.

[60] Quoted in Fløttum et al., *National Accounts in Norway*, 24.

[61] See the contributions by Kuznets in the 1930s and 1940s, for example Kuznets, "National Income." More generally, see McNeill, *Something New*; Daly and Farley, *Ecological Economics*, chap. 2.

[62] Milton Gilbert and Richard Stone, "Recent Developments in National Income and Social Accounting.," *Accounting Research* 5 (1954): 2. More generally, see Polanyi, *The Great Transformation*.

As can be seen from these debates, the definition of the economy and its measurements were anything but self-evident.[63] Many economists were very skeptical toward the political uses and comparative potentials of this statistical technique and there was a multitude of controversial or unsettled issues. Economists were not anywhere near the confidence and immunity to doubt they developed during the 1950s regarding the conceptual and statistical basis of their profession. There were two broad schools of thought. The one around Stone, Tinbergen, and Gilbert emphasized the practicability and usefulness of national accounts to study the functioning of economies and to advise on economic policies; the other, centered around Kuznets, highlighted the difficulties and shortcomings of national income accounting for the study and comparison of wealth over time and space.[64] Academic experts generally agreed that aggregate figures could only be constructed meaningfully if the final uses of these abstractions were clear, and that different statistical systems had to be devised depending on whether one wanted to measure welfare or set up a policy-oriented accounting system. Furthermore, the experts who invented the accounts repeatedly cautioned against political misuses of the figures and argued that simple GNP data, which were detached from specific research questions or explicit policy goals, were either not very useful or misleading.

A high-level academic debate at the annual meeting of the Econometric Society in September 1947 in Washington is highly illuminating regarding the general mistrust of the political power of a "single figure." At this prestigious meeting, key protagonists of the debate discussed very controversially the fundamental contradictions and imperfections in the existing accounting practices. The problems discussed included the difficulty of non-wage income such as domestic work; the problems of comparison between industrialized market economies and "backward," largely non-market economies in the "underdeveloped countries"; the focus on short-term policy problems inscribed in the accounting framework; and the difficulty of distinguishing "between government departments that really add to the welfare of the community – e.g., health, education, national parks – and those whose activities are a necessary cost to society without which our present social and economic life could not be carried on – e.g., police, highways,

[63] Suzuki has focused on some of the less controversial but similarly powerful configurations. Suzuki, "The Epistemology of Macroeconomic Reality," 485–98. See also the discussion of Kuznets' critique of GNP accounting in Fioramonti, *Gross Domestic Problem*, 50–68.

[64] This controversy was fought out at many international meetings, for example at the 1947 meeting of the Econometric Society, reproduced in Gilbert et al., "Measurement."

and – shall we say – statistics?"[65] In the face of these ambiguities and problems, the production of one powerful but potentially misleading figure for public use was seen as problematic. Yet the dynamics of international organizations and postwar reconstruction were not considerate of these academic doubts. As the US economist Arthur Smithies remarked at the same meeting:

> These figures have been produced and people use them. If we were starting afresh, I would have a great deal of sympathy with what has been said about not using a single figure, and not even producing one. But the way the thing stands now is that in every governmental problem where a multiplicity of regions or countries is involved, national-income figures are used. [. . .] Therefore, I think the statistician cannot bury his head in the sand in this matter. He should know the practical politicians will use his results and probably will misuse them. And therefore I do believe that it is imperative to make the best single figure that is possible and to use a few very simple rules for its application.[66]

The fact that from an academic point of view some fundamental questions in the field of national income accounting remained unanswered faded in the process of international standardization, driven by the needs of international organizations for a simple statistical framework with a standard "single figure."

Producing the "best single figure": the OEEC and its National Accounts Research Unit

From 1948 to 1952, the newly founded OEEC was at the heart of these "international negotiations" about "the best single figure" referred to by Smithies.[67] The main driving forces behind the OEEC work on this economic statistical standard was an emerging transatlantic network of economists and statisticians around Richard Stone, the OEEC, and the Economic Cooperation Administration (ECA). ECA, the US government agency mandated in 1948 to administer Marshall Plan aid, had decided to use national income accounting as the general framework for both the distribution of ERP funding and the monitoring of European recovery. Since neither such a framework nor the statistical capabilities to assemble the relevant data existed yet, the ECA made it one of its primary objectives to foster and implement the standardization of national accounts in Europe. Statisticians and economists played a crucial role within the ECA, most importantly the renowned Yale economic

[65] Colin Clark, but also Simon Kuznets, in Ibid., 258, 268f. On this debate see Speich, "The Use of Global Abstractions."
[66] Arthur Smithies, in Gilbert et al., "Measurement," 269f.
[67] Arthur Smithies, in Ibid., 270. On this section see Kenessey, "Genesis."

statisticians Richard and Nancy Ruggles.[68] Their 1949 booklet *National Income Accounting and its Relation to Economic Policy* provided the basis for the ECA system of national accounts and in important ways forestalled later OEEC standards. National income accounting, the report stated, could not only provide "an overall barometer of the state of the economy," but also depicted "how the nature of the production is changing" and what economic policy could do to influence this.[69] To launch the production of such a standard "overall barometer" in Europe, which had become "indispensable," the Ruggles came up with the idea of setting up a research unit for the production of a standard framework for European national income accounts under the administration of the OEEC, and they convinced Richard Stone to take on this task.[70]

OEEC member countries, at that time deeply concerned about the material needs of their populations and the difficulties of reconstruction, were generally not in agreement with these "various enthusiastic spirits" within ECA, which were pressing ahead with "rather impossible proposals for reorganization of statistical systems in OEEC."[71] Yet US pressure combined with the interests of the OEEC Secretariat, which not only needed data for its reporting upon the progress of the ERP but was also worried about its "notoriously bad" statistical reputation, ensured that this "large scale revision of European statistical method" was launched.[72]

Because OEEC countries objected the employment of a US statistical expert for this key task and no other person could be found who would be able to work at the OEEC's headquarter in Paris, the compromise was to charge Richard Stone with setting up and directing a so-called National

[68] During World War II, Richard Ruggles had led a team at the Office of Strategic Services in London, which produced astonishingly accurate estimates of German tanker production rates, using statistical estimates based on photographs of serial numbers from captured or destroyed German tanks. From 1946 onwards, he and his wife taught at Yale University and they closely collaborated during their entire life, producing some of the most renowned research and textbooks on national income accounting. See Ruggles, *National Income*; Helen Stone Tice, "Essays in Honor of Nancy and Richard Ruggles: Editor's Introduction," *Review of Income and Wealth* 50, no. 2 (2004): 149–51.

[69] Richard Ruggles, "National Income Accounting and Its Relation to Economic Policy," in *National Accounting and Economic Policy: The United States and UN Systems*, ed. Nancy D. Ruggles and Richard Ruggles (Cheltenham: Edward Elgar, 1999), 3, 25.

[70] Peter Hill, "Foreword," in *National Accounting and Economic Policy: The United States and UN Systems*, ed. Nancy D. Ruggles and Richard Ruggles (Cheltenham: Edward Elgar, 1999), vii–xii.

[71] TNA FO 371/71915, Saunders to Gore-Booth, August 31, 1948. See also Einar Lie, "The 'Protestant' View: The Norwegian and Scandinavian Approach to National Accounting in the Postwar Period," *History of Political Economy* 39, no. 4 (2007): 713–34; Comim, "Richard Stone and Measurement Criteria for National Accountse."

[72] TNA, FO 371/72016, Hall-Patch to Makins, November 22, 1948; FO 371/71915, Saunders to Gore-Booth, August 31, 1948.

Accounts Research Unit (NARU) in Cambridge, which was at that time becoming a center of econometric work on national income accounting and economic growth.[73] The NARU was largely funded by ECA and operated only for a short period of two years, starting in the summer of 1949, before its tasks were transferred to the statistical branch of the OEEC under Milton Gilbert in the summer of 1951. The experts at the NARU were essentially involved in four areas: First, in the production of a European standard for national income accounting. Second, in overseeing and assisting national statistical offices in the implementation of these standards both through the production of national handbooks and through close personal collaboration and regular visits to national capitals. Third, the NARU trained an entire generation of European statistical experts, either by employing them temporarily at the research unit in Cambridge or through the collaboration in the preparation of the national accounts reports on their countries. Finally, the NARU elaborated methods for the international comparison of national income data and produced and published comparable data for all OEEC countries.

The research unit in Cambridge employed some of the most influential and well-connected European statisticians, among them the Norwegian economist Odd Aukrust, a Keynesian student of Ragnar Frisch and the most influential national accounts experts in Scandinavia, the Danish national accounts authority Kurt Hansen, and the French planner Jan Marczewski.[74] The presence of these economists and statisticians, all of whom had influential positions in their national statistical offices, was the crucial link in the OEEC's and Stone's efforts to reshape the making of statistics across Europe. As Stone put it: "The fact that this Unit will, in the course of time, have had so many experts from the different countries working in it, puts us in an immediately strong position."[75] After working with Stone in Cambridge, some of these economists also went on missions to OEEC capitals to "teach the simplified system" to the public offices charged with national accounting. For example, after having devised the *Simplified System* with Stone and Aukrust in Cambridge, Marczewski went for several months to the West German statistical office in Wiesbaden, the French Commissariat général du Plan, and to the Italian statistical institute.[76]

Next to Stone's team in Cambridge, the OEEC employed key statistical experts at the OEEC Secretariat in Paris. The most influential expert

[73] Comim, "On the Concept of Applied Economics."
[74] OECD-HA, C(49)29, Proposal for a research unit on national income, March 24, 1949.
[75] OECD-HA, DE/1/13/03, Richard Stone to Donald MacDougall, November 22, 1949.
[76] Interview with Jan Marczewski, in: Fourquet, *Les comptes de la puissance*, 173f. (trans. MS).

was US economist Milton Gilbert, who headed the OEEC's Directorate of Statistics and National Accounts from 1949 to 1961.[77] Gilbert had not only played a major role in the redefinition and organization of the official US statistics during and after World War II, but he was also a key personality in the international scholarly debates and pursued the creation of the main academic network of national income researchers (IARIW), in which experts stimulated researchers in many countries to adopt the Anglo-American approach to national accounts.[78] Through his theoretical contributions, but mostly through the training of statistical experts in Paris and a considerable degree of peer pressure, Gilbert was influential in "pushing official statistical offices of the 16 OEEC member countries to adopt the standardized system of accounts designed by Richard Stone," as Angus Maddison, who also worked at the OEEC, put it.[79] The deputy head of Gilbert's Directorate, Geer Stuvel, a Dutch accounts expert and close associate of the famous econometrician Jan Tinbergen, further strengthened the Secretariat.[80] How close the entanglements between international organizations and academic statisticians were in this period is demonstrated by the fact that four out of eight papers presented at the first meeting of the IARIW in Cambridge in 1949 were authored by persons who worked for the OEEC.[81]

The principal mission of the NARU was the preparation of a simple guide for the production of comparable national income data.[82] *A Simplified System of National Accounts*, which was completed in April 1950 and published in 1951, was the first international standard for the measurement and accounting of national income. Developed to harmonize postwar European statistics, which were still quite crude and incomplete at that time, this basic system of accounts did not attempt to give precise definitions of all the elements, yet it contained all the essential building blocks, the main national accounting aggregates, and showed the

[77] OECD-HA, C/M(51)4, January 31, 1951; OEEC, *A Standardised System of National Accounts*, 11.

[78] Milton Gilbert et al., "Objectives of National Income Measurement: A Reply to Professor Kuznets," *The Review of Economics and Statistics* 30, no. 3 (1948): 179–95; Gilbert et al., "Objectives of National Income Measurement"; Maddison, "Confessions of a Chiffrephile."

[79] Angus Maddison, "Measuring and Interpreting World Economic Performance 1500–2001," *Review of Income and Wealth* 51, no. 1 (2005): 1–35.

[80] Gert P. de Bakker, "Dutch National Accounts: A History," in *The Accounts of Nations*, ed. Zoltan Kenessey (Amsterdam: IOS Press, 1994), 66–92.

[81] See the contributions in the 1951 *Review of Income and Wealth* 1, no. 1. These links intensified in the 1960s. Carol S. Carson, "50-Year Retrospective of the IARIW: The Early Years," *Review of Income and Wealth* 45, no. 3 (1999): 379–96.

[82] OECD-HA, Programme of work, Annex to C(49)29, Proposal for a research unit on national income, March 24, 1949.

component flows that still today characterized GNP accounting. This standard thus laid the foundations for the adoption and adaptation of similar systems in OEEC countries, where the details could be arranged later on.[83] The basic framework was agreed upon between Stone and Gilbert at a meeting in November 1949 in Cambridge. It was very similar in form to that used by the National Account Unit of the US Department of Commerce, which itself had been modeled on the early work of Stone and Meade in the British War Cabinet.[84] The new approach was first adopted and tested by the OEEC. While in its second annual report of 1950 all the statistics and analyses were presented in terms of industrial production and agricultural output, already in its third report of 1951 the OEEC narrated the improvements in Europe in terms of the increase in the total output of goods and services as defined by the new standard.[85]

The *Simplified System* served as the basis for the compilation of several *National Accounts Studies* that provided model national accounts in the new framework for Denmark, Switzerland, France, the Netherlands, West Germany, Italy, Britain, and Sweden, and then for the other participating countries.[86] These country studies served as testing grounds and models, demonstrating the adjustments necessary to fit the national statistical data and particular sources to the international standard. Through the collaborative writing process that involved experts in Paris, Cambridge, and various national capitals, the teams of Stone and Gilbert were engaged in helping national statisticians to learn and grow accustomed to the new statistical tools, and thus in "training a new breed of official statisticians."[87] In the following year, building on the experiences gained in preparing the country studies and suggestions by statisticians for modifications, the NARU prepared a revised version of the simplified system. This *Standardized System of National Accounts* was established in the summer of 1951 and discussed at an informal expert conference in September 1951 in Paris under Stone's chairmanship.[88] Although this meeting was not without controversy, the experts agreed on a system that contained detailed and rigorous definitions of the concepts involved and

[83] The simplified OEEC system consisted of five accounts: national income and expenditure; government receipts and outlays; household receipts and outlays; the rest of the world; and a consolidated saving and capital formation account. OEEC, *Simplified System*.

[84] OECD-HA, DE/1/13/03, Richard Stone to Donald MacDougall, November 22, 1949.

[85] OECD-HA, C(50)31, Second Report of the OEEC, January 30, 1950; OECD-HA, C (51)166, Draft Third Report, May 10, 1951.

[86] The *National Accounts Studies* on individual countries were published in 1951 and 1952 by the OEEC. See also Stone and Hansen, "Inter-Country Comparisons of the National Accounts and the Work of the National Accounts Research Unit of the OEEC," 138–40.

[87] Maddison, "Confessions of a Chiffrephile."

[88] TNA, FO 371/94385, Colonna to UK Delegation to OEEC, May 29, 1951.

explanatory tables giving classifications of all important aggregates.[89] The *Standardized System* was published in 1952.[90] It resolved several issues that were still debated at the time within the expert community and officially fixed the production boundary and the inclusion of government services as production.[91]

While some countries such as the Netherlands, France, and Norway developed slightly diverging accounting systems, the basic methodology developed by Stone and Meade was accepted in all OEEC countries. Even West Germany, where there was a rather strong current of liberal skepticism against the dangers of collectivism and planning that were suspected to accompany the introduction and use of these data, adopted the OEEC's system, even though under considerable outside pressure.[92] However, statistical experts in many member countries did not immediately welcome the particular Anglo-American approach to national accounting promoted by the OEEC. Rather, the homogenization that accompanied the international implementation of the OEEC and later UN standard was a process in which one version of mapping the economy, agreed upon between a small group of economic experts from the hegemonic capitalist countries at the end of World War II, was defined as the standard that marginalized other conceptions and approaches. There is no space here to trace the complex process of the national implementation of international accounting standards. But in the context of Marshall Plan aid, the ECA and international organizations such as the OEEC put considerable pressure on national administrations to provide statistics within the newly instituted framework. The following description by Odd Aukrust, the Norwegian authority in national income statistics who was working at the NARU, provides some illuminating insights into how what has been described as the "protestant view" of national income accounting in Scandinavian countries, together with a French accounting perspective, were marginalized:[93]

[89] Odd Aukrust, "The Scandinavian Contribution to National Accounting," in *The Accounts of Nations*, ed. Zoltan Kenessey (Amsterdam: IOS Press, 1994), 49.

[90] OEEC, A Standardized System of National Accounts (Paris: OEEC, 1952).

[91] Lequiller and Blades, *Understanding National Accounts*, 399–400.

[92] On the politicization of national income accounting in Germany see Utz-Peter Reich, "German National Accounts between Politics and Academics," in *The Accounts of Nations*, ed. Zoltan Kenessey (Amsterdam: IOS Press, 1994), 144–68. More generally Nützenadel, *Stunde der Ökonomen*, 90–121; Lepenies, *Die Macht*, 123–51.

[93] In contrast to the Anglo-American approach, in the "protestant" approach the physical quantities of products and the real services were accounted for separately from the related cash flows, the real transactions of goods and services separate from the monetary values attached to them. Scandinavian statisticians such as Aukrust thus preferred not a double entry, but a quadruple-entry bookkeeping system. This was motivated by a different

> When November [1949] arrived, Milton Gilbert showed up for a one-day visit from Paris. Gilbert was the director of the section at OEEC that Stone worked for. He was an American, the former director of the American national accounting, and was a friend of Stone's from cooperation during the war. Now the proposal for the 'Simplified System' was to be adopted. All proposals that Marczewski and I had worked on over the autumn were set aside. Instead, we sat as silent witnesses as Stone and Gilbert, practically over the table, adopted a caricature of a national accounting where interest and profit flows were described in great detail, while the real economy was treated cursorily. This could hardly be what the OEEC countries needed now during the reconstruction.[94]

Generally, the Anglo-American view prevailed. As stated bluntly in a 1955 internal US report on the usefulness of the OEEC: "The OEEC has made a great contribution towards the standardization of statistics, with very often the result that U.S. methods are now used."[95] In the following years, the *Standardized System* had a major influence on the reorganization and setting up of statistical offices in European countries, all of which at least partially adapted to the new system. Angus Maddison has highlighted that in contrast to the UN, the OEEC could use the "leverage" of the financial contributions paid out in the context of the Marshall Plan and was thus much more effective in bringing its members to conform to the standardized accounting system than the UN in later years.[96] Some countries such as Denmark or Belgium, which did not have any accounts before, squarely adopted the OEEC system, while others adapted their existing systems, set up after World War II, to conform to the OEEC standard.[97] In France, national accounting developed in the context of the Plan and was only later harmonized with international standards.[98]

The statistical work of the OEEC in this field was further valorized by the adoption of a practically identical system for the United Nations SNA in 1953 that over the years became the Western and then global

theoretical perspective that built on the Ecocirc-System developed by Ragnar Frisch and a general mistrust of the market system. Lie, "The 'Protestant' View."

94 Cited in Ibid., 724.

95 NARA, RG 469, Entry UD 379, Box 93, Folder OEEC General 1955, U.S. Relation to the OEEC, August 12, 1955.

96 Maddison, "Measuring and Interpreting World Economic Performance 1500–2001."

97 Aukrust, "The Scandinavian Contribution to National Accounting," 32f. The Netherlands, with the involvement of Geer Stuvel, implemented the OEEC system until 1958. Bakker, "Dutch National Accounts," 79. Norway, where a different accounting tradition was strong, had two systems of national accounting until 1969, one for international purposes, which relied on the international standards, the other in the tradition of the "protestant" view. Lie, "The 'Protestant' View."

98 Lequiller and Blades, *Understanding National Accounts*, 399–400. On the French experience see Vanoli, *A History of National Accounting*, 43–86, 429–44; Fourquet, *Les comptes de la puissance*.

standard.[99] Stone attached considerable importance to the initiative taken by the OEEC, particularly because this work preceded that of the UN by two years and thus set the basic framework for the globalization of national income accounting.[100] Stone was very satisfied with this homogenization of accounting perspectives, which he told as a story of progress. In 1951 he stated: "in this subject which twelve years ago, in its practical aspects at any rate, was a veritable Tower of Babel, there has been developed a common language and on many of the most pressing problems a common point of view."[101]

These early efforts of the OEEC to turn economic statistics from a polyphonic and somewhat chaotic "Tower of Babel" into a homogenized language laid the foundations for one of the central functions of the organization in the coming decades: the standardization of statistical methods and the collection, harmonization, production, and diffusion of authoritative comparative statistical data on the economies of its member countries and increasingly of the whole world. During the early 1950s, the OEEC's statistical work focused in particular on the problem of international comparison of real national product data over space and time. The difficulties resulted from the differences in the relative value of the price levels of different currencies, and from the differences in the character and quality of the commodities consumed both of which rendered a simple comparison of GNP data at current exchange rates extremely problematic.[102] This work involved the best comparable estimates of national accounts yet to appear, but also conceptual work by Gilbert and Irving Kravis on instruments of converging these data into universal values, resulting finally in the "purchasing power parities" still in use today.[103] Similar OEEC work on the deflation of GNP growth and the problem of changing prices in comparisons between the accounts of successive periods was less successful, and the attempt to establish standard procedures and definitions for the construction of price and quantity index numbers failed.[104] Nevertheless, building on the foundation that

[99] United Nations, *A System of National Accounts and Supporting Tables*.

[100] See the comment by Giovanna Stone in Kenessey, "The Genesis of National Accounts: An Overview," 14.

[101] Richard Stone, *The Use and Development of National Income and Expenditure Estimates*, Department of Applied Economics, Reprint Series 47 (Cambridge: Cambridge University Press, 1951), 18. See also Carson, "50-Year Retrospective of the IARIW," 380.

[102] OECD-HA, C(54)72, Current Work of the Statistics Directorate, March 17, 1954. See also Stone and Hansen, "Inter-Country Comparisons of the National Accounts and the Work of the National Accounts Research Unit of the OEEC," esp. 102–4.

[103] OECD-HA, C(54)72, Current Work of the Statistics Directorate, March 17, 1954; OEEC, *Statistics of National Product and Expenditure: 1938, 1947 to 1952* (Paris: OEEC, 1954).

[104] See the Foreword by Milton Gilbert in OEEC, *Quantity and Price Indexes in National Accounts* (Paris: OEEC, 1955).

was laid with the work on standardizing national income accounts, the OEEC effectively built up its reputation as the most reliable and authoritative source of economic statistical information and its data became widely used, both in expert circles and among the general public.

The statistical foundation of the growth paradigm

The statistical technique of national income accounting advanced by Keynes, Meade, and Stone in Britain, adopted by Gilbert in the US, and globalized through international organizations after World War II, was developed for very specific purposes, at a specific time, and for specific types of economies. The limited purposes were to provide a statistical basis for macroeconomic analyses and policies in the context of war economies, the reconstruction efforts after the War, and international cooperation. The US pushed for the implementation of a standardized economic accounting system with its Cold War allies because its economic supremacy was inscribed in this framework and it enabled the distribution of Marshall Plan aid. International organizations needed standardized numbers to administer this aid, to compare economies, and to rationally distribute national contributions. The accounting standards were produced for the developed capitalist economies of Western Europe and North America, tailored to their historical situation in the mid-twentieth century, and fundamentally facilitated state management in the Fordist regime.[105]

Yet even for these types of economies, and even within the small transnational expert community of economists and international bureaucrats (almost all European or American men) that had devised the standards, the use of GNP as a measure for the wealth of a country, as a yardstick for economic success, as well as its use for the assessment and comparison of very different economic contexts and other times, was doubted and disputed. Nonetheless, from the 1950s onwards, national income data, in particular GNP, became the most widely used economic statistics all around the world. They provided a powerful technique of social engineering that produced a universal economic space, defining and quantifying the "economy" of each nation-state, making it comparable over time and space. Charged with a multiplicity of meanings, GNP data came to dominate public discourse, policy-making, and academic research. The extension and use of this national income accounting framework as a basis

[105] On the context see Isabelle Cassiers and Géraldine Thiry, "A High-Stakes Shift: Turning the Tide From GDP to New Prosperity Indicators," in *Redefining Prosperity*, ed. Isabelle Cassiers (New York: Routledge, 2015), 22–40; Thiry, "Au-delà du PIB," pt. 1.

for understanding and shaping economies in all countries and all times can be called, following Bruno Latour, a "particular universalism," extending the values, statistical tools, and policy instruments, which were historically constructed at a certain time within a specific society, to other times or societies.[106]

While not intended as such by the economists who invented GNP, these statistics, with all their inscribed reductions, assumptions and exclusions, were rapidly taken up by states and international organizations and came to form the basis for both macroeconomic growth theories and modern political growthmanship. The naturalization and universalization of this rather particular standard was a complex historical process, which masked most of the reductions and assumptions implicit in the production of national income data. The result was that GNP figures – measures of the volume of monetary exchange within the market system – and their offshoot "economic growth" became conflated with or closely linked to some of the most essential ambitions of societies such as welfare, progress, or government success or failure. Before setting out to describe the emergence of economic growth as the primary policy goal, the following section analyzes in how far this statistical standard was particularly suitable to provide the conceptual basis of a social paradigm and how it changed the perception of what was taken for granted as "the economy."

First, while earlier accounts could only map very partial aspects of what was going on in the economy, the new system of double-entry bookkeeping created the image of a seemingly comprehensive account that (at least potentially and in principle) included *all* the relevant flows constituting the *entire* economy. It transferred an old accounting technique used for private firms onto the entire society, combining three sets of accounts – income, production, and expenditure accounts – into one system, and arranged them in three columns that showed their interactions.[107] This had far-reaching consequences. While earlier estimates had mainly focused on either measuring what has been produced (in different sectors of the economy) or on the distribution of income among different income classes (labor, capital, landowners), the new accounts not only permitted different perspectives at the same time, but also showed their systematic relationships.[108] Incorporating general scientific values such as

[106] Bruno Latour, *We Have Never Been Modern* (Cambridge: Harvard University Press, 1993). See also Eagleton, *Ideology*, 56; Rist, *The History of Development*, 44.
[107] For details, see Lequiller and Blades, *Understanding National Accounts*; Ruggles, "National Income Accounting and Its Relation to Economic Policy"; Suzuki, "The Epistemology of Macroeconomic Reality"; Vanoli, *A History of National Accounting*.
[108] Alain Desrosières, *The Politics of Large Numbers: A History of Statistical Reasoning* (Cambridge: Harvard University Press, 1998), 312–16.

simplicity, clarity, and coherence, double-entry income accounts enabled the inclusion of all kinds of data, collected through very different means at different locations in the economy, into one system, and provided for mechanisms of cross-checking the accuracy of the different accounts.[109] During the 1960s this was further strengthened through the inclusion of input-output tables and the use of more complex mathematization and computerization techniques.

"National accounts is a comparatively new device to present a comprehensive and consistent picture of a nation's economy in quantitative terms," Gilbert stated in the foreword to the 1952 edition of *A Standardised System*.[110] Building on Mary Morgan's analysis of national income as a device for "seeing" the economy, one could argue that the earlier accounts were one-dimensional, while the new accounts provided a three-dimensional picture, combining three ways of visualizing the economy.[111] Suzuki describes the "framing effect of accounts that extracts the elements of the economic from what are not the economic" by shifting the attention to the internal relations of the accounts among which everything is perfectly explainable by definition.[112] Furthermore, national income accounting powerfully reinforced the nation state and its boundaries as the most fundamental units of the economy, not only in terms of measuring economic progress, but also in defining the problems (unemployment, inequality, inflation etc.) and prescribing the location of necessary interventions.[113]

Second, GNP accounting came to be perceived as an objective, universally applicable, politically neutral, and merely technical device. In their report for ECA, prepared while they were setting up the NARU in Cambridge, Richard and Nancy Ruggles gave a fascinating justification for the need of a general framework. Starting from the problem of a "plethora of unorganized economic data" that had given rise to the justified view that statistics can prove anything, they argued:

[109] Richard Stone, David Champernowne, and James Meade, "The precision of national income estimates," *The Review of Economic Studies* 9, no. 2 (1942): 111–25. See also Suzuki, "The Epistemology of Macroeconomic Reality," 490.
[110] OEEC, *A Standardised System of National Accounts*, 11.
[111] Mary S. Morgan, "Seeking Parts, Looking for Wholes," in *Histories of Scientific Observation*, ed. Loraine Daston and Elizabeth Lunbeck (Chicago: University of Chicago Press, 2011), 303–25.
[112] Suzuki, "The Epistemology of Macroeconomic Reality," 490.
[113] Mitchell, "Fixing the Economy"; Alan S. Milward, *The European Rescue of the Nation-State* (London and New York: Routledge, 2000), in particular 36f. Speich, "The Use of Global Abstractions"; Tooze, "Imagining National Economies"; Morgan, "Seeking Parts."

> Different ways of combining, averaging, or aggregating data can give the individual investigator more than enough freedom to shape, consciously or unconsciously, almost any presentation into a form which supports his own views. It has, therefore, become imperative that some *standard framework* be erected, which will enable the available economic information to be related *objectively* to the overall economic problems, which have to be solved.[114]

While acknowledging in principle that any system of statistical representation of the economy is biased and shaped consciously or unconsciously by the views of the statisticians, the Ruggles at the same time argued that national income accounting, as advanced by the network around the ECA and Stone, represented the economy "objectively." This view, masking the powerful and contested social construction of the statistical framework, came to shape the OEEC's statistical practices and was powerfully reinforced in public discourse. Civil servants and experts have been identified as routinely using methods of quantification to advance their cause and strengthen their authority.[115] As Michael Ward argues in his history of UN statistics: "To many an untrained eye, figures convey a form of truth that is uncontestable and incontrovertible. People regard data as facts and assume that statistics represent reality. They view statistics as a neutral, sanitized, and objective expression of an unseen truth."[116] The persuasive power of these economic statistics was strengthened by what has been characterized as the strategy of "black-boxing" the limitations of the statistical methods through footnotes, appendices and even separate manuals that set out in considerable detail the unsolved problems of the data but do not affect the main statistics.[117]

The wide distribution and circulation of the data was further encouraged by the increasingly up-to-date availability from seemingly objective sources such as the OEEC, the presentation in comparable form and the catchy graphic depictions of GNP data in league tables, bar charts, and time curves. After the ravages of the War, GNP data lent support to the idea of rational economic planning beyond ideology, in which the key questions were not an issue of political conflict, but rather of technical proficiency, and in which these new statistical facts became the objective lingua franca.

[114] Ruggles, "National Income Accounting and Its Relation to Economic Policy," 5 (emphasis added).

[115] Theodore M. Porter, *Trust in Numbers: The Pursuit of Objectivity in Science and Public Life* (Princeton, NJ: Princeton University Press, 1996).

[116] Ward, *Quantifying the World*, 25. Ward had himself worked at the OECD and later became the Principal Economist in the International Economics Department of the World Bank.

[117] Latour, *Science in Action*; Benoît Godin, *Measurement and Statistics on Science and Technology: 1920 to the Present* (London and New York: Routledge, 2005), chap. 9.

Third, national income accounting defined the concepts and provided the statistical basis of an increasingly globalized macroeconomic theory. More generally, the introduction of international standards and the internationalization of the discipline of economics reinforced each other and the neutral and technical aura of GNP accounting was enhanced by the rise of economics as the leading social science, which itself built its scientific credence on the power of mathematical models and statistical methods. The general globalization of the discipline of economics with its standardization of methods, procedures, and professional exchanges interacted with the international collaboration between national statistical offices through organizations such as the OEEC and the UN to create a technical space of homogenous data that came to encompass the entire world.[118] Paul Samuelson, an influential US economist, described how national accounting was the "great invention of the twentieth century – without [which] macroeconomics would be adrift in a sea of unrecognized data."[119] Through the introduction of double-entry bookkeeping the new framework enabled the systematic application of macroeconomic theory, which had vanished at the end of the nineteenth century with the marginalist revolution and reemerged after the Great Depression.[120] This seemingly technical innovation permitted directly relating different sets of macroeconomic aggregates to each other – income to expenditures, production to consumption, savings to investment – and thus made the static income estimates much more dynamic. As Gilbert put it in 1949, the accounts do not merely provide a "yardstick for the economy" but "the data now are organized in a way that suggests *explanations* of the economic events." He recalled, "when we brought our statistics together in setting up our system, we discovered some amazing things about them."[121] National income data came to form the conceptual building blocks of modern macroeconomics, on which a multitude of research endeavors were built. The influence of the epistemic changes embodied in GNP accounts on the spread of Keynesianism and demand management policies has been highlighted.[122] But the influence on economics went deeper. During the 1950s and 1960s, the circular flow model explaining

[118] Fourcade, *Economists and Societies*; Nützenadel, *Stunde der Ökonomen*; Speich, "The Use of Global Abstractions."

[119] Quoted in McDowall, *The Sum of the Satisfactions*, 7.

[120] Carson, "The History of the United States National Income and Product Accounts."

[121] Gilbert et al., "Objectives of National Income Measurement," 255–6 (emphasis added).

[122] Galbraith, himself an early Keynesian in US government positions, has claimed that in convincing the US establishment and business-circles of the need for Keynesian policies in the 1940s, "statistics were more subversive than words." Galbraith, "The National Accounts," 80.

the components of national income accounting came to form the beginning of all standard economics textbooks.[123] The accounting framework – though this was overlooked soon afterwards – came to form the "master metaphor of economics."[124]

Finally, national income data provided a seemingly objective, sanitized, and scientific way of assessing outcomes of government policies, and they offered the basis for macroeconomic policies. In contrast to traditional income estimates, the accounts were developed by economists involved in the policy-making process during World War II and postwar reconstruction and thus had a clear policy orientation. This had two dimensions. On the one hand, it helped to "see" relevant economic processes and assess the state of the economy. William Nordhaus, a Yale economist heavily involved in the study of economic measurement, characterized the importance of national income accounting by referring to the difficulties of knowing "what was happening to our economy" in the 1930s: "There were people then who said things were fine and others who said things weren't fine. But we had no comprehensive measures, so we looked at things like boxcar loadings."[125] By the early 1950s this had changed. Angus Maddison, who was involved in the statistical and policy work of the OEEC and the OECD, argued that the OEEC statistics were essential as "a steel frame for our assessments of policy effectiveness over time and across countries."[126] Whether conscious or not, Maddison's characterization of GNP accounting invoked Max Weber's famous metaphor of the rational capitalist world as an iron cage ("stahlhartes Gehäuse"), thus predating some of the later criticisms of the growth paradigm.[127] This "steel frame" with its inbuilt macroeconomic variables did not only provide the technical means to make visible and measure economic growth in new ways, but also provided conceptual instruments to pursue it, reinforced state intervention, and made economic experts increasingly indispensable for the making of economic and other policies.

123 On the importance of national income accounting in the textbooks of the 1940s and 1950s, see Suzuki, "The Epistemology of Macroeconomic Reality," 480–81. Already in John Hicks' 1942 textbook *The Social Framework. An Introduction to Economics* income accounting is the first subject, see Vanoli, *A History of National Accounting*, 426.

124 Arjo Klamer and Deirdre N. McCloskey, "Accounting as the Master Metaphor of Economics," *European Accounting Review* 1, no. 1 (1992): 145–60.

125 William Nordhaus, quoted in John Gertner, "The Rise and Fall of the G.D.P.," *New York Times Magazine*, May 13, 2010.

126 Angus Maddison, "The Origins and Early Years of the Centre: A Personal Perspective," in *Development Is Back*, ed. Jorge Braga de Macedo, Colm Foy, and Charles Oman (Paris: OECD, 2002), 241f.

127 Max Weber, "Die protestantische Ethik und der Geist des Kapitalismus," in *Gesammelte Aufsätze zur Religionssoziologie*, ed. Max Weber (Tübingen: J.C.B. Mohr, 1920), 203.

When Stone received the Nobel Prize in economics in 1984, the Royal Swedish Academy of Sciences argued that GNP accounting was "regarded as 'neutral' from both the analytical and the ideological point of view."[128] This chapter has highlighted that while concepts such as GNP or national income are widely regarded both in public discourse and in economic expert debates as objective, timeless, universally applicable, and politically neutral tools for economic analysis and policy-making, they are historically speaking relatively new and emerged only in the mid-twentieth century in a context full of power interests and fundamental conceptual controversies. Rather than building on a scientific consensus and statistical knowledge, the political usefulness of market-oriented income data, especially in the context of international cooperation in the War, postwar, and early Cold War era, and the essential function of the modern state in the production of social statistics made a process of standardization and international harmonization seemingly inevitable. As will be demonstrated in later chapters, international standardization, very high costs of changing the way statistics are assembled and processed, and the deeply entrenched associations in public discourses have gridlocked the present standard of measuring prosperity and welfare. They have created a path dependency that made and still makes it extremely difficult to establish alternatives.[129] Since the early 1950s, the SNA has certainly been developing, with some considerable changes and adaptations from the late 1960s onwards. But those fixings, which were important regarding the growth paradigm, showed remarkable resistance to change.[130] Even Stone, toward the end of his life, said, the exclusive focus on quantifiable market-transactions in GNP accounting has left out important qualitative dimensions and key issues: "Speaking as an economist, I suspect that in quite a few cases the failure of our models may be due to our disregard of noneconomic factors."[131]

[128] The Royal Swedish Academy of Sciences, Press Release, October 18, 1984, available at www.nobelprize.org/nobel_prizes/economics/laureates/1984/press.html (April 3, 2014).
[129] Jean Gadrey and Florence Jany-Catrice, *The New Indicators of Well-Being and Development* (Basingstoke: Palgrave Macmillan, 2006).
[130] There have been several successive revisions of the UN SNA. On the further developments of these standards see Ward, *Quantifying the World*; Vanoli, *A History of National Accounting*; Lequiller and Blades, *Understanding National Accounts*.
[131] Stone and Pesaran, "The Interview," 112.

2 Propagating growth

From reconstruction and stability to "selective expansion" and "productivity"

> The true dialectic was not one of class against class, but waste versus abundance.[1]

The idea of economic growth – of continuously increasing levels of national output – was conspicuously absent from policy debates in the immediate postwar years. Not only was its statistical foundation still in the making, but other policy concerns such as high employment, stability, and the restoration of prewar levels of production were uppermost in the minds of policy-makers and economists. Rather than decades of continued economic growth, until the early 1950s most economists, professionals, and politicians expected a postwar recession. However, hopes of plenty and plans of economic expansion were all in the air and the idea of growth was on the rise. In the West, it was first publicly stated in the late 1940s in the context of the US government advisors.[2] Already by the mid-1950s, economic expansion had become a major policy goal in many countries, and by the early 1960s the growth paradigm had become hegemonic throughout the world.[3] When Robert Marjolin described in his memoirs what in the early 1950s became the aim of "economic policy for the future" in Europe, he proclaimed: "Sustained and as rapid as possible 'growth' was the supreme objective, to which [other policy objectives] had to be subordinated."[4] The US, which had emerged from the two world wars as the economically most advanced nation with a standard of living almost twice that of prewar Europe, came to set the standard. Characterizing the state of mind of the young economists working in the European institutions, Marjolin claimed they

[1] Maier, "Politics of Productivity," 615.

[2] Maier identifies a speech by CEA chairman Leon Keyserling in 1949 as the first public pronouncement, but Robert Collins cites some earlier statements. Charles S. Maier, *In Search of Stability: Explorations in Historical Political Economy* (Cambridge: Cambridge University Press, 1987), 177; Collins, *More*, 17–25.

[3] Arndt, *The Rise and Fall of Economic Growth*; Collins, *More*; O'Bryan, *Growth Idea*. See also Philipsen, *The Little Big Number*, chap. 6.

[4] Marjolin, *Architect of European Unity*, 155.

> tended to reduce human ambition to a set of objectives: namely to produce more and more, to invest more in order to produce still more, to modernize in order to give an additional boost to production. America hypnotized us, her material success was our ideal; we had almost no other aim but to bridge the gap between European industry and American industry.[5]

How did this new mindset emerge among Western European policy-makers in the postwar era? What were the developments and intermediate steps from the norm of reconstruction to that of economic growth? And how and why did economic growth become the key policy goal, and not other goals such as equality, employment, or welfare? To approach these questions, this chapter analyzes debates among Western policy-makers about overarching economic policy goals and the related production of economic knowledge in the early 1950s.

The liberal democratic version of capitalism was thoroughly discredited in Europe by 1945 and many felt that the promise of political democracy had been betrayed by the ruling classes. The Americans and increasingly Western European elites believed that the liberal democratic form could be only revived and re-legitimized if it promised a better life to everyone and delivered on that promise. With the concept of the "politics of productivity" Charles S. Maier has proposed a particularly useful explanatory framework that will guide the discussion in this chapter. Maier argues that since the Great Depression, and in particular during World War II, within the US business community and policy circles the idea gained prominence that "by enhancing productive efficiency, whether through scientific management, business planning, industrial cooperation, or corporatist groupings, American society could transcend the class conflicts that arose from scarcity." Replicating this experience, he argues, became the basis for US postwar foreign policies and the formation of a "consensual American hegemony" in postwar Europe and Japan. The politics of productivity aimed at depoliticizing social and economic issues, at overcoming rigid management structures and leftist ideologies, and at turning social conflicts into non-ideological and technical questions of output and efficiency.[6] This perspective did, however, not only lay the foundation for the engagement of the US in Europe and Japan, but can be helpful in understanding the rise of the growth paradigm in the early 1950s more generally, also in Western Europe.[7]

5 Ibid., 228. See also Marjolin's 1954 quote to this end on p. 241.
6 Maier, "The Politics of Productivity," 613, 630.
7 Maier's concept has inspired other historians, in particular in the corporatist school of American foreign policy. See, for example, Hogan, *The Marshall Plan*; Anthony Carew, *Labour under the Marshall Plan: The Politics of Productivity and the Marketing of Management*

This chapter analyzes the evolution of overall economic policy norms in the early 1950s, a time that was characterized by widespread poverty, profound political uncertainties, and entrenched ideological conflicts.[8] The first section sketches how the norm of reconstruction was superseded, from 1950 onwards, by the norm of economic expansion, which was explicitly promoted within the OEEC as the only policy capable of solving Europe's most pressing problems in the longer term. It focuses in particular on the OEEC's 1951 expansion target, which symbolized this policy of guns and butter and provides an early example of how the politics of growth aimed at turning a zero-sum game, in which competing claims led to distributional conflicts, into an alleged win-win situation. The second section focuses on the politics of "selective expansion," a short-lived form of European sectoral policies that developed in the context of raw material shortages, the military build-up, and balance of payments problems. However, the highly interventionist efforts of the OEEC in this area set uncomfortably with the liberal trade policies also pursued by the organization and quickly lost in importance. The third section discusses the OEEC's campaign to increase "productivity," which led to the foundation of the European Productivity Agency (EPA) in 1953. The focus was not only technical and economic – increasing the efficiency of technologies, plants, and production procedures – but also social and cultural. The campaign aimed at changing the attitudes of producers and workers with efforts against restrictive business practices and the promotion of the share-out principle, and at thus introducing the "expanding economy concept" in Europe.

To some degree, even though this will not be the focus, it is a transatlantic story of the transfer of the ideas and practices of economic growth, embedded liberalism, and consumerism from the US to Western Europe. However, these ideas and practices had European roots of their own. As was discussed, the statistical foundations of the growth paradigm were built in close cooperation between American and European experts, a process that was greatly facilitated by international organizations, in particular the OEEC. Indeed, the British were the true pioneers of this approach. Similarly, the ascendancy of economic growth as the primary focus of economic policies was a complex process in which American influences, the European postwar situation, and national idiosyncrasies

Science (Manchester: Manchester University Press, 1987); Ellwood, *Rebuilding Europe*; Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*.

[8] Tony Judt, *Postwar: A History of Europe since 1945* (New York: The Penguin Press, 2005), pt. 1; Hartmut Kaelble, *Kalter Krieg und Wohlfahrtsstaat: Europa 1945–1989* (München: C.H. Beck, 2011), 23–80.

interacted. Furthermore, even though the politics of productivity and growth reduced the differences between Western Europe and the US, regarding the purpose of economic expansion there still remained a large gap. As Alan Milward, Victoria de Grazia, and others have shown, while economic expansion in the US was largely private and consumerist, Western European growth policies also aimed at financing the welfare state, a cultural difference that was also tackled within the OEEC.[9]

The "real answer" for Europe's problems: the making of the 25 percent expansion target

The major policy objectives in postwar Western Europe, as in many other parts of the world, were full employment, the restoration of a decent living standard through reconstruction, and the prevention of economic crises similar to those of the interwar period. Economic growth was not yet among them.[10] The official agreement forming the OEEC can be taken as symptomatic in identifying as the objective of economic policies a "strong and prosperous European economy." In 1948, this prosperity was not thought of as a continuously expanding market for more and more goods and services. Rather, as stated in Article 1 of the OEEC Convention, the objective of economic policies was "to achieve as soon as possible and maintain a satisfactory level of economic activity without extraordinary outside assistance."[11] This focus on restoring and maintaining the standard of living that Europe had enjoyed before World War II was typical for the economic policy norms in the era of European reconstruction and did not conflict with occasional statements pointing to a more permanent expansion.[12] This general orientation, as it was pronounced in national proclamations adopted in most Western countries by parties spanning the

[9] There is a large body of literature on the question of 'Americanization' in the postwar period. See, for example, Victoria De Grazia, *Irresistible Empire: America's Advance Through Twentieth-Century Europe* (Cambridge: Harvard University Press, 2005); David Ellwood, *The Shock of America: Europe and the Challenge of the Century* (Oxford: Oxford University Press, 2012); John Krige, *American Hegemony and the Postwar Reconstruction of Science in Europe* (Cambridge: MIT Press, 2006); Volker R. Berghahn, "The Debate on 'Americanization' among Economic and Cultural Historians," *Cold War History* 10 (2010): 107–30. On the limits of this perspective in the context of the politics of productivity, see Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 115–34.

[10] Arndt, *The Rise and Fall of Economic Growth*, 27.

[11] OECD-HA, FAC, box 368, file 10, Agreement for OEEC, March 26, 1948; The Convention of the OEEC is reproduced in OECD, *Reconstruction: Bibliography*. See also OECD-HA, C(48)122, August 7, 1948; OEEC, *Interim Report on the European Recovery Program* (Paris: OEEC, 1948), 17.

[12] See, for example, OEEC, *Interim Report*, 121.

entire political spectrum, was tilted toward fighting unemployment and creating social stability.[13]

There was "hardly any trace of interest in economic growth as a policy objective in the official or professional literature of western countries before 1950," historian Arndt summarizes the situation, yet the early 1950s experienced a "groundswell" of the idea of economic growth.[14] As Alan Milward has argued in his account of the reconstruction of Western Europe, the interest of the US and many Europeans in Western European integration, which lay at the foundation of the OEEC, was closely intertwined with the idea of economic growth as "an instrument for forging a political consensus." The hope – famously expressed by the head of the ECA Paul Hoffman in a speech at the OEEC Council in October 1949 when he coined the buzzword "economic integration" – was that increased trade within an integrated European market would accelerate the growth of per capita national incomes; that this in turn would give rise to pluralist democracies by producing social values akin to liberal capitalism and would thus undermine communist tendencies; that it would appease the bitter distributional conflicts that had characterized European history and unify large segments of society around one common goal; and that, if increasing output was the key task of governments, political and economic decisions would become technical and expert and thus enable the formation of broad and cohesive coalitions of political interests.[15]

In June 1950 Marjolin presented a statement to the Council of the OEEC, in which he proposed a "program of further European economic expansion" as a guiding vision for the European economies and the OEEC at the crossroads nearing the end of the Marshall Plan era in 1952.[16] He emphasized that "the point we have reached must not be considered as a final goal but rather as a starting point for further

[13] Robert Lekachman, *The Age of Keynes* (London: Allen Lane, 1966), 150; Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge: Cambridge University Press, 2002), 49–95; Collins, *More*, 14–16; Arndt, *The Rise and Fall of Economic Growth*, 27–40; Terrence W. Hutchison, *Economics and Economic Policy in Britain, 1946–1966: Some Aspects of Their Interrelations* (London: George Allen & Unwin, 1968), 25. Symptomatic for the focus on employment is: United Nations, *National and International Measures for Full Employment* (New York: United Nations, 1949).

[14] Arndt, *The Rise and Fall of Economic Growth*, 30.

[15] Milward, *The Reconstruction of Western Europe, 1945–51*, 478, 59–61. See also Maier, "The Politics of Productivity"; Steiner, "Wachstum als wirtschaftspolitisches Leitbild," 244–55.

[16] In the late 1940s and early 1950s, Marjolin was very active in publishing articles and holding speeches expressing his "credo" of economic expansion. See Marjolin, *Architect of European Unity: Memoirs, 1911–86*, 228.

progress" and repeatedly stressed that "it is absolutely essential to avoid remaining stationary at the present relatively low level."[17] Marjolin was clearly worried about the lack of dynamism among European managers and policy-makers.[18] Typically for many of the young Western European postwar officials (within European international organizations one could even speak of a postwar generation of administrators) the first Secretary-General of the OEEC had become heavily influenced by the example of US policies after the New Deal era. In his memoirs Marjolin would later recall that his "stay in America," where he studied for two years in the 1930s, "was more influential [...] than all the reading I did." It turned him from a young socialist, studying Marx's *Das Kapital*, into an "admirer of American capitalism" and a fervent advocate of New Deal policies. His conviction "that there is no solution to economic problems without growth" became a guiding theme for his political career, first within the OEEC, and later within the EEC.[19]

In 1950, the OEEC was not the only purveyor of early expansionist policies. In the US, the CEA under Leon Keyserling had come to promote "expansion economics" to fight unemployment and stem the rising defense burden. Symptomatic is the CEA's 1949 report, which has been described as "growthmanship's declaration of principles."[20] Building on earlier debates following the New Deal, the report discharged the "doctrine of secular stagnation," expressed the "firm conviction that our business system and with it our whole economy can and should continue to grow," and elevated growth to the overriding policy goal (more important than distributional questions, employment, or stability). This new emphasis, it was hoped, would reduce "the ancient conflict between social equity and economic incentives" by transforming vital questions of social relations, the balance between profits, investment, prices, budgets, etc., into questions resolvable by "scientific analysis," thus pacifying social conflicts:

> it then becomes possible, albeit not easy, for businessmen, workers, and farmers to seek that share of the total product which is most conducive to the progress of the whole economy and thus to their own best interests in the long run.[21]

[17] OECD-HA, C(50)139, Statement by the Secretary-General to the Council, June 1, 1950.
[18] OECD-HA, C/M(50)15, June 2, 1950; TNA, FO 371/86974, Plowden, Note of a Conversation with Marjolin, May 22, 1950.
[19] Marjolin, *Architect of European Unity: Memoirs, 1911–86*, 40, 48f. On Marjolin and the postwar generation, see Heininger, "Robert Marjolin."
[20] Collins, *More*, 20. See also Arndt, *The Rise and Fall of Economic Growth*, 35.
[21] Council of Economic Advisers, *Business and Government. Fourth Annual Report to the President* (Washington: U.S. Government Printing Office, 1949), 5–7.

Arguments similar to those by the CEA and Marjolin were advanced by the UN Economic Commission for Europe (UNECE) under its first Executive Secretary, the Keynesian economist Gunnar Myrdal, and under its Director of the Research Division Nicholas Kaldor, one of the first modern growth theorists.[22]

Alongside this intellectual context, Marjolin's expansion initiative has to be placed in the context of the organizational ecology and development of the OEEC in the early 1950s. Two aspects are essential: First, the insecurity of the future existence and task of the organization after the end of Marshall Plan aid; and second, the question of the division of labor between NATO and OEEC in the context of the military build-up during the Korean War. Indeed, the OEEC was in an organizational crisis, its future tasks were uncertain, staff numbers declined and Britain was demanding that all the technical work of the OEEC be abandoned and the budget reduced by 50 percent. At the same time, a widespread view among European and American policy-makers held that an essential task requiring European cooperation was that of matching economic capabilities with defense burdens and assessing the long-term implications of large-scale armament. In this context, Marjolin and the Secretariat were attempting to place the OEEC in a powerful position: arguing that economic planning was essential and could not sensibly be done at the same time within NATO and the OEEC, they proposed that all the economic work of NATO should either be sub-contracted to the OEEC or be done by staff lent from the OEEC.[23] And in the coming years, the organization was reconceptualized as the "'economic arm' of NATO."[24]

In 1951 the OEEC started an economic expansion campaign that culminated in the Ministerial meeting in August 1951, at which member states officially agreed "that the broad objective of their policies will be to expand total production in Western Europe by 25% over the next five years." This statement, which came to be called the "European Manifesto" because it defined some of the fundamental principles of European and Atlantic economic policies in the early 1950s, has been characterized by economic historian David W. Ellwood as the "culmination of this extraordinary effort [the American productivity drive in Europe], and in many ways of the entire Marshall Plan."[25] It identified expansion of production through

[22] United Nations Economic Commission for Europe, *Economic Survey of Europe 1949* (Geneva: United Nations, 1950), iii–iv. See also Arndt, *The Rise and Fall of Economic Growth*, 35–38.

[23] TNA, T 232/313, Relations between NATO and OEEC, March 24, 1952; FO 371/87330, Record of a conversation with Marjolin, September 6, 1950. See also Maier, "The World Economy and the Cold War in the Middle of the Twentieth Century."

[24] NARA, RG 469, Entry UD 379, Box 89, Kay Shorter to John Hulley, April 15, 1953. See also Bossuat, "The Marshall Plan and European Integration," 143f.

[25] Ellwood, *Rebuilding Europe*, 181.

massive investments as the only way to meet the two needs that were "uppermost in the minds of our people at this time," namely ensuring both the "collective security of our countries and developing their economic strength and well-being."[26]

The main impetus behind the manifesto came from the drive for rearmament spurred by the outbreak of the Korean War in June 1950, which posed European economies with the very problems of scarcity they had just begun to overcome through postwar reconstruction. It expressed the belief widely held during and after World War II that investment, in particular in infrastructure and heavy industry, was the key to achieving expansion.[27] The statement had been prepared during months of debate within the OEEC's Secretariat, among national ministries, the ECA, and the Council of Europe.[28] Although presented as a European initiative, the memorandum and its expansion target were part of a "campaign" of the ECA to introduce a growth-oriented cast of mind among Europeans and to promote the planning of expansion. Within the US government the idea of reinvigorating the economy by a rearmament program had already been discussed before the Korean War made it into a necessity.[29] American planners envisaged a target adopted by the OEEC that should be "sufficiently dramatic to serve as a rallying point," and, followed by a more detailed report that would substantiate the declaration, could provide "an objective and authoritative basis for the adoption of the plan and continuing campaign."[30]

The expansion target aimed at transforming a politicized debate about the distribution of economic gains into a series of technical questions of managing the economy in ways that would increase production in specific sectors. The main thrust was an argument to ramp up military spending and investments and to postpone current consumption.[31] The manifesto clearly stated: "At first in many countries, the increase in production will have to be devoted largely to strengthening their defense as well as to expanding exports to meet the higher cost of imports." The British Chancellor of the Exchequer Hugh Gaitskell was more explicit. During

[26] OECD-HA, C(51)294, Text of public statement approved by the Council at its 154th meeting on August 29, 1951; C/M(51)35, August 29, 1951.
[27] Hobsbawm, *Age of Extremes*, 266–68; Eichengreen, *The European Economy since 1945*, 86–130. See also Marjolin, *Architect of European Unity*, 163.
[28] OECD-HA, C/M(51)35, August 29, 1951.
[29] Carew, *Labour under the Marshall Plan*, 132–33.
[30] ECA highlighted that for public relations reasons the "campaign remain[] essentially European in origin and execution," despite the obvious US influence. NARA, RG 469, Entry UD 379, Box 91, Folder OEEC General 1952–53, ECA to Embassy Paris and London, August 16, 1951.
[31] BAK, B 136/8387, Franz Blücher to Konrad Adenauer, August 20, 1951; Marjolin, *Architect of European Unity*, 163f.

the Council debate he argued, the aim of the initiative was to ensure the public that "the burden of rearmament would not crush their economy" and that although "for the present there could be no increase in the standard of living, and there might indeed be a reduction, this would be merely temporary."[32] By justifying a temporary reduction in living standards as a necessary by-product of economic expansion aimed at rapid military build-up, the European Manifesto demonstrated two things: First, in the early 1950s the standard of living was not seen as congruent with but as partly independent of the level of GNP, a truism that would soon fall into widespread oblivion. Not only was the identification of GNP with welfare not yet consensus, but military spending took up such a large section of national income that a distinction seemed natural. In the early 1950s, military spending rose to 15 percent of GNP in the US, and to similar rates in Western European countries.[33] And second, the manifesto demonstrated how close the emergence of growthmanship was associated with the increasing economic tensions of the Cold War. Inspired by similar debates in the US, European policy-makers wanted to circumvent the denial of increased consumption of basic goods and services to people still largely stricken by poverty in the name of the contested goal of military armament.[34] Economic expansion was the favored means to avoid a class conflict over limited resources.

The OEEC's expansion target was received favorably, not just by ministers of OEEC countries, but also by industrialists, parts of the labor movement, and American authorities. Characteristically, the West German delegate claimed that "to push such a decision into practice would be to give the most spectacular denial to the statements emanating from certain quarters to the effect that Europe was decadent, tired, and even defeatist."[35] Western European non-communist trade unions were generally in favor of growth policies and supported the OEEC initiative because it made it possible "to meet the urgent needs of rearmament, whilst *maintaining* the present standard of living of the working classes." Furthermore, an official at the ECA endorsed the 25 percent target of the OEEC as a "heartening and stimulating development" and argued, that

[32] OECD-HA, C/M(51)35, August 29, 1951.

[33] Military spending accounted for 10 percent of GNP in Britain (in 1947), 12 percent in France (in 1952), and approximately 20 percent of national income in the Soviet Union. Maier, "World Economy." See also Ellwood, *Rebuilding Europe*, 244–45 table 1 and 2.

[34] The key US security document, NSC-68, which was adopted in 1950, read: "The necessary build-up could be accomplished without a decrease in the national standard of living because the required resources could be obtained by siphoning off a part of the annual increment in the gross national product." Quoted in Collins, *More*, 24.

[35] OECD-HA, C/M(51)35, August 19, 1951. See also "West Europe Plans to Hike Output 25%," *The Washington Post*, August 31, 1951, p. 23.

the OEEC had "correctly identified the *real* answer to many of Europe's difficulties – to expand production and to increase productivity."[36]

The heart of the statement was the promise to collectively increase production by 25 percent within five years. The quantification of policies matched the spirit of the time. Yet the techniques for economic forecasting were still rudimentary. Although the OEEC always emphasized that the numbers were "not fixed in an arbitrary manner," the target, building on the first collected harmonized GNP-data within the new national income accounting framework, was bold guesswork.[37] The actual work of the OEEC was still far from macroeconomic growth policies, focusing largely on sectoral forecasts (coal, steel, electricity, agriculture, housing, and later on manpower and transport) that expressed expansion not in terms of abstract exchange values but as tons, kilowatts, or units.[38] However, in setting an overall target that was expressed as an increase in GNP, the OEEC initiative proved prescient and was followed by many similar targets, culminating in what will be discussed as "economic targetry" in Part II.

When the OEEC evaluated the growth experience after five years, the real evolution in the sectoral developments severely deviated from OEEC forecasts. The average growth rates for industrial production and for GNP, however, were astonishingly accurate – an experience that later contributed to the emergence of a better-grounded long-term growth perspective, in particular within the OEEC group of economic experts discussed in Chapter 3. By 1956 OEEC economies only fell minimally short of achieving the 25 percent expansion target with an average annual growth rate of 4.5 percent over the five years.[39]

"Increased production by itself is useless unless it is competitive": the politics of selective expansion

The overarching aim of the OEEC's work on economic expansion in the early 1950s was to strengthen the growth idea within national

[36] OECD-HA, C(52)148, Relations with the Trade Union Advisory Board of E.R.P., May 27, 1952; NARA, RG 469, Entry UD 346, Box 9, Folder Moody Amendment: 1951–52, ECA Press Release, August 31, 1951 (emphasis added).

[37] OECD-HA, EC(52)9, Statement by the Chairman of WP-5 of the Council concerning paragraphs 10 to 15 of the directives for countries submissions, June 9, 1952; C/WP5(52)2, Comments on EC(52)6, May 31, 1952.

[38] OECD-HA, SNI/NI/51.25, Objectives for the Program of European Economic Expansion, November 2, 1951.

[39] OECD-HA, EC/EWP/56.2, Memorandum du Secretariat comparant les résultats acquis et les objectifs du Programme d'Expansion de 25%, Tableau 2, April 20, 1956. See also OEEC, *A Decade of Co-Operation*, 40.

governments and among the general public in Western Europe. The public acceptance of economic expansion as a political goal, as well as the active support of influential societal groups such as capital, labor, or the press, had to be actively produced. Characteristically, the 1952 report approved by the OEEC Ministerial Council, which gave concrete meaning to the expansion target, prompted member governments to take

> all appropriate action to ensure the support and co-operation of all elements of the population in order to widen the general understanding of the vital importance of economic expansion and to enlist the active co-operation of industrial management, labor, agriculture, financial institutions, the press, and the general public, in steps designed to secure the success of this policy.[40]

The concrete work of the OEEC resulting from the European Manifesto focused on two guiding concepts – the notion of "selective expansion" and that of "productivity." They can be analyzed as two competing policy frameworks, both aimed at economic expansion, but with quite different underlying rationales. The former was an unsuccessful intermediate step toward the growth paradigm, which built on the logic of sectoral planning that defined the norm of reconstruction in the immediate postwar years. Expansion was only a means to achieve dollar viability and external stability, and this means was not all-out, yet *selective* expansion in certain sectors deemed important for military or balance-of-payments reasons. It was only discussed for roughly two years and then discarded. The OEEC's productivity campaign, on the other hand, was more long-lived, giving rise to the most defining activity of the OEEC during the 1950s. All-out expansion was the goal, and raising productivity and increasing competition the means to achieve it. Both will be discussed in turn.

The concept of "selective expansion" was developed by the "Working Party of the Council on Economic Expansion" (WP-5), which was created at the end of 1951 and functioned until its dissolution in September 1954 as the center of debates on economic expansion within the OEEC. WP-5 was established to examine the sector reports on the growth target, to adapt these sectoral targets taking into account the interrelationships between different sectors and economy-wide dynamics, and to study general problems in achieving the production target of 25 percent. In contrast to other working parties of the OEEC and indicative of the importance and high hopes attached to this working party at the time, its membership was limited to five European countries and the US,

[40] OECD-HA, C(52)59(Final), Recommendation of the Council concerning measures to be taken with regard to the increase in overall production of Member countries, March 31, 1952.

which, although not a member of the OEEC, participated as a full member in the deliberations of WP-5.[41] The chairman of WP-5 was the Belgian diplomat Roger Ockrent, former Secretary to the prime minister and Secretary-General for the Administration of the Marshall Plan in Belgium, who was to become one of the most influential bureaucrats within the OEEC's bureaucracy during the 1950s and 1960s. Other members of WP-5 were medium- to high-level bureaucrats from the US, France, Britain, Italy, West Germany, one Scandinavian country (Sweden and later Norway), and the Mutual Security Agency. Remarkably, even though WP-5 constituted the economic core of the OEEC, with only one exception these men had not been educated as economists, but had diplomatic or legal backgrounds.[42]

Selective expansion was the European response to the deepening of the dollar gap in the wake of the end of the Marshall plan and the Korean War. The dollar earnings in Europe had almost ceased due to a breakdown of trade with the Soviet bloc, colonial insurgency in Vietnam and Indonesia, and deteriorating terms of trade. At the same time, European NATO countries increased their defense expenditure from $4.4 billion in 1949 to $8 billion in 1951. While this created a large stimulus for industrial production in the long run, in the short term the combination of raw material shortages, soaring prices for commodity imports, and large expenditures for the military build-up generated very high rates of inflation, large-scale trade deficits in Europe, a dwindling of dollar reserves, and by mid-1951 the onset of a recession.[43] In this context, selective expansion was a policy of expanding production in certain sectors while curtailing demand in others, both aimed at saving dollars, improving the balance of payments, and at thus reaching "viability" through sophisticated planning techniques.[44] Thus, it was highly interventionist and in sharp tension with a more liberal line of laissez-faire policies aimed at the removal of trade restrictions, free convertibility of currencies, and investment incentives to permit the expansion of the most competitive industries.[45]

These politics of selective expansion achieved very little. They had been controversial from the beginning, WP-5 soon became caught up in discussions of complex and detailed sectoral problems of specific raw

41 WP-5 was the first working party of the Council with a substantive and broad topic. For a list of all the working parties of the Council, see OECD, *The European Reconstruction, 1948–1961*, 48f.

42 OECD-HA, SGD(54)11, Composition of Working Party No. 5, March 3, 1954.

43 Hogan, *The Marshall Plan*, 393; Ellwood, *Rebuilding Europe*, 182f.

44 OECD-HA, C(52)55(Final), Report on the Expansion Program, March 28, 1952.

45 TNA, FO 371/105920, Memorandum by Robin Brayne of the UK Delegation, December 1953.

material shortages, and it was obstructed by British attempts to curb the influence of European institutions.[46] The fourth OEEC report, published in December 1952, sketched a situation of "uneasy balance between inflationary and deflationary forces" in which it depended on government policies to "determine whether there is to be either an upward or downward movement."[47] Others were even more incredulous than the OEEC technocrats. The first comprehensive survey of Europe's development since World War II, a 1953 report by the UNECE, was generally skeptical of the possibility of future expansion in Europe. Referring to the European Manifesto, the survey argued that the prospects of Europe were "in sharp contrast to the [...] resolve of OEEC countries to secure an increase in production of 25 per cent in five years."[48] These rather pessimistic European analyses were criticized by the US administration that strongly disagreed with the "general tone of 'stagnation' that permeated the OEEC Fourth Report" and the "extreme pessimism of the ECE report," thus highlighting a divergence of opinion between Europeans and more optimistic and growth-oriented voices from the US.[49]

More importantly, after the European Manifesto had been issued, OEEC countries were experiencing a general recession to which the politics of selective expansion seemed to give no plausible answer.[50] A 1953 memorandum by Marjolin noted with concern, production in Western Europe during the first nine months of 1952 was approximately the same as during the same period one year earlier. According to the analysis developed within the Secretariat, three major problems were in the way of further economic expansion. First, the stress on balance of payments, combined with the restrictive policies implemented in many OEEC countries to counter the high rates of inflation of the early 1950s, showed clear effects in slowing down investment and thus growth. Second, while in 1951 the main problems in the way of expansion were raw material shortages and bottlenecks in certain basic sectors, from 1953 onwards Europe experienced the first occurrences of surpluses. These

[46] OECD-HA, CE(52)21(Final), Resolution of the Executive Committee concerning the studies to be undertaken for the implementation of the measures relating to economic expansion, April 25, 1952; C(53)62(Final), Recommendation of the Council concerning the pursuit of studies for the expansion of production, May 26, 1953.

[47] OEEC, *Europe – the Way Ahead. Towards Economic Expansion and Dollar Balance. Fourth Annual Report of the OEEC* (Paris: OEEC, 1952), para. 252.

[48] United Nations Economic Commission, *Economic Survey of Europe since the War* (Geneva: United Nations, 1953), 51. See also Ellwood, *Rebuilding Europe*, 212.

[49] NARA, RG 469, Entry UD 379, Box 91, Folder OEEC General 1952–53, Hamilton Q. Dearborn to Jack Kaplan, March 26, 1953. See also OECD-HA, SGD(53)20(1st Revision), Recent Economic Trends in Western Europe, March 31, 1953.

[50] Van der Wee, *Der gebremste Wohlstand*, 60.

created a whole new set of problems in which "the uncertainty of overall demand" was perceived as the main "threat to expansion" – a set of problems that would eventually give rise to macroeconomic demand policies.[51] Finally, policy-makers increasingly realized that the fundamental problem underlying the continuation of dollar shortages in Western Europe was related to the generally much lower level of productivity, which hampered the competitive advantage of OEEC countries in world markets.

All these problems came to be tackled in other parts of the OEEC than WP-5, undermining the legitimacy of its exercise of selective expansion and of this body as the main center of growth policy debates. The balance-of-payments situation was dealt with by the EPU, macroeconomic policies became coordinated through the Economic Committee and most importantly the Robert Hall expert group created in 1953 (see Chapter 3), and the work on productivity was concentrated in the EPA, also founded in 1953.[52] By mid-1953, the inability of WP-5 and its approach to contribute to effective economic problem solving within the OEEC became increasingly obvious. The most outspoken critique came from the British Treasury, but most other countries eventually shared this view. In a nutshell, the criticism of WP-5's work was that instead of fighting shortages by means of controlled economies, the dollar gap could only be sustainably dealt with by increasing the "competitive power" of Europe in relation to the dollar area.[53] "Increased production by itself is useless unless it is competitive," an internal Treasury paper discussing the OEEC approach stated.[54] All in all, WP-5 had achieved only "negligible" progress in actually preparing a detailed expansion plan for Europe. In late 1953, Ockrent resigned as chairman of the working party, and its work lay dormant for several months before it was officially dissolved in 1954.

A main point of contestation in the final months of WP-5's work, which symbolizes the difficulties of the approach of selective expansion, was a case concerning Turkey's agricultural production. Following a recommendation by WP-5, Turkey, which had one of the most severe dollar deficits, had started to produce more agricultural products (wheat,

[51] OECD-HA, C(53)62, Activities of the Organization with regard to the Expansion of Production, February 20, 1953.

[52] On the EPU, see Monika Dickhaus, "'It is only the provisional that lasts': The European Payments Union" in *Explorations in OEEC History*, ed. Richard T. Griffiths (Paris: OECD, 1997), 183–200; Kaplan and Schleiminger, *The European Payments Union*.

[53] NARA, RG 469, Entry UD 379, Box 92, Folder OEEC General June–December 1953, The 25 percent Expansion Program of the OEEC, August 1953.

[54] TNA, T 232/371, Selective Expansion, January 1, 1954; NARA, RG 469, Entry UD 379, Box 78, Folder OEEC 4th Annual Review, Paris to MSA, June 5, 1952.

cotton, and tobacco). In order to save dollars at a European level, WP-5's reasoning went, these agricultural products should then be sold to OEEC countries, which at that time accrued dollar deficits by buying agricultural products from the US and other dollar countries. However, when Turkey had actually increased its production of these products in 1954, the price was not competitive. While Turkish officials and part of the OEEC Secretariat were supporting the adoption of a preferential intra-European marketing agreement for Turkish agricultural products, Britain, the US, and West Germany rejected this proposal as an interventionist aberration of the price mechanism.[55]

These difficulties pointed to the more fundamental problem of large differences in productivity levels. In the early 1950s in most Western European countries manufacturing productivity was still less than half that of the US. Most of the difference in productivity can be explained by America's abundant supply of coal and oil: US industry used between two and three times as much electrical power per worker than in Western Europe.[56] Since the US provided most of the raw materials and industrial products, the lack of competitiveness of Western European economies created severe balance of payments problems, widened the dollar gap, and prevented rising living standards, which had increasingly come to be expected.[57] Furthermore, this episode laid the foundation for the OEEC's and OECD's characteristic focus on markets, competition, and prices that continues until today, because it showed that there is no automatic link between productivity increases and growth. If increased efficiency does not bring down prices – and instead the margins go into firms' profits – then everything stays as before. Thus, to translate into economic growth, productivity increases had to take place in a context of free market competition – so that, in the words of Marjolin, producers "feel the spur of competition."[58]

[55] NARA, RG 469, Entry UD 379, Box 92, Folder OEEC General June–Dec 1953, Hamilton Q. Dearborn to John C. Hulley, December 2, 1953; TNA, T 232/371, Extract from MAC(54), 1st meeting, January 5, 1954.

[56] OECD-HA, C(53)84, Report of the Productivity and Applied Research Committee to the Council on the setting up of a European Productivity Agency, March 19, 1953; Mitchell, *Carbon Democracy*, 29. See also C(53)81, European Productivity Agency, March 18, 1953; Milward, *The European Rescue of the Nation-State*, 124; Hogan, *The Marshall Plan*, 417; Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 22f.

[57] Ellwood, *Rebuilding Europe*, 14, 24–25.

[58] Robert Marjolin, Memorandum: A Lasting Settlement of the Dollar Problem, June 4, 1952, copy in TNA, T 232/266. See also OEEC, *Progress and Problems of the European Economy. Fifth Annual Report of the OEEC* (Paris: OEEC, 1954).

Promoting the "expanding economy concept": the politics of productivity

In contrast to the politics of selective expansion, the second OEEC approach aimed at attacking the difference in productivity between Western Europe and the US, and at changing the mindset of European business and labor. Since the end of World War II, the US had demanded a continuous opening up of trade in Europe as a condition for aid, and this forced European countries to increase their productivity to keep up with international competition.[59] Yet the American productivity drive, to which the OEEC was particularly central, and its Europeanization went even further by aiming at reconstructing social relations and inserting new societal goals. The OEEC discussions in the early 1950s brought together the most eminent European experts in the field and represented the first systematic and comparative examination of productivity in Europe.[60] And in March 1953 the European Productivity Agency (EPA) was founded as a semi-autonomous organization within the framework of the OEEC. For eight years this "operational arm" of the OEEC, which accounted for over 40 percent of its annual budget and employed 45 percent of the OEEC's total operational staff, spread the gospel of the "productivity crusade" throughout Western Europe. This section analyzes the early discussions about productivity within the OEEC and argues that the modern growth paradigm emerged from the norm of productivity, which prefigured many of its basic tenets.[61] The new cast of mind that replaced the statist and traditional visions of the postwar years was the "expanding economy concept," a policy-framework that was based on the GNP accounting view of the economy and centered on increasing technological progress and the proper sharing of profits and wages between capital and labor.[62]

In describing the "improvement of productivity, in its widest sense" as "the fundamental problem of Western Europe," this key message from the

[59] Eichengreen, *The European Economy since 1945*, 59.

[60] European Productivity Agency, *Productivity Measurement, Vol. 1: Concepts* (Paris: OEEC, 1955), 11–19; Heike Knortz, "Die Entwicklung des modernen Begriffs von der Arbeitsproduktivität. Ein Beitrag zur Geschichte der deutschen Betriebswirtschaftslehre," *Zeitschrift für Unternehmensgeschichte* 55, no. 1 (2010): 31–55.

[61] The only detailed study of the EPA is the political history by the Danish historian Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*. See also D. Barjot, J. Gillingham, and T. Hara, *Catching up with America: Productivity Missions and the Diffusion of American Economic and Technological Influence after the Second World War* (Paris: Presses de l'Université de Paris-Sorbonne, 2002); Nick Tiratsoo and Jim Tomlinson, "Exporting the 'Gospel of Productivity': United States Technical Assistance and British Industry 1945–1960," *The Business History Review* 71, no. 1 (1997): 41–81.

[62] NARA, RG 469, Entry UD 346, Box 9, Sol D. Ozer to Edward Lewis, April 8, 1952.

OEEC's fourth annual report, published in 1952, was symptomatic for the passage from European reconstruction to growth policies in the early 1950s.[63] All the other key problems such as unemployment, the provision of a basic living standard to Western Europe's people, but also the liberalization of trade and payments, were framed as depending on solving the most fundamental problem, increasing productivity. The OEEC's fifth report was even more articulate: "In the 1930's the great common problem was unemployment, and in the postwar years it was reconstruction; today, however, the problem of raising productivity has pre-eminence."[64]

Productivity was defined by the OEEC in presenting the first annual program for the EPA in 1953 as "getting the best result out of any of the numerous factors of production – capital, raw materials, plant and machinery, land, labor, etc." It was described as a means to an end, where the "final purpose [...] is a higher European standard of living which is to be obtained by achieving a higher flow of goods and services with a correspondingly higher real purchasing power in the hands of the consumer." Increasing the flow of goods and services was thus elevated to the top echelon of policy goals. Within the national income accounting framework, this amounted to an increase in GNP. This new goal was deliberately positioned in contrast to the older paradigm of a statist vision of economic development: "To achieve a dynamic atmosphere of expansion it is vital that the concept of some 'normal' and static level of production, which is prevalent in the minds of many, should be discarded." Productivity was consequently discussed as a problem of "changing attitudes." Working toward the restoration or maintenance of prosperity, as in the immediate postwar years, did not suffice anymore. The aim was to increase both: productivity, thus improving European competitiveness, and economic expansion, thus preventing unemployment, and generating funds to please the competing demands of capital and labor, savings and investment, defense and consumption. The relation between economic expansion and productivity was explained as a "two-way link":

> On the one hand, increased productivity is [...] the essential condition for an expansion in production, and, conversely, it is only in an expanding economy, in which the flow of goods and services is increasing, that productivity can secure higher real incomes without impairing a high and stable level of employment and without risk of inflation.[65]

[63] OEEC, *Europe – the Way Ahead*, 195.

[64] OEEC, *From Recovery Towards Economic Strength*, 27, see also 175; and Ellwood, *Rebuilding Europe*, 218–19.

[65] OECD-HA, C(53)311, Annual program of action of the European Productivity Agency for 1953–54, December 9, 1954. See also NARA, RG 469, Entry UD 346, Box 4, Folder EPA Documents, EPA/D/11, First Quarterly Report of the Agency, November 20, 1953.

In the late 1940s, enhancing productivity in Western Europe became the rallying cry of American policy toward Europe, both in terms of promoting the creation of a single market to increase competition and spur productivity growth and large-scale, low-cost industries, and in terms of the "productivity ideology" used in selling the Marshall Plan to Europeans. Already in 1948 the ECA set up the Technical Assistance Program to organize hundreds of "crusades" of European management-labor teams, which went as "missionaries" to the US to learn about and spread on their return technical information and the gospel of productivity.[66] In 1950, with the outbreak of the Korean War, the accompanying rearmament needs and renewed worries about workers' unrest in continental Europe, Marshall Plan authorities launched a more coordinated Production Assistance Drive, which focused on the OEEC.[67]

Although the driving force for the productivity crusade was American, there were similar approaches in Europe that had their roots in interwar debates about rationalization.[68] The key European figures active in the efforts to increase productivity through governmental actions in the postwar period were Jean Fourastié, László Rostas, and Alexander King.[69] All three collaborated through the OEEC. Fourastié, a French economist and national income expert whose influential writings such as *Le grand espoir du XXe siècle* promoted increased productivity and long-term growth prospects, and other economists from the Commissariat général du Plan were vital in establishing the key terminology and statistical techniques that were adopted by other OEEC members.[70] Rostas, a Hungarian-born British economist and government expert in the Board

66 Hogan, *The Marshall Plan*, 143; Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 23–25.

67 Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 30.

68 Charles S. Maier, "Between Taylorism and Technocracy: European Ideologies and the Vision of Industrial Productivity in the 1920s," *Journal of Contemporary History* 5, no. 2 (1970): 27–61.

69 Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 35. See also Alexander King, *Science and Policy: The International Stimulus* (London: Oxford University Press, 1974), 33–34.

70 Régis Boulat, "La productivité et sa mesure en France (1944–1955)," *Histoire & Mesure* XXI, no. 1 (2006): 79–110, especially 97–101. A 1950 paper, prepared by Fourastié for the OEEC, defined productivity as "the quotient obtained by dividing output by one of the factors of production." OEEC, *Terminology of Productivity* (Paris: OEEC, 1950), 4. See also Jean Fourastié, *La civilisation de 1960* (Paris: Presses universitaires de France, 1947); Jean Fourastié, *Le grand espoir du XXe siècle; progrès technique, progrès économique, progrès social* (Paris: Presses universitaires de France, 1949); Jean Fourastié, *La productivité* (Paris: Presses universitaires de France, 1952). On Fourastié, who later became famous through his three-sector model, see Olivier Dard, "Fourastié avant Fourastié: La construction d'une légitimité d'expert," *French Politics, Culture & Society* 22, no. 1 (2004): 1–22. On the uncritical adoption of social scientific interpretations by contemporary historians, see Rüdiger Graf and Kim Christian Priemel, "Zeitgeschichte

of Trade, who had become famous through the comparison of productivity levels in Britain, the US, and Germany during World War II, shaped the OEEC approach as the first British appointed representative to the productivity studies sub-committee.[71] And King, a well-known British chemist and government advisor, became a pioneer in the employment of science to increase competitiveness and production, first as chief scientist at the British Department of Scientific and Industrial Research in the early 1950s, and then through his long career in international organizations. In 1956 he became director of the EPA and from then on worked as one of the most influential bureaucrats within the OECD until 1974.[72]

How did these experts promote productivity? In 1949 a small coordinating group was set up upon British initiative to coordinate the foundation of productivity missions in Western European countries. This working group, chaired by King, lay the foundation for the OEEC's long tradition in the field of science cooperation and science policies, which were framed from the beginning in the economic context of science's contribution to reconstruction and later economic expansion.[73] In 1950 the OEEC distributed a "Blueprint for a Productivity Centre" that contained some of the central tenets of the productivity campaign, in particular the idea of changing the attitudes of management and labor through the share-out principle. It argued that the key was to get the support of both labor and management by "propagandizing" them through an "energetic publicity campaign to explain the benefits which will follow for all segments of society," constantly assuring the public "that increases in efficiency and reductions in costs are passed on in the form of lower prices or higher real wages whenever possible."[74]

In December 1951, the "team OEEC #100" toured the US and discussed the future of the European productivity drive with American officials, who expressed support for a strengthened role of the OEEC

in der Welt der Sozialwissenschaften. Legitimität und Originalität einer Disziplin," *Vierteljahrshefte für Zeitgeschichte* 59, no. 4 (2011): 479–508.

71 On Rostas, see European Productivity Agency, *Productivity Measurement*, 7–8; László Rostas, *Comparative Productivity in British and American Industry* (Cambridge: Cambridge University Press, 1948).

72 King, *Let the Cat Turn Round.*

73 This so-called Working Party No. 3 worked from 1949 to 1952. TNA, FO 371/87239, Report on proceedings of the first session of the Productivity Group, May 23–24 [1950]. See also OECD-HA, C/WP3/PG(50)3, Report of the 1st Session of the Productivity Group, June 3, 1950; Alexander King, "Scientific Concerns in an Economic Environment: Science in OEEC-OECD," *Technology in Society* 23, no. 3 (2001): 338–40.

74 TNA, FO 371/87239, Blueprint of a Productivity Centre, Annex II to C/WP3/PG(50)1, Groupe de la Productivite, Liste des Délégués, June 1, 1950. See also C/WP3/PG(50)3, Report of the 1st Session of the Productivity Group, June 3, 1950.

and proposed the foundation under OEEC auspices of a European Productivity Center. In these discussions "[t]here was a general awareness that productivity [...] is a cultural phenomenon that can be transplanted into the European culture," and that it was important to "know at what points the productivity idea has to be inserted or 'grafted in.'" The productivity drive was described as "a job of social engineering" for which the National Productivity Centers served as "'centers of infection' with an indigenous mainspring." Following these early planning efforts and missions, and spurred by American authorities, French planners, and Secretariat staff, these ideas were put into practice by the OEEC. Designed to "create the incentives and develop the method of raising the gross national production," in April 1952 the organization established the Productivity and Applied Research Committee and to strengthen its work, in March 1953 founded the European Productivity Agency (EPA) as its "operational arm."[75]

The EPA was a semi-autonomous body, equipped with $2.5 million from the US and additional European counterpart funds. As Bent Boel has meticulously shown, until it was wound up with the end of the OEEC in 1961, the EPA has contributed considerably to the "change of attitudes and practices" among European management, labor, and politicians in line with the productivity ideas developed in the early 1950s. Its key operational work was the provision of services to member countries, in particular by offering financial aid to national productivity centers, through thousands of seminars, conferences, and missions, and by instituting "pilot zones" to test the influence of the politics of productivity. The EPA further initiated or helped set up new institutions in member countries in the areas of business management, industry standards, and labor associations. And finally, the EPA supported research, published influential surveys, and fostered research cooperation in the productivity field between research institutions in OEEC countries and the US.[76] In all this, the EPA acted as an agent of "Americanization," transferring money, but more importantly ideas and practices, from the US to Western Europe. Yet the progressive Europeanization of the productivity drive also encouraged what King described as the "creation of a new and

[75] NARA, RG 469, Entry UD 379, Box 91, Folder OEEC General 1952–53, Walter H. C. Laves to Mr. Everett Bellows, December 19, 1951; Entry UD 346, Box 9, Sol D. Ozer to Edward Lewis, April 8, 1952; Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 48–59.

[76] The pilot project in Sardinia has been studied by Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 199–220. On the context, see Ellwood, *Rebuilding Europe*, 181–201.

characteristically European industrial spirit" that also spawned the flow of ideas in the reverse direction, from Europe to the US.[77]

A particular concern of this enterprise in social engineering was the Western European labor movement. At that time, productivity was not yet a universally accepted buzzword and part of the labor movement was still skeptical, fearing that productivity increases would mainly raise profits and unemployment.[78] In this context, the ECA's and the OEEC's ambitions were not just economic, as Sol Ozer, labor advisor to the ECA, explained, but they were interested in the "social impact" of productivity measures. In particular, the OEEC was interested in

> the proper sharing of the benefits, in the development of worker's feeling of participation in the economy, in the creation of consumers for increased production, and especially in breaking through the restrictive mentality, which shackles the countries of Western Europe. In other words, the Productivity Program is conceived as a catalytic agent, which is intended to set up a ferment of reactions leading to an Expanding Economy.[79]

The OEEC pursued both the splitting of existing trade unions by strengthening the so-called "free" trade unions and at the same time the promotion of attitudes among workers that were favorable to long-term social stability.[80] The bottom-line was overcoming political divisions by a technocratic focus on growth, because, as stated in a 1956 Secretariat note: "To too great an extent European unions are dominated by ideology rather than 'bread and butter' concepts."[81] Nonetheless, the rampant critique among Western European working classes and a common stereotype of the US, that the focus on growth triumphed welfare, led to the development and rapid expansion of state-sponsored welfare systems in most Western European states.[82] The tacit deal between the political Left and the Right, between capital and labor, that developed as acceptable to all sides in the postwar period rested on the politics of productivity and the emerging growth paradigm. And the funds needed to pay for the expansion of welfare

77 Note by King, October 27, 1954, cited in Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 129.
78 Carew, *Labour under the Marshall Plan*, 160.
79 NARA, RG 59, Entry A1 3074-A, Box 2, Folder General ECA Productivity Program, S. D. Ozer to Everett Bellows, August 17, 1951.
80 Ronald Radosh, *American Labor and United States Foreign Policy* (New York: Random House, 1969), 304–47; Carew, *Labour under the Marshall Plan*.
81 Secretariat note, March 7, 1956, quoted in Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 152, see also 149–84.
82 Peter Baldwin, *The Politics of Social Solidarity: Class Bases of the European Welfare State, 1875–1975* (Cambridge: Cambridge University Press, 1990); Ellwood, *The Shock of America*; Gösta Esping-Andersen, ed., *Welfare States in Transition: National Adaptations in Global Economies* (London: Sage, 1998).

states were in turn provided by stable growth rates.[83] Thus the promise of eternal growth became the basis for labor's hope in partaking in the increasing abundance – a consensual politics of welfare capitalism.[84]

As will be argued in the next chapter, during the latter half of the 1950s macroeconomic policies considerably gained in importance, giving rise to growth policies aimed at steering the entire economy through macroeconomic tools such as demand management, fiscal, and monetary policies. Although building on the politics of productivity discussed in this section, they were in tension with the microeconomic focus and the low politics of the EPA. In 1961, when the OEEC was transformed into the OECD, the EPA, which had been highly successful in spreading the gospel of productivity in Western Europe, was eventually "'killed' by macroeconomists."[85] Parts of its functions, but more importantly some of its discourses and key Secretariat personnel, were transferred to the OECD and continued to influence the organization's work on development, manpower affairs, and scientific and technological policies that will be discussed in Part II.

The politics of economic growth

Historical research has repeatedly described the fundamental societal changes that occurred in the wake of the emergence of the "ideology of growth" during the 1950s, leading to consumerism, increasing energy consumption, and a weakening of class-based politics.[86] The "expanding economy concept" became widely accepted as the "supreme objective" of Western European policies.[87] While in the late 1940s and early 1950s economic goals had largely been expressed as material production targets or sectoral production plans, the idea of aiming at achieving the more abstract aim of expanding GNP took hold during the 1950s. I have argued that economic expansion was not primarily promoted to raise the standard

83 Hobsbawm, *Age of Extremes*, 282. The incorporation of labor into the state-machinery of Western policy formulation was a conscious strategy for political stability and stable conditions of accumulation. Maier, *In Search of Stability*.

84 Howard Gitelman, "Welfare Capitalism Reconsidered," *Labor History* 33, no. 1 (1992): 5–31; Julia Angster, *Konsenskapitalismus und Sozialdemokratie. Die Westernisierung von DGB und SPD* (München: Oldenbourg, 2003); Steve Fraser, "The 'Labor Question,'" in *The Rise and Fall of the New Deal Order, 1930–1980*, ed. Steve Fraser and Gary Gerstle (Ann Arbor: University of Michigan Press, 1993), 55–84.

85 Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 251.

86 Carew, *Labour under the Marshall Plan*, 241. See also Judt, *Postwar*, 241–277; Hartmut Kaelble, *Sozialgeschichte Europas. 1945 bis zur Gegenwart* (München: C.H. Beck, 2007), 87–118; Christian Pfister, ed., *Das 1950er Syndrom: der Weg in die Konsumgesellschaft* (Bern: Paul Haupt, 1995); De Grazia, *Irresistible Empire*.

87 Marjolin, *Architect of European Unity*, 155.

of living (which at that time was not seen as identical to economic output as measured by GNP), but as a powerful means to resolve conflicting claims on the national budget: most importantly, to reach economic viability and thus independence from US aid; to create social stability and contain the influence of leftist parties and the labor movement; and to finance rearmament in the context of an intensifying Cold War.

In the context of international cooperation, the key driving force to economic expansion as a policy goal in Western Europe was the concern over the dollar gap and the external balance, which the Marshall Plan had helped to close only temporarily.[88] Increased production seemed crucial in order to "dispense with US aid by the end of the period."[89] The OEEC first focused on the politics of "selective expansion," which aimed at increasing production in some sectors while curtailing it in others in order to close the European dollar gap. Although some of the sectoral policies envisaged were growth policies in an embryonic form, most importantly efforts to invigorate the efficiency of labor and management or the continued modernization of equipment, production methods, and techniques in certain sectors, the politics of selective expansion proved short-lived.[90] The growing concern about the competitive disadvantage of Western Europe in comparison with the US gave rise to the focus on "productivity" as the key to "increase the competitive ability of European producers."[91] Going beyond technical and organizational innovations at the level of the firm, the productivity drive aimed at changing the fabric of Western European societies. Whereas growth first became a policy goal in the US in the early 1950s, it rapidly spread to Western Europe and to many other parts of the world during the 1950s. Ranging from Japan, where a powerful technocratic postwar consensus around growth was built to overcome the loss of empire and the ideology of fascism, to the Soviet Union and to countries previously at the periphery of the global economy in Asia, Africa, and Latin America, where import substituting industrialization became the new vogue, governments increasingly focused their policies on managing economic output to achieve faster growth.[92]

88 Eichengreen, *The European Economy since 1945*, 59–70; Ellwood, *Rebuilding Europe*, 154–74.
89 OEEC, *A Decade of Co-Operation*, 31.
90 OECD-HA, C(51)294, Text of public statement approved by the Council at its 154th meeting on August 29, 1951.
91 OEEC, *Twelfth Annual Report of the OEEC* (Paris: OEEC, 1961), 12.
92 Collins, *More*, chap. 1; Yarrow, *Measuring* America, chap. 1–2; O'Bryan, *The Growth Idea*, chap. 5; Pekka Sutela, *Economic Thought and Economic Reform in the Soviet Union* (Cambridge: Cambridge University Press, 1991); Richard W. T. Pomfret, *The Age of*

By de-ideologizing political conflicts over the distribution of income and wealth and turning them into technical management questions of output and efficiency, growth policies played a crucial role in producing the stable postwar consensus around embedded liberalism.[93] As noted by the American economist, advisor of President Eisenhower, and governor of the Federal Reserve Bank Henry Wallich: "Growth is a substitute for equality of income. As long as there is growth there is hope, and that makes large income differentials tolerable."[94] In fact, growth became presented as the common good, thus justifying the particular interests of those who benefitted most from the expansion of market transactions as beneficial for all. Within the growth discourse, it were in particular corporations, on whose expansion societal well-being came to hinge on, since the growth of enterprises guaranteed not only employment, but public taxes, rising wages, and national prestige. More generally, the exclusive focus on the market economy universalized the interests of those working in this sector to the detriment of those working in the informal or reproductive economy.[95]

Strikingly, the turn to growth-oriented policies did not result from advances in economic knowledge and the policies taken were not yet informed in any notable way by economic theory. This had many reasons such as the fact that many early bureaucrats and delegates within national administrations and international organizations were not educated as economists (although this would change soon, as discussed in Chapter 3).[96] Yet most importantly, economic growth theory itself was not well developed yet. When the American Economic Association (AEA) undertook a comprehensive *Survey of Contemporary Economics* in 1952, Moses Abramovitz, himself involved in this research, described the theory of growth as "rudimentary" and "underdeveloped," and began his article by stating: "Unlike most of the topics treated in the Survey, the problem with economic growth [is that it] lacks any organized and genuinely known body of doctrine whose recent development might illuminate the subject of this

Equality: The Twentieth Century in Economic Perspective (Cambridge: Harvard University Press, 2011), chap. 5.

93 Maier, "The Politics of Productivity"; John Gerard Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36, no. 2 (1982): 379–415.

94 Henry C. Wallich, *Newseek*, January 24, 1972.

95 This has been called the "male bias." Christine Bauhardt and Gülay Çaglar, *Gender and Economics: Feministische Kritik der politischen Ökonomie* (Wiesbaden: VS Verlag, 2009). See also Dale, "The Growth Paradigm: A critique";

96 On the rise of economists as an international profession and its relations to governments, see Fourcade, *Economists and Societies*. On the role of economists in the US's turn to growth see Yarrow, *Measuring America*, chap. 2.

essay."[97] Symptomatically for the state of the art in economics, Paul Samuelson did not include a discussion of growth or development in the 1951 edition of his classic introductory economics textbook.[98] However, spurred by the success of the politics of productivity in the context of the Marshall Plan, the emergence of "underdeveloped" nation-states waiting to be modernized, and the intensification of the Cold War competition over military and economic hegemony, the decade after 1952 experienced a surge in theorizing economic growth.[99]

97 Moses Abramovitz, "Economics of Growth," in *A Survey of Contemporary Economics*, ed. Bernard Francis Haley (Homewood: R.D. Irwin, 1952), 132f, 153. The notable exceptions were the neo-Keynesian growth theories by Roy F. Harrod and Evsey D. Domar.

98 See the discussion in Collins, *More*, 28; Arndt, *The Rise and Fall of Economic Growth*, 33–35.

99 Arndt, *The Rise and Fall of Economic Growth*, 33–54; Evsey D. Domar, *Essays in the Theory of Economic Growth* (New York: Oxford University Press, 1957); Lewis, *The Theory of Economic Growth*; Robert M. Solow, "The Last 50 Years in Growth Theory and the next 10," *Oxford Review of Economic Policy* 23, no. 1 (2007): 3.

3 "Expand or die"

International economic mandarins and the transnational harmonization of growth policies

> [O]fficial minds began to dream that they had finally found the key to all human problems. That key was economic growth [. . .][1]

> '[E]xpand or die' is [the] basic problem of Western Europe.[2]

In 1953 the economic ministers of OEEC countries launched the first concerted expansionary program of the postwar era, which heralded five years of steady growth until the 1958 recession in the US.[3] However, the official documents at that time reveal no awareness of the dawn of a "golden age" of continued economic expansion and rising prosperity, but rather pessimism and insecurity.[4] Growth policies were only in their infancy.[5] While expansion as an aim of economic policy-making had become prominent by the early 1950s, most economists and politicians were still thinking in terms of cyclical fluctuations about economic development, in which expansion could be promoted during the boom, after which a bust would be inevitable and could only be mediated to be less severe or destructive for the respective country. Keywords were "restoration" and "reconstruction," not yet "growth" or "progress." In 1953, most European countries experienced the first leveling off of postwar expansion and Korean armament, which manifested itself in more than a year of little or no economic growth. The fear of prolonged economic stagnation was widespread. More generally,

> the overriding impression [in the mid-1950s] was that in the ten years following the war we had just about made up the ground lost during the ten years preceding it and during the war itself. It seemed as if after this effort the course of history had suddenly stopped.[6]

1 Cornelius Castoriadis, "Reflections on 'Rationality' and 'Development,'" *Thesis Eleven* 10–11 (1985): 18.
2 NARA, RG 56, Entry UD-UP 734-A1, Box 58, Folder OEEC/1/40, Treasury Participation in Economic Review, Vol. 1, Hauge to Stassen, September 9, 1953.
3 Marris, "My History of My Time at the OECD."
4 On the "golden age" of postwar history, see Marglin and Schor, *The Golden Age of Capitalism*.
5 On growth policies in the 1950s, see O'Bryan, *The Growth Idea*, 133–71; Collins, *More*, 17–39; Nützenadel, *Stunde der Ökonomen*, 63–89; Ellwood, *Rebuilding Europe*, 205–41.
6 Marjolin, *Architect of European Unity*, 248.

However, in the following years the idea took hold that long-term expansion was possible. Indeed, in the intensifying Cold War and in intra-capitalist competition, in which a key slogan became "expand or die," long-term growth came to be seen as imperative. Therefore, governments were charged with the new "duty" to guarantee a steady growth path, for which specific policies were identified as particularly suitable. It was in this context that in most Western countries economists moved into some of the most influential government advisory positions. Armed with the knowledge and statistical machinery to fulfil the new mission and obligation of governments, these economic mandarins became increasingly indispensable for managing growth societies. How can these shifts in perspective from restoration to progress and the emergence of confidence in the ability of governments to produce long-term growth be explained? And how was this related to the rise of economic experts in key government positions?

Some of the most influential Western government economists of that time were transnationally connected through a small, arcane, and almost forgotten OEEC expert group. The significance attached to this all-male group and its debates is aptly illustrated by a diary entry of Robert Hall, the key figure of the group and its chairman during the entire 1950s:

> These meetings are really something quite exceptional for economists and I should think are quite new in the history of the world, in the sense that economic experts, if they existed at all as Government advisers, were not generally very important people until Keynes's ideas had been commonly accepted in the West. So that there were not the people to meet as we do: now we have 7 or 8 or 9 people who are by and large the chief professional advisers of the main Western Governments – all have more or less the same professional training in that they understand how to maintain the level of activity and what forces operate on it.[7]

While nowadays it is difficult to imagine a world in which economists do not influence almost every field of policy-making (ranging far beyond the realms of economic policy), in the immediate postwar period this was not even obvious for narrow economic policies. Furthermore, economics was not yet a global discipline with internationally homogenous or compatible concepts, training, and theories.[8] Yet the assertiveness of economists rapidly emerged, as demonstrated in the following reflection on the work of the small OEEC group of economic experts by Angus Maddison, senior economist at the OEEC and one of the most outstanding economic authorities on growth:

[7] Diary entry on May 5, 1955, Robert Hall, *The Robert Hall Diaries, 1954–1961*, ed. Alec Cairncross (London: Unwin Hyman, 1991), 35.

[8] Fourcade, *Economists and Societies*.

> The quality of these confrontations on policy issues, and the fact that the European economy had shown such extraordinary growth, gave me the exhilarating impression that OEEC was largely responsible for making capitalism work.[9]

What was this expert group, who were its members, what did they discuss, and how did they contribute to the emergence of the growth paradigm? This chapter examines high-level policy debates among the chief economic advisors of six Western European and the US government with the core of the OEEC Secretariat between 1953 and the late 1950s. Without question, Maddison’s hyperbolic appraisal overstates the role of the OEEC and its core economic expert group, and rather demonstrates the self-perception within the Château de la Muette of the OEEC as the successful warden of capitalist development. Nonetheless, this group, which has been entirely neglected in academic research on transatlantic policy-making, was influential not only in developing new forms of transnational policy-harmonization, but also in advancing the idea of sustained economic growth. Between September 1953 and March 1961, these experts, which came to be known in government circles simply as the “Robert Hall Group,” held two meetings in Paris every year, each lasting several days. The group was unique in several ways: from the beginning, it was attended by US delegates as full members, thus prefiguring the enlargement of the organization in 1961; its membership was restricted to the largest OEEC countries, a practice that became influential in the OECD in the 1960s and in other fora such as the G7 or G8 later on; and it was deliberately designed as a group of “economic experts,” which meant that debates were informal, no decisions were taken, no official records were kept, and the focus was on a frank exchange of ideas among an exclusive group of government economists. The members, all men trained as professional economists at elite universities, included some of the most influential economic policy advisers of that time such as Neil H. Jacoby, Arthur Burns, and Raymond Saulnier from the CEA, the head of the French Plan Étienne Hirsch, Otmar Emminger from the German Bundesbank, and the famous Dutch econometrician and social engineer Jan Tinbergen.

During the 1950s, these meetings reflected and helped produce the rise of a long-term view of economic growth prospects and policies within Western governments. Despite the relatively diverse political leanings and interests, the meetings established a new form of “confrontation” that aimed at steering growth policies in the main Western economies in ways that minimized negative international repercussions on partner countries.[10] Drawing on informal minutes and notes of the OEEC expert

[9] Maddison, “The Origins and Early Years of the Centre,” 241f.

[10] “Confrontation” developed into one of the key concepts of OECD policy-making. See Pagani, *Peer Review*.

group's meetings, as well as on autobiographical accounts by key protagonists, this chapter provides an in-depth analysis of this community of experts and the economic knowledge produced among it, demonstrating the ways international economic policy debates and expertise evolved during the 1950s.

From restoration to progress: the foundation of an economic expert group in 1953

In the context of more than a year of economic stagnation in Western Europe and widespread fear of a return of recession, the idea to form a "working party of governmental experts" was first put forward by the British delegation in June 1953. Originally, the aim was to develop strategies for "overcoming economic stagnation in Europe" and "to assemble the ideas which it was desirable to propagate outside the Organization."[11] Because this proposal highlighted an organizational vacuum within the OEEC, which needed a "more sophisticated forum [...] to monitor the macro economic conjuncture, to assess growth performance, to exchange ideas on policy options and to improve the diagnostic quality of our statistics," it was readily adopted by the Secretariat.[12] The OEEC leadership, anxious that "the Organization must not be turned into a machine for producing reports," welcomed the foundation of a high-level expert group to provide new political responsibilities to the organization.[13] The third driving force behind the new expert group were US government experts, who gave it a distinctly American direction. In their views the British and European approach to economic growth was

> excessively defensive and restorative, i.e., seem[s] to consist mainly of *getting back* to some earlier condition, and preparing against possible calamity that might assail the present position. They do not envisage moving forward to [a] new condition. [The] [f]undamental American approach [is] to strive to achieve new and better conditions than those which existed before the war or any other time. We advocate getting away from [the] idea of restoration to [the] idea of progress.

Although this statement displays American arrogance and overstates the difference in mindsets, it demonstrates a real tension that was also observed by many Europeans at the time.[14] Merely aiming at overcoming

11 OECD-HA, CES/250, Summary record of the informal discussion of members of the Executive Committee, June 9, 1953; TNA, T 232/440, UK Delegation Paris to Foreign Office, June 20, 1953.
12 Maddison, "Confessions of a Chiffrephile."
13 OECD-HA, CES/250, Summary record of the informal discussion of members of the Executive Committee, June 9, 1953.
14 See, more generally, Milward, *The European Rescue of the Nation-State*, 32.

stagnation and getting back to economic conditions of moderate expansion, as had been done before World War II, was regarded as backwards and defensive, while the new idea of progress offered a way forward. This idea of progress, the US Treasury personnel swiftly argued, was best articulated through growth policies: The "purpose of such policy must be defined as expansion of production and trade."[15]

Within this framework, from September 1953 onwards the group met under the chairmanship of Robert Hall. Although first only conceived as a temporary group and intended as an encounter between the new key economists of the Eisenhower administration and their European counterparts, these meetings proved interesting and useful and were put on a permanent basis. The status of the group was explicitly defined as restricted and as consisting of "economic experts" with a high standing in economic circles. Seven countries participated in the meetings: Britain, France, Italy, the US, West Germany, one Scandinavian expert (usually Denmark), and one from the Benelux countries (usually the Netherlands). Even though clearly aimed at effective debate among the largest countries, the exclusion of other OEEC countries, who had to be "pacified," was justified in terms of "the availability of appropriate experts of a high caliber."[16]

Economic mandarins: "the chief professional advisers of the main Western governments"

Remarkably, the expert group was the first body within the OEEC made up exclusively of economists, many of which had worked at leading academic institutions or would do so later in their lives. Who were these economic mandarins? The key personality was Robert Hall, who as permanent chairman closely cooperated with the Secretariat and the US delegation in the preparation and steering of the meetings. Educated as a civil engineer in his country of birth, Australia, and as an economist at Oxford, he had lectured at Oxford and worked during and after World War II for the British Raw Materials Department of the Ministry of Supply in London and Washington. In 1947, Hall became the head of the Economic Section, which he took over from James Meade and directed until 1961, working for eight Chancellors.[17] In this position, Hall was

15 NARA, RG 56, Entry UD-UP 734-A1, Box 58, Folder OEEC/1/40, Treasury Participation in Economic Review, Vol. 1, Paris to MSA, September 5, 1953.

16 TNA, T 232/440, UK Delegation Paris to Foreign Office, June 27, 1953. See also OECD-HA, EC(53)7, Tasks of the Economic Committee, June 5, 1953.

17 On Robert Hall, see Kit Jones, *An Economist among Mandarins: A Biography of Robert Hall* (Cambridge: Cambridge University Press, 1994).

the key government economic expert and advisor at a time, when only few trained economic experts were employed by the British government, and he gained "more influence on economic policy than perhaps any other official."[18] Hall was a moderate Keynesian and during the 1950s he and other Keynesian economists at the Economic Section marginalized the traditionally restrictive positions of the Treasury and made Britain one of the forerunners of Keynesian expansionary policies.[19] At the same time, Hall remained an active participant in academic debates. He was one of the original members of the Oxford Economists' Research Group and became president of the Royal Economic Society from 1958 to 1960.[20]

Other influential participants were the US experts, among them Eisenhower's chief economist Gabriel Hauge and prominent members of the CEA such as Neil H. Jacoby, Arthur Burns, and Raymond Saulnier. Although emphasizing more the importance of price stability and balanced budgets, in particular in comparison to their West European counterparts, they promoted the use of countercyclical policies to avert fluctuations in the business cycle, strove to build a consumer society within stable market conditions, and were particularly interested in the close monitoring of the performance of their partners in the Western alliance and their mutual interactions.[21] Considering their own country, the CEA's main concern was low inflation and stability, which were seen as a "prerequisite to the attainment of vigorous and sustainable economic growth"; in the transatlantic context, however, they promoted more aggressive expansionary policies for Europe, not least since this would strengthen the US balance of payments position and the economic potency of the NATO.[22]

The most regular and most vocal participant in the meetings was Otmar Emminger, key economist of the Bundesbank. Emminger took

[18] Alec Cairncross, "Preface," in *The Robert Hall Diaries, 1954–1961*, ed. Alec Cairncross (London: Unwin Hyman, 1991), viii.

[19] Alan Booth, "Britain in the 1950s: A 'Keynesian' Managed Economy?," *History of Political Economy* 33, no. 2 (2001): 283–313; Alan Booth, "New Revisionists and the Keynesian Era in British Economic Policy," *The Economic History Review* 54, no. 2 (2001): 346–66; Hall, *The Political Power of Economic Ideas*.

[20] Robert Hall, "Reflections on the Practical Application of Economics," *The Economic Journal* 69, no. 276 (1959): 639–52.

[21] Soul Engelbourg, "The Council of Economic Advisers and the Recession of 1953–1954," *The Business History Review* 54, no. 2 (1980): 192–214; Arthur F. Burns, "Progress towards Economic Stability," *The American Economic Review* 50, no. 1 (1960): 1–19; Maddison, "Confessions of a Chiffrephile." For the larger context, see Iwan W. Morgan, *Eisenhower versus "the Spenders": The Eisenhower Administration, the Democrats, and the Budget, 1953–60* (New York: St. Martin's Press, 1990).

[22] Raymond J. Saulnier, *The Strategy of Economic Policy* (New York: Fordham University Press, 1962), 21. See also NARA, RG 469, Entry UD 379, Box 89, Jacoby to Hall, February 23, 1955.

the most liberal free-market line of argument during the debates, backed Jacoby and Burns on the importance of monetary stability, and generally pushed the working group away from microeconomic questions, which were to be solved by market forces, and toward macroeconomic policies aimed at balancing stability, employment, and growth.[23] Meanwhile, the French experts, in particular the head of the Commissariat général du Plan from 1952 to 1959, Étienne Hirsch, but also Paul Delouvrier and Pierre Uri, were left-leaning technocrats and planners.[24] With Marjolin, Hirsch, and Uri three of the closest friends and political associates of Jean Monnet participated at the meetings and promoted the planned modernization of European economies, following Monnet’s motto “modernisation ou décadence.”[25] Another influential participant was the Dutch economist Jan Tinbergen, who promoted a mixed economy and economic planning as the best way toward economic expansion and a more egalitarian society. His work in the 1930s and 1940s on business cycle models, for which he was later awarded the Nobel Prize, marked a breakthrough in macroeconomic model building and initiated the widespread application of statistical methods to advise politicians.[26] Further influential participants from national delegations were the Dutch economists Jan Pen and Pieter de Wolff, both macroeconomics specialists in the tradition of Tinbergen, several representatives from the Bank of Italy such as Pasquale Saraceno and Salvatore Guidotti, or the Danish economists Erik Ib Schmidt and Kurt Hansen.

The work of every committee and working group within the OEEC and the OECD depended heavily on the quality and motivation of the professional economists and bureaucrats that worked in its background in the Paris Secretariat, provided all the data, and drafted the reports. The team of influential economists that was formed within the Secretariat to assist the Hall Group consisted of relatively young economists, who were socialized during the time of the Great Depression, almost all of whom were trained as Keynesians, and, as Marjolin later summarized, “had been raised essentially on the idea that a return to

[23] Otmar Emminger, *D-Mark, Dollar, Währungskrisen: Erinnerungen eines ehemaligen Bundesbankpräsidenten* (Stuttgart: Deutsche Verlags-Anstalt, 1986).

[24] Catherine Previti Allaire, “Les archives d’Etienne Hirsch à Florence. Sources d’un itinérair europeén,” *Historiens de l’Europe contemporaine* 11 (1996): 1–4.

[25] Nord, *France’s New Deal*, chap. 3, in particular 155. See also Etienne Hirsch, “French Planning and Its European Application,” *Journal of Common Market Studies* 1, no. 2 (1962): 117–27.

[26] Tinbergen was not only the author of *On the theory of economic policy* (1952), one of the earliest texts setting out in a systematic and quantitative way how to use policy instruments to achieve a set of targets, but also one of the great teachers of economic planning.

prewar stagnation had to be avoided at all costs; we belonged to the 'growth' generation."[27]

The Robert Hall Group thus assembled some of the most influential economic advisors from the rich Western countries, a fact that was repeatedly noted by governments.[28] As a meeting place of key economists who worked within government positions, the transnational meetings not only served as a place for policy debates, but also as nodes in an increasingly globalized academic discipline that bolstered the diffusion of economic theories and policy-making practices on both sides of the Atlantic. While very homogenous in terms of education, sex, and age – all were male economists born between 1900 and 1915 – national differences in professional culture and national interests produced considerable tensions within the group, whose "very wide range of views" was highlighted by observers.[29] However, the unusually open and informal debates that developed over the years were regarded as "extremely friendly," as intellectually stimulating and politically very useful.[30] And the fact, that "all have more or less the same professional training in that they understand how to maintain the level of activity and what forces operate on it," as Hall put it, greatly contributed to the emergence of a shared vision of the long-term future and of harmonized growth policies.[31]

The "duty to maintain growth": the norm of a steady rate of expansion

In March 1953 Marjolin called attention to the fact "that the level of production in Europe as a whole is not higher than a year ago."[32] Hence, when the Hall group first met in late September and early October 1953, the European experts were quite pessimistic as to the economic future of Western Europe and deeply concerned about the possible influence of a

[27] Marjolin, *Architect of European Unity*, 185. Besides the Secretary-Generals, the key OEEC economists that collaborated with the economic advisors in the Hall group were the American statistical expert Milton Gilbert, the French chief of the Economic Directorate Francois Walter, the Norwegian Keynesian expert Eivind Erichsen, and the young British economist and head of the Economics Division Angus Maddison.

[28] NARA, RG 469, Entry UD 379, Box 89, From Jacoby for Stassen and Burns, April 27, 1954.

[29] Maddison, "Confessions." On the relationship between national cultures and the internationalization of economics, see Fourcade, *Economists and Societies*.

[30] TNA, T 232/440, Robert Hall, OEEC Meeting of Economic Experts, September 14, 1954.

[31] Hall, *The Robert Hall Diaries, 1954–1961*, 35.

[32] OECD-HA, SGD(53)20, Robert Marjolin, Recent economic trends in Western Europe, March 19, 1953.

US recession on European economies.[33] A US preparatory note on the meeting summarized this widespread anxiety by describing the time of the first meeting as one of the crucial

> junctures in economic history where new directions can be established. The postwar recovery period is ended, and the post-Korean rearmament has leveled off. In the minds of many, the next logical economic development is a depression in the capitalist countries. Many Europeans are thinking and planning in terms of maintaining present levels of economic activity, insulating themselves from the expected American depression, trying to prevent economic conditions from getting substantially worse than they are today. These attitudes accord with a European morale, which, while better than in the immediate postwar years, is still heavily weighted down with restrictions and defensiveness. In the cold war of today such economic goals are inadequate.

Indeed, in the meeting the Europeans were “extremely discouraged” about the growth prospects, and Hauge reported on the “almost universal hopelessness among the Europeans” and the “very logical but also very hopeless analysis of the expansion problem” by the Secretariat. One Danish economist even launched a discussion about the possibility of a “1929-type crisis.”[34] Western European government experts thought that in the decade after World War II, Europe had merely made up the ground it had lost since the 1930s and that progress had seized.[35] In the meeting, the US experts – attempting to “exorcize the ghost of US depression”[36] – argued that the “book [is] closed on such developments” as depressions, and that the US was now “pursuing [the] goal [of a] normal growth curve.” Hauge pushed the Europeans to aim at higher growth rates and argued against the “status-quoism” among Europeans. He was surprised that it took the group two days to advance from the question “*whether* economic growth is possible within present limits to *how* it may be achieved within present limits.” And most crucially, toward the end of the meeting the Americans presented a “tentative list of ways in which OEEC governments can” set in train a “drive toward economic expansion beyond levels previously achieved.” The list, which was favorably discussed at the meeting, included the stimulation of private investment, production, and technical

[33] NARA, RG 469, Entry UD 379, Box 89, Briefing Book. US Representative to a Meeting of OEEC Economic Experts, April 25, 1955.

[34] NARA, RG 56, Entry UD-UP 734-A1, Box 58, Folder OEEC/1/40, Treasury Participation in Economic Review, Vol. 1, Harold E. Stassen to D. A. FitzGerald, October 22, 1953; Memorandum for the Files, October 7, 1953. See also Hauge to Stassen, September 10, 1953.

[35] Marjolin, *Architect of European Unity*, 248.

[36] NARA, RG 469, Entry UD 379, Box 89, T.D. Kaufmann to Mr. Dearborn, April 23, 1954.

innovations, the creation of a European single market and opening up to competition with US markets, fiscal policies, anti-trust activities, and economic expansion in the overseas territories.[37]

In a situation in which America had adopted a relatively high growth rate as the norm, and in which the Soviet bloc advanced rapidly, Western Europe could not stand aside. Thus the US position was clear: "'expand or die' is [the] basic problem of Western Europe." This perspective was strengthened by Marjolin, who explicitly set the European problems in the Cold War context by contrasting the Western growth rates with "the perhaps 10–15 percent expansion a year" in Russia and Eastern Europe that "poses major problems for [the] free world." In a final speech Marjolin summarized three possibilities for the future work of the expert group: working on measures to offset the threat of a depression, to concentrate on some "minor difficulties" within the normal course of expansion, or "to secure [the] for free world a steady rate of expansion." Taking up the US slogan "expand or die," he prompted the experts to aim at a long-term growth rate of 4–5 percent per year.[38]

The position of Hauge and Marjolin largely prevailed and the report adopted at the end of the meeting, although noting that in the short run expansionary policies might worsen Europe's balance of payments position, called for more rapid economic growth in Europe because the "need for expansion of production is overwhelming." The main idea that emerged out of the expert debates was that the risks of expansionary policies, in particular in terms of a worsening external position and in terms of monetary stability, was "much less if other countries are expanding at the same time," and that thus all governments should simultaneously steer their economies on a steady growth path. The report argued that the achievement of faster growth depended on the ability of governments to create "some understanding as to the pace of expansion that is possible, and on their agreement to advance in line with each other while maintaining internal stability." This shared vision, the report argued, should be developed through a constant dialogue between the OEEC and associated countries "about the measures that may be appropriate in order to secure as steady a rate of expansion as possible in the face of any fluctuations that might arise."[39]

[37] NARA, RG 56, Entry UD-UP 734-A1, Box 58, Folder OEEC/1/40, Treasury Participation in Economic Review, Vol. 1, Hauge to Stassen, September 10, 1953 (emphasis in original underlined).

[38] NARA, RG 56, Entry UD-UP 734-A1, Box 58, Folder OEEC/1/40, Treasury Participation in Economic Review, Vol. 1, Hauge to Stassen, September 9, 1953; Paris to MSA, September 10, 1953; Paris to MSA, September 14, 1953.

[39] OECD-HA, SGD(54)19, Consultations on Economic Policies. Memorandum by the Secretary-General, March 26, 1954 (emphasis added).

The report on the experts’ consultations was quite influential within the OEEC and beyond. It was discussed at the Ministerial meeting in November 1953 and was finally published as the OEEC’s Fifth Report in 1954.[40] In the coming years, the Hall Group took up the two challenges mentioned in the report, a quantitative analysis of growth potentials and informal consultations on the respective growth targets. On the initiative of Tinbergen, the Hall Group discussed ways to make the norm of a steady rate of expansion tangible and reliable. In this context, Tinbergen demanded that all governments publish targets or make “pledges of a precise kind about the rate of expansion which they undertook to maintain,” both for the medium and long term, and to have a continuing international discussion of these targets. Jacoby, who clearly distinguished between published pledges and internal working goals, privately leaked that the US regarded 3.5 percent annual growth as “desirable.” In the ensuing discussion, which revealed the general level of insecurity about growth targets and growth theory, the figure that came up as a possible target for European countries was an increase of GNP by 6 or 7 percent annually. There was not yet a commonly held theory of how to assess growth prospects for the longer term. Some experts regarded a growth rate of 6 or 7 percent as too high, others argued that this depended on the country concerned and pointed out that the population increase was a major factor, and still others disagreed “severely” with the entire endeavor of publishing targets and pointed out that “there were in fact not one but many objectives of policy.”[41]

In the end, experts could only document that it was difficult for any of the countries to pledge itself publicly to the maintenance of a precisely defined rate of expansion, and that different rates might be appropriate for different countries. Nevertheless, the final report by Hall indicated a minimum consensus reached by the expert group in a discussion that was regarded by all as extremely productive: “a rate of expansion should be sustained at least sufficient to maintain a high level of employment and to take advantage of opportunities for increasing productivity.”[42] In fact this meant that governments should aim at a GNP growth rate equal or above the combination of the rate of productivity increases and the expansion of the labor force. Although not a formal agreement, by the next meeting in

[40] TNA, T 232/440, Hardman to Strath, March 9, 1954. OEEC, *Progress and Problems of the European Economy*.

[41] TNA, T 232/440, Summary Record by U.K. Delegation of Discussions, April 26–29, 1954; NARA, RG 469, Entry UD 379, Box 89, Jacoby to Stassen and Burns, April 29, 1954.

[42] OECD-HA, C(54)121, Summary of discussions of the Expert’s Working Party, May 4, 1954.

September 1954 Hall explicitly framed it as a "duty to maintain [an] adequate rate of growth."[43]

By the mid-1950s, the norm was not merely economic expansion, but a *steady* rate of expansion. It was not yet fast growth, nor the *highest* growth possible, as it would later be stated in the OECD Convention of 1961. But Western governments were adopting the responsibility to countervail cyclical developments and to keep growth going at a steady rate. Other policy goals such as employment, inflation, and the external balance of payments came increasingly to be assessed in relation to the rate of expansion.[44] "The task which Western Europe now faces is to build a better economy than that existing before the war," the sixth report, *From Recovery to Economic Strength*, stated. Consequently, the OEEC insisted that expansion should be "one of the central and most constant preoccupations of governments."[45] In the words of Tinbergen, continuous growth should be the "world problem number one for the next ten years."[46]

"Keeping in step": steering growth, international competition, and long-term projections

After the norm of a steady rate of expansion was established, the key economic advisors of the largest Western countries started to discuss how best to achieve this aim. The experts had much to learn from one another since growth policies were novel and governments had little operating experience. As Hall explained at the April 1954 meeting:

> [The] concept of Governments aiming to maintain an even rate of expansion [was] still fairly new. Not much experience had been gained in using the internal instruments of influencing the economy, and the international problems were even more novel.[47]

The first sessions of the expert group were mainly taken up by the production of a common analysis of world economic trends, a discussion about whether the growth policies taken in individual countries were "appropriate," and the examination of further steps to promote

[43] NARA, RG 469, Entry UD 379, Box 89, Handwritten notes (probably Jacoby), September 1954.
[44] Arndt, *The Rise and Fall of Economic Growth*, 41–54.
[45] OEEC, *From Recovery Towards Economic Strength*, 15, 24.
[46] TNA, T 232/440, Summary Record by U.K. Delegation, April 26–29, 1954. See also Angus Maddison, "The Economic Position and Prospects of Western Europe," in *At Work for Europe: An Account of the Activities of the Organisation for European Economic Co-Operation*, ed. OEEC (Paris: OEEC, 1956), 17–25.
[47] TNA, T 232/440, Summary Record by U.K. Delegation, April 26–29, 1954.

expansion.[48] The main concern of the experts was that in the longer term demand might not suffice to keep up growth rates. In the past, demand had been high, first due to the reconstruction needs of World War II and then due to the upsurge of defense expenditure for the Korean War. But these external factors were petering out. In this context, the economists in the Hall Group were trying to convince one another that the respective other countries should take more expansionary policies, thus providing export markets for their own economies, increasing home demand, and generating further investment capital.[49]

While the discussions within the Hall Group focused on the international aspects of growth policies and their international repercussions, national measures to promote faster growth and increase demand were also discussed. Particularly noteworthy was the report by Jacoby on US efforts to increase consumption and investment, in which he advocated "speed[ing] up obsolescence" through tax measures.[50] Already in 1954, politicians thus discussed the idea that if there was not enough demand for the continuous growth of markets, products should be artificially made obsolete through marketing techniques that made them wear off or become out of fashion more rapidly. It had also been in the year 1954 that the American industrial designer Brooks Stevens coined the term "planned obsolescence" at an advertising conference – a catch phrase that was to become widely used and controversially debated in the following years. Stevens had defined it as "instilling in the buyer the desire to own something a little newer, a little better, a little sooner than is necessary."[51]

In 1954, Western Europe experienced a remarkable economic upswing, with output rising on an average by 8 percent, exports increasing between 10 and 25 percent, virtually no unemployment (except for Italy), and a rapid expansion of new markets in consumer durables.[52] In this situation, which was generally regarded as "too good to be true,"[53] experts started an informal discussion about their respective policies to enable longer-term economic growth, or, as put in the meeting, "the part

[48] OECD-HA, SGD(54)19, Consultations on Economic Policies, March 26, 1954.
[49] OECD-HA, C(54)121, Summary of discussions of the Expert's Working Party, May 4, 1954.
[50] TNA, T 232/440, Summary Record by U.K. Delegation, April 26–29, 1954.
[51] Glenn Adamson, *Industrial Strength Design: How Brooks Stevens Shaped Your World* (Cambridge: The MIT Press, 2003), 129f. The term had already been used in a small booklet in 1932 by Bernard London, entitled *Ending the Depression Through Planned Obsolescence*, but was not generally known before Stevens made his speech in 1954. On the general history of planned obsolescence in the US, see Giles Slade, *Made to Break: Technology and Obsolescence in America* (Cambridge: Harvard University Press, 2007).
[52] Ellwood, *Rebuilding Europe*, 218.
[53] NARA, RG 469, Entry UD 379, Box 89, Handwritten notes (probably Jacoby), September 1954; T.D. Kaufmann to Mr. Dearborn, April 23, 1954.

which democratic governments might play in maintaining conditions required for economic expansion in the longer term."[54] The first focus was the US. Jacoby described the secret internal CEA projections of a "reasonable target to shoot at under present world conditions," which were based on a "simple exercise of arithmetic," leading to an estimated US GNP of $440 billion in 1959. Furthermore, he explained a large interdepartmental study, initiated by the CEA, to determine the necessary policies to ensure high growth for the US and "to display to the world the expansion possible in a free economy."[55]

These plans and the growth prospects for the US "aroused great interest" among the European experts, in particular since they were "concerned about the problem of 'keeping in step'."[56] If some countries were expanding, other national economies had to keep up with that growth or they would fall behind. Next to the anxiety of "keeping in step" with the US, it was particularly the Soviet economic challenge that was widely discussed in the mid-1950s. For example, a 1953 article in the American quarterly *Foreign Affairs* by the British economist Peter Wiles argued, "The Soviet Economy Outpaces the West." Characteristically for the growing anxiety among experts and politicians during the 1950s, Wiles argued that

> by whatever other criteria economies may be judged, Communism is at any rate beating "capitalism," whether in the form of laisser faire or of the welfare state, in its rate of growth. And in a long cold war the rate of growth is the most important thing, for in the end the country that grows most becomes biggest, and every economic advantage belongs to it, be it military power, dominance in world markets or even a high standard of living. This Communist superiority in rate of growth is not, of course, inexorable or permanent; it is traceable to specific features which "capitalism" could well imitate or improve on [. . .].[57]

In this situation, international competition between the political blocs, but also between competing national economies, became a driving force for growth policies, according to the motto developed within the Hall Group, "expand or die."[58]

[54] TNA, T 232/440, UK Permanent Delegation Paris to Foreign Office, September 13, 1954.
[55] NARA, RG 469, Entry UD 379, Box 89, Handwritten notes (probably Jacoby), September 1954.
[56] TNA, T 232/440, Robert Hall, OEEC Meeting of Economic Experts, September 14, 1954.
[57] Peter Wiles, "The Soviet Economy Outpaces the West," *Foreign Affairs* 31, no. 4 (1953): 566–80. See also Arndt, *The Rise and Fall of Economic Growth*, 48–49.
[58] NARA, RG 56, Entry UD-UP 734-A1, Box 58, Folder OEEC/1/40, Treasury Participation in Economic Review, Vol. 1, Paris to MSA, September 10, 1953.

Inspired by the discussion about the US and the CEA's growth projections, Hall initiated a general reorientation of the group's work to focus, similar to the work of the CEA, on long-run growth prospects and policies.[59] In early 1955, he wrote a letter to all members of the expert group, asking them for their government's "general lines of policy that they seem likely to pursue, with the object of influencing the rate of expansion"[60] and to submit "the possible pattern of growth that seems likely over the next five years or so."[61] Hall was encouraged in this perspective by other experts. Jacoby for example proposed that the group should discuss "what it would mean to the economy of Europe if it were to, say, double its per capita GNP or achieve current North American GNP levels within say the next two decades?" To achieve this, he argued, "[p]erhaps the most important requirement [was] that the economic policy-makers of the Western world have the confidence and the imagination to direct themselves to these possibilities."[62]

In the spirit of this "imagination," the Hall Group discussed the national growth policies of the largest Western countries. For example, the Italian ten-year plan was given the "blessing" of the experts. The Hall group also discussed the British expansion target.[63] At the 1955 Conservative Party conference, the British Chancellor of the Exchequer Rab Butler had pledged that Britain would double its standard of living within a quarter of a century, and within the OEEC Hall was elaborating on the specific plans to reach that goal.[64] In general, in these discussions of the national plans for economic expansion, "it was surprising to see how expansionist everyone expected his Government and his economy to be," Hall noted.[65]

The potentials and dangers of long-term quantitative growth projections, which were just becoming technically feasible, became a major

[59] TNA, T 232/440, Note of an Informal Meeting held at the Chateau de la Muette, November 26, 1954; Hall to Strath, November 26, 1954.

[60] OECD-HA, FAC, box 9, batch 1, file 1, Robert Hall to members of the Working Group of Economic Experts, February 18, 1955.

[61] TNA, T 232/440, Hall to Working Group of Economic Experts, January 25, 1955.

[62] NARA, RG 469, Entry UD 379, Box 89, Jacoby to Hall, February 23, 1955; and the draft by J. J. Kaplan, February 11, 1955.

[63] TNA, T 232/440, M.A.C.(55)76, OEEC Group of Economic Experts. Note by Joint Secretariat, May 11, 1955.

[64] TNA, T 232/440, Hall to Strath, November 26, 1954. See also Ellwood, *Rebuilding Europe*, 217; J. C. R. Dow, *The Management of the British Economy, 1945–60* (Cambridge: Cambridge University Press, 1964), 77. In the historical literature, Butler's speech is often cited as "the first important statement of concrete long-term growth as a major policy objective," even though OEEC growth plans were much earlier. See for example Sidney Pollard, *The Development of the British Economy, 1914–1990* (London: Edward Arnold, 1992), 356.

[65] Diary entry on May 3, 1956, Hall, *The Robert Hall Diaries, 1954–1961*, 66. See also TNA, T 232/440, Hall to Strath, November 26, 1954.

concern for the group. In this context, the "uses and misuses of projections" remained controversial throughout and even its most fervent advocates always emphasized that they did not talk about planning in the Soviet sense.[66] On the one hand, some experts such as Emminger criticized that forecasts were "extremely fallible" and "liable to create important misunderstandings," not least related to the necessary dissociation from communist policies. And Burns argued that they might have an "undesirable influence on government policy when opposition parties put pressure upon governments to make arithmetic come true." On the other hand, experts emphasized that these numbers were important to encourage business investment and that, since they were produced anyway for internal policy planning, they should not be kept secret in a democracy.[67]

These issues came to the fore when the OEEC Secretariat needed new projections because the five-year period of the 25 percent expansion target, which had guided the overall analysis within the international organization, ended in 1956. The organization had to decide whether to set a new target for the future. With the help of the expert group, the OEEC produced projections for the next five years, or, as described by OEEC economist Stephen Marris, "a sort of five-year plan – we almost used that terminology in those days."[68] However, because of the difficulties experienced in adequately forecasting developments in 1951 and due to the low forecasts for the future, the Secretariat and the experts rejected the setting of a new "target" for the latter half of the 1950s and only published a set of "projections."

Based on current forecasts of annual increases in productivity and the labor force, OEEC economist Milton Gilbert had estimated a 17 percent growth of the combined GNP of OEEC countries from 1956 to 1960, thus projecting considerably lower growth rates than in the past and indicating a secular trend of decreasing growth rates.[69] Even though most economists in the Hall Group provided more optimistic estimates and intensely discussed the "suggestion that a much higher rate of expansion than 18 or

[66] TNA, T 232/440, Hall to Working Group of Economic Experts, January 25, 1955. See also Milton Gilbert, "Economic Prospects in Western Europe," *The ANNALS of the American Academy of Political and Social Science* 312, no. 1 (1957): 109–15.

[67] NARA, RG 469, Entry UD 379, Box 89, USRO to FOA Washington, OEEC Economic Experts Meeting. See also T. D. Kaufmann, Draft Report on the Expert Meeting, May 6, 1955; MISC/RA-159, Meeting on the European Economic Picture, May 13, 1955.

[68] OECD-HA, C(56)103, Suggestion by the Group of Economic Experts on the scope of the study of longer-term economic problems, May 16, 1956.

[69] NARA, RG 469, Entry UD 379, Box 89, Washington to all OEEC Capitals and Ottawa, OEEC Meeting of Economic Experts, May 8, 1956. See also Gilbert, "Economic Prospects in Western Europe."

20% should be taken," Burns and Emminger argued that for public relations purposes lower forecasts should be preferred.[70] Anticipating the public reactions to a forecast published by the OEEC, anxious to avoid an inflationary spiral of rising wages and profits, and careful not to jeopardize their status as experts by publishing a target that could not be met, the Hall Group and the OEEC in general settled on the lower number of 17 percent, a figure that was published with a host of other statistical projections in the OEEC's eighth report.[71] Entitled *Europe Today and in 1960*, it was one of the earliest international reports containing longer-term statistical projections for different sectors and countries.[72] These projections, which had been based on rudimentary techniques and statistical assumptions, were to turn out far too low as compared to the actual performance of the European economies in the latter 1950s, but too high for the US. By the early 1960s, as discussed in Part II of this book, improved projections would become the basis for a new era of growth targets.

Balancing growth: the challenge of coordinated cyclical policies in the late 1950s

Some historians, most prominently David W. Ellwood, have argued that the notion of "economic growth" first appeared as a "portentous novelty" in the seventh report of the OEEC in 1956.[73] This chapter has shown that the idea of growth emerged earlier, even in the context of the OEEC, and that it did not pop up as a pompous innovation but built on and evolved from earlier approaches such as the politics of selective expansion and productivity. However, what Ellwood and others have rightly observed is that from the mid-1950s onwards growth was reaching overriding importance as an explicit goal of policy-making, and increasingly shaped popular discourses.[74] The term "economic expansion" and other notions

[70] OECD-HA, CE/M(56)24, June 15, 1956.
[71] During the 1950s, the expert group was one of the driving forces within the OEEC for improved, clearly arranged, and up-to-date statistics on current economic developments, trends, and business intentions. OECD-HA, C/M(56)25, June 22, 1956; EC(55)31 Proposals for Improvement of Statistical Information requested for the Analysis of Current Economic Developments, September 6, 1955.
[72] OEEC, *Europe Today and in 1960. Eighth Annual Report of the OEEC* (Paris: OEEC, 1957).
[73] Ellwood, *Rebuilding Europe*, 217. See also Reinhard Steurer, *Der Wachstumsdiskurs in Wissenschaft und Politik: Von der Wachstumseuphorie über "Grenzen des Wachstums" zur Nachhaltigkeit* (Berlin: Verlag für Wissenschaft und Forschung, 2002), chap. 3. For the OEEC report, see OEEC, *Economic Expansion and Its Problems. Seventh Annual Report of the OEEC* (Paris: OEEC, 1956), 13–16, 19–20.
[74] Arndt, *The Rise and Fall of Economic Growth*, 41; Steiner, "Wachstum als wirtschaftspolitisches Leitbild," 245; Van der Wee, *Der gebremste Wohlstand*, 27. See also Ellwood, *The Shock of America*.

that had been widely used such as "development," "upsurge," "productivity," or "prosperity" were increasingly replaced by the concept of "economic growth," which came to dominate the policy objectives of Western governments.[75] In contrast to the more aggressive connotations of "expansion," reminiscent of territorial or imperial ascendency and the roots of the idea in the economics of World War II, as well as industrial and technological imageries, the notion of "growth" invoked connotations of an innocuous and natural process of thriving, thus naturalizing the expansion of economies.[76]

In the decades before the 1950s, Western economies had regularly run into wild cyclical fluctuations that were accompanied in times of crises by considerable reductions in industrial output. The exceptional postwar experience of relatively high rates of growth combined with stability prompted national economists and administrators to change some of their basic concepts and terminology. As noted by historian Hermann van der Wee, the concept of "crisis" was substituted with the term "recession," the classical politics of crisis management became modern "fine tuning," and the term "business cycle" was transformed into the "growth cycle," in which production would never decline, but growth would only be delayed in a succession of stages of faster and slower economic expansion.[77]

Whereas the OEEC's efforts to increase productivity and technological progress discussed in the last chapter were rooted in the neoclassical tradition, in which the state's role was limited to enhancing the underlying potentials for economic growth, the work of the Hall Group came to focus on the state's capacity to influence macroeconomic variables such as investment, demand, and prices with a view to securing a dynamic equilibrium geared toward growth. This chapter has analyzed the emergence of the international norm of a steady rate of economic growth, international competition as a powerful driving force of growth policies, and the increasing importance of economists in key government positions. During the 1950s, the Hall Group effectively acted "as a catalyst for European exploration and harmonization of national policies to foster economic growth," as formulated in an internal US paper.[78] And more

[75] Ellwood, *Rebuilding Europe*, 218.
[76] Curiously, there is almost no literature on the metaphor of growth in economics. Michael White, "Metaphor and Economics: The Case of Growth," *English for Specific Purposes* 22, no. 2 (2003): 131–51; Deirdre N. McCloskey, If You're so Smart: The Narrative of Economic Expertise (Chicago: University of Chicago Press, 1990), 46–49. See also a similar discussion in Gustavo Esteva, "Development," in *The Development Dictionary: A Guide to Knowledge as Power*, ed. Wolfgang Sachs (London and New Jersey: Zed Books, 1992), 6–25.
[77] Van der Wee, *Der gebremste Wohlstand*, 59–60.
[78] NARA, RG 469, Entry UD 379, Box 89, Fitzgerald, Memorandum for Arthur Burns, April 18, 1955. See also Maddison, "The Economic Position and Prospects of Western Europe."

generally, in the view of protagonists within the OEEC, the organization helped overcome the widespread perception of growth as a "sort of a by-product" and "actually played an important role in promoting the idea of economic growth as an object of policy as such."[79] Already by 1955 Hall could attest a substantial degree of convergence around long-term expansionary policies. Even the divergence between free market views and an emphasis on planning and government intervention was almost becoming negligible:

> members of the Group all have the same general approach to Government economic problems, though the emphasis on the degree of intervention desirable varies with Germany at the one end of a not very wide band, and France at the other.[80]

In the view of the Hall Group, the responsibility for economic fortunes lay in the hands of economic policy-makers, which were guided by economic experts and macroeconomic models. By 1955 these economists were thus optimistic that recessions had become very unlikely because of "the fuller understanding of economic processes" and because governments had accepted "a high level of economic activity as a major objective of policy."[81] Although the specific role of governments varied with differences in political culture and government machinery, everywhere in Europe and increasingly around the world governments took it as their responsibility to pursue policies of modernization or industrialization and to shift the economy to an increasing, more modern, and competitive manufacturing sector.[82]

In the second half of the 1950s, debates started to focus on the international coordination of cyclical policies. Steering national economies through the business cycle was complicated by the increasing interdependence of cyclical trends in Western nation states in a liberalizing world economy. Within the international monetary system of fixed exchange rates, expansionary monetary policies in one country had effects on the monetary situation in other countries, and inflation – but also deflation – came to be seen as a "very contagious disease[s]."[83] Building on the

[79] Marris, "My History of My Time at the OECD." See also Marjolin, *Architect of European Unity*, 155.

[80] TNA, T 232/440, M.A.C.(55)76, OEEC Group of Economic Experts, May 11, 1955. See also OECD-HA, C(55)123, Summary of Discussions of the Economic Experts' Working Party, June 2, 1955.

[81] OECD-HA, Meeting of Group of Economic Experts, May 1955, Summary of Discussion, 6 May 1955; C(55)123, Summary of Discussions of the Economic Experts' Working Party, June 2, 1955; C/M(55)20, June 9–10, 1955.

[82] Eichengreen, *The European Economy since 1945*, 86–130.

[83] OECD-HA, Box ECO/CPE:MF:(1998)01/01/01, Record of the Council Discussions on the Basis of Report C(58)199, July 28, 1958. On the changing definitions and social uses

debates of the Hall Group, the OEEC was one of the first international organizations to start to work on the coordination of cyclical policies.[84] Already in 1956, Ministers at the OEEC discussed international stabilization policies and officially recognized that governments should take concerted corrective actions to fight inflation.[85] These efforts were institutionalized in a high-level working party (WP-19 of the Council), which met at Ministerial level in November 1956 and from then on once a year at deputy level to discuss the business cycle and to harmonize the growth policies of OEEC countries, the US, and Canada.[86] Through this group, the OEEC proved essential to the coordinated policy shift to counter the minor slackening of expansion within OEEC countries in the wake of the 1958 US recession by stimulating more rapid expansion.[87] In 1959 WP-19 was turned into the Economic Policy Committee (EPC), which evolved into the core committee on growth debates within the OECD from 1961 until today.[88]

Further, the OEEC recommended that member countries set up formally independent institutes or expert groups such as the CEA in the US in order to depoliticize in the public psychology the economic policies and the choice of "policy weapons" of governments. Anti-cyclical policies for growth and stability, they suggested, "should be dissociated as far as possible in the public mind from political interests, so that those who feel themselves least favored should feel as little resentment as possible."[89] However, attempts to further formalize a more permanent form of supranational coordination of the business cycle within the OEEC failed. The most important initiative by the West German Secretary for European Affairs Alfred Müller-Armack to push for the European coordination of cyclical stabilization policies and for a stabilization board produced a

of inflation see Matthew Hayes, "The Social History of Quantifying Inflation: A Sociological Critique," *Journal of Economic Issues* 45, no. 1 (2011): 97–112.

84 The UN had already discussed an international stability fund. See United Nations, *Measures for International Stability* (New York: United Nations, 1951). See also Nützenadel, *Stunde der Ökonomen*, 206–14.

85 OECD-HA, Press/A(56)10, Resolution of the Council Giving Directives for the Work of the Organization, February 29, 1956, and Annex. The seventh annual report of the OEEC under the telling title *Economic Expansion and its Problems* had already focused on the dangers of inflation.

86 OECD-HA, C(56)239, The Economic Situation in Member Countries, November 19, 1956; C/WP19(56)1, Minutes of the first meeting of Working Party 19 of the Council, January 27, 1957.

87 NARA, RG 56, Entry UD-UP 734-A1, Box 62, Folder OEEC/4/05 Hall-Hauge Experts Group, Secretary of State to CEA and Treasury, June 24, 1958; OECD-HA, Press A(58) 29, Recommendation of the Council, July 29, 1958; Hall, diary entry, July 29, 1958, cited in Hall, *The Robert Hall Diaries, 1954–1961*, 163.

88 OECD-HA, C(59)71, May 4, 1959.

89 OECD-HA, EC/W/57.12, Instruments of Stabilisation Policy, December 10, 1957.

“Code of Good Behavior,” but did not lead to any concrete actions due to British resistance.[90]

While building on the debates in the Hall Group, the institutionalization of the international coordination of the business cycle within the EPC undermined the importance and influence of the Hall expert group. As the internal trade dispute between the EEC and the other European countries increasingly paralyzed the entire organization, this “expert group” was sidelined and finally dissolved in 1961.[91]

However, in the context of the intensification of economic rivalry in the Cold War, the focus on managing long-term growth that had been developed in the Hall Group actually became the new orientation for the entire organization when it was reorganized to become the OECD. Characteristically, Deputy Secretary-General John Cahan argued in his biting pamphlet *A House Divided* that the two trade blocs in Europe posed a real danger by hampering growth, while “Russia and the industrialized Eastern European countries are rapidly overtaking Western Europe (and, in some cases, the United States too) in the efficiency of their production.”[92] The ascendancy of the growth paradigm during the 1950s was epitomized by a series of prestigious lectures organized by the OEEC in January 1961 in Madrid, capital of the newest member of the organization (Spain had become full member in 1959). Summing up the key message of the high-ranking Western politicians and experts that took part in these lectures, Kristensen claimed: “The general philosophy is economic growth.”[93] Building on this general philosophy, the OEEC was not disbanded but rather transformed into a new Atlantic organization, in which the promotion of economic growth among member countries and in the global South became the defining goals. Both will be analyzed in the next part.

[90] For a short account of this initiative, see Nützenadel, *Stunde der Ökonomen*, 206–11.

[91] For the work in the last years, which focused on inflation and growth forecasts, see OECD-HA, CPE(59)3, Proposal by the Group of Economic Experts for a study of the problem of rising prices, May 11, 1959; William Fellner, Milton Gilbert, Bent Hansen, Richard Kahn, Friedrich Lutz, and Pieter D. Wolff, *The Problem of Rising Prices. Report by a Group of Independent Experts* (Paris: OEEC, 1961).

[92] NARA, RG 56, Entry UD-UP 734-A1, Box 58, Folder OEEC/0/00 General, John Flint Cahan, A House Divided, August 27, 1959.

[93] OEEC, *Problems of Development: Series of Lectures on Economic Growth* (Paris: OEEC, 1961). See also Ellwood, *Rebuilding Europe*, 222–24.

Part II

Paradigm at work

A "temple of growth for industrialized countries" in action (1960–1968)

One of the key episodes of the Cold War took place in a kitchen. Filled with devices representing the fruits of consumer capitalism and built for the American National Exhibition in Moscow, on July 24, 1959 this model kitchen hosted a heated debate between US vice-president Richard Nixon and Soviet leader Nikita Khrushchev. Symbolic of the emerging hegemony of the growth paradigm, the superiority of capitalism and communism was evaluated in terms of how much consumer goods each system could produce.[1] During the late 1950s and early 1960s and driven by the revolution of rising expectations, economic growth was becoming the globally accepted yardstick of progress, not only in the capitalist industrialized countries, but also in the Soviet Union, China, and in the countries of the global South. It was not in terms of equality, emancipation, or employment that nation states around the world came to compete against each other, but in terms of rising quantities of goods and services produced. Already in 1958 Khrushchev had proclaimed: "Growth of industrial and agricultural production is the battering ram with which we shall smash the capitalist system."[2]

Symptomatic of the political focus on growth in that era was what contemporaries have aptly termed "competitive targetry:"[3] Driven by planning euphoria, technocratic optimism, international competition, and Cold War rivalry, national governments and international

[1] Zoe A. Kusmierz, "'The glitter of your kitchen pans.' The Kitchen, Home Appliances, and Politics at the American National Exhibition in Moscow, 1959," in *Ambivalent Americanizations: popular and consumer culture in Central and Eastern Europe*, ed. Sebastian M. Herrmann (Heidelberg: Winter, 2008), 253–72; Ruth Oldenziel and Karin Zachmann, eds., *Cold War Kitchen: Americanization, Technology, and European Users* (Cambridge, MA: The MIT Press, 2011).

[2] Quoted in Thomas Robertson, "Development," in *Encyclopedia of the Cold War, Volume 1*, ed. Ruud van Dijk (London: Taylor & Francis, 2008), 255.

[3] Selwyn Lloyd used the term "competitive targetry" at the first Ministerial meeting of the OECD. OECD-HA, OECD/C/M(61)7, November 16–17, 1961. On the importance of economic targets in that period, see Collins, *More*, 51–67; Alan Budd, *The Politics of Economic Planning* (Manchester: Manchester University Press, 1978), 84–86; O'Bryan, *Growth Idea*, 157–71.

organizations around the world formulated bold numerical policy goals, most importantly growth targets. Some of the precursors during the 1950s have already been discussed, most importantly the OEEC's 25 percent target set in 1951. Yet the most well-known numerical growth targets were set within the Soviet Union. At the twenty-first Party Congress in January 1959, Khrushchev presented a seven-year plan up to 1965, in which economic growth was declared the main task of economic policies, and in which he claimed that until 1970 the USSR would have a higher standard of living than the US. And at the twenty-second Party Congress in 1961, the Communist Party of the Soviet Union committed itself to far-reaching growth plans that aimed at raising production by 150 percent within ten years and by 500 percent within twenty years.[4] Similarly, Walter Ulbricht, General Secretary of the Central Committee of the Socialist Unity Party of Germany, proclaimed in August 1959 that in terms of all essential areas of consumption East Germany would within only a few years outperform West Germany, which was turned into the famous formula "überholen ohne einzuholen."[5]

However, not just countries in the Soviet bloc professed their political goals in terms of economic expansion. As will be discussed in Chapter 4, at its first Ministerial meeting in November 1961 the OECD proclaimed the most prominent Western growth target. The aim, which epitomized the prevalent vision of human progress at that time, was a highly ambitious numerical target: to increase the combined GNP of the OECD economies by 50 percent during the 1960s. The OECD, which developed into what one of its directors adequately described as a "temple of growth for industrialized countries" in which "growth for growth's sake" became the supreme and largely unquestioned objective, was no exception.[6] In the early 1960s national governments proclaimed target growth rates in such different countries as Yugoslavia, Japan, India, Sweden, France, or the United Kingdom.[7] One particularly interesting case is Japan, where the planning and growth euphoria of the 1950s culminated in the adoption of a so-called "income doubling plan" in December 1960 that

[4] K. C. Thalheim, ed., *Wachstumsprobleme in den osteuropäischen Volkswirtschaften* (Berlin: Duncker & Humblot, 1968), 4; BAK, B 102/77352, "Westen antwortet auf die russische Herausforderung," Deutsche Zeitung, November 16, 1961. See also Paul R. Gregory, *The Political Economy of Stalinism: Evidence from the Soviet Secret Archives* (Cambridge: Cambridge University Press, 2004); Sutela, *Economic Thought and Economic Reform in the Soviet Union.*

[5] André Steiner, *Von Plan zu Plan: eine Wirtschaftsgeschichte der DDR* (München: DVA, 2004), 110–14; André Steiner, *Überholen ohne einzuholen: Die DDR-Wirtschaft als Fußnote der deutschen Geschichte?* (Berlin: Christoph Links Verlag, 2006).

[6] Cited in: Robert Shannan Peckham, "Alexander King," *The Independent*, March 26, 2007.

[7] James Tobin, "Economic Growth as an Objective of Government Policy," *The American Economic Review* 54, no. 3 (1964): 1.

proclaimed the doubling of the national income as well as that of household incomes within the decade of the 1960s.[8] Furthermore, development economists in the context of the UN had already worked in a similar direction. In December 1961 (only one month after the OECD growth target was set), the General Assembly of the United Nations proclaimed the "Development Decade," set the goal of developing the countries in the global South through "growth plus change" and called for an average annual growth rate for "developing countries" of 5 percent.[9]

How can this "competitive targetry" be explained? First of all, the early 1960s were the height of what critics had come to call "growthmanship."[10] Among economists growth theory was the hottest topic, politicians all around the world praised the benefits of economic expansion, and even within public discourses growth, technology, and consumption became key concerns. One observer aptly wrote: "During the sixties the growth rate of the 'growth literature' far exceeded that of the phenomenon it tried to explain."[11] More importantly, among Western policy makers the Soviet growth targets were perceived as a fundamental threat to the capitalist order, as expressions of the intensification of rivalry at the economic front of the Cold War. While in the early 1950s the Soviet economy was still characterized by Western sovietologists as backward, from the mid-1950s onwards, in particular in the context of the Sputnik shock, Soviet growth was widely interpreted in the West as a serious threat. There was an entire branch of American experts working during the 1950s and 1960s on estimating the economic power and potentials of the Soviet Union, and NATO had set up a special study group for that purpose. A common question discussed among Western scholars and security experts was not if, but when the Soviet Union would catch up and overtake the US. Even very cautious economists such as Abram Bergson predicted in the early 1960s that this would happen soon.[12] To give just one example of this

[8] O'Bryan, *The Growth Idea*, 157–58; Saburo Okita, "The Experience of Economic Planning in Japan," in *The Developing Economies and Japan. Lessons in Growth*, by Saburo Okita (Tokyo: University of Tokyo Press, 1982), 195–225 esp. 207–11. For an analysis of the consecutive Japanese plans, see Masao Sakisaka, "Economic Planning in Japan," *The Developing Economies* 1, no. 2 (1963): 202–17.

[9] Dietrich Rauschning, Katja Wiesbrock, and Martin Lailach, eds., *Key Resolutions of the United Nations General Assembly 1946–1996* (New York: Cambridge University Press, 1997), 240–41.

[10] Clark, *Growthmanship*; John Kenneth Galbraith, *The Affluent Society* (Boston: Houghton Mifflin Co., 1958).

[11] Dennis Mueller, "Introduction," in *The Political Economy of Growth*, ed. Dennis Mueller (New Haven: Yale University Press, 1983), 1.

[12] Engerman, *Know Your Enemy*; Evanthis Hatzivassiliou, "Images of the Adversary: NATO Assessments of the Soviet Union, 1953–1964," *Journal of Cold War Studies* 11, no. 2 (2011): 89–116.

widespread anxiety among Western elites: the German chancellor Konrad Adenauer argued in 1960 in bilateral US-German talks on the power relations in the Cold War that the USSR would reach economic parity with the US by 1965.[13]

International organizations and in particular the comparative data on growth rates they had started to publicize in the 1950s played a key role in the construction of the competitive normative epistemology of growth rates that underpinned competitive targetry. The framework of national income accounting had constructed a universal space within which the level of GNP or GNP per person could be conceptualized as indicative of a country's economic and social position, and within which the rate of growth was elevated to depict the economic potential, progress and policy-success of a country.[14] In particular the richest countries at that time, the US and Britain, had come to perceive their growth performance, which for the 1950s showed considerably lower growth rates than some continental European countries, as deficient and below the norm. Within the postwar narrative of British decline, a big debate took off within White Hall in 1960 on what was perceived as the bad growth performance of the British economy. This debate was triggered by the publication of OEEC tables comparing the growth rates of different countries.[15] Even though the US was by far wealthier than other OEEC countries, contemporaries observed a "national inferiority complex about our economy" that was provoked by the comparisons of growth rates produced by the OEEC and other international organizations.[16] Within OECD debates, comparative data of growth rates were increasingly interpreted as "league tables," and countries with slower growth rates came to see themselves as occupying a "low rank" within this hierarchy.[17] Part II focuses on the growth paradigm at work in this era of "competitive targetry."

13 Memorandum of Conversation, March 16, 1960, *FRUS 1958–1960, Volume IX (Berlin Crisis 1959–1960; Germany; Austria)*, 678–9.

14 See, in particular, Milton Gilbert, Wilfried Beckerman, John Edelman, Abner Hurwitz, Stephen Marris, Gerhard Stuvel, and Manfred Teichert, *Comparative National Products and Price Levels: A Study of Western Europe and the United States* (Paris: OEEC, 1958).

15 TNA, T 230/579, Vinter, Elements of a Policy for Economic Growth, February 27, 1961. See also Hugh Pemberton, "Relative Decline and British Economic Policy in the 1960s," *The Historical Journal* 47, no. 4 (2004): 989–1013; Jim Tomlinson, *The Politics of Decline: Understanding Post-War Britain* (Harlow and New York: Longman, 2000).

16 Allen Wallis, "A Philosophy of Economic Growth," *Wall Street Journal*, October 24, 1960, 12. See also Arndt, *Rise and Fall of Economic Growth*, 62. For a study of the centrality of growth to US identity see Yarrow, *Measuring America*.

17 TNA, T 230/604, Ross, OEEC Working Party on Growth, May 16, 1961; NARA, RG 56, Entry UD-UP 734-H, Box 1, Folder OECD/3/00 Ministerial Meetings, Vol. 1, Problems and Prospects for U.S. Economic Growth, November 20, 1962. On ranking states see Cooley and Snyder, *Ranking the World*.

4 Power, progress, and prosperity

Growth as universal yardstick and the OECD's 1961 growth target in perspective

> Apparently one has but to consult it [GNP] to comprehend the entire condition of society. Among the faithful [...] any doubt that, say, a four per cent growth rate [...] is better for the nation than a three per cent growth rate is near-heresy; is tantamount to a doubt that four is greater than three.[1]

> Economic growth is both an end in itself and an instrumentality, both the pot of gold and its rainbow.[2]

Economic growth was more than the key policy goal of OECD governments when the OECD was established in 1961. In Western policy debates, so the argument in this chapter, growth as conventionally defined – i.e., GNP growth rates, or the expansion of the monetary value of the market economy – became conflated with or intimately connected to some of the most essential ambitions of societies. The level of GNP and the growth rate became *the* yardstick and icon for such different societal objectives as (i) social well-being, prosperity, and standard of living; (ii) progress, modernity and development; (iii) national power, prestige and purpose; and (iv) societal dynamism, vigor, and health. Experts and the general public grew accustomed to advertently observe international rankings and changes of these statistical aggregates came to play a crucial role in assessing the success or failure of governments, determining the relative status of countries and power blocs within the international arena, and in the making and evaluation of a whole range of policies.

These societal goals were not exclusively linked to GNP growth, but GNP was often taken as the most basic indicator, the starting point of analysis, and the basis of comparison. There were also other indicators put forth to analyze power, progress, and prosperity. Cultural progress was also discussed in terms of literary achievements; democracy and justice were key categories

[1] E. J. Mishan in his 1967 *The Costs of Economic Growth*, quoted in Hamilton, *Growth Fetish*, 10.

[2] NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/30 EPC WP-2, Walter Heller, Economic Growth: Challenges and Opportunity, Address to the Loeb Awards Fourth Annual Presentation, New York, May 18, 1961.

in debates about social progress; unemployment figures prominently featured in policy discourses; the number of tanks and nuclear missiles signified military strength; and policy success also depended on economic stability, external trade positions, or balanced budgets.[3] However, GNP was the first and most general approximation to indicate the advancement of the societal goals described earlier; no other benchmark came to be so widely used to indicate such diverse societal ambitions; and no other yardstick was so generally recognized across national boundaries and the political spectrum.

While some of these reductions are apparent throughout this book, the debates around the making of the OECD growth target in 1961 provide a striking illustration not only of the hegemony of economic growth as the prime policy target, but also of the many underlying assumptions that made growth a universal yardstick. At the first Ministerial Council Meeting (MCM) of the OECD in November 1961 the new organization set itself an ambitious overall aim to guide the international cooperation and policies of the industrialized Western countries for the coming decade: to increase the combined GNP of member countries by 50 percent in merely ten years. An analysis of this target, which was widely interpreted as opening the 1960s as the "Decade of Growth" and set the tune for the years to come, is exemplary of the growth paradigm at work.[4] Why did a fixed and extremely ambitious quantitative increase in GNP become the most overarching objective of economic policy-making in the OECD? How was this justified, and how was it questioned, and by whom? Which assumptions and discursive associations were invoked and activated and how was this related to the Cold War and decolonization? The chapter first reconstructs the institutionalization of the growth focus within the OEEC, then describes the controversies around the preparation of the growth target, and finally analyzes the debates about growth at the first Ministerial meeting of the OECD, at which the target was officially proclaimed.

The "bottleneck" to fast growth: institutionalizing the growth focus within the OECD

From the late 1950s onwards, balance of payments concerns and related countervailing policies had become a danger to the future of economic

[3] Alain Desrosières, *L'argument statistique: Pour une sociologie historique de la quantification* (Paris: Press de l'Ecole des mines, 2008).

[4] TNA, T 230/919, Remarks by Henry H. Fowler at the American Conference on the Atlantic Community and Economic Growth, New York, December 12, 1965. For an analysis of the three OECD growth targets and the underlying exponential logic see also Matthias Schmelzer, "'Expandiere oder stirb.' Wachstumsziele, die OECD und die Steigerungslogik wirtschaftlicher Expansion," *Geschichte und Gesellschaft* 41, no. 3 (2015), 355–93.

growth in the West. In early 1961 the world for the first time faced a situation in which there were more dollar claims held abroad than there was gold in the US reserves, thus undermining the trust in the future of the key currency of the West, and of the Bretton Woods monetary system more generally.[5] The large American balance of payments deficit also put a break on expansionary policies in the US, where growth rates had been declining during the 1950s and where the payments situation seemed to deteriorate with every effort to increase internal demand. In this situation, two prominent public statements, one European, one American, proposed a cooperative Atlantic solution of the payments problems through the newly established OECD.

In January 1961 Jean Monnet gave a widely noticed interview in which he argued that the dollar problem was the most serious predicament of the Western world because it "threatens to be the bottleneck on American and, ultimately, Western efforts to speed economic growth, maintain adequate defense and provide aid to the underdeveloped areas." Because he regarded close cooperation in the monetary field as the key to enable faster growth, Monnet interpreted the foundation of the OECD as "one of the most important events since the war."[6] In a similar vein, US president Kennedy argued in a speech in February 1961 that the "United States must take the lead in harmonizing the financial and economic policies for growth and stability of those industrialized nations of the world whose economic behavior significantly influences the course of world economy." Also referring to the OECD, he demanded a cooperative solution that dealt with the dangers of balance of payments restraints on economic growth through the international harmonization of policies.[7]

Both statements provoked intense debates within the Parisian headquarter of the OEEC and soon-to-be OECD. In February and March 1961, both between Britain and the US and within the OEEC Secretariat the possibility for a new role for the organization in harmonizing growth and balance of payments problems was devised. In these discussions, the US was concerned about how Europe could help weaken the US deficit, while Britain was anxious to reframe this effort into the question of what surplus countries could do to help the two large deficit

[5] On the mounting balance of payments difficulties during the 1960s, see Eichengreen, *European Economy*, 225–51; OECD, *The Balance of Payments Adjustment Process: A Report by Working Party No. 3 of the Economic Policy Committee* (Paris: OECD, 1966).

[6] U.S. News & World Report, "Kennedy's Dollar Problem – Advice from a Famed Authority," Interview with Jean Monnet, by Robert Kleisman, January 30, 1961.

[7] John F. Kennedy, "Special Message to the Congress on Gold and the Balance of Payments Deficit," February 6, 1961, in: Gerhard Peters and John T. Woolley, *The American Presidency Project*. www.presidency.ucsb.edu/ws/?pid=8178 (March 10, 2014).

countries.[8] Yet both agreed that the role of the OECD should be enhanced. This was a sharp break with the American stance toward the OECD in the late 1950s that had "at best paid lip service to the concept of economic interdependence while opposing any concrete actions looking towards the coordination of economic policies."[9]

These deliberations came to the fore at the first meeting of the EPC after the ratification of US membership to the OECD in April 1961. The US delegation included sixteen high-ranking officials, among them the chairman of the CEA Walter Heller and other influential US economists working for the CEA such as James Tobin, Robert Solow, and Robert Triffin. The US did not only aim at overcoming European suspicion and "the bad taste left in our partners' mouths" by past non-cooperative policies, but also to institutionalize a new high-level form of Atlantic cooperation in the areas of growth and balance of payments.[10] Other member countries were anxious to match this initiative to raise the policy output of this body. The meeting accordingly received wide press coverage and the *Guardian* described the "nation's experts" in the EPC as "the most powerful 'back-room boys' in Western Europe and North America."[11]

How can this US initiative be explained? A background document for the meeting that compared growth rates for the postwar period illustrates the source of concern of American and British policy-makers. While most Western European countries, not to speak of the Soviet bloc, experienced relatively high growth rates during the 1950s (the OEEC, including Britain, averaging 5 percent), the US (3.5 percent) and Britain (2.6) were among the lower ranks in the league table, and the US was particularly slow for the latter half of the 1950s (see Table 4.1).[12] When John F. Kennedy became US president in January 1961, he was particularly interested in "the 'secret' of the growth" of Western European countries and wanted "to apply it to the slow moving U.S. economy." Boosting economic growth had not only been the key theme of Kennedy's election campaign in 1960, but under

[8] TNA, T 236/6522, Hankey to Rickett, February 21, 1961; Mitchell to Allan, March 22, 1961.

[9] NARA, RG 56, Entry UD-UP 734-A1, Box 65, Folder OEEC/6/60 Ministerial Working Party, Vol. 4, Memorandum by Manual Abrams, sent to Heller, Curtis, Rashish, Bator, Frank and Goldstein, March 15, 1961; TNA, T 236/6522, Hankey to Ricket, April 10, 1961. See also Arthur M. Schlesinger, *A Thousand Days: John F. Kennedy in the White House* (Boston: Houghton Mifflin Co., 2002), 845.

[10] NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/00 Economic Policy Committee, Vol. 1, Memorandum for the President, April 10, 1961.

[11] "Future economic policy," *Guardian*, April 18, 1961, in TNA, FO 371/158091. See also *Financial Times*, April 12, 1961.

[12] NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/00 Economic Policy Committee, Vol. 1, Annex to Walter W. Heller, Memorandum for the President, May 5, 1961.

Table 4.1 *Comparative GNP growth rates (in percent), 1947–1959, based on OEEC data*

1953–1959		1947–1959	
US	2.5	Britain	2.6
Belgium	2.5	Belgium	3.1
Britain	2.5	Denmark	3.3
Canada	2.8	Portugal	3.5
Denmark	2.9	US	3.5
Norway	3.2	Norway	3.6
Portugal	3.5	Canada	3.7
Sweden	4.1	Switzerland	3.7
France	4.2	Sweden	3.9
TOTAL OEEC	4.2	TOTAL OEEC	5.0
Netherlands	4.7	France	5.3
Switzerland	5.0	Netherlands	5.3
Italy	5.5	Italy	5.6
West Germany	6.8	West Germany	10.2

Kennedy a new set of policies of what Heller called "Keynes-*cum*-growth" were put in place. Within the Commerce Department signs were put up at all the offices and desks asking "What have you done for Growth today?"[13] Before the EPC meeting in April 1961, Kennedy had requested Heller "to return with an explanation of the high French and West German growth rate (5 percent) versus the low U.S. growth rate (2.5 percent)." Kennedy was anxious to know the "precise reasons" for this divergence. He had personally briefed the sixteen experts in the US delegation before they left Washington, DC, outlining that the OECD should aim at overcoming recession and at reaching "a greater rhythm of economic growth."[14]

This important EPC meeting dealt with two key issues: discussing the widening differences in growth rates, in particular the slower growth rates of the US and Britain, and advancing the institutionalization of Atlantic economic consultation and growth policies in the OECD. The US

[13] "OEEC to study economic growth," *Financial Times*, April 20, 1961. On Kennedy's policies to accelerate economic growth, see Collins, *More*, 48–61.

[14] NARA, RG 56, Entry A1 934, Box 12, Folder EPC/WP-2 1961–64, CEDTO A 186, Secretary of State to all OEEC Capitals, April 22, 1961; Entry UD-UP 734-H, Box 3, Folder OECD/5/00 Economic Policy Committee, Vol. 1, Memorandum of Conversation with the Canadian delegation and Heller, Roosa, Tobin, April 16, 1961; Alfred Reifman to Secretary of State, April 22, 1961; TNA, FO 371/158091, "Wider Economic Organization for Europe," *The Times*, April 20. See also "Plans for OECD Economic Study," *The Financial Times*, April 18, 1961; "Sniffing at Triffin," *Economist*, April 15, 1961.

delegation was concerned about the tendency of secular stagnation in the US and Heller expressed his "hope of learning much on all aspects [of the] growth problem through EPC and the suggested task force on growth."[15] Further, he explained the "Kennedy budget" and outlined the four lines of US growth policies: strengthening aggregate demand and ensuring higher profits, increasing investment in human resources, increasing productivity by higher investments in plant and equipment through preferential taxation, and generally the use of fiscal policies and low interest rates.[16]

Yet nobody at the meeting had the key to the secret of growth. British economist Jack Downie explained the British government's "puzzlement and lack of certainty on causes and outlook for UK growth position" and that it was "not yet set as to long-run growth policy but felt need for such."[17] He also hinted at the British discourse about the causes and repercussions of "decline" that was just gaining in importance and said that Britain would be very interested in developing within the OECD a theory that could help in understanding "the direction of, and the factors that determined, the long term trend of growth." Louis Rasminsky, Deputy Governor of the Bank of Canada, was similarly pessimistic about the "exclusive Anglo-Saxon club of stunted growth." He complained that in Canada growth rates had drastically decreased in the postwar decade and that for five years per capita output had actually been declining. The continental European representatives, although blessed with higher growth rates, were cautious and did not have a "universally applicable recipe for increasing growth."[18]

The EPC meeting decided on some major institutional changes. Most importantly, the US proposed to create a more restricted forum that would allow for confidential and high-level debates and not just "polite exchange of data" and to institutionalize a "new method" of transnational governance:[19]

> frequent confrontation and consultation on alternative approaches to policies still in the making, as opposed to infrequent and therefore more widely publicized

[15] NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/00 Economic Policy Committee, Vol. 1, Alfred Reifman to Secretary of State, April 22, 1961; Ralph A. Young to Board of Governors, April 24, 1961; Report on Meeting of Economic Policy Committee, April 23, 1961.

[16] TNA, FO 371/158091, M 511/29, Robert Hankey, Annex A to Economic Policy Committee, April 26, 1961. See also Collins, *More*, 48–61.

[17] NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/00 Economic Policy Committee, Vol. 1, Alfred Reifman to Secretary of State, April 22, 1961.

[18] TNA, FO 371/158091, M 511/29, Robert Hankey, Annex A to Economic Policy Committee, April 26, 1961.

[19] NARA, RG 56, Entry UD-UP 734-A1, Box 65, Folder OEEC/6/60 Ministerial Working Party, Vol. 4, Memorandum of Conversation, February 21, 1961.

meetings on specific decisions already frozen at the national level and difficult to modify.[20]

This proposal to discuss "policies still in the making" such as changes in bank rates or exchange parities before important decisions were taken by national governments was a far-reaching suggestion that amounted to relinquishing sensitive information in key policy areas to experts from other industrialized countries.[21] Other delegates accordingly regarded the idea as "a provocative and revolutionary suggestion" that evoked some skepticism.[22] There were not only "security objections to such consultations," and concerns about the difficulty of creating a restricted body with only key countries, but French and British experts also questioned the practicality of refraining from important economic policy actions before they were sanctioned by an OECD committee.[23]

Nonetheless, the OECD decided to create two new bodies to test this method: First, "Working Party No. 2 on Policies for the Promotion of Economic Growth" (WP-2) was charged with studying the miracle of growth and providing expert advice on policies to speed up economic growth.[24] What exactly this group, which will be discussed in Chapter 5, would do stayed somewhat vague. The key driving force, however, were US interests. As argued by Robert Roosa, WP-2 was to serve the slowly growing countries to learn from their peers because they were "growth laggards who need some introspection, stimulated by comments from the other members."[25] Second, the EPC decided to create a restricted "Working Party No. 3 on Policies for the Promotion of Better International Payments Equilibrium" (WP-3) to discuss the difficult balance of payments situation between the largest deficit and surplus countries and to harmonize their respective economic policies in order to enable fast economic growth throughout the OECD area that was not hampered by external payments instabilities. It had long been standard practice within the OEEC to have a small and exclusive group of the largest Western economic powers because, as put by Downie, "any really intimate negotiations or discussion on major questions will take place in much smaller conclaves [than the EPC] between the few countries which

[20] OECD-HA, CPE(61)2, Proposals for a Programme of Economic Policy Co-ordination through the OECD, April 6, 1961.
[21] TNA, T 236/6522, Lee to Hall, April 5, 1961.
[22] NARA, RG 56, Entry A1 934, Box 9, Folder EPC 1963, Alfred Reifman to Walter Heller, March 15, 1962.
[23] TNA, T 236/6522, Petch to Rickett, April 7, 1961; Hankey to Ricket, April 10, 1961.
[24] TNA, T 230/508, Downie to Hall, March 3, 1961. WP-1 was inherited from the OEEC and was charged with developing a Code of Good Behavior. See p. 161–62.
[25] NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/00 Economic Policy Committee, Vol. 1, Robert V. Roosa to Walter W. Heller, April 13, 1961.

really matter."[26] With the waning influence of the Hall expert group and the strained balance of payments situation, the new WP-3 took on this task of coordinating the interests of "the small group of countries whose cooperation can make or break the international monetary system."[27] Members of WP-3 were senior representatives from the ministries of finance and central banks from Canada, France, West Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, Britain, and the US.[28] The resistance to establish WP-3 as a restricted body by those excluded, in particular by "Austria and the under-developeds" [*sic*, i.e., Greece, Spain. and Portugal], was only dropped under pressure and on the understanding that this would be an "ad hoc and experimental" arrangement.[29] Yet, WP-3, which became more influential and important than the EPC itself and functioned "as an informal pressure group," was there to stay.[30] Before the OECD growth target was adopted, the organization had thus set up a specific working party structure to develop policies for the promotion of economic growth and for mitigating balance of payments difficulties in ways that would enable fast growth.

Not just a propaganda stunt? The contested making of the OECD growth target

The proposal for an OECD growth target was first made by the Belgian permanent delegate, chairman of the Executive Committee, and former chairman of WP-5 Roger Ockrent at the EPC meeting in late October 1961. The suggested growth target of 4–6 percent annually over a decade was explicitly designed as a "means for making the Ministerial Meeting newsworthy and giving it political oomph." However, at first the proposal was rejected by all delegations, and only the US economist Heller formulated mild support.[31] The idea was then taken up by US bureaucrats

[26] TNA, T 236/6522, Downie to Rickett, December 19, 1960.
[27] TNA, T 236/6522, Cassin to Foreign Office and Whitehall Distribution, February 18, 1961.
[28] On the context, see Russell, "Transgovernmental Interaction in the International Monetary System," 431–64.
[29] TNA, T 230/604, Sir Robert Hankey, Confidential inward saving telegram to Foreign Office, April 22, 1961. The EEC also dropped its proposal to be part of WP-3.
[30] After intense talks within the Secretariat, the British delegate Christopher Dow described the EPC "as largely a cover for Working Party No. 3." TNA, T 312/859, Pliatzky, "Discussions in Paris, June 10–11, 1964," attached to Pliatzky to Pitblado, June 15, 1964. See also Emile Van Lennep, *Working for the World Economy: A Personal History* (Amsterdam: NIBE, 1998), 100–5.
[31] NARA, RG 59, Entry A1 5605, Box 1, Folder OECD Ministerial 1961, Position Paper, PMM D-II, November 9, 1961; TNA, T 299/178, Hankey to Foreign Office, October 22, 1961; Hankey to Jackling, October 27, 1961.

and economists, who presented it to President Kennedy. After the 1961 Soviet Party Congress in Moscow, Kennedy had become "intrigued by the idea of picking up growth targets" and was pushing his CEA to do "the same exercise [. . .] for the United States." While the CEA had at first regarded it as a "whim" of the president, on his strong insistence they decided to combine the two ideas and to work toward "injecting a growth rate target into the OECD Ministerial Meeting," while at the same time elaborating an internal growth plan for the US economy.[32]

Despite internal critique – a US Treasury paper questioned the focus on GNP as a measure for progress and the propaganda value of a target below an unrealistic average growth rate of 5 percent annually – members of the CEA expedited the idea and developed the numbers.[33] They came up with the proposal that an expansion of the combined GNP by 50 percent until 1970 would be an adequate "pledge" to trumpet by the new organization. This target of 50 percent growth within nine years, or an average annual growth rate of 4.6 percent, was based on rather superficial econometric analyses and was chosen mainly to have a catchy and memorable ambition. The CEA even drafted a communiqué for the Ministerial meeting, the essential section of which was written by none other than Robert Solow, the godfather of modern growth modeling.[34] The MIT economist Solow had in the late 1950s developed one of the first neoclassical growth models and had presented evidence on the importance of technological change to spur economic growth (the "Solow residual"), for which he later received the Nobel Memorial Prize, and from 1961 to 1962 he worked as senior economist for Kennedy's CEA.[35]

[32] NARA, RG 59, Entry 5304, Box 22, Folder OECD Ministerial Meeting 1961, J. Robert Schaetzel to Mr. Fessenden, November 2, 1961; Edward R. Murrow to McGeorge Bundy, November 1, 1961.

[33] NARA, RG 56, Entry UD-UP 734-H, Box 4, Folder OECD/5/30 EPC Working Party 2, Vol. 6, Proposed Growth-Rate Target for OECD Countries, November 2, 1961.

[34] NARA, RG 59, Entry 5304, Box 22, Folder OECD Ministerial Meeting 1961, Robert Solow, Portion of Draft Communiqué, November 2, 1961.

[35] Solow's growth model built on the Harrod-Domar model, but in contrast to these he assumed that wages could easily adjust. Most importantly, while hitherto most economists had believed that capital and labor were the main factors explaining growth, Solow showed in studying past growth rates that a large residual, around half of the recent US growth rates, remained unexplained by these traditional factors. This residual, he argued, could only be accounted for by technological change. The two seminal papers are Robert M. Solow, "A Contribution to the Theory of Economic Growth," *The Quarterly Journal of Economics* 70, no. 1 (1956): 65–94; Robert M. Solow, "Technical Change and the Aggregate Production Function," *The Review of Economics and Statistics* 39, no. 3 (1957): 312–20. On the broader context and effects of Solow's growth model see Verena Halsmayer, "From Exploratory Modeling to Technical Expertise: Solow's Growth Model as a Multipurpose Design," *History of Political Economy* 46, no. suppl 1 (2014): 229–51; Verena Halsmayer, "Modeling, Measuring, and Designing 'Modern

However, most of the other OEEC member countries and in particular economists within the Secretariat and the new Secretary-General were opposed to such a wanton declaration. The first discussion of the idea in a small working group in Paris demonstrated "fairly conclusively the impossibility of getting any target agreed to by heads of delegations for insertion in the communiqué."[36] From the beginning, this debate demonstrated the tensions between the political interest of the US to use an international organization to propagate its economic Cold War agenda and the anxiety of technicians in the newly established Secretariat to safeguard the OECD's image as an objective and reliable think tank.[37] The US representative even had to assure his colleagues that the proposal was "not just a stunt" but rested on sound economic reasoning.[38] Kristensen on the other hand expressed "considerable concern," argued that the growth target cut across ongoing OECD work and was entirely unrealistic, and warned that the OECD should not "lower its standard or become an agency for propaganda." He criticized that one could not at the same time "criticize and imitate" Khrushchev's methods. When the idea was discussed in the normal Council, the debate was similarly controversial and the proposal was largely criticized as "premature," "unrealistic," and as based on "superficial" analysis.[39]

The US administration put the 50 percent growth target nonetheless officially on the table in a letter to the OECD ministers attending the MCM, which expressed Kennedy's urgent appeal to issue a collective growth target of 50 percent for the coming nine years. Under Secretary of State for Economic Affairs George W. Ball explained why the US regarded the growth objective as the "most important matter" of the entire meeting, which the world was looking at:

A common target for economic growth would help demonstrate to our citizens and the rest of the world the vitality and strength of the Atlantic Community. It

Economic Growth.' The Construction, Manipulation, and Circulation of the Neoclassical Growth Model" (dissertation, Universiy of Vienna, 2014).

36 NARA, RG 59, Entry 5304, Box 22, Folder OECD Ministerial Meeting 1961, J. Robert Schaetzel to Mr. Fessenden, November 2, 1961.

37 Kristensen's mistrust in the high growth projections of the American economists also stemmed from his recent work with a Danish research team on growth forecasts to 1980 that were much lower and projected significantly higher growth rates for the Soviet Union and Latin America than for Europe. Thorkil Kristensen and Associates, *The Economic World Balance* (Copenhagen: Munksgaard, 1960).

38 NARA, RG 59, Entry A1 5605, Box 1, Folder OECD Ministerial 1961, Position Paper, PMM D-II, November 9, 1961.

39 TNA, T 236/6519, Hankey to Foreign Office, November 7, 1961; BAK, B 102/77352, Jentsch to Müller-Armack, November 9, 1961; OECD-HA, C/M(61)3, October 27, 1961.

would signal our determination to give concrete meaning to the aims of the OECD.[40]

Attached to the letter was the draft "growth communiqué" that had largely been prepared by Solow and which ministers should adopt at the meeting. It promised that the OECD would "surpass the achievement of the fifties" because OECD countries would not merely raise their combined GNP by 50 percent within ten years, as had been done in the last decade, but in this "new decade of economic expansion" it could be done within nine years, growing from currently $1000 billion to $1500 billion. Thus, the draft American communiqué stated, the OECD could "add to the Atlantic Community the economic equivalent of another country the size of the United States."[41] The Cold War message was clear – through the growth target the Western alliance could be enormously strengthened.

The US proposal, which only came less than two weeks before the MCM, stirred an intense debate before and during the meeting. In these discussions, the "principal opponents" of the US proposal were Britain, Canada, and, most vigorously, Kristensen. The main concerns raised by the opponents before the meeting were three: they argued that due to insufficient preparation the target would not be based on the scientific methods of economics, but was merely a figure pulled "out of the hat"; that the OECD should wait until WP-2 had finished its review of past growth experiences before setting such a target; and that the weight of the US and Canada would make such a target mainly a target for North America, which were exactly those countries that had lagged behind European growth rates in the 1950s. The bottom line was that the target could not be achieved due to the slow growth particularly in America and Britain.[42] Further, the British Treasury was concerned that the American proposal "assumes th[at] economic growth is the <u>one</u> preeminent requisite and priority" in policy-making, which could become dangerous if other policy goals such as international payments balances were subordinated.[43]

Despite the initial opposition against the growth target, the US achieved to get agreement from Belgium, Denmark, France, and West

[40] BAK, B 102/77352, George W. Ball to Prof. Ludwig Erhard, November 7, 1961. See also TNA, T 236/6519, Hankey to Foreign Office, November 7, 1961.

[41] BAK, B 102/77352, Draft Communiqué on Economic Growth Target, November 1961, attached to letter from George W. Ball to Prof. Ludwig Erhard, November 7, 1961. See also Yarrow, *Measuring America*, chap. 5.

[42] TNA, PREM 11/4228, Hankey to Foreign Office, November 10, 1961. See also Hankey to Foreign Office, November 7, 1961; NARA, RG 59, Entry A1 5605, Box 1, Folder OECD Ministerial 1961, Position Paper, PMM D-II, November 9, 1961.

[43] TNA, T 299/178, Lee to Hubback, November 7, 1961.

Germany already before the meeting, with all other countries remaining skeptical or openly opposed. These EEC countries had given in on their rather strong reluctance because they saw no possibility to avert "the pressure of the USA." Several countries gave support to a numerical target because it would make it "easier for Governments to insist on some internal discipline." Furthermore, experts within the Secretariat such as the newly appointed Assistant Secretary-General Jack Downie used their close rapport to the Kennedy administration and their leverage within the Secretariat to strengthen the idea of a growth target. From the US perspective, the crux of the discussion was, in any case, not substantive arguments, but the actual growth rates of the respective countries. An internal letter stated bluntly: "Essentially the sides divide up with those who have a growth rate in excess of 4 percent accepting the idea of a target and those beneath this figure fighting against any mention whatsoever."[44]

To back the claim that the 50 percent growth target was realistic, Robert Solow and Barbara Bergman, senior economist at the CEA, drafted a short memorandum setting out in econometric terms how the US could achieve its large portion in the growth exercise. The stakes were high because the US accounted for 60 percent of the OECD economic product, and US growth rates had been lower than those of all OEEC countries from 1953 to 1959 and seemed to be further declining. The chief economists from the CEA argued that due to higher projections for the labor force and the current "slackening" in the economy with high unemployment, the US economy merely needed to use its existing growth potentials through expansive fiscal policies to achieve the 50 percent growth during the 1960s. These arguments and numbers were used in talks between Ball and Kristensen and were sent to national delegations.[45] However, Kristensen could not be convinced. He was personally so much involved in attempting to prevent the installation of the growth target that even the unconvinced British delegate Robert Hankey complained about the "embarrassing opposition" of the Secretary-General.[46]

[44] TNA, PREM 11/4228, Hankey to Foreign Office, November 10, 1961. BAK, B 102/77352, Dr. Gocht, Vermerk, November 8, 1961; NARA, RG 59, Entry 5304, Box 22, Folder OECD Ministerial Meeting 1961, J. Robert Schaetzel to Mr. Fessenden, November 2, 1961; John Nightingale, "Jack Downie's Competitive Process: The First Articulated Population Ecological Model in Economics," *History of Political Economy* 30, no. 3 (1998): 375.

[45] NARA, RG 59, Entry 5304, Box 22, Folder OECD Ministerial Meeting 1961, Solow and Bergman, Can the U.S. grow 50 percent between 1961 and 1970, November 9, 1961; J. C. Renner, Meeting between Under Secretary Ball and Kristensen, November 15, 1961. See also Barbara Bergman, Can Western Europe Grow 50 percent between 1961 and 1970, November 9, 1961.

[46] TNA, PREM 11/4228, Hankey to Foreign Office, November 10, 1961.

The entire dynamic of this discussion suddenly changed when OECD bureaucrats and delegates learned that immediately before the MCM the US proposal to set a growth target had leaked to the press. First in the *New York Times* and then around the world, newspapers were analyzing the viability and hidden motives of the target and reported on the different views on the proposal among OECD member countries. In all articles the initiative was interpreted as a direct response to Khrushchev's announcements, an allegation the US delegation denied. The press was generally skeptical, in particular in Europe, and argued that the proposal was unrealistic.[47] Characteristically, the German business daily *Handelsblatt* stated that member states did "not at all command the necessary economic policy instruments to force onto their industry and agriculture a specific growth rate."[48] Furthermore, there was some fundamental critique. For example, John Allen complained in the *Christian Science Monitor* that the growth target set by the OECD could not be achieved because the US had "grown nearest the top of the tree." Arguing that the richest nations have "the 'worst' growth rates" and that for America and Britain growth rates were bound to decline, he stated: "The United States already has run a race and won. It does not have to accept the challenge to the same race over again, against a fresh runner." Instead, the US should focus on improving the quality of education and housing, on alleviating poverty, and aim "to lift the underdeveloped countries up to Western standards."[49] Irrespective of these more nuanced critiques, the prior leak of the US plans put immense pressure on OECD ministers. Although it was not stated explicitly in the debates, at least the German delegation seems to have interpreted the leak as an intentional act of the US delegation to get agreement on its "propagandistic" target. At the meeting the German Economics Minister Ludwig Erhard accordingly complained that it was

[47] TNA, T 299/178, Washington to Foreign Office, November 14, 1961; PREM 11/4228, Hankey to Foreign Office, November 16, 1961; "Free World Goals for 1970," *New York Times*, November 13, 1961; *Frankfurter Allgemeine Zeitung*, November 16; "British doubt on U.S. Growth Plan for OECD," *Financial Times*, November 15, 1961; "Britain imperils U.S. goal in OECD," *New York Times*, November 16, 1961; "Westen antwortet auf die russische Herausforderung," *Deutsche Zeitung*, November 16, 1961; *The Washington Post*, 18 November 1961; *The Economist*, November 17, 1961; *Süddeutsche Zeitung*, November 17, 1961; all in BAK, B 102/77352.

[48] "USA schlagen Wohlstandsplan vor," *Handelsblatt*, November 17, 1961, in BAK, B 102/77352.

[49] *Christian Science Monitor*, November 14, 1961, 1. See also *Christian Science Monitor*, November 17, 1961, 4.

"improper that Ministers should read in the newspapers of the previous day and the day before what they were to decide that day."[50]

It is interesting to note that within all the extensive discussions among OECD experts and the key economists from member countries, the idea that a distinction could be made between absolute and relative growth numbers, between the size of an increase of the economy and the rate of increase, had not been brought up. Although no one expected the US and Britain to grow at the same rate as Italy or Japan due to the possibilities for catch-up, the shared assumption was that given the right policies growth rates could be stabilized between 4 and 5 percent annually for all countries, irrespective how rich they were and how large their economies had already grown. The growth *rate* dominated economic policy debates in the 1960s, exponentiality was the implicit ideal, not linearity.

Proving the "superiority" of capitalism: the OECD's first Ministerial Council Meeting

With this heightened publicity and in the face of greatest expectations the growth target dominated the debate at the OECD's first Council meeting at Ministerial level on November 16 and 17, 1961. The main antagonists were the US delegation, headed by Under-Secretary of State Ball, and Kristensen. In introducing the issue, Kristensen warned of publishing a target before the studies by WP-2 were finished next year, repeated his concern about the "prestige of the Organization," and warned against the dangers for the balance of payments situation in the OECD if a deficit country such as the US and Britain would "push its growth rate higher than was feasible."[51]

Kristensen also provided the MCM with a "provocative analysis of the statistical and policy implications of the proposed growth target." Comparing the growth rates in the first half of the 1950s (4.5 percent on average for OECD countries, 4.3 percent for the US) with those of the latter half (3.0 percent for OECD, 2.3 percent for US), he argued that the data clearly showed a secular trend of decreasing growth rates, in which the immediate postwar years were exceptional. To make his point, he stated laconically: "In other words, success requires a repetition of the growth rate of the first half of the 1950's, sustained over a nine-year period; i.e. a 50% improvement over the rate of the second half of the 1950's."[52]

[50] OECD-HA, OECD/C/M(61)7, November 16–17, 1961; BAK, B 102, 139611, Vertretung der Bundesrepublik Deutschland bei der OECD to AA, BMWi and Minister Erhard, October 12, 1962.
[51] OECD-HA, OECD/C/M(61)7, November 16–17, 1961.
[52] OECD-HA, OECD/C/M(61)7, Comments by the United States Delegation on Implications of a 50 percent Growth Target, Annex II, November 16, 1961; OECD/C

At the meeting most participants shared Kristensen's doubt about the wisdom of rushing in with this initiative, but many felt that their "hands were forced by the Press leakage of the American proposal." From the US perspective, they reacted in a "patronizing" way by doubting that the US could "stir itself out of the economic lethargy into which it had dropped in the 1950s and match the vigor of Europe's economic stride in the 1960s."[53] To counter these misgivings, American economists hastily prepared a memorandum during the meeting that provided a detailed critique of Kristensen's statistical reasoning. And in the debate, Ball presented a detailed rebuttal to arguments against the growth target proposal, assuring ministers that the US would easily achieve its part of the growth target by benefitting from the "present state of economic knowledge." Most of his arguments were not strictly economic, but rather political, and Ball emphasized that growth was "an obligation, which all countries felt," that they all had a "responsibility" to increase their growth rates, and that "growth in this strange world was imperative."[54]

The British, who had been most strongly opposed to setting a target at the meeting – a proposal they regarded as a "half-baked idea with obvious political and economic snags" – gave in to US pressure, because they feared being accused of "sabotaging an imaginative initiative."[55] Yet in behind-the-doors negotiations they managed to prolong the time period to ten instead of nine years, reducing the required average growth rate from 4.6 to 4.1 percent, a proposal developed by Kristensen to minimize the risk of failure. As the country with the lowest growth rates and prospects, they also pressed for a formulation that made it clear that different countries would contribute differently to the target, which was only set collectively for the entire region as a whole.[56]

Apart from the question whether the target was anything close to realistic and long discussions about technical details, the overriding themes of this meeting were the economic rivalry in the Cold War confrontation, the meaning of growth targets for free market economies, and the relations to the decolonizing South. To these ends, the US delegation

(61)51, Implications of a 50 percent OECD Growth Target, Addendum 1, November 14, 1961.

53 TNA, PREM 11/4228, Hankey to Foreign Office, November 16, 1961; T 230/919, Remarks by Henry H. Fowler at the American Conference on the Atlantic Community and Economic Growth, New York, December 12, 1965.

54 OECD-HA, OECD/C/M(61)7, November 16–17, 1961; and Annex II, Comments by the United States Delegation on Implications of a 50 percent Growth Target.

55 TNA, PREM 11/4228, Lloyd to Macmillan, November 10, 1961; Hankey to Foreign Office, November 16, 1961. See also Macmillan to Lloyd, November 12, 1961.

56 TNA, T 236/6598, Hankey to Foreign Office, November 19, 1961; NARA, RG 56, Entry UD-UP 734-H, Box 1, Folder OECD/0/00 General, Vol. 1, First Ministerial Council of the OECD. Report prepared by the European Office, November 12, 1961.

presented a series of growth data at the MCM that compared economic expansion in the Soviet bloc and US and Western Europe and suggested an overwhelming need to speed up growth in the West to stop the margin in the growth race from continuously declining.[57] Statements to the effect that the growth target would demonstrate the "superior power" of the West and its economic system characterized the entire debate. Invoking the image of "anonymous forces" that had been unleashed by the industrial revolution, and implicitly alluding to Cold War competition, Ball explained the current condition of OECD countries:

> It was a world in which absolutely unparalleled demonstrations of technological, political and social change were being experienced, a world threatened by new anonymous forces. It was a world in which rapid progress must be made if it were to be possible to mobilize the strength that was necessary for the kind of society that we all were interested in, and for the preservation of that society.

Many ministers, however, did not welcome this Cold War language. The British delegation had already before the meeting discussed the dangers of the growth target being perceived as "just another propaganda move." More importantly, British experts feared losing the growth race against the Soviet bloc, but also against other capitalist countries, and thus rejected the increasing focus on comparisons of growth rates.[58] An internal paper put it bluntly: "the Russians will always beat us at this game."[59] Accordingly, at the meeting the British Chancellor of the Exchequer Selwyn Lloyd warned that the target could do "more harm than good" and emphasized:

> It should be made clear that this was not intended as a cold war exercise: the OECD countries were not entering into competition with Soviet materialism, were not starting competitive targetry, nor measuring themselves against Communism only by material standards. The impression must not be given that these countries ignored human values, which mattered more; and it should be clear that this action was not a reply to anything that had taken place at the recent Soviet Congress.[60]

Although everybody at the meeting was perfectly aware of the fact that the main impetus for the growth target was Cold War competition, that the target was a recognition of GNP levels as the playing field on the economic front of competition among nation states, and that

[57] NARA, RG 59, Entry 5304, Box 22, Folder OECD Ministerial Meeting 1961, C. Gray Bream to John C. Renner, GNP of OECD Countries and the Soviet Bloc, November 22, 1961.
[58] OECD-HA, OECD/C/M(61)7, November 16–17, 1961. See also TNA, T 236/6598, Hankey to Foreign Office, November 19, 1961.
[59] TNA, PREM 11/4228, Lloyd to Macmillan, November 10, 1961.
[60] OECD-HA, OECD/C/M(61)7, November 16–17, 1961.

the growth target as formulated focused policies on economic statistics rather than on human values such as equality or democracy, Lloyd and other ministers were anxious to conceal this in the official OECD declaration. Furthermore, Switzerland and the Scandinavian countries, the formally neutral members of the OECD, were eager not to become too obviously caught up in one of the symbolical front trenches of the Cold War. In the final communiqué, the language had thus changed considerably compared to the original US draft. The document released to the press spoke of the "world responsibility" of the OECD to increase growth and justified the attainment of "the common objective of accelerated economic growth" by referring to a variety of rather broad and general objectives.[61]

Another line of contestation was that between a liberal critique of planning and the OECD's focus on growth policies. The main critic of the OECD line of policies was the ordoliberal German minister Ludwig Erhard, who had already been critical of quantitative growth in widely read publications. Emphasizing the importance of safeguarding the institutions of free enterprise even if capitalist countries aimed at high growth rates, he characterized the growth target as "artificial," as bearing "no relation to reality," criticized the "sanctity of figures," and remarked sarcastically on the question of whether to apply a target for the period 1960–1970 or 1962–1970: "What does it matter whether we make it nine, ten or even five years?"[62]

Several speakers referred to the problem of increasing global disparity. If the OECD was to achieve its growth target, and the "less-developed" countries would only grow by a smaller or similar amount, the OECD could be perceived as a "rich man who has not taken the needs of the less rich into account."[63] Poor countries will perceive the growth target as a "gimmick," the British delegation demurred, since they "would be much more interested in how much we intend to increase their growth rather than our own."[64] However, these worries were mainly on the level of public relations and presentational questions. They led to an emphasis in the communiqué that only through fast growth could the industrialized countries mobilize the financial resources that poor countries needed to launch on the same industrial growth

[61] OECD-HA, Press Communiqué, approved by the Council at its seventh meeting on November 17, 1961, Annex to CPE(62)11, Report of Working Party No. 2, October 31, 1962.

[62] OECD-HA, OECD/C/M(61)7, November 16–17, 1961; *The Washington Post*, November 18, 1961, A9. See also Ludwig Erhard, *Wohlstand für alle* (Düsseldorf: Econ-Verlag, 1964), 232.

[63] TNA, T 236/6598, Hankey to Foreign Office, November 19, 1961.

[64] TNA, PREM 11/4228, Lloyd to Macmillan, November 10, 1961.

path.[65] Furthermore, these worries, combined with the strategic interests of OECD member countries in the context of intensified Cold War interventions in the global South and colonial decline, fueled the OECD's work on development, which will be discussed in Chapter 6.

"Growth has become a good word"

The final communiqué adopted by OECD ministers set as the overarching target of industrialized countries the acceleration of growth to raise their combined GNP by 50 percent from 1961 to 1970. Although this target at first sight resembles a powerful manifestation of confidence in future growth, of the superiority of economic forecasting, and of the assertiveness of the OECD as the new economic NATO, the internal debates revealed a considerable degree of uncertainty and doubt. First, a far cry from representing a complacent and self-congratulatory proclamation, the target was spurred by the widespread fear of faster Soviet growth rates, of the dwindling persuasiveness of the Western model as exemplary for the decolonizing world, and, regarding the US, the fear of losing its hegemonic position within the Bretton Woods system due to balance of payments difficulties.

Second, far from emerging from exact econometric analysis, the growth target was based on trifling numbers and questionable theory. As Stephen Marris remembered in 1983:

> It does seem a funny thought now, you know, that with a totally inadequate analytical base and not very many figures, we fixed ourselves a figure for the growth over the next ten years and we (over) achieved it within about 3 or 4 per cent![66]

The OECD's proclamations, which was primarily "symbolic" in its intention of proving to the world the potentialities of the economic strength of the West and because it lacked any legally binding consequences, was the result of bargaining rather than analytical or technical procedures. At the same time, its nine-year duration, which considerably prolonged the traditional five-year span customary for planning during the 1950s, reflected the newly emerging long-term dimension of policy-making and a considerable degree of confidence that growth would continue, which

[65] OECD-HA, Press Communiqué, approved by the Council at its seventh meeting on November 17, 1961, Annex to CPE(62)11, Report of Working Party No. 2, October 31, 1962.

[66] Marris, "My History of My Time at the OECD."

was based on an interplay between the real economic gains of the postwar era, and the longer-run econometric analysis of growth dynamics.

Finally, rather than documenting the self-confidence of the OECD, the growth target was set by a new, unsettled, and precarious international organization that was still searching for a role in global governance. The growth target aimed at affirming the OECD's ambitions in a new field of international policy-making – policies to accelerate and harmonize economic growth – and at producing recognition, sense, and meaning for the organization. Similarly to James Tobin's observation that "a growth target could inspire, galvanize, and unite the nation," an essential function of the OECD growth target lay in the creation of an imagined community of countries and in providing identity and purpose to this new international organization, and, more importantly, to the imagined community of "the West."[67]

The Ministerial declaration justified the focus on growth by describing it as a panacea that would help solve the most pressing problems of member countries. While the challenges growth was supposed to meet had shifted from those of the early 1950s, when economic expansion was sought to finance reconstruction, fight unemployment, enable the military build-up, and close the dollar gap, the idea of growth as a magic bullet to address key societal tasks had stuck. The OECD declaration in 1961 read:

> rapid growth facilitates the harmonious development of world economy, helps to promote a liberal world trading system, provides a necessary foundation for rising living standards and ensures a high level of employment. It will enable industrialized Member countries to contribute more effectively to the development of less developed countries [. . .].[68]

However, in addition to this rather pragmatic justification of economic growth, the discussion around the OECD growth target – the preparatory documents, the stiff controversies, and the debate at the Ministerial meeting – also brought to light some of the more implicit assumptions that powerfully reinforced the growth idea and transformed it into a universal yardstick for key societal ambitions. In the debates, the OECD growth target was discussed both by proponents and by opponents as the primary proxy for progress and for the general success of the

[67] Tobin, "Economic Growth as an Objective of Government Policy," 6. On imagined communities, see Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism* (London: Verso, 1985). See also the similar argument regarding the transformation of the identity of the US through economic growth discourses in Yarrow, *Measuring America*.

[68] OECD-HA, Press Communiqué, approved by the Council at its seventh meeting on November 17, 1961, Annex to CPE(62)11, Report of Working Party No. 2, October 31, 1962.

capitalist free market system. Already before the US proposal had been revealed to other OECD countries, an internal memorandum in the US Treasury questioned the usefulness of the growth target in the Cold War competition. It warned of the "fallacies of using only quantitative measurements in assessing economic progress" instead of looking at the composition and distribution of the economic product – an argument that had generally been leveled against Soviet material planning. Further, the Treasury memorandum argued that there was

> some question as to the significance of this kind of statistical measurement of economic progress, and we may in fact be detracting from what has been one of our major responses to communist claims by focusing on the increase in GNP as a measure of the success of the capitalist countries.[69]

However, this skeptical outlook did not prevail. The US delegation settled on a view that closely associated GNP growth with economic progress and this view was taken up by the OECD.[70] In the coming years, economic progress would become quasi-identical with economic growth, and the key function of the modern state became identified with promoting this progress through growth policies and planning. Only two years later, an OECD report stated, the 1961 Ministerial resolution setting the growth target was

> a striking manifestation on the international plane, of the fact that economic growth had become one of the main aims of national policies. It also reflects the new attitude to economic growth that has emerged since the second world war, i. e., the growing belief that economic progress is not an autonomous historical process that happens accidentally, but an evolution that can be promoted by deliberate action and planning.[71]

In a similar vein, within the OECD debates GNP growth was blended with the concept of increases in human well-being. At the meeting Ball stated, the aim of the target was to "prove" that capitalism was better for people than all other economic systems:

> Countries had an opportunity to prove [. . .] that their empirical mixture of public and private enterprise was far more dynamic and, simultaneously, more conducive to human well-being, than any other economic arrangement that the world had devised. This was an opportunity [. . .] to re-affirm – both among Member countries themselves and in their relations with less-developed nations – a central

69 NARA, RG 56, Entry UD-UP 734-H, Box 4, Folder OECD/5/30 EPC Working Party 2, Vol. 6, Proposed Growth-Rate Target for OECD Countries, November 2, 1961.

70 NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/30 EPC WP-2, Dewey Daane, U.S. Growth Policies in the '50s and '60s, August 30, 1961.

71 Christopher Freeman, Raymond Poignant, and Ingvar Svennilson, *Science, Economic Growth and Government Policy* (Paris: OECD, 1963), 9.

thesis of their ethics: that self-interest was entirely consistent with a sincere devotion to the interest of others.[72]

Further, in the context of the Cold War, colonial decline, and international competition, economic growth became the most essential symbol and key foundation of national power. Growth became associated with vitality, vigor, and strength, and was contrasted with lethargy. The prestige of a country – its "greatness" – came to hinge on its rate of growth as compared to that of other countries, causing "national inferiority complex [es]" in countries with seemingly slow growth rates.[73] And it became central in defining the purpose and identity of countries. As one British Treasury official claimed: "Economic growth may become, properly handled, a synonym for the real national interest."[74] One could even argue, following Alan Milward, that growth had come to take the space in the national imaginaries that had hitherto been occupied by territorial expansion. Both Solow's draft communiqué and the American speech at the meeting emphasized the advantages of adding the economic power of another country the size and wealth of the US to the Atlantic community. The characteristic style and formulations of these statements depict the notion of economic growth as a process of opening up or conquering new territories. Ball explained pathetically and in a militarized language what the growth target was all about:

> It was within countries' power to achieve for the free world an unparalleled conquest – a conquest without sacrifice on the part of the people and without damage to spiritual or cultural values, a conquest achieved merely by the effective utilization of the inherent capabilities.[75]

US chief economist Heller put it in a speech in a similar way, employing the metaphor of "frontier":

> It might be possible to create and maintain an American society in a stationary economy, but it would surely be difficult. Much of what is best in the American character is a reflection of growth – first through the external frontier as the Nation

[72] OECD-HA, OECD/C/M(61)7, November 16–17, 1961.

[73] NARA, RG 59, Entry A1 5605, Box 1, Folder OECD Ministerial 1961, Copy of letter by Ball to Ministers, November 7, 1961; TNA, T 230/919, Remarks by Henry H. Fowler at the American Conference on the Atlantic Community and Economic Growth, New York, December 12, 1965; Wallis, "A Philosophy of Economic Growth," 12. See also Arndt, *The Rise and Fall of Economic Growth*, 62–65.

[74] TNA, T 230/579, Vinter, Elements of a Policy for Economic Growth, February 27, 1961.

[75] OECD-HA, OECD/C/M(61)7, November 16–17, 1961; BAK, B 102/77352, Draft Communiqué on Economic Growth Target, November 1961. See also Milward, *The European Rescue of the Nation-State*, 35. On expansion in the age of empires see Osterhammel, *Die Verwandlung der Welt*, chapter 7-8; Neitzel, *Weltreich oder Untergang.*

pushed West, and now through the internal frontier of expanding educational, occupational and economic opportunity.[76]

For all these different reasons – GNP growth as a panacea to meet pressing challenges and as yardstick for power, progress, and prosperity – growth was exalted to become a "responsibility" states had to assume, an "imperative" that could not be evaded, and thus, in the words of one critic of this development, "the *one* preeminent requisite and priority" in policy-making.[77] As James Tobin has argued in the keynote at the 1964 AEA meeting: "Growth has become a good word. And the better a word becomes, the more it is invoked to bless a variety of causes and the more it loses specific meaning." It has become "a new synonym for good things in general" and "a fashionable way to describe other economic objectives."[78]

This conflation or very close association of GNP-growth with societal aims such as welfare had two important effects, which became important in the debates skeptical of growth in the late 1960s and early 1970s that will be discussed in Part III: First, it obscured the real relationships, which were transformed into something that was not explicitly discussed, justified, or proven, but rather taken for granted. And second, the symbolisms backed the view that more growth could only be good, because more growth amounts to more welfare, more power, and more progress, all things that one cannot have too much of. However, before turning to the critical discussions that questioned from the late 1960s onwards the status of GNP-growth as an adequate yardstick, the following chapter explores the OECD's efforts in the early 1960s to unravel the secret of growth and to develop the policies needed to achieve the organization's ambitious quantitative target.

[76] NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/30 EPC WP-2, Walter Heller, Economic Growth: Challenges and Opportunity, Address to the Loeb Awards Fourth Annual Presentation, New York, May 18, 1961.

[77] TNA, T 299/178, Lee to Hubback, November 7, 1961. Hankey and Allen prepared an alternative communiqué. Allen to Lee, November 7, 1961; and attached draft Communiqué; F.J.A. to Cairncross, November 7, 1961.

[78] Tobin, "Economic Growth as an Objective of Government Policy," 1.

5 Boosting growth

The Western "growth conscience" and social engineering in the name of accelerated growth

How undergrowthed do you consider your economy?[1]

The idea that growth rates should be a concern of policy-making was not widespread before the onset of the 1960s – in most governments there was neither a "lobby for growth" charged with growth policies, nor was there a coherent theory that explained differences in growth rates, not to speak of an established set of tested policies politicians could follow. As stated by a high-ranking US Treasury official in 1961, reflecting on the work and tasks of the OECD, "individuals concerned in one way or another with public policy in the U.S. have only recently added the long-term rate of economic growth to their lists of things to 'do something' about."[2] This situation changed fundamentally and within a few years, not merely in the US but in all OECD countries and beyond, economic growth preoccupied a key position on the agenda of governments, economists, and in public debates. By the mid-1960s, it had become "completely accepted, that growth was an objective of policy," as observed by Stephen Marris, one of the most eminent economists within the OECD, "in most governments there was a recognizable place where that interest was represented," and a variety of growth policies were under way in literally all countries.[3] Furthermore, the pursuance of economic growth as a key goal came to increasingly shape policies in all kinds of hitherto non-economic areas. How can these transformations be explained?

The OECD was deliberately founded to promote these changes and this ambition was embodied in its venturesome growth target set in 1961. However, even though in the 1960s the OECD developed into the "temple of growth for industrialized countries," the organization's attempts to produce a universal growth theory explaining the differences in growth

[1] TNA, T 230/604, OECD Secretariat to UK delegation, Preliminary proposals for a questionnaire for enquiry into economic growth, May 25, 1961.
[2] NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/30 EPC WP-2, Dewey Daane, U.S. Growth Policies in the '50s and '60s, August 30, 1961.
[3] Marris, "My History of My Time at the OECD."

rates among member countries and to endorse a "universally applicable recipe" for growth failed. Institutionally, the heart of the OECD's growth focus was the EPC's "Working Party No. 2 on Policies for the Promotion of Economic Growth," which had been set up on the initiative of the Kennedy administration in April 1961. If the OECD was the temple of growth, WP-2 was the sacred chamber, and its members as well as the OECD economists working in the Economics Department were the high priests charged with unraveling the secret of growth. Yet these debates, which involved some of the most distinguished growth theorists and economic experts of the time, revealed fundamental ideological cleavages and diverging interests, economic practices, and schools of economic thinking between OECD countries. Although they followed broadly similar economic policies within the framework of "embedded liberalism," in particular the question of planning and state intervention divided member countries.[4] Market liberal economists and delegates, in particular from West Germany, argued that even the setting of growth targets amounted to a slippery slope toward central planning, while the French and the OECD Secretariat promoted tripartite planning and Keynesian demand management. Thus, even though the entire organization focused on reaching its growth target, the key working party specifically dealing with growth achieved little tangible results – a fact that is in need of explanation.[5] Nonetheless, the political focus on the "highest" growth rate (as stated in the OECD Convention) soon developed into the common denominator.

Actually, this ambiguity and relative emptiness of the guiding principle of "economic growth" (which were responsible for the difficulties of WP-2 to agree on definite theory and policies) proved essential to the enlargement of the sphere of influence of economists within national governments and to the economization of non-economic policy-areas. The hegemony of the growth paradigm extended the economic rationality of boosting growth beyond what had hitherto been economic policies – with far-reaching consequences. Symptomatic of the shift in perspective in member countries, the work of most OECD committees was refocused in line with the imperatives of boosting growth. To demonstrate this process of economization, I analyze the OECD's promotion of the human capital revolution and the resultant transformations of education and science policies. There is a large body of literature on the "economization of the social," which deals with the continued commodification and extension of the logic of the market. While this research has largely

[4] Ruggie, "International Regimes, Transactions, and Change."

[5] This also puts into perspective the widespread view of the effectiveness of the EPC and its working parties. See, for example, Carroll and Kellow, *OECD*, 53. Even though mentioned as important in many accounts on the OECD, WP-2 has not been studied.

focused on the transformations toward neoliberal regimes from the 1970s onwards, a similar analysis can be applied to the earlier developments analyzed in this chapter.[6] The detailed case studies in this chapter show how the OECD functioned as a transmission belt to internationalize the human capital theory, which had been developed at US universities (most notably Chicago), and to bring them to the attention of US and European policy-makers. This resulted not only in the institutionalization of science and education policies geared toward growth in most OECD countries and at the international policy scene, but also established a lasting role for the OECD in the field of educational policies (as still demonstrated today by the OECD's PISA program).[7] As will be shown, the strengthened responsibility of governments to increase economic growth and the related emergence of economic approaches to social problems reinforced the role and authority of economic experts in traditionally non-economic, social, and cultural realms.[8]

"The house that Keynes built" and its "lobby for growth"

In the course of the 1950s, the OEEC had established itself as an international stronghold of interventionist and Keynesian policies while at the same time upholding the importance of free trade and price stability. In particular during the early 1960s, but generally until the mid-1970s, the OECD further strengthened this outlook and was accordingly widely known as "the house that Keynes built" – a description that certainly emphasizes the Keynesian influence a little too much.[9] In line with what political scientist John Ruggie described as "embedded liberalism," the organization's "Keynesian consensus" around high growth rates was based on a combination of international competition and free-market policies on the one hand, and Keynesian demand management and

[6] Important contributions in this area came from Michel Foucault. See Ulrich Bröckling, Susanne Krasmann, and Thomas Lemke, eds., *Gouvernementalität der Gegenwart: Studien zur Ökonomisierung des Sozialen*, 6th ed. (Frankfurt a.M.: Suhrkamp Verlag, 2000). This is related to research on the scientification of the social. See Raphael, "Die Verwissenschaftlichung des Sozialen als methodische und konzeptionelle Herausforderung für eine Sozialgeschichte des 20. Jahrhunderts"; Ziemann, Dirk Schumann, Richard F. Wetzell, and Kerstin Brückweh, "The Scientization of the Social in Comparative Perspective."

[7] On the OECD's influence on the EEC in the area of research policy see Veera Mitzner, "Research for Growth? The Contested Origins of European Union Research Policy (1963–1974)" (Dissertation, European University Institute, 2013).

[8] See also Jean-Baptiste Fleury, "Drawing New Lines: Economists and Other Social Scientists on Society in the 1960s," *History of Political Economy* 42, no. 1 (2010): 315–42.

[9] Sullivan, *From War to Wealth*, 50. See also Michele Fratianni and John C. Pattison, "The Economics of the OECD," *Carnegie-Rochester Conference Series on Public Policy* 4, (1976): 75–140; Wolfe, "Reconstructing Europe," 35.

economic planning on the other ("Keynes at home, Smith abroad").[10] It had two key ingredients: At an international level, this consensus centered on the notion of "collective demand management for the world economy." Building on the work of the Robert Hall expert group in the 1950s, the larger OECD countries took the collective responsibility for maintaining a level of demand conducive to the continuous and stable expansion of the world economy. The rule of thumb for the resultant macroeconomic actions was the following:

> if the world looked too inflationary then it was the countries with the highest rates of inflation and the fastest rates of growth which take restrictive action; if it looked deflationary it was the countries with the lowest rate of inflation and highest rate of unemployment who should take expansionary action.[11]

The difficult negotiations about the respective responsibility of creditor and donor countries for the region's balance of payments problems, which were regarded as one of the key threats for continued economic expansion, were held largely within the restricted WP-3, the OECD's "inner sanctum." Although opinions were divided and difficult to reconcile, the working party played an important role in the development of a consensus on the proper functioning of international adjustment within the monetary system of Bretton Woods and the cyclical management of economies in ways that prevented restrictive policies in deficit countries.[12]

Next to the management of overall demand and within this broadly Keynesian framework, the OECD focused on policies aimed specifically at increasing the longer-term rate of growth. This was the raisons d'être of the EPC's WP-2. In the early 1960s the Secretariat and key economists in the larger member countries had four objectives, which they hoped to achieve through this working party: First, the overall gospel the OECD preached was that countries should not merely aim at achieving stable economic growth, which increasingly came to be regarded as a natural given, but at the "highest sustainable economic growth," as stated in the first article of the OECD Convention.[13] In the context of Cold War rivalry, international trade competition, and the generalized assertion of consumer culture in OECD countries, the aim of the latter 1950s to

[10] Marris, "My History of My Time at the OECD"; Ruggie, "International Regimes, Transactions, and Change," 355.

[11] Marris, "My History of My Time at the OECD."

[12] Sullivan, *From War to Wealth*, 62. See, in particular, the debate around the process of adjustment within WP-3, which was charged by the G-10 to submit a report on these questions by 1965. OECD, *Adjustment Process*.

[13] OECD-HA, Convention on the Organisation for Economic Co-operation and Development, Paris, December 14, 1960.

achieve stable growth through the business cycle was stepped up. Characteristically, the US delegate to WP-2 Walter Heller argued:

> The question before the American economic is not: to grow or not to grow. For grow we will, and grow we must. Rather, the question is: will we grow fast enough to meet the economic needs of a free, but threatened, society?[14]

Growth as the key goal of governments was justified through its intrinsic benefits and as a magic bullet that was instrumental to the achievement of other important societal goals. A 1962 Secretariat proposal for a report of WP-2 is symptomatic in praising the advantages of economic growth. It started with the emblematic statement that rapid growth was "in itself a very important goal," and commended GNP as a powerful "benchmark" that not only provided "a way of telling how rapid is rapid," but, as argued in the last chapter, was much more comprehensive. As the key benefits of high growth rates the paper specified the achievement of more of the "material advantages of life," that growth serves as "a solvent for social tensions," and that it makes it possible to resolve social and economic problems such as "unemployment, inflation, foreign payments imbalances, poor distribution of income," and aid to "underdeveloped countries."[15]

Second, the OECD promoted the institutionalization of government bodies that could act as "spokesmen for growth" and to give international backing, provide supporting arguments, and develop internationally sanctioned policy strategies to those bureaucrats, experts, and economists within national executives who wanted to crusade for higher growth rates.[16] In the words of Marris:

> [I]n the makeup of governments, central banks were a lobby for price stability and treasuries were a lobby for controlling public expenditure, so there was really nobody within the structure of government who was the lobby for growth. This really in a way was the origin of Working Party 2, which [. . .] brought together people from governments who were lobbies for growth.[17]

Third, because there was no shared understanding of the causes and drivers of growth among the key Western economists, the OECD initially aimed at finding a "general theory of growth" that could explain the differences in past growth rates.[18] Realizing that defining such a generally

[14] NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/30 EPC WP-2, Walter Heller, Economic Growth: Challenges and Opportunity, Address to the Loeb Awards Fourth Annual Presentation, New York, May 18, 1961.
[15] NARA, RG 56, Entry A1 934, Box 12, Folder EPC/WP-2 1961–64, Paris to Secretary of State, August 31, 1962; Dewey Daane to Roosa, September 25, 1962.
[16] OECD-HA, CPE/WP2(63)8, Economic Growth and Policy, June 29, 1963.
[17] Marris, "My History of My Time at the OECD."
[18] OECD-HA, C(61)133, Seventh Meeting of the EPC, July 27, 1961.

acceptable growth theory within an international organization was overly ambitious, this undertaking was soon given up. Instead, the OECD hoped to develop "a standard growth policy at least partially applicable to all countries."[19] In the early 1960s, there was not just a lack of understanding regarding the factors contributing to economic growth, but more importantly, there was "no clear vision of what needs to be done to assure rapid growth."[20] While the development of a growth theory could be postponed and left to academics, economists within the OECD felt the need to produce at least a coherent message for its member countries to help them achieve the growth target.

Fourth, after the Ministerial meeting in November 1961 the OECD focused on the "implementation" of the growth target, which came to dominate the work in most of its committees, expert groups, and working parties. The objective to increase GNP for the OECD area by 50 percent within a decade catapulted WP-2 to the center of attention; it became the "nerve-centre for this operation." There were also more far-reaching plans by the Secretariat and the US delegation to turn WP-2 into a permanent "Growth Committee" that would have institutionalized confrontations of countries' domestic growth policies.[21] Kristensen even likened the implementation of the growth target to the OEEC's work on the Marshall Plan and asked the Council, "whether governments would be willing to discuss their individual growth policies and plans with the Organization, as they had discussed their reconstruction plans with OEEC in the 1950s."[22] However, circumstances had changed. Without the strings attached to the financial aid in the 1950s, which had made close policy cooperation and coordination mandatory, OECD member states were not willing to delegate as much power to the international organization as they had in the 1950s, in particular regarding the sensible questions of domestic growth policies.

The experts charged with these four tasks were the delegates of WP-2, which included some of the key economic advisors of Western governments and distinguished economists of that era such as Robert Solow, Moses Abramovitz, Claude Gruson, or Ingvar Svennilsson. It was chaired by Eivind Erichsen, a Keynesian economist with a strong standing and broad experience in the Norwegian civil service, and was supported by

[19] OECD-HA, CPE/WP2(64)3, Economic Growth and Policy, March 1964.
[20] NARA, RG 56, Entry A1 934, Box 12, Folder EPC/WP-2 1961–64, Paris to Secretary of State, July 5, 1963.
[21] OECD-HA, OECD/C/M(61)8; NARA, RG 56, Entry UD-UP 734-H, Box 3, Folder OECD/5/00 Economic Policy Committee, Vol. 1, Embassy Paris to all OECD Embassies, February 10, 1962.
[22] TNA, T 299/178, Hankey to Foreign Office, December 14, 1961.

OECD economists such as Angus Maddison, Jack Downie, and Wilfred Beckerman, all of whom also pursued prestigious academic careers.

WP-2 and the difficulties of defining a "standard growth policy"

What was the conceptual horizon and point of departure from which the OECD's working group on the promotion of growth started in 1961? An early draft of a questionnaire sent to member countries in preparation of WP-2's first study reveals the considerable uncertainty of policy-makers regarding "economic growth" in the early 1960s. Next to more technical questions on labor, capital formation, efficiency, and forecasting factors affecting growth, delegates were also asked searching and fundamental questions such as: "What is growth?," "Why do you want rapid growth?," "For whom is growth a value?," "What is the mechanism of growth?," "How can more rapid growth be realized?," "Which are the policies for more rapid growth?," and "How undergrowthed do you consider your economy?"[23]

The aim of the study was to understand differences in growth rates, in particular between the "growth laggards" in North America and Britain and the fast growing countries in Western Europe, and to comparatively assess "the impact that official policies have had on growth."[24] This was an ambitious undertaking. A British internal paper noted that the idea that WP-2 would produce a "report on 'How to Grow' on the lines of 'How to Grow Asparagus' or 'How to make friends and influence people' is absurd."[25] Even so, the Secretariat was working on precisely such a report. However, the difficulties to reconcile differences in emphasis rendered it impossible to develop a "general theory of growth" within the OECD.[26] And even the Secretariat's attempt to establish a "basic model of the growth process," based on the experiences of 1950s, failed. In particular, several delegations argued that the experience of the 1950s was not necessarily applicable to the circumstances of the 1960s and that supply-side factors had to be taken into account. The first report of WP-2 was never published.[27]

23 TNA, T 230/604, Lindgren, Preliminary proposals for a questionnaire for enquiry into economic growth, sent to UK delegation, May 25, 1961.
24 OECD-HA, CPE/WP(61)2, Draft of a questionnaire, May 12, 1961.
25 TNA, T 230/604, Ross, OEEC Working Party on Growth, sent from Hopkin to Downie on May 16, 1961.
26 OECD-HA, CPE/WP2(61)14, Oral Report of Mr. Erichsen on EPC meeting, July 27, 1961.
27 OECD-HA, CPE/WP2(61)5, Economic Growth during the 1950s, July 6, 1961; NARA, RG 56, Entry UD-UP 734-H, Box 4, Folder OECD/5/30 EPC Working Party 2, Vol. 6, Paris to Secretary of State, Meeting of WP-2 on Economic Growth July 21–22, 1961.

The underlying problem was the divergence of economic philosophies between different member countries, which was predicated upon disparate national economic cultures, the specific situations of member countries in the global competitive market system, and countries' general approach toward the OECD. Several countries wanted to advance studies and work on particular aspects of the growth problem they thought specifically important. For example, Sweden was mainly concerned with labor supply, training, and mobility; the French pressed for the development of projections with industrial breakdowns and the study of possible disharmonies in the investment plans; Britain wanted to study concrete growth policies of member countries; and the US administration was mainly interested in using the OECD as an external ally in its domestic efforts to introduce expansionary budgets and tax cuts. And the OECD Secretariat was increasingly becoming "interested in French indicative planning," which they thought should be internationalized.[28] The most delicate disagreement, however, loomed between the OECD's efforts to promote planning for growth and West Germany's vigorous concern with averting any detailed consensus on growth policies or recommendations that could be reminiscent of "planning" and thus contradicted the self-styled social market economy.[29]

These differences in interests and perspectives not only made it difficult to advance with a common theoretical and policy perspective, but seriously impeded the "implementation" of the growth target. To unfold activities around this target, the OECD demanded geographical and industrial breakdowns of growth projections up to 1970 that detailed in which countries, regions, and industrial sectors the 50 percent increase of GNP would occur, and which government actions were necessary to achieve the goal. However, a far cry from these ambitions, the OECD's efforts got bogged down already at the level of agreeing on more detailed forecasts in months of "theological discussions about breakdowns or not breakdowns and projections or not projections," as a British delegate described it.[30] This controversy was sparked by the acrimonious opposition of the rather isolated German delegation to any form of detailed projections, which most other countries and the OECD experts regarded

[28] TNA, T 230/606, Hopkin, Draft Brief on the paper by Working Party No. 2, February 14, 1962; Marris, "My History of My Time at the OECD."

[29] On the context, see Dieter Gosewinkel, "Zwischen Diktatur und Demokratie wirtschaftliches Planungsdenken in Deutschland und Frankreich: vom Ersten Weltkrieg bis zur Mitte der 1970er Jahre," *Geschichte und Gesellschaft* 34, no. 3 (2008): 327–59.

[30] TNA, T 230/606, Hankey to Gallagher, March 2, 1962; NARA, RG 56, Entry UD-UP 734-H, Box 4, Folder OECD/5/30 EPC Working Party 2, Vol. 6, Tuthill to Secretary of State, OECD Economic Growth, December 16, 1961.

as a rather technical necessity.[31] The German Economic Ministry, which had made it "a point of policy to let market factors prevail in their economy," argued that any detailed economic projections were a slippery slope toward planning. They argued, for example, that even if it was "perfectly clear" that half a million workers must be absorbed from agriculture into industry, it would be "politically dangerous to say so."[32] Characteristically, the German delegate said, "the Federal Republic's only 'planning agent' is the free market."[33] This fundamental ideological dispute preoccupied not only the OECD, but a similar controversy was also held within the Commission of the EEC.[34]

It was only after considerable American pressure that the West German experts could be convinced that the establishment of OECD projections for employment, output per person, and GNP-level for the five major countries did not imply any planning. The projections finally produced were considerably above the necessary average of 4.1 percent GNP growth (except in the case of Britain) and led to a "general optimism" that the target could be achieved.[35] However, beyond these statistics that were routinely updated, WP-2's role was constricted to a quite technical discussion circle that continuously lost in importance.

Remarkably, the OECD's policy recommendations that resulted from WP-2's work in the early 1960s were mainly targeted at the US, whose delegation had been the driving force in the first years. Symptomatic is the otherwise unspectacular report *Policies for Economic Growth* prepared by WP-2 for the second meeting of OECD ministers in November 1962.[36] At that time, the Kennedy administration was facing difficulties in domestically implementing an ambitious package of expansionary policies. To overcome the internal deadlock, Kennedy's national security advisor Walt W. Rostow advanced the proposal to promote the "unbalanced budget mythology" through the OECD.[37] In WP-2 CEA economist

[31] TNA, T 230/606, Hankey to Gallagher, March 2, 1962.
[32] TNA, T 230/601, Hankey to Foreign Office, February 25, 1962.
[33] TNA, T 299/178, Hankey to Jackling, January 20, 1962.
[34] Gabriele Metzler, *Konzeptionen politischen Handelns von Adenauer bis Brandt: politische Planung in der pluralistischen Gesellschaft* (Paderborn: Schöningh, 2005), 238. See also Nützenadel, *Stunde der Ökonomen*, 205–31.
[35] The OECD produced projections for the US, Britain, France, West Germany, and Italy. OECD-HA, CPE/WP2(62)8, Proposal for next stage of the growth exercise, April 10, 1962; OECD-HA, CPE/WP2(62)10, Summary of conclusions, April 19, 1962.
[36] OECD-HA, C(62)183, Report by Working Party No. 2 of the EPC, November 13, 1962; OECD, *Policies for Economic Growth. Report of Working Party No. 2 to the Economic Policy Committee* (Paris: OECD, 1962).
[37] NARA, RG 59, Entry 5304, Box 22, Folder OECD Ministerial Meeting 1962, Walt W. Rostow, A Proposal Concerning Domestic and Foreign Economic Policy, June 14. See also Robert Schaetzel to Cleveland, August 9, 1962.

Robert Solow explained, "the U.S. public had some difficulty in understanding this problem and the Working Party might help there if it included in its papers not only questions but tough discussion."[38] Accordingly, WP-2's report, the first draft of which had been secretly written by the US delegation and was distributed as a Secretariat proposal, addressed the US concerns: It claimed that the maintenance of demand was the "essential condition for achieving the target," and that the main "danger" was that expansionary budget policies "may be inhibited in certain countries because public opinion mistrusts deficit financing."[39] On instigation by Solow the report explicitly demanded policies to accelerate growth and expand demand in the US and thus gave international backing to Kennedy's growth policies, which included massive tax reductions to expand demand, wage-price guideposts to keep inflation in check, and depreciation allowances as incentives for investments.[40]

WP-2's most controversial venture, which brought to the fore all the ideological cleavages about planning and intervention that had hampered its work before, was the attempt, started in early 1963, to produce agreement on the best practices of growth policies and institutions in member countries. Six countries – Britain, West Germany, Sweden, and later France, Norway, and the Netherlands – were taken as "guinea pigs" to study the growth experiences and prospects with a focus on the institutions fostering growth. Based on these studies the Secretariat prepared a report under the title *Growth and Economic Policy*, which supposedly universalized these experiences but was so contentious that it was never published.[41] The main author was the left-leaning Keynesian economist and, as one colleague put it, "repentant Communist," Jack Downie.[42] With other members of the Secretariat he had toured European capitals to discuss growth policies with the respective governments and experts within national bureaucracies.[43] The message the OECD economists extracted from these discussions was a quite open plea for the further extension of government intervention and planning. The French case for planning was taken as a blueprint for all, in particular regarding the thesis

[38] TNA, T 230/606, Draft Report on Meeting of WP-2 on June 18–19.
[39] OECD-HA, C(62)183, Report by Working Party No. 2 of the EPC, November 13, 1962; NARA, RG 56, Entry A1 934, Box 12, Folder EPC/WP-2 1961–64, Paris to Secretary of State, October 1, 1962; Tuthill to Secretary of State, October 18, 1962.
[40] On US policies, see Collins, *More*, 52–55; Schlesinger, *A Thousand Days*, esp. 674.
[41] TNA, T 311/49, Hopkin to Allen, July 18, 1963; OECD-HA, CPE/WP2(63)8, Economic Growth and Policy, June 29, 1963; CPE(64)8, Growth and Economic Policy, June 2, 1964.
[42] Nightingale, "Jack Downie's Competitive Process," 402.
[43] TNA, T 311/49, Downie to Allen, July 1, 1963.

of the French chief planner Pierre Massé that tripartite planning had increased French growth rates, and was combined with the Swedish model of active manpower policies.[44] Accordingly, the draft report argued that future growth depended on new organizations to bring government, business, and labor into a joint target setting and planning effort and promoted an active income policy in which governments directly intervened in the determination of the share of wages in the GNP.[45] It was regarded as a forthright "endorsement of planning."[46] Downie quite explicitly interpreted growth targets as self-fulfilling prophecies and argued that all countries should adopt more ambitious individual growth targets such as the OECD had for the entire region. In this regard, the OECD prefigured arguments within the British Treasury about what Donald MacDougall, director of the British National Economic Development Council would call the "confidence trick" of economic growth that became the basis of Maudling's "dash for growth" in 1963. As Maudling explained: "This consisted of thinking of a number for the growth of the economy [. . .] everyone would work on the assumption that it would happen and lo and behold, it would happen."[47]

However, the reactions to *Growth and Economic Policy*, in particular to earlier drafts of the report that were subsequently drastically toned down, were highly skeptical. Gardner Ackley from the CEA stroke the chord of many delegates when he criticized that the OECD tried to press very diverse growth experiences into one "policy lesson to be learned," which was "to intensify planning, by way of new social and political organization bringing together Government, management and labor."[48] While some experts, among them French, British, and Norwegian economists, and key officials within the OECD, supported the general thrust of the report, most delegations objected to its core message. They criticized in particular the emphasis on tripartite planning and the naïve belief that the confidence created by setting governmental growth targets would actually create higher growth rates (which was deprecatingly labeled "Seelenmassage").[49] Once more, it was the German delegation that most strongly opposed the Secretariat

[44] OECD-HA, CPE(64)8, Growth and Economic Policy, June 2, 1964. See also John Black, "The Theory of Indicative Planning," *Oxford Economic Papers*, 1968, 303–19.

[45] OECD-HA, CPE/WP2(63)8, Economic Growth and Policy, June 29, 1963; CPE/WP2 (64)3, Economic Growth and Policy, March 1964.

[46] NARA, RG 56, Entry A1 934, Box 12, Folder EPC/WP-2 1961–64, Position Paper. Draft for EPC Delegation Meeting, June 12, 1964; Auten to Volcker, June 2, 1964.

[47] Cited in John Barns, "The 'dash for growth' and its consequences," December 6, 2002, online at http://barneshistorian.com/ser1-lect9-02.php (November 23, 2015).

[48] NARA, RG 56, Entry A1 934, Box 12, Folder EPC/WP-2 1961–64, Airgram form Leddy (USRO) to Secretary of State, August 10, 1963.

[49] The German delegation called this focus on changing attitudes "Seelenmassage" (soul massage), criticized it as ineffective and flawed, and contrasted this OECD approach to a

study. To highlight the contrast between the OECD discourse and the proclaimed adherence to free-market principles that had become central to West Germany's public image, it even claimed that "the Federal Republic did not have a growth policy as such."[50] The report was never published. Besides an obligatory *Mid-decade Review*, which updated the prospects of achieving the 50 percent growth target, this failed attempt to produce a substantial report was the last strive of WP-2 in trying to answer the fundamental questions on economic growth it had asked in 1961.[51]

"Man himself was society's greatest capital asset": the human capital revolution

The ascendancy of economic growth to primacy among policy goals has deeply transformed the interrelationships between the economy and society and, more particularly, between economic growth and other policy domains. Policies in areas such as employment, education, agriculture, balance of payments, and research and development all came to be evaluated in relation to economic growth. The relationships between growth and other policy goals were generally constructed as mutually reinforcing: growth creates jobs, and more jobs spur growth; investment in education produces higher growth rates, which in turn finance the higher educational expenses; growth in industrialized countries provides funds for investment in poor countries, which in turn create export markets for industrialized countries' products and thus contribute to their growth, etc. A virtuous circle of growth and progress.

The transformation of policy discourses within the OECD in the early 1960s is indicative of this process. While it turned out to be impossible to reach agreement on a universal theory of growth or a standard set of growth policies within the heart of economic policy-making – the EPC's WP-2 – this working group functioned as a catalyst of the OECD's growth focus in other areas. Accordingly, the OECD steered the work of most of its committees toward increasing the specific "contribution" of their sector to the achievement of the growth target.[52] These

focus on changing incentives, "carrots and sticks." TNA, T 311/49, Hopkin to Allen, July 18, 1963.

50 NARA, RG 56, Entry A1 934, Box 12, Folder EPC/WP-2 1961–64, Leddy to Secretary of State, August 10, 1963. Historical research on German economic policies in the latter 1960s has essentially supported this OECD view of German debates. See, in particular, Metzler, *Konzeptionen politischen Handelns von Adenauer bis Brandt*; Nützenadel, *Stunde der Ökonomen*.

51 OECD, *Economic Growth, 1960–1970: A Mid-Decade Review of Prospects. Report of Working Party No. 2 to the Economic Policy Committee* (Paris: OECD, 1966).

52 TNA, T 299/178, Letters to OECD committees, January 10, 1961.

"contributions" of traditionally non-economic policy-areas to accelerating economic growth took a variety of different forms. The Energy Committee, for example, and its sub-groups on oil, gas, and nuclear power, coordinated the energy production and reserves and studied possible bottlenecks of consumer countries with a view to ensuring that the "fuel for growth" would never run dry.[53] The Industry Committee, in contributing to the target, discussed depressed regions in OECD countries and its Special Committees worked on detailed sector projections of the growth target.[54] As discussed earlier, the EPC and its WP-3 coordinated economic policies and international capital flows with a view to "solving balance-of-payments problems without restricting growth."[55] Because the number of workers was perceived as one of the key bottlenecks of faster economic growth, agricultural experts in the OECD focused on means of reducing labor in farming through the mechanization of agricultural work, thus freeing labor for industrial growth – "from the farm to the factory," as it was said.[56] The OECD even created a "Group of Experts on the Role of Agriculture in Economic Growth" that included such eminent economists as Simon Kuznets and that published its influential report in 1965.[57] Similarly, the Manpower and Social Affairs Committee's main task was defined as "helping to speed economic growth through increasing manpower training and mobility." On the one hand, the committee facilitated the international migration of workers within the OECD area toward those regions where the shortage of labor was regarded as an obstacle to growth. And on the other hand, as stated by Kristensen, the committee focused on actions "to adjust social and employment policies as

[53] OECD, "Oil: Fuel for Growth," *The OECD Observer* 10 (June 1964): 34–35; OECD, *Oil Today, as Viewed by the OECD Special Committee for Oil* (Paris: OECD, 1964); OECD, "The Gas Industry: Its Contribution to Economic Growth," *The OECD Observer* 12 (September 1964): 16–18. See already OEEC, *Europe's Need for Oil: Implications and Lessons of the Suez Crisis* (Paris: OEEC, 1958). On the OECD's oil policy see Graf, *Öl und Souveränität: Petroknowledge und Energiepolitik in den USA und Westeuropa in den 1970er Jahren*.

[54] OECD-HA, CES/63.26, Implementation of the Ministerial Resolution on Economic Growth, March 22, 1963.

[55] NARA, RG 56, Entry UD-UP 734-H, Box 4, Folder OECD/5/30 EPC Working Party 2, Vol. 6, Tuthill to Secretary of State, OECD Economic Growth, December 16, 1961.

[56] Gösta Rehn, "Manpower Adaptability and Economic Growth," *The OECD Observer* 1 (1962): 14–18; Guy Barbichon, *Adaptation and Training of Rural Workers for Industrial Work: Co-Ordination of Research* (Paris: OECD, 1962); Albert Simantov, "Agriculture in a Growing Economy," *The OECD Observer* 8 (February 1963): 29–35; Mario Bandini, *Agriculture and Economic Growth* (Paris: OECD, 1965).

[57] OECD-HA, C/M(64)18(Final), July 21, 1964; OECD, *Agriculture and Economic Growth: A Report by a Group of Experts* (Paris: OECD, 1965).

instruments for economic growth" and devised the 1964 landmark recommendation "Manpower Policy as a Means for the Promotion of Economic Growth."[58] While all these would be fascinating topics for historical research, the remains of this chapter will focus on one aspect of the OECD's efforts in boosting growth, the promotion of the human capital approach in the areas of education and science policies.

The "human capital revolution" was a major theoretical and policy shift in conceptualizing economic growth and the relation between people, the economy, and capital. Developed by economists, in particular at the University of Chicago, it was diffused through think tanks and international organizations – most importantly the OECD – and became highly influential since the early 1960s both in academia and as a policy framework.[59] The human capital revolution was spurred by the Sputnik shock in the late 1950s, when Soviet achievements in the space race were widely attributed to the success of Russian programs aimed at increasing the number of highly educated scientists and technicians, whereas Western educational systems were regarded as deficient. Within the international growth race, education and science became key assets. As the OEEC's and OECD's long-term science director Alexander King remembered, the fact that the Soviets placed the first artificial satellite into orbit "rang an alarm bell in the Western countries, and a determined effort was started to increase the numbers and quality of scientific manpower to 'keep up with the Russians.'"[60] While hitherto the emphasis on analyzing long-term growth had been on the traditional factors of production, capital and labor (and land), newer research both within microeconomics and macroeconomics from the 1950s onwards put the focus on "a third (or fourth) factor" that was even more important in accelerating long-term growth: human

[58] Gösta Rehn, director of Manpower and Social Affairs from 1962 to 1973, used the committee as a transmission belt to spread active labor market policies, which he had first helped devise in Sweden. See Richard L. Siegel, *Employment and Human Rights: The International Dimension* (Philadelphia: University of Pennsylvania Press, 1994), 101–43.

[59] Sherwin Rosen, "Human Capital," in *The New Palgrave Dictionary of Economics*, ed. Steven N. Durlauf and Lawrence E. Blume (Basingstoke: Palgrave Macmillan, 2008); Pedro N. Teixeira, "The 'Human Capital Revolution' in Economics," *History of Economic Ideas* 13, no. 2 (2000): 129–48; Charles I. Jones and Paul M. Romer, "The New Kaldor Facts: Ideas, Institutions, Population, and Human Capital," *American Economic Journal: Macroeconomics* 2, no. 1 (2010): 224–45. On the Chicago School, see Robert Van Horn, Philip Mirowski, and Thomas A. Stapleford, eds., *Building Chicago Economics: New Perspectives on the History of America's Most Powerful Economics Program* (Cambridge: Cambridge University Press, 2011). On the longer-term context, see Joel Mokyr, *The Gifts of Athena: Historical Origins of the Knowledge Economy* (Princeton: Princeton University Press, 2002).

[60] King, "Scientific Concerns in an Economic Environment," 340; Alexander King, in OEEC, *Forecasting Manpower Needs for the Age of Science* (Paris: OEEC, 1960), 7.

capital.[61] US economists, most importantly Theodore W. Schultz and Gary S. Becker, had argued that less than half of GNP-growth in OECD countries in the first six decades of the twentieth century could be attributed to increases in the stock of physical capital or the number of man-hours worked. There was a large "residual" that had to be explained, and that was, so the assumption, largely attributable to education, science, and the qualification of workers.[62]

The OECD was the international organization that first put this framework on its agenda. By further developing and diffusing the idea that the expansion of "human capital" was essential for faster long-term growth and by providing a hub for the transnational debate among the leading experts from academia and politics, the OECD was instrumental in bringing the human capital revolution into the policy focus of Western governments. In Europe, the OECD became the center of debates on other factors of production beyond capital and labor. Further, through the organization of research conferences and seminars involving the most eminent scholars in the field, the OECD catalyzed the transatlantic transfer of the human capital approach from the US to Western Europe. The OECD not only appealed to the governments of its member countries to take responsibility for gearing science, education, and manpower policies toward growth, but also advocated transforming the rationale of these policy areas: While at that time scientific research and education were seen as cultural questions, the OECD was instrumental in "infusing" the idea into European national debates that these actually constituted essential investments.[63]

Established at a time "when national leaders had come to realize that man himself was society's greatest capital asset," the OECD framed the

[61] Kristensen in the Preface to Freeman, Poignant, and Svennilson, *Science, Economic Growth and Government Policy*, 7.

[62] On the one hand, the work at the University of Chicago, in particular by Schultz and Becker, incorporated educational decisions of individuals and societies in the core of microeconomic theory. On the other hand, macroeconomic work by US economists argued that education was investment. Schultz later received the Nobel Memorial Prize partly for his groundbreaking work that showed that the educational level of a country was a key indicator of the growth performance. Theodore W. Schultz, ed., *Investment in Human Beings* (Chicago: Chicago University Press, 1962); Theodore Schultz, *The Economic Value of Education* (New York: Columbia University Press, 1963). See also Mary J. Bowman, "The Human Investment Revolution in Economic Thought," *Sociology of Education* 39, no. 2 (1966): 111–37; Irvin Sobel, "The Human Capital Revolution in Economic Development: Its Current History and Status," *Comparative Education Review* 22, no. 2 (1978): 278–308.

[63] Kristensen in the Preface to Freeman, Poignant, and Svennilson, *Science, Economic Growth and Government Policy*, 7; Girolamo Ramunni and Muriel Le Roux, "L'OCDE et les politiques scientifiques. Entretien avec Jean-Jacques Salomon," *La revue pour l'histoire du CNRS*, no. 3 (2000): 51–54.

human capital approach and the resulting demands for an expansion of primary and secondary education and prolonged vocational training of workers as "humanism." The Deputy Director of the Manpower and Social Affairs Directorate explained:

> Humanism and humanitarianism have become economic imperatives. The new philosophies and methods of social and even corporate accounting have pin-pointed the high returns on investments in improvements in human resources. The bridge between social and economic policy has been finally built. Approved social and ethical values can now be translated into positive economic gains. The next challenge is to incorporate them into the routine operations of the market.[64]

In this process, the relationship between international organizations such as the OECD and economists was mutually reinforcing – economists looked to international organizations to advance their discipline and to build alliances for the translation of their theories into educational and science policies, while international organizations justified their attempts to broaden their field of responsibility through economic expertise.[65] The following section substantiates these arguments by focusing first on the OECD's educational policies and then on its science policies in the early 1960s.

Education and science policies for growth

If Theodore W. Schultz's 1960 presidential address at the AEA entitled "Investment in Human Capital" is said to have heralded what was later termed the "human investment revolution in economic thought," the OECD's *Policy Conference on Economic Growth and Investment in Education*, which was held in Washington, DC, in October 1961 ushered in a similar revolution in policy-making.[66] With the conference the OECD brought the emerging theories of human capital to the center-stage of the international policy dialogue. Squarely situated within the tradition of the welfare state, it called for an increase in public programs financing the expansion of education and for "rational educational planning."[67]

[64] Solomon Barkin, "The Manpower Policies of the Organization for Economic Cooperation and Development," *Business Topics*, Autumn 1963, 7–16.

[65] See, for example, Julia Resnik, "International Organizations, the 'Education–Economic Growth' Black Box, and the Development of World Education Culture," *Comparative Education Review* 50, no. 2 (2006): 173–95.

[66] Sobel, "The Human Capital Revolution in Economic Development" On the importance of the OECD conference, see also the first textbook on the subject, Schultz, *The Economic Value of Education*, vii. More generally, see Myuung-Shin Kim, *Bildungsökonomie und Bildungsreform: Der Beitrag der OECD in den 60er und 70er Jahren*, vol. 17 (Königshausen & Neumann, 1994).

[67] Philip H. Coombs, "Recalling the Origins of Unesco's International Institute for Educational Planning" (UNESCO, 1992), www.unesco.org/iiep/PDF/IIEPOrigins.pdf.

Building on the debates about productivity in the EPA, in the context of the Sputnik shock the OEEC had started to work on scientific and technical personnel.[68] The British science director King was the "moving spirit" behind the organization's science-related activities. He not only provided intellectual input for the conference but also rallied support from private foundations.[69] King started to prepare the conference in 1960 "to deal with questions of major concern to OEEC as a whole: namely the way in which economic growth can be stimulated by education, research and investment in new technology" with a special focus on "human resources."[70] Further, the Secretariat aimed at securing a place within the newly emerging field of international educational policies for the OECD, since education was not explicitly referred to in the Convention of the new organization.[71]

The conference was attended by high-level officials from member countries' ministries of education and finance, as well as by some of the most outstanding educational and development economists from the US and Western Europe who participated as "experts."[72] The key input for the conference were discussions at an earlier meeting, the July 1960 conference *Economic Aspects of Educational Development in Europe* in Bellagio, which had been organized by the International Association of Universities and had been sponsored by the Ford and Rockefeller foundations.[73] Participants of this conference had developed a "Bellagio doctrine," the core of which was a call to governments to adopt a human capital approach and expand their educational systems to boost growth, also through deficit financing or development aid. The main purpose of the OECD Washington conference was to spread this worldview of the

[68] In 1958, the US initiated the foundation of the OEEC Office for Scientific and Technical Personnel under the direction of King. OECD-HA SR(61)1, Guiding Principles for a long-term Programme for the Committee for Scientific Research, September 20, 1961; Kjell Eide, *30 Years of Educational Collaboration in the OECD* (unpublished: UNESCO, 1990), 7–9.

[69] TNA, T 230/536, Symons to Hopkin, October 5, 1961; NARA, RG 59, Entry A1 5072, Box 54, Folder OECD Washington Conference, Eugene W. Scott to James A. Donovan, September 13, 1961.

[70] OECD-HA, C(60)67; STP/GC(60)56, Policy Conference on Economic Growth and the Role of Investment in Education and Science, August 29, 1960.

[71] George S. Papadopoulos, *Education 1960–1990: The OECD Perspective* (Paris: OECD, 1994), 37.

[72] OECD-HA, DAS/PD/61.17, Draft Report of the CSTP to the Council, November 9, 1961. Besides the chairman Philip Coombs, Kristensen, and the Secretariat, the main speakers were Friedrich Edding, Lionel Elvin, Raymond Poignant, Sven Moberg, Noric Elazar, Jan Tinbergen, Frederick Harbison, Arthur Lewis, and John Vaizey.

[73] International Association of Universities, *Some Economic Aspects of Educational Development in Europe: A Provisional Report of a Conference at the Villa Serbelloni, Bellagio, July, 1960* (Paris: International Universities Bureau, 1960).

"Bellagio doctrine [...] among people who are in a position to influence Government policy in this field."[74]

In this endeavor, the OECD was highly successful: As summarized by the chairman of the conference, US economist and Assistant Secretary of State for Education and Culture Philip. H. Coombs, the OECD's "trend-setting" conference was

> the first time that leading western economists, including top government economists, had publicly asserted in unison that education was not simply a consumption good but an essential investment in national economic (and social) development in every nation, rich or poor.[75]

Even though "hard evidence to substantiate these theories" was largely absent at that time and only emerged in the 1980s with the work on endogenous growth theories, and even though participants had to admit that nobody really knew how to do long-term educational planning, this discourse and the OECD activities elevated economists to key government positions and strengthened the economic sections or ministries within member states.[76] As a note of the CEA argued, "now, and virtually for the first time, the economist is propelled into positions where he is asked for policy recommendations on these matters."[77] Or, as an OECD expert at the Scientific Affairs Directorate put it, the OECD "legitimate[d] the right of economic authorities to intervene in educational policy."[78]

Underlying the entire debate was the role of education and growth within Cold War competition, which was turning increasingly to the cultural and economic field. As formulated by Coombs:

> It is also surely obvious that in the peaceful competition which we hope will characterize the development of this world throughout the coming century the prize of progress will fall to the countries and social systems which succeed in developing their human resources.[79]

At the same time, the OECD's doctrine made education contingent on growth. In preparatory papers the Secretariat argued that although they

[74] TNA, T 230/536, Hopkin to Maxwell-Hyslop, September 19, 1961.
[75] Coombs, "Recalling the Origins of Unesco's International Institute for Educational Planning" See also OECD-HA, DAS/PD/61.17, Draft Report of the CSTP to the Council, November 9, 1961.
[76] OECD, *Education at a Glance 2011: OECD Indicators* (Paris: OECD, 2011), 16. For the latter theories, see Paul M. Romer, "The Origins of Endogenous Growth," *The Journal of Economic Perspectives* 8, no. 1 (1994): 3–22.
[77] NARA, RG 59, Entry A1 5072, Box 54, Folder OECD Washington Conference, Council of Economic Advisers, Education and Economic Growth, July 19, 1961.
[78] Eide, *30 Years of Educational Collaboration in the OECD*, 16.
[79] OECD, *Policy Conference on Economic Growth and Investment in Education, Washington, 16–20 October 1961* (Paris: OECD, 1962), 5.

did not want to challenge the belief that "education is a human right not to be subordinated to economic needs," economic growth was the only means "to give real substance to the ideal of equal opportunity for every individual to develop his latent ability through education." The contribution of education to growth was seen as the best safeguard to ensure that through increased education social and cultural inequalities would be continuously disappearing.[80]

The OECD's work was further strengthened during the 1960s through other initiatives within the organization. The OECD recommended the creation of educational planning bodies as permanent institutions of the government structure of member countries and used its influence to increase educational expansion in member countries in line with the projections made at the 1961 conference.[81] Most importantly, the OECD formed a prestigious "Study Group in the Economics of Education," whose discussions and reports on the relationship between education and growth, the financing of education, educational planning, and the economics of higher education proved essential in the diffusion of the human capital approach. Even though the study group had to adapt its initial hope to find clear, law-like, and universal relationships to guide policy in all member countries because the empirical data proved more ambiguous than expected, the transnational collaboration of eminent economists in this new field with key policy-makers of OECD countries was influential in making educational policies geared toward economic expansion a policy goal throughout the OECD world.[82] These early efforts, in particular the Washington conference, laid the ground for establishing a lasting role of the OECD in the newly emerging field of educational policies – in 1968 the OECD created, through a grant of the Ford Foundation, its educational think tank Centre for Educational Research and Innovation (CERI), which until today provides the most authoritative analyses on educational systems throughout the world.[83]

[80] NARA, RG 59, Entry A1 5072, Box 54, Folder OECD Washington Conference, DAS/PD/61.8, Briefing Notes by the OEEC Secretariat for the Policy Conference on Economic Growth and Investment in Education, September 14, 1961. For a fundamental critique of the concept of human capital, see Samuel Bowles and Herbert Gintis, "The Problem with Human Capital Theory–a Marxian Critique," *The American Economic Review* 65, no. 2 (1975): 74–82.

[81] Papadopoulos, *Education 1960–1990*, 50–54.

[82] See, in particular, OECD Study Group in the Economics of Education, *The Residual Factor and Economic Growth* (Paris: OECD, 1964). On the influence of the study group, see Pedro N. Teixeira, "A Portrait of the Economics of Education, 1960–1997," *History of Political Economy* 32, no. Suppl 1 (2000): 264; Papadopoulos, *Education 1960–1990*, 39–43.

[83] For the later developments, see the recent PhD-thesis by Regula Bürgi, "Geplante Bildung für die 'freie Welt'. Die Emergenz der OECD als Bildungsexpertin"

Even more so than in the field of educational policies, the OECD played a key role during the early 1960s in "turning science policy into a regular part of 'established' government policies."[84] At the time the OECD started to work in this area, most member countries did not have a national science policy as such. Through authoritative expert reports, the organization of Ministerial meetings, and the establishment of international statistical standards, the OECD advanced the development and diffusion of an entire generation of science policy frameworks based on science accounting, and in particular science's contribution to growth and to industrial capacity.[85] In the words of one of the protagonists:

> Comme le plan Marshall a irrigué l'Europe en dollars et a permis des transferts de technologies grâce aux missions de productivité, on peut dire que l'OCDE a été le catalyseur de la réflexion à mener sur la définition des politiques scientifiques.[86]

When the OECD was founded, Kristensen promptly strengthened the traditional science outlook of the organization that had developed in the latter 1950s by establishing an ad hoc group of independent scientists and economists. Explicitly building on the human capital approach, the experts, headed by the French chemist Pierre Piganiol, produced a highly influential report that focused on the need to expand science as well as education as the key levers for boosting economic growth: "Investment in science [...] is investment in growth. Analogously, investment in education is investment in growth."[87] Following this

(University of Luxemburg, 2015); Kjell Eide, "The Impact of Research on Norwegian Educational Policy," in *Education and the Scandinavian Welfare State in the Year 2000: Equality, Policy, and Reform*, ed. Arild Tjeldvoll (New York and London: Routledge, 2013), 75–98; Papadopoulos, *Education 1960–1990*; Kerstin Martens and Carolin Balzer, "All Bark and No Bite? The Implementation Styles of the European Union and the Organization for Economic Cooperation and Development in Education Policy," in *International Organizations and Implementation. Enforcers, Managers, Authorities?* ed. Jutta Joachim, Bob Reinalda, and Bertjan Verbeek (London and New York: Routledge, 2008), 88–101.

[84] Peter Tindemans, "Post-War Research, Education and Innovation Policy-Making in Europe," in *European Science and Technology Policy: Towards Integration or Fragmentation?* ed. Henri Delanghe, Ugur Muldur, and Luc Soete (Cheltenham: Edward Elgar, 2009), 8f.

[85] The role of the OECD in the field of science and technology policies has only been analyzed in the historical work of Benoit Godin and a few other articles. Godin, *Making of Science*. See also Luisa Henriques and Philippe Larédo, "Policy-Making in Science Policy: The 'OECD Model' Unveiled," *Research Policy* 42, no. 3 (2013): 801–16.

[86] Jean-Jacques Salomon, cited in Ramunni and Le Roux, "L'OCDE," para. 14.

[87] TNA, CAB 124/2187, Science and Policy: The Implications of Science and Technology for National and International Affairs, March 4, 1963. The report was published as OECD, *Science and the Policies of Governments: The Implications of Science and Technology for National and International Affairs* (Paris: OECD, 1963). See also Pierre-Frédéric Téniere-Buchot, "Pierre Piganiol (1915–2007)," *Futuribles*, 328 (2007): 71–74.

high-level group, the OECD recommended that each member state should set up a central mechanism for science policy-making, and that the OECD should become the key location for science cooperation, in particular among science ministers.[88] To prepare the first meeting of science ministers, the OECD initiated a further authoritative report, written by the most eminent science policy experts in Europe, *Science, Economic Growth and Government Policy*. Based on a Schumpeterian understanding of the relation among innovation, productivity, and growth, its discussion of the contributions of science to "promoting economic growth" became a watershed in science policy-making in the OECD area. It also presented statistical evidence suggesting a clear correlation between national expenditures on research and development as a percentage of GNP and a country's economic growth and argued that the relatively high spending in the US should become the norm for all OECD countries.[89]

To elevate science policies geared toward growth higher on the agenda of member countries, the OECD organized a Council meeting on science at Ministerial level in October 1963, which was followed by similar meetings in 1966 and 1968.[90] These meetings not only successfully established OECD "claims" in this new field of international governance. More importantly, they resulted in the building up of state machinery to tackle science policy in many OECD member countries. Thus, while at the 1963 MCM only six member countries had appointed ministers with science portfolios, at the second MCM only three years later almost all member countries had science ministries.[91]

Even though member governments had come to share the view that it was science policy that "the future of the Western world in the conflict with the East alarmingly depended on" and thus largely welcomed the OECD's science outlook, the economic orientation was

88 NARA, RG 59, Entry A1 5605, Box 1, Folder OECD Ministerial 1962, Ministerial Meeting on Science, November 23, 1962.

89 Ramunni and Le Roux, "L'OCDE"; Freeman, Poignant, and Svennilson, *Science, Economic Growth and Government Policy*, 23–26.

90 On these meetings, see OECD, *Ministers Talk about Science* (Paris: OECD, 1965); King, "Scientific Concerns in an Economic Environment"; King, *Science and Policy*, 38–43.

91 TNA, CAB 124/2187, Robertson, Ministerial Meeting of OECD, November 1962; OECD, *Ministers Talk about Science*. The debates within the OECD directly led to the reorganization of national science policies in West Germany, Italy, Sweden, Ireland, and Turkey, King reported already in 1963. TNA, CAB 124/2187, Note of a Meeting with Dr. King and Mr. Mesthene, March 1, 1963. See also Yong Suk Jang, "The Worldwide Founding of Ministries of Science and Technology, 1950–1990," *Sociological Perspectives* 43, no. 2 (2000): 247–70; Francisco R. Sagasti, Jean-Jacques Salomon, and Céline Sachs-Jeantet, eds., *The Uncertain Quest: Science, Technology and Development* (Tokyo and New York: United Nations University Press, 1994), chap. 1.

controversial.[92] One of the first Council debates on science in 1960 demonstrated that most countries regarded science as a cultural or educational policy that "has little to do with the economy," and several delegates argued that it should thus be discussed not within the OECD, but rather within UNESCO.[93] The Dutch Minister of Education, for example, deliberately came to Paris to convince Kristensen to abandon the work on science because, as he argued, the OECD was an economic organization. As King reported, "he denounced the association with the economy as a 'prostitution of science,' and demanded that it be regarded as an element of educational or cultural policy."[94]

Alongside the promotion of the human capital theory and the economic orientation toward science planning, another key contribution of the OECD was in the area of science statistics. The quantification of policy problems was a key dimension of the economization of formerly non-economic policy-areas. Up to the early 1960s, science statistics had been very poor. They were collected according to diverse national traditions and statistics were fragmentary and unsystematic. Kristensen hit the mark when he moaned in preparation for the 1963 Ministerial meeting that "most countries have more reliable statistics on their poultry and egg production than on their scientific effort and their output of discoveries and inventions."[95] Already in the mid-1950s the OEEC had started to work on measuring scientific activities on both sides of the Iron Curtain. Yet it was only in July 1963 that at an OECD meeting in Frascati, Italy, statistical experts finally produced the first international standard for the collection of science statistics. This so-called *Frascati Manual*, which was written by the British economist and neo-Schumpeterian socialist Christopher Freeman, soon became the standard of national statistical offices in OECD member countries and beyond, and is now in its sixth edition.[96]

[92] BAK, B 102, 139611, Vertretung der Bundesrepublik Deutschland bei der OECD to AA, BMWi and Minister Erhard, October 12, 1962.

[93] King, "Scientific Concerns in an Economic Environment," 341; King, *Science and Policy*, 34–36.

[94] King, "Scientific Concerns in an Economic Environment," 343.

[95] Kristensen in the Preface to Freeman, Poignant, and Svennilson, *Science, Economic Growth and Government Policy*, 8. If statistics were produced at all before the early 1960s, they were largely based on the measurement of the number of scientists or their output in terms of knowledge or publications. For an overview, see Godin, *The Making of Science, Technology and Innovation Policy*, 13–39.

[96] OECD-HA, DAS/PD/62.47, The measurement of scientific and technical activities, June 1963; OECD, *Frascati Manual 2002: The Measurement of Scientific and Technological Activities. Proposed Standard Practice for Surveys of Research and Experimental Development* (Paris: OECD, 2002).

As the historian of science and technology statistics Benoît Godin has shown, the manual was largely based on the framework of national income accounting, which has been discussed in Chapter 1. Most importantly, the *Frascati Manual* established a basic indicator to guide science policies that not only related the total science expenditures of a country (Gross National Expenditures on R&D, GNERD) directly to GNP, but also stipulated that the higher the expenditures were, the faster would the economy grow.[97] This GNERD/GNP formula, which was created by the OECD, was a clear departure from the thinking of traditional science policies in member countries. Nevertheless, GNERD/GNP (later GERD/GDP) rapidly became and still is "the most cherished indicator among OECD member countries" in the field of science policies, and it has come to be applied by many other countries and international organizations as well.[98] In line with the general practice of the OECD, this indicator was used to make all national statistics internationally comparable, to produce league tables ranking member countries as a basis for country reviews, and to exert a soft power influence toward increasing expenditures on R&D. Furthermore, in the first paragraph of the manual the OECD set the GNERD/GDP ratio of 3 percent as the ideal member countries should strive toward – a number that was conspicuously close to the American ratio in the early 1960s.[99] In the coming years national expenditures on research in many continental West European countries increased considerably, starting from comparatively low levels. As King has observed, the "league-table rivalry which resulted [from the availability of international comparative data], with the United States at the top, acted as a spur to the other countries to increase their research expenditure."[100] And, more fundamentally, the idea of "research for growth" took hold all around the world.[101]

[97] The OECD invented the term Gross National Expenditures on R&D (GNERD) to categorize the sum of expenditures on R&D in the four main economic sectors, business, university, government, and non-profit. Godin, *The Making of Science, Technology and Innovation Policy*, 40–73. For the larger context, see Godin, *Measurement and Statistics*.

[98] TNA, T 299/179, Bryars, Relationship of the work of OECD and science committees and achievements of the collective OECD growth target, March 19, 1962. Later the concept was used with GDP-data and was thus expressed as Gross Domestic Expenditure on R&D (GERD).

[99] OECD-HA, DAS/PD/62.47, The measurement of scientific and technical activities, June 1963. The US GNERD/GNP ratio was almost 3 percent in 1963. See Freeman, Poignant, and Svennilson, *Science, Economic Growth and Government Policy*, 23.

[100] King, *Science and Policy*, 70. See the chart in OECD, *OECD at Work for Science and Education* (Paris: OECD, 1972), 20.

[101] Mitzner, "Research for Growth? "

GNP-growth as "part of general social development"

Linking education, science, and other policies to the overarching policy aim of accelerating economic growth, which has been discussed in this chapter, had far-reaching effects. On the one hand, it provided new justifications for expanding these policy areas, including rising government budgets and personnel. For example, the OECD's efforts in promoting science policies, such as its expert reports and the 1963 science ministers' meeting, sparked the foundation of science ministries in most member countries, and the organization's promotion of the economics of education gave an "enormous impetus" to the development of educational expansion in its member countries.[102] The OECD's work was not only highly influential in member countries but also structured this policy field for other international organizations, in particular with regard to the EEC. As recently shown, during the 1950s and early 1960s European Commission officials eagerly learned from the OECD and adapted their concepts, even participating in many internal OECD meetings. Yet this relationship later on developed into rivalry as the EEC moved into policy fields traditionally occupied by the OECD, such as research, education, and social policies.[103]

On the other hand, the intrusion of economic growth as the key rationale into science and education policies – and many other policy areas as well – opened these to economic rationalities and institutionalized the right of economic authorities and economists to get involved in traditionally non-economic realms; it even made it a necessity.[104] This created a close nexus between economic growth and fundamental societal goals such as providing educational opportunities to more people or advancing human knowledge through science, a nexus that increasingly came to be widely accepted, regularly invoked, and taken for granted. While the means were still debatable, and individual countries adopted different variants of education, science, and manpower policies, the nexus rendered the goal of economic growth an unquestioned matter of fact. Growth became almost synonymous with general societal progress. One of the key OECD documents in the early 1960s, the 1963 Piganiol report on *Science and Policy*, provides a characteristic illustration of the far-reaching consequences of the human capital approach for the status of growth:

102 Gareth Williams, "Twenty Years of Planning Education for Economic and Social Development," *Higher Education* 10, no. 3 (1981): 274–74.
103 Mitzner, "Research for Growth?"
104 NARA, RG 59, Entry A1 5072, Box 54, Folder OECD Washington Conference, Council of Economic Advisers, Education and Economic Growth, July 19, 1961; Eide, *30 Years of Educational Collaboration in the OECD*, 16.

[E]conomic growth is now more than synonymous with increases in national income. It is seen as a part of general social development. [. . .] Traditional economic procedures – i.e., establishment of criteria and priorities, calculations of costs and benefits, selection of courses of action in the light of expected consequences – apply [. . .] not only to economic, but to sociological and political choices as well.[105]

This link could also be described through the metaphor of black-boxing, which has been employed – loosely drawing on Bruno Latour's actor network theory – by the sociologist of education Julia Resnik. Analyzing the diffusion of the idea of education as a key input into the growth process, Resnik introduced the concept of the "education-economic growth" black box to describe the process in which a network of educational economists and bureaucrats within international organizations constructed the relatively closed and axiomatic ensemble of ideas discussed in this chapter.[106] In fact, the OECD was at the same time also involved in the production and diffusion of a policy-framework that focused on the input of science into the growth process. To remain within the terminology proposed by Resnik, the OECD promoted not only the "education–economic growth" black box, but also the "science–economic growth" black box.

These efforts were actually more successful than the core of the OECD's work on growth within the specialized working party. While WP-2 effectively provided a meeting place for the "lobby for growth" within member countries and gave those high-level government officials and economic advisers responsible for fiscal and monetary growth policies an international forum to exchange ideas, policy-practices, and experiences, it proved unable to produce an OECD-wide consensus on growth theories and policies. As analyzed, the discussions of its early reports lay open ideologically laden controversies around the notion of planning, the status of growth policies, and the importance of state intervention, which could not be resolved within such an expert body. In the mid-1960s it became increasingly clear that the OECD would achieve or even surpass the 1961 growth target irrespective of the difficulties in resolving the divergent approaches among member countries. The stable and high growth rates transformed the earlier anxieties, which had dominated the debate about the foundation of the OECD and its growth target, into an unprecedented, almost hyperbolic confidence. This newfound certitude of policy-makers was tellingly summarized by a key OECD economist, who

105 OECD, *Science and the Policies of Governments*, 2.

106 Resnik, "International Organizations, the 'Education–Economic Growth' Black Box, and the Development of World Education Culture." On the actor network theory, see Latour, *Science in Action*.

claimed that due to stable growth rates OECD work on boosting growth had become "almost boring":

> [B]y the middle of the 1960s we really thought we had solved the world macro-economic problems. It was time to move on to wider and better things. This was the time when the organization, under Thorkil Kristensen was getting interested in the question of what growth was for.[107]

The vague consensus established in the debates of WP-2 was that not just growth, but rapid growth or high growth rates should be the norm that all countries should strive toward. This was hardly ever stated explicitly or even questioned. However, during the debate about the Norwegian growth experience in April 1964, an official of the Norwegian Ministry of Finance raised some more fundamental questions. He argued that "the attempt to judge the success of national economic policies by comparing growth rates is inevitably a questionable undertaking." Furthermore, distinguishing between "growth" and "welfare," he pointed out that

> planned avoidance of social disutilities combined with somewhat lower growth than might be technically feasible may actually result in greater welfare gains than might be enjoyed with [a] higher but less well conceived growth performance. That is, an objectively high growth rate may include production necessary chiefly to offset disutilities which might have been avoided under better conceived though perhaps more modest objectives.[108]

These questions and a few similar comments within WP-2 that voiced reservations regarding the assumptions of the policy-focus on growth stayed isolated and were not taken up, neither as country positions, nor in the discussions within the OECD. Yet, they anticipated debates that would become prominent in the late 1960s and early 1970s. These will be examined in Part III, together with the OECD's efforts to unravel the "question what growth was for."

107 Marris, "My History of My Time at the OECD"; Stephen Marris, "Report of Discussion," in *Economists in International Agencies: An Exploratory Study*, ed. Alfred W. Coats (New York: Praeger, 1986), 140. On the use of budgets to stabilize the economy on a stable growth path, see Walter W. Heller, Cornelis Goedhart, and Guillaume Guindey, *Fiscal Policy for a Balanced Economy: Experience, Problems and Prospects* (Paris: OECD, 1968).

108 NARA, RG 56, Entry UD-UP 734-H, Box 4, Folder OECD/5/30 EPC Working Party 2, Vol. 8, USRO Paris to Secretary of State, April 23, 1964. See also similar comments in TNA, T 311/129, Simpson to McDonald, August 19, 1963.

6 Replicating growth

The "development of others" and the hegemony of donor countries

> But let us be clear: what matters is to stop talking about output, and intensification, and the rhythm of work. [. . .] No, we do not want to catch up with anyone.[1]

> Ultimately, then, development has come to signify an indefinite growth, and maturity, capacity to grow without end.[2]

"Development should be understood as 'self-development' as well as development of others."[3] This exegesis of one of the most elusive but often used concepts in twentieth-century public discourse referred to the "D" in the new title of the OECD. In this context, "self-development" pertained to member countries, and "others" referred to the countries in the global South, most of which had achieved independence only recently and some of which were still colonies of OECD countries. By analyzing how the OECD aimed at boosting the economic output of its member countries, the last chapter revolved around the first aspect of development. This chapter specifically focuses on the second: the OECD's efforts to develop "others."[4]

Historically and conceptually, the ideas of "economic growth" and "development" are intimately intertwined. Interpretations of economic growth not only structure economic theorizing and policies in the global North, but are closely connected with what is conceptualized as the desired path for the development of countries in the global South. While the evolution of changing development paradigms and policies is often explained in isolation by analyzing the debates on the global South within national or international institutions for development such

1 Frantz Fanon, *The Wretched of the Earth* (New York: Grove Press, 1963), 314.
2 Castoriadis, "Reflections on 'Rationality' and 'Development,'" 25.
3 TNA, FO 371/150087, Ellis-Rees to Foreign Office, March 29, 1960. See also the similar formulation in TNA, FO 371/150087, Jackling to France, March 23, 1960.
4 The concept of "otherness" and "the Other" has played a key role in postcolonial studies. For an introduction to the relationships between development and postcolonialism, see Cheryl McEwan, *Postcolonialism and Development* (London and New York: Routledge, 2009).

as the UN, the WTO, or the ILO, I propose to take a more comprehensive view that focuses on the interaction between these debates on development, and the changes in the ways the aims of industrialized countries' economic policies were framed.[5] During the 1950s both reinforced each other. The new interest in the development of the "Third World" and the emergence of "development economics" sparked the increased attention to economic growth within rich countries, while the experience of European reconstruction and American growthmanship imbued the mission of replicating the Western growth path in colonial and postcolonial areas. Similarly, the further evolution of the growth paradigm and the development paradigm in the postwar era can be characterized by their apparent similarities and close interrelationships.[6]

This chapter analyzes these interrelationships by reconstructing the efforts of the OEEC and OECD – often dubbed the "club of the rich" – in the field of development. The emphasis will be on the 1950s and 1960s, when the organization was particularly influential in shaping development policies. Contrary to what a rough review of the development literature would suggest, the OECD was an important actor in the emerging international field of development aid and arguably as important as other international organizations such as the International Bank for Reconstruction and Development (IBRD) or the United Nations Development Program.[7]

[5] On the history of the idea of development, see Arndt, *Economic Development*; Escobar, *Encountering Development*; Esteva, "Development"; Rist, *The History of Development*; Wolfgang Wieland, "Entwicklung," in *Geschichtliche Grundbegriffe. Historisches Lexikon Zur Politisch-Sozialen Sprache in Deutschland*, ed. Otto Brunner, Werner Conze, and Reinhart Koselleck, vol. 2 (Stuttgart: Ernst Klett Verlag, 1975), 199–228.

[6] Arndt, *The Rise and Fall of Economic Growth*, 32. See also the remark by Kuznets in Robert Lekachman and Simon Kuznets, *National Policy for Economic Welfare at Home and Abroad* (New York: Russell & Russell, 1961), 13. More generally, see Albert O. Hirschman, "The Rise and Decline of Development Economics," in *Essays in Trespassing: Economics to Politics and Beyond*, by Albert O. Hirschman (Cambridge: Cambridge University Press, 1981), 1–24; Daniel Speich Chassé, "Towards a Global History of the Marshall Plan. European Post-War Reconstruction and the Rise of Development Economic Expertise," in *Industrial Policy in Europe after 1945: Wealth, Power and Economic Development in the Cold War*, ed. Christian Grabas and Alexander Nützenadel (Basingstoke: Palgrave Macmillan, 2014), 187–212.

[7] On the OEEC/OECD's development work, see Hans Evers, *Die Entwicklungsgebiete im Rahmen der OEEC und ihre Förderung*, Forschungsberichte des Landes Nordhein-Westfalen, Nr. 1071 (Köln: Westdeutscher Verlag, 1962); Matthias Schmelzer, "A Club of the Rich to Help the Poor? The OECD, 'Development', and the Hegemony of Donor Countries," in *International Organizations and Development, 1945 to 1990*, ed. Marc Frey, Sönke Kunkel, and Corinna Unger (Basingstoke: Palgrave Macmillan, 2014), 171–95; Arne Ruckert, "Making Neo-Gramscian Sense of the Development Assistance Committee: Towards an Inclusive Neoliberal World Development Order," in *The OECD and Transnational Governance*, ed. Rianne Mahon and Stephen McBride (Vancouver: University of British Columbia Press, 2008), 96–113; Rik Schreurs, "A Marshall Plan for Africa? The Overseas Territories Committee and the Origins of

This chapter starts by analyzing the transformation of OEEC countries from a community of recipients of the first large-scale international aid project into a community of donors; and it argues that within this organization modern "development assistance" emerged from similar colonial practices, a general point that has been highlighted in recent historical scholarship.[8] Next, the chapter analyzes four key rationales that account for the striking importance attached to "development" in the OECD, and characterize the overall mission of the new organization in this field: the creation of a select club that excluded communist countries and aid recipients; the passing on of colonial experiences and the negotiation of post-colonial spheres of influence among OECD countries; deterring the global South from becoming communist by providing investments to facilitate a capitalist growth path; and pushing up aid in Western Europe and Japan to solve balance of payments problems with the US. Further, the chapter describes the foundation and functioning of OECD bodies in the development field, in particular the DAC and the Development Center, coupled with an analysis of these as contested and restricted spaces within the OECD structure, and examines how they institutionalized the hegemony of donor countries. Finally, economic growth and GNP as its measure are analyzed as providing a powerful and seemingly self-evident master-narrative and toolkit that helped the OECD not only to assess different degrees of "development" in the global South and thus to categorize recipient countries, but also to produce a more or less coherent doctrine and policy goals on aid questions and to provide a yardstick to calculate, compare, and rank the contributions of member countries.

Transforming a community of aid recipients into a donors' club

The issue of "development" lay at the heart of the OEEC. During the short history of this organization, it materialized in terms of three distinct relationships, continuously transforming a community of recipients into a donors' club: When the OEEC was founded, all its members were in desperate need of US financial and technical aid to help achieve Western European reconstruction; at the same time, some of its members started

European Co-Operation in Africa," in *Explorations in OEEC History*, ed. Richard T. Griffiths (Paris: OECD, 1997), 87–98.

[8] Hongler, "Die OEEC und ihre unsichtbare Kolonialgeschichte." See, more generally, Frederick Cooper and Ann Laura Stoler, eds., *Tensions of Empire: Colonial Cultures in a Bourgeois World* (Berkeley and Los Angeles: University of California Press, 1997); Frederick Cooper, *Decolonization and African Society: The Labour Question in French and British Africa* (Cambridge: Cambridge University Press, 1997); Martin Rempe, *Entwicklung im Konflikt: die EWG und der Senegal 1957–1975* (Köln: Böhlau, 2012).

to coordinate economic interventions in their colonies through the OEEC. Next, from the mid-1950s onwards the richer OEEC countries themselves became donors and provided technical assistance to "underdeveloped" member countries in Southern Europe. And finally, with the foundation of the OEEC's Development Assistance Group (DAG) in 1960 and its transformation into the OECD in 1961, in an increasingly postcolonial setting, the organization came to define itself as the club of nations coordinating capitalist aid to the poor countries globally, in particular to the non-member countries in the global South.

Founded in 1948 to administer the distribution of Marshall Plan aid, the OEEC's raison d'être was the planned intervention and provision of US capital to advance reconstruction in the war-ravaged economies of Western Europe. The ERP, despite all the scholarly controversies on its underlying motives and actual impact, has become the master narrative for much of the thinking about the "development" of the postcolonial world. This connection between the Marshall Plan and the concepts of development assistance has been particularly close within the OECD, where the idea of replicating the Western European miracle of economic growth became central when the organization was reorganized in 1960 and 1961. Yet even before, the OEEC became active in the emerging field of development economics and in activities of financial and technical assistance. Three areas of activity can be distinguished: discussions and coordination of aid policies among the European colonial powers within the so-called Overseas Territories Committee (OTC); development initiatives aimed at the "underdeveloped" member countries of the OEEC; and statistical work.

The OEEC's efforts vis-à-vis "overseas development" were related to the broader issues underlying the Marshall Plan, in particular the reconfiguration of an international order that would bind the US, Western Europe, and the Third World together and would solve the main international economic problem of that time, the so-called dollar gap. As has been discussed in Chapter 2, domestically the OEEC aimed at closing the gap through "selective economic expansion" and increasing the "productivity" of Western European industries. Additionally, the European colonial powers geared their policies in their colonized territories toward increasing the contribution of these territories both as markets for European exports and, more importantly, as a source of dollars financed by raw material exports that were meant to finance Western Europe's deficit.[9] The main task of the

[9] Robert Everett Wood, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy* (Berkeley and Los Angeles: University of California Press, 1986), 29–67.

OTC was the integration of the colonies in the newly emerging growth regime of Western Europe, reinforcing the export-oriented development model so characteristic of traditional European colonization but opening the colonies to US investment and the US market. The OTC, comprised of the colonial powers Belgium, Britain, France, the Netherlands, Portugal (and later Italy and Spain), argued that it is "as much in the interests of the peoples of the Overseas Territories as those of the people of Europe that the economies of the participating European countries should, within the shortest possible time, be reconstructed."[10] The core of OTC work was a cooperative program to ensure the "selective expansion" of dollar-earning production in the colonies and the corresponding channeling of Marshall Plan aid to the colonies. Building on interwar currents of "Eurafrican" ideas, the OEEC argued that this was not just a responsibility of the colonial powers, but increasingly of all member countries. A 1951 report argued, "[i]t is in the interest of the whole free world that the [colonial] territories, which form part of it, should endeavor to speed up and increase the production of scarce materials."[11]

Between 1948 and 1952 almost 8 percent of Marshall Plan funds were channeled to the overseas territories and were coordinated by the OTC, whose role thereafter diminished.[12] In terms of technical aid, European cooperation, which mainly aimed at preventing "an 'invasion' of Africa by the United Nations and the Specialized Agencies," was largely organized outside the OEEC, in the framework of the Commission for Technical Co-operation in Africa South of the Sahara and later the UN's Technical Assistance Administration and the EEC.[13] However, the OTC also did

[10] OEEC, Report by the Overseas Territories Committee, part of the OEEC, *Interim Report*, 10. Italy joined in 1950, when Somaliland was placed under its trusteeship, and Spain joined in 1959, when it became a full member of the OEEC. See also Wood, *From Marshall Plan to Debt Crisis*, 55–60.

[11] OEEC, *Economic Progress and Problems of Western Europe* (Paris: OEEC, 1951), 20. On the interwar debate about "Euroafrica," see Peo Hansen and Stefan Jonsson, "Imperial Origins of European Integration and the Case of Eurafrica: A Reply to Gary Marks' 'Europe and Its Empires,'" *JCMS: Journal of Common Market Studies* 50, no. 6 (2012): 1028–41; Thomas Moser, *Europäische Integration, Dekolonisation, Eurafrika: eine historische Analyse über die Entstehungsbedingungen der eurafrikanischen Gemeinschaft von der Weltwirtschaftskrise bis zum Jaunde-Vertrag, 1929–1963* (Baden-Baden: Nomos, 2000); Peo Hansen and Stefan Jonsson, *Eurafrica: An Untold History* (London: Bloomsbury Press, 2013).

[12] OECD-HA, C(49)37, Record of the Council Meeting, March 28, 1949. On the OTC, see Schreurs, "Marshall Plan." More generally, see John Kent, *The Internationalization of Colonialism: Britain, France, and Black Africa, 1939–1956* (Oxford: Oxford University Press, 1992).

[13] TNA, CO 537/5175, The Organisation of International Technical Cooperation in Africa. Background Note by the Colonial Office, July 1949. See also Isebill V. Gruhn, "The Commission for Technical Co-Operation in Africa, 1950–65," *The Journal of Modern African Studies* 9, no. 3 (1971): 459–69; David Webster, "Development

some explorative work on technical aid, publishing studies on investment, the organization of "indigenous agriculture," energy, processing industries, tax incentives for foreign private capital investments, and on "the general problem of economic growth."[14] In these studies the colonies were discussed mainly in the light of the particular needs of the metropole. As stated in an internal British report, the OEEC studies focused exclusively on

> the contribution which their [the overseas territories'] development makes to the maintenance of a high level of employment and production in the countries of Western Europe [... It was] not until [...] 1955 that more attention was paid to the problems peculiar to the under-developed areas themselves.[15]

Development aid within the OEEC thus emerged – as in national administrations and at the European level – out of the colonial apparatus. The degree of colonial cooperation through the OEEC and the impact of the OEEC's studies were, however, rather limited. The emerging development field was organized primarily on a national level, the United Nations had become an important site for the production of developmental knowledge and practices, and the importance of the OTC continuously faded as the era of colonial decline progressed.[16]

The OEEC's development work was not just concerned with the overseas territories in the global South conventionally associated with the development enterprise. Rather, from the beginning, the Marshall Plan, the efforts aimed at European economic integration, and in particular the initiatives of the EPA were also aimed at the development of what were then framed as the "underdeveloped member countries" or as "member countries with underdeveloped areas." Special attention to the problems of the poor member countries of the OEEC became an important issue from the mid-1950s onwards. At that time, decolonization started to open up a new arena in the Cold War, and among OEEC member countries living standards began to markedly diverge with the continuous

Advisors in a Time of Cold War and Decolonization: The United Nations Technical Assistance Administration, 1950–59," *Journal of Global History* 6, no. 2 (2011): 249–72; Véronique Dimier, "Bringing the Neo-Patrimonial State back to Europe. French Decolonization and the Making of the European Development Aid Policy," *Archiv Für Sozialgeschichte* 48 (2008): 433–57; Rempe, *Entwicklung im Konflikt*.

14 OECD-HA, OT/M(61)2, Overseas Territories Committee, Record of 73rd session, July 4, 1961, Annex I.

15 TNA, CAB 134/1293, M.A.C.(S.O.)(56)2, OEEC Activities in Under-developed countries, April 24, 1956. See also OECD-HA, C(56)36, Decision of the Council giving directives to the work of the Organisation, February 25, 1956.

16 On the continuity between the OTC and the DAC, see the statement by the Kristensen at the last OTC meeting, OECD-HA, OT/M(61)2, Overseas Territories Committee, Record of 73rd session, July 4, 1961.

spread of mass consumption in non-peripheral Western European countries.[17] In this situation, Southern European countries – most importantly Italy, Greece, Turkey, and Spain (after 1959) – sought special programs to benefit poor regions in their countries. They were supported by the international bureaucrats within the OEEC, who were searching for a new purpose for their organization, and by the US administrations, which was anxious to contain socialist expansion and to strengthen their Southern European military allies.[18]

The logic was simple. In 1954, Deputy Secretary-General Guido Colonna proposed to transform the EPA from an agency in which US capital and technical assistance helped Europe into one channeling Northern European aid to Southern Europe.[19] This proposal, supported by the US and championed by Italy, which hoped for funding of the development of its *Mezzogiorno*, was adopted by the Council in November 1955, and the EPA shifted its focus from introducing the newest American productivity-enhancing techniques and methods in Western Europe to channeling funds from the richer European regions in the North to the poorer regions in Southern Europe. These countries thus received preferential technical assistance. Further, Italy, Greece, and Turkey hosted a particularly original element of this OEEC program: the setting up of trial and demonstration areas, in which the OEEC tested methods for the promotion of economic growth. While the transfer of new techniques focused on the provision of experts and the training of technicians and workers, the pilot zones, organized in cooperation with local authorities, were comprehensive programs that included agricultural consulting, the modernization of small industries and handicrafts, adult education, the provision of social welfare, and the creation of cooperatives.[20]

These development efforts were a contested issue within the OEEC, most importantly due to the ambivalent position of poor member countries within the "club of the rich." For example, their official classification as "underdeveloped areas" was criticized as stigmatizing and later changed into "areas in the process of economic development," thus clearly separating those OEEC member countries receiving development assistance from (former) colonies that also received development

[17] Kaelble, *Sozialgeschichte Europas*, 87–118.
[18] Boel, *The European Productivity Agency and Transatlantic Relations, 1953–1961*, 199–207.
[19] Colonna in December 1954, cited in Ibid., 201.
[20] Boel has focused on the Sardinian Pilot Project in the late 1950s and early 1960s. Ibid., 207–220. On transnational development aid in Italy, see Michele Alacevich, "Postwar Development in the Italian Mezzogiorno. Analyses and Policies," *Journal of Modern Italian Studies* 18, no. 1 (2013): 90–112.

assistance.[21] Yet even though it was accepted as a derogatory term when applied to European countries, the term "underdeveloped" continued to be employed until the late 1960s within OECD discourse regarding non-European poor countries. Furthermore, in the mid-1950s the European aid receiving countries successfully resisted attempts to turn the OEEC into a global aid agency, which would have diverted funds they hoped to receive through the OEEC. When the Soviet Union started its "economic offensive" in 1956, there were intense discussions, especially between the US and Britain, about the distribution of work between the NATO and the OEEC to counter the Soviet offensive.[22] In these debates, development aid was already envisaged as a possible emerging task for the organization, but – mainly due to Southern European opposition – it took until the late 1950s for this idea to be taken up again. In the context of the free trade area negotiations in 1957 and 1958, European poorer countries successfully pressured for higher and longer-term financial assistance than poor countries outside the OEEC. They argued that they could not play a full part in any free trade association, and also in the common defense effort, unless arrangements were made that would guarantee them "a satisfactory rate of economic development" and would "reduce the growing difference [...] within the Western alliance."[23]

The third area of OEEC activity in the development field was comparative statistical work. On the one hand, the OEEC spearheaded early efforts in measuring the financial "contribution" of Western countries to the development of the global South. The first review was finished in 1955 and compared the amount of private and public capital transfers as a percentage of GNP at factor costs. It revealed relatively high contributions for the colonial powers and the US (France 1.5 percent, Britain 0.8, Netherlands 0.8, Belgium 0.7, US 0.41), and relatively low ones for other countries (West Germany 0.3, Italy 0.1, Norway 0.03, Sweden 0.01).[24] On the other hand, the OEEC statistical branch contributed to the development of national income accounting techniques enabling

[21] OECD-HA, OEEC C/WP26/W/21, "Activities of the EPA for Areas in the Process of Development," January 1, 1959; C(60)11, Secretary-General's Report on Help for Underdeveloped Countries; C(60)123, Aid to Countries in Course of Economic Development. A Preliminary Study by the Secretariat, June 23, 1960. See also the similar observation in Evers, *Die Entwicklungsgebiete im Rahmen der OEEC und ihre Förderung*.

[22] See the files in TNA, CAB 134/1293 and CAB 134/1294.

[23] TNA, FO 371/142426, M 107/2, J. A. Robinson, Assistance for the European Underdeveloped Countries, May 1959.

[24] TNA, CAB 134/1294, M.A.C.(S.O.)(56)61, OEEC Report on contribution by Member and Associated countries to economic development in the less-developed areas of the world, November 4, 1956.

international comparisons and on national accounting techniques suited for the African context.[25]

While the development efforts were only a relatively small part of OEEC activities, development moved to the center in the context of reorganization and the foundation of the OECD. In fact, the coordination of donor countries' development policies became the key justificatory argument for reorganizing instead of abandoning the organization. In January 1960 the DAG was founded as a new group of "capital exporting countries," Japan was immediately invited, and after the foundation of the OECD the group became the organization's committee responsible for development aid.[26] Thus, the Marshall Plan did not only become the intellectual master narrative for the global development enterprise, which copied many of its institutional arrangements and guidelines, but the very organization that had managed Marshall Plan aid was in 1961 reorganized as the West's donors' club. Within little more than a decade the OEEC, which was founded for the self-monitoring and the reception of US aid, was transformed into a community of countries providing capital and technical aid, first to Southern European countries, and then to the global South.

Key objectives of the OECD's development work

Four key rationales explain the importance given to development in the new organization and characterize the overall mission of the OECD in this field. First, the raison d'être of the organization's development work was – and this was highlighted in many documents on its foundation – the creation of an exclusive forum for the rich Western countries, thus defining an imagined community of "developed" countries that had a common "mission." In the words of Kristensen,

> the industrial countries with market economies have a definite mission in the world during the present phase of history. They have been the forerunners in economic development; and they will remain for a long time the pioneers in a number of fields because their structures are more refined [...] They can, therefore, develop certain techniques of economic policy-making that can later be transferred to other parts of the world [...] that are less highly developed.[27]

[25] Peter H. Ady and Michel Courcier, *Systems of National Accounts in Africa* (Paris: OEEC, 1960). For the context of this debate, see Speich, "The Use of Global Abstractions." See also Chapter 1.

[26] OECD-HA, OT/DI/225, The Development Assistance Group, Annex II, Aid to Developing Countries. Resolution adopted at the Ministerial meeting on July 23, 1960.

[27] Thorkil Kristensen, "Five Years of OECD," *European Yearbook* 13 (1967): 103f.

This exclusive forum was not just important to advance a common view of the global development problem, but also to coordinate Western global relations in an environment that shut out nations from the global South and the communist rivals, also with regard to broader international fora such as the IBRD or the UN. As stated in a British dispatch, the DAC was an

> essential organ in which, untrammeled by hysterical speeches from the Afro-Asian bloc or subversive maneuvers from behind the Iron and Bamboo curtains, the Western Powers can study the real substance of aid problems in all objectivity and think out a coordinated line to take at New York and Geneva.[28]

By constituting itself as a donors' club, the DAC excluded those that were most affected by what it discussed. The participation of recipients or independent experts was never seriously considered, although such proposals came up.[29] When some countries approached the Secretary-General for aid, the British delegation made it plain that since "the D. A.C. is [. . .] a donors' club [i]t must be for the donors, not the potential recipients to decide whether aid to particular countries should be discussed at all and, if so, which countries should be the subject of discussion."[30] At the same time, DAC members were aware that the new forum looked "very much like a selfish club of the 'haves' from which the 'have nots' were excluded."[31]

Second, the OECD served as a "white man's club" that opened up and diffused the experiences of colonial powers in developing their overseas territories to other industrialized countries and facilitated the division of spheres of influence among the emerging community of donors.[32] In the context of decolonization and the rise of the US as a key donor, the traditional cooperation among colonial powers through the OTC had become obsolete and development aid had to be reorganized internationally, involving new actors and power relations. As explained by Kristensen at the last meeting of the OTC in July 1961, "colonial territories were disappearing," a process that had made it "necessary to revise the functions and alter the bodies of the Organization."[33] While the colonial

[28] TNA, T 312/859, Hankey, "The Future of the OECD, July 28, 1964. See also TNA, FCO 69/227, Britten to Gallagher, Godden, Tickell and Graham, January 22, 1971.
[29] See, for example, the proposal by the Belgian delegate to turn the OECD into an organization in which recipient countries and donor countries would meet. TNA, CO 852/1922, United Kingdom Note on the 70th Session of the OTC, September 5, 1960.
[30] TNA, T 312/860, J. M. Bridgeman, "Future of D.A.C.," September 21, 1964.
[31] TNA, FO 371/150075, Holliday, Memorandum: Future of OEEC, January 1, 1960.
[32] NARA, RG 59, Entry A1 5605, Box 6, Folder Chron – Ruth H. Phillips, LeRoy F. Percival to Ruth H. Phillips, April 25, 1966.
[33] OECD PA, OT/M(61)2, Overseas Territories Committee, Record of 73rd session, July 4, 1961.

continuity of the OECD's development work was sometimes alluded to, it was generally publically disguised by the repeated invocation of the symbolic power of the Marshall Plan experience. Since colonial experiences were, however, regarded as very useful, one of the essential functions of DAC consultations was to make the practical knowledge of colonial powers available to donor countries that did not have colonies or whose colonial experiences were short or long ago. In a 1962 speech, Kristensen explained: "A lot of information and experience was, of course, gathered in the colonial period by the big colonial Powers. This is now available to other countries through these consultations."[34]

Alongside this sharing of colonial experiences, the OECD also served as a forum to negotiate the distribution of spheres of influence. Recognizing that the "basic reason for any aid program is national self-interest," all the main donor countries focused their aid activity heavily on those areas where they had economic and political interests. While these existing areas of influence were not "greatly affected" by the work of the OECD, a US representative in 1964 explained, the DAC was particularly responsible for "those areas which are not the special province of a particular donor – as Africa is of the U.K. and France, or Latin America is of the U.S."[35]

A third driving force behind the OECD's development program, situated within the dynamics of the Cold War, was the attempt to tie the South to the West through a capitalist growth path financed by capital from OECD countries.[36] George W. Ball, key US economic diplomat, summarized this ambition at the fourth DAG meeting in London in March 1961:

> Without substantial outside help there is small chance that most less-developed countries will achieve rapid economic growth in freedom. Only by the hope and reality of achieving an adequate level of growth will they be able to turn their energies toward constructive purposes. If they are frustrated in this – if progress proves a delusion – then their energies will be diverted to purposes which are not only self-destructive, but destructive of our whole Free Society.[37]

[34] ECHA, BAC 3/1978 795, Kristensen, Discours devant l'Assemblée Consultative, September 21, 1962.

[35] Memorandum from Seymour J. Rubin of the US Delegation to the Organization for Economic Co-operation and Development to the Administrator of the Agency for International Development (Bell), February 12, 1964, *FRUS 1964–1968, Volume IX (International Development and Economic Defence Policy; Commodities)*, 240–42.

[36] Wood, *From Marshall Plan to Debt Crisis*, 70–71. See also Helge Ø. Pharo and Monika Pohle Fraser, *The Aid Rush: Aid Regimes in Northern Europe During the Cold War* (Oslo: Unipub, 2008); David C. Engerman, Nils Gilman, Mark Haefele, and Michael E. Latham, *Staging Growth: Modernization, Development, and the Global Cold War* (Boston: University of Massachusetts Press, 2003).

[37] Circular Telegram from the Department of State to Certain Diplomatic Missions, March 17, 1961, *FRUS 1961–1963, Vol. IX (Foreign Economic Policy)*, 214–17.

This statement can be taken as symptomatic of the general thrust of debates on development within the OECD until the latter 1960s. As for industrialized countries themselves, the overall goal for the so-called "less-developed" countries was "rapid economic growth" and to achieve this rapid growth, these countries needed massive investments, which had to be provided by the richer OECD countries. Growth and thus development assistance was not only the precondition of social progress, but also the only means to contain communism and thus protect the "Free Society" of Western capitalism. In particular the US, which initiated the OECD's development work, wanted to pressure the Western European countries to take "a far more positive, far more active, far more aggressive role in the efforts to deal with the problems of the third world."[38]

Finally, imbalances in the international payment system played a key role in the emergence of the global aid regime. From the late 1950s onwards, the US, and to a lesser extent Britain, were running increasingly large balance of payments deficits that threatened the long-term stability of the monetary system set up at Bretton Woods. Arguing that both the military and the economic aid front of the Cold War were the collective responsibility of Western countries, the US used the DAC to advance its strategy of "burden-sharing." The aim was to push up the capital exports of the surplus countries, especially West Germany and Japan, by increasing their aid "burden."[39] This balance of payments factor, which has largely been neglected in the literature on the origins of Western development aid, drove US efforts in the OECD and was successfully coordinated within the DAC and the EPC's WP-3.[40] At its fourth meeting, the DAG adopted a "Resolution of the Common Aid Effort," which set out the basic premises and the framework within which the group's work would evolve over the next decades. The two main goals set out in the resolution were that member countries should "secure an expansion of the aggregate volume of resources made available to the less-developed countries and to improve their effectiveness."[41] It implied not only a certain degree of "burden-sharing," but also that the aims and motives

[38] Lloyd Jonnes, Advisor, U.S. Mission to OECD between 1961–1964, oral history interview, in Association for Diplomatic Studies and Training, "OECD Subject Reader of the Foreign Affairs Oral History Collection," 2012, 72.

[39] On the importance of balance of payments considerations for the "American pressure" in the DAC, see BAK, B 102, 139611, Vertretung der Bundesrepublik Deutschland bei der OECD an das AA, BMWi und Minister Erhard, October 12, 1962.

[40] Memorandum from the Under Secretary of State for Political Affairs (McGhee) to Secretary of State Rusk, March 15, 1963, *FRUS 1964–1968, Vol. IX*, 346–50. More generally, see the different contributions in *Contemporary European History* 12, no. 4 (2003).

[41] Resolution of the Common Aid Effort, adopted by DAG, March 29, 1961, London, quoted in Helmuth Führer, *The Story of Official Development Assistance: A History of the*

of the donors were, as US delegate Seymor J. Rubin has argued, "if not identical, at least compatible."[42]

However, while the US and Britain were particularly anxious to increase the aid of surplus countries for balance of payments reasons, the OECD Secretariat, which saw development as a new policy area to increase its influence, aimed at turning development aid into a regularized task of modern governments, one that did not depend merely on temporary factors such as balancing external deficits and surpluses. As Kristensen demanded:

> A normal item in the budget of every modern industrialized country should be a certain amount of lending or grants or technical assistance [. . .] We do not let our defense budgets, or education budgets or social welfare budgets fluctuate violently from year to year because the balance of payments situation is changing [. . .] Therefore it should be a normal and stable function of an industrial State to take up an aid-giving function. Here I think that the OECD could be helpful.[43]

And indeed, in the coming years the OECD contributed considerably to making development aid a normal function of an modern state. When the DAG was founded in 1960, no member country had a central government department or ministry for assistance to independent countries, but most member countries established these in the early 1960s, starting in 1961 with France, the US, West Germany, Japan, and Sweden.[44]

Institutionalizing the hegemony of donor countries

The heart of OECD development work was and still is the DAC, which has been established as a rather special committee within the OECD structure. It was one of the three committees with restricted membership, excluding some OECD member countries, and thus constituted one of the core cells of OECD work that was valued most by the larger and more powerful member countries. The DAC was the only committee with a full-time chairman with an office in Paris, who was not under the administrative supervision of the Secretary-General, thus giving him more autonomy vis-à-vis the OECD. The chairman was further entitled to publicly present opinions of the committee without prior approval of

Development Assistance Committee and the Development Co-Operation Directorate in Dates, Names and Figures (Paris: OECD, 1996), 11.

42 Seymour J. Rubin, *The Conscience of the Rich Nations: The Development Assistance Committee and the Common Aid Effort* (New York: Harper & Row, 1966), 5.

43 ECHA, BAC 3/1978 795, Kristensen, Discours devant l'Assamblée Consultative, September 21, 1962.

44 OECD, *DAC in Dates. The History of the DAC* (Paris: OECD, 2006), 11–12.

the Council. Further, the DAC was structurally dominated by the US – the chair was paid for by the US and was until 1999 always a US national. The first chairman, James Riddleberger, was the former director of US Agency for International Development (USAID), and all the following chairmen were closely connected to the US aid bureaucracy.[45] Even though officially the DAC operated on a unanimity rule, the "Big Four" de facto dominated the committee through the chairman, behind-the-door negotiations, and the establishment of a small steering group. In 1965, the US permanent representative to the DAC conceded:

> any proposal which has the full support of the U.S., the U.K., France and Germany will be accepted by the DAC. In practice, any proposal which had the vigorous support of the U.S. and any two of the others will probably be accepted – though perhaps in a modified form.[46]

The DAC held several meetings a year and has traditionally organized a yearly high-level meeting attended by foreign or development ministers, which at times was held in the capitals of member countries to increase the visibility of its work, and it closely collaborated with other international development organizations, which regularly attended all its meetings.

The foundation of the DAG/DAC was highly controversial from the beginning. Countries in the global South had pressed for the foundation of a global aid agency under the democratic control of all UN member countries and were disenchanted by its foundation under the auspices of the exclusive OECD.[47] The poorer OECD member countries, defending their privileges, criticized the exclusion of aid recipients, Greece and Turkey dubbing the DAG a "capitalist club."[48] Greece only conceded under high pressure to the formation of the donors' club and only after the "pressure group" of poor member countries had secured special support programs within the framework of the OECD.[49] The neutral countries, especially Sweden and Switzerland, were anxious

[45] The other US chairmen were Willard L. Thorp (1963), Edwin M. Martin (1967), Maurice J. Williams (1974), John P. Lewis (1979), Rutherford M. Poats (1982), Joseph C. Wheeler (1986), Alexander R. Love (1991), and James H. Michel (1994).

[46] Letter from the Permanent Representative to the Development Assistance Committee (Coffin) to the Administrator of the Agency for International Development (Bell), January 8, 1965, *FRUS 1964–1968, Volume IX*, 290–92.

[47] Ruckert, "Making Neo-Gramscian Sense of the Development Assistance Committee."

[48] Telegram from the Mission at the North Atlantic Treaty Organization (Burgess) and European Regional Organizations to the Department of State, February 20, 1961, *FRUS 1958–1960, Volume VII (Part I, Western European Integration and Security, Canada)*, 250–51.

[49] Greece had threatened not to sign the OECD Convention. TNA, FO 371/150525, M 5514/15, UK Delegation to OEEC to Foreign Office, November 9, 1960.

about the close association between aid and the Cold War and were thus very cautious about the inclusion of development work into OECD. Kristensen reassured them that the OECD would be "careful in choosing the words to avoid presenting the [development] activity as a weapon in the East/West contest for influence in the under-developed world."[50]

Furthermore, in the first years after its foundation, there were two diverging views of the tasks of the DAC. According to the "Little DAC doctrine" advocated by the (former) colonial powers France, Belgium, and Britain, the committee's key task was to serve as an exclusive forum, but it should not deal with individual country problems. The "broader DAC" approach, on the other hand, supported by the US, West Germany, Canada, the Scandinavians, the Netherlands, and Austria, pushed for more operational activities (technical assistance, interventions, or concrete projects in poor countries), individual developing country reviews, and generally a larger role of the DAC. Similarly, the Secretariat led by Kristensen wanted to "break into the operational field" by organizing missions of experts, similar to those of the EPA, that would be sent to the "remoter corners of the globe."[51] The small donor countries supported this view because they hoped to use the DAC as a source of information and analysis on potential aid recipients they could not provide themselves due to their limited resources and lack of colonial expertise.[52] And the US administration was anxious to turn the DAC into an "operational" body, a real aid agency that would collectively finance developing countries "by organizing syndicates of its members to make common grants or loans." However, in the face of strong insistence by the Western European colonial powers not to double the work already performed by other international aid organizations, this "grandiose vision [. . .] proved a fantasy."[53] While the OECD became engaged in some operational aid activities, in particular in some Asian countries, the main tasks remained the coordination of Western aid flows and donor countries' shared interests.

The core work of the DAC was the appraisal of member countries' aid policies through the peer-review process, which included critical auditing, detailed policy evaluation, and justification of current trends among peer

[50] TNA, FO 371/150525, M 5514/17, UK Delegation to OEEC to Foreign Office, November 13, 1960.

[51] TNA, T 236/6598, Buist to Rodgers, November 20, 1961; TNA, T 236/6598, Jenkyns, Experts for less developed countries, November 8, 1961.

[52] Airgram from the Mission to the Organization for Economic Co-operation and Development to the Department of State, November 6, 1965, *FRUS 1964–1968 IX*, 339–41, http://1997-2001.state.gov/www/about_state/history/Vol_IX/111_120.html (23 August 2015).

[53] Jacob Kaplan, oral history interview, Georgetown University Library, Foreign Affairs Oral History Collection, March 22, 1999; Ball, *The Past Has Another Pattern.* 196.

countries. On average every three to four years each member country was examined by a peer review process that involved two other countries that were designated as "examiners," members of the Secretariat, the DAC chairman, and the responsible authorities within the country that was examined.[54] The reviews included a variety of aspects such as the volume of aid, its geographical distribution, effectiveness, and contribution to self-help, intentions for future changes in the aid flow, principal capital exporters, the internal coordination of aid within the country, and the coordination with other donors and international aid agencies. In the early 1960s, DAC pressure was highly effective in strengthening domestic actors involved in development assistance to increase aid flows in countries such as West Germany, Norway, Canada, and Japan.[55]

In 1963 the OECD established a Development Centre, whose raison d'être was the deliberate attempt to transfer the experiences of OECD countries in the 1950s to the global South. It was first proposed by the Kennedy administration in 1961 and had a mandate to "bring together the knowledge and experience" on the growth process and the economic policies in "participating countries" and "to adapt them to the needs of countries or regions in the process of economic development."[56] The mere fact that some of the most influential development economists such as Angus Maddison, Herbert Giersch, Edmond Janssen, Göran Ohlin, Ian Little, Tibor Scitovsky, and Maurice Scott worked at the Development Centre demonstrates the importance of this think tank. The Development Centre was politically more diverse and less exclusive in relation to the global South than the rest of the Secretariat. Yet even though economists with backgrounds in the global South like Arthur Lewis, Jagdish Bhagwati, or Padma Desai were invited to do research for a few weeks at the Centre in Paris, all the senior staff were economists from OECD countries.[57]

[54] Pagani, *Peer Review*; Ohlin, "OECD," 136–37.

[55] TNA, T 317/1774, Development Assistance Committee – Background and Future, Memorandum attached to letter from Fair to Littler, October 23, 1968; Helge Pharo, "Altruism, Security and the Impact of Oil: Norway's Foreign Economic Assistance Policy, 1958–1971," *Contemporary European History* 12, no. 4 (2003): 527–46; Heide-Irene Schmidt, "Pushed to the Front: The Foreign Assistance Policy of the Federal Republic of Germany, 1958–1971," *Contemporary European History* 12, no. 4 (2003): 473–507.

[56] Cited in OECD, "The OECD Development Centre," *The OECD Observer* 6 (October 1963): 12. On the Development Centre, see also OECD-HA, C/M(62)5, February 20, 1962; C/M(62)9, April 10, 1962; C/M(62)17, July 31, 1962; Carl Kaysen, "Origins of the OECD Development Centre," in *Development Is Back*, ed. Jorge Braga de Macedo, Colm Foy, and Charles Oman (Paris: OECD, 2002), 229–35.

[57] Maddison, "The Origins and Early Years of the Centre: A Personal Perspective," 255; OECD, "OECD Development Centre," October 1963.

The development activities aimed at OECD member countries continued in the tradition of the OEEC and the EPA, but their importance continuously decreased with the advancement of living standards in Southern Europe in the 1960s and 1970s. Particularly important were two aid consortia for Turkey and Greece and other programs of technical assistance to some of its less-developed members.[58] The "most successful operational activity of OECD," however, was the so-called Mediterranean Regional Project, in which the six governments of Greece, Italy, Portugal, Spain, Turkey, and Yugoslavia collaborated in the early 1960s on the improvement of education systems and on "human resource development."[59] This major exercise in the projection of educational needs of growing economies, which produced a variety of influential publications on educational planning and economic growth, was later extended to Latin America and the Middle East through a project financed by the Ford Foundation.[60]

Above all, however, the DAC served as a restricted forum for the donor countries, enabling them to coordinate their interests. This erupted after the first UNCTAD conference in 1964 in Geneva, at which OECD countries faced a common front of countries from the global South that clearly articulated demands for higher financial assistance, better terms of aid, access to markets, preferences, and international price manipulation for primary products and that created a sharp rift among OECD countries that were not able to find a common line.[61] In this "Post-UNCTAD World," the only available body capable of developing "a positive common doctrine" of the rich Western countries to counter these demands was the OECD and its DAC – which developed this role until the present.[62]

Development as growth: producing a "body of doctrine"

Starting its comprehensive task of attempting to coordinate aid flows globally, the OECD required an overarching body of doctrine and, as a

[58] Thomas C. Kuchenberg, "The OECD Consortium to Aid Turkey," *Studies in Law and Economic Development* 2, no. 1 (1967): 91–106.

[59] Maddison, "The Origins and Early Years of the Centre: A Personal Perspective," 255. See also OECD, "The Mediterranean Regional Project. Six Countries Introduce a Unique Method in Planning Strategy for Education," *The OECD Observer* 8 (February 1963): 17–28; Raymond Lyons, "The OECD Mediterranean Regional Project," *The American Economist* 8, no. 2 (1964): 11–22; OECD Study Group in the Economics of Education, *The Residual Factor and Economic Growth*; Ohlin, "OECD," 234.

[60] Maddison, "The Origins and Early Years of the Centre: A Personal Perspective," 239.

[61] OECD, *Development* Co-operation *Efforts and Policies of the Members of the Development Assistance Committee (Report by William Thorp)* (Paris, 1965).

[62] Airgram From the Mission to the Organization for Economic Co-operation and Development to the Department of State, October 31, 1964, *FRUS 1964–1968, Volume IX (International Development and Economic Defense Policy; Commodities)*, 256–58.

"statistically minded" organization, numerical methods to guide its analysis and action.[63] First, the OECD not only needed statistical methods for assessing the different degrees of "development" in the global South, but also a criterion to judge historical changes and the success of the development enterprise. Second, the cooperation of donor countries involved the formation of a common framework to analyze their efforts and define policy goals. Third, the OECD required benchmarks to measure, compare, and rank the contributions of its member countries. Economic growth and GNP as its measure came to be interpreted and propagated as meeting all these three demands, which will be discussed in turn.

"An obvious criterion in judging the degree of development," a note by Secretary-General Kristensen to the DAG meeting in Tokyo in 1961 claimed, "is the relative level of real income per capita."[64] This statement is symptomatic of the official development discourse of the postwar era, which reduced "development" to GNP-growth. The "obvious criterion" was particularly convenient, Kristensen explained, since "rough estimates" of real income were readily available for almost all countries. Drawing on pioneering work in national income accounting within the OEEC in the 1950s, these data permitted a classification of the entire world in four groups of countries, depending on one single number, its real per capita income measured in purchasing power parity numbers.[65] Taking a closer look at the data, however, reveals tables full of bold guesswork, speculative extrapolations, and rough estimates. The most fundamental difficulty, which the framework of national income accounting posed for development experts, was the problem of the monetary valuation of the non-monetary sector.[66] As late as 1961, OECD officials admitted that

> it is not certain for many countries whether, and to what extent, account has been taken of subsistence activities which, in most underdeveloped countries, form an important part of the total economic output.

[63] NARA, RG 56, Entry UD-UP 734-A1, Box 62, Folder OEEC/4/05 Hall-Hauge Experts Group, USRO Paris to Washington, OEEC Long-Term Study, June 7, 1956.

[64] OECD PA, DAG/5, Doc 5, Fifth meeting of the DAG, Material on Economic Growth and the Impact of Foreign Capital in Underdeveloped Countries, July 11–13, 1961.

[65] Ibid. Those with annual incomes over $1,000 per capita were declared "developed," most belonged to the OECD. The others were a group between $999 and $500 of "middle-income" countries, and two groups of "developing countries," including 870 million persons living in countries with per capita annual incomes below $250.

[66] These problems of measuring unpaid labor and non-market transaction had plagued development economists and practitioners already in the 1940s and 1950s. Speich, "The Use of Global Abstractions." See also David C. Engerman, "The Anti-Politics of Inequality: Reflections on a Special Issue," *Journal of Global History* 6, no. 1 (2011): 143–51.

Thus not only could relative levels of progress between countries not easily be ascertained, but also the speed with which they headed toward it was uncertain:

> Since the non-subsistence sector is likely to be growing more rapidly than the subsistence sector, the exclusion, or partial exclusion, of the latter may tend to result in some over-statement of the rate of growth.[67]

These difficulties persisted far into the 1960s. Yet, promoted by international development institutions, most importantly the Development Centre, the diffusion of national income accounting progressed rapidly, thus further reinforcing the concepts of the "national economy" and of economic growth. The Centre was not only engaged in the systematic development, standardization, and collection of national accounts for "developing countries," but also established close contacts with and provided training for the statistical offices in these countries themselves.[68] By the early 1970s any doubts about the adequacy of the national income accounting framework for the context of "developing countries" had disappeared.[69] Notwithstanding these difficulties, during the 1960s the OECD and its Development Centre had, according to Angus Maddison, a better macroeconomic database of the global South than the World Bank.[70] The relative levels of real per capita incomes not only enabled the OECD to categorize those countries that were less "developed" and thus deserving the assistance of aid donors, but it also indicated what needed to be done. If the problem was defined as low levels of GNP, the self-evident solution lay in the promotion of growth.

Thus, second, the OECD was "attempting to arrive at a body of doctrine," as the US representative to the DAC explained. When "the DAC nations accepted this concept as a major policy objective," this credo would be applied to the global South.[71] Studying this doctrine reveals the

[67] OECD-HA 1961, DAG/5, Doc 6, Fifth meeting of the DAG, Sources and Methods, July 11–13, 1961,

[68] The first of dozens of volumes of this work, *National Accounts of Less Developed Countries, 1950–66*, appeared in 1968. This work involved several economists who had gained experience within the OEEC, most importantly Angus Maddison and Witold Marczewski. Maddison, for example, visited statistical offices in Iran, Japan, Pakistan, the Philippines, Thailand, Argentina, Brazil, Mexico, and the USSR, where he explained the system and advised on necessary adjustments. Maddison, "The Origins and Early Years of the Centre: A Personal Perspective," 240. On the debates around measuring the economies of the global South, see Speich Chassé, *Die Erfindung des Bruttosozialprodukts*.

[69] See the respective remarks in OECD, *National Accounts of Less Developed Countries. 1959–1968* (Paris: OECD, 1970), 1.

[70] Maddison, "The Origins and Early Years of the Centre: A Personal Perspective," 253.

[71] Frank M. Coffin, quoted in Memorandum of Conversation, February 5, 1965, *FRUS 1964–1968, Volume IX*, 286–89.

historical changes of what was the common aid philosophy from the donor perspective. A Secretariat summary of the debates of the first year of development work until 1961 gives a clear account of the consensus within the rich countries' club that would persist until the early 1970s. Firmly drawing on modernization theory and explicitly using language of Rostow's famous five-stage model, the report argued: "There is a general agreement that the object of financial assistance is to promote economic growth in underdeveloped countries to the point where this growth can proceed on a self-sustaining basis." The universally accepted aim of donor countries' development policies, it explained, was to lift countries out of "stagnation" into "take-off" and, as fast as possible, into "self-sustained growth."[72] For "under-developed" countries the aim was ultimately to become "modern" economies, which were primarily characterized by one trait: "Growth becomes its normal condition. Compound interest becomes built, as it were, into its habits and institutions."[73]

Non-Western countries were framed as "suffer[ing] from economic, and as a result cultural, stagnation," as Kristensen put it in a lecture. Thus, they were in need of outside intervention because, Kristensen argued, development and progress are "something imported from outside. It will be grafted on, as gardeners say. It will be imported from the western countries." To facilitate this process of exporting progress and development in the form of GNP-growth was the task of Western development aid. The reduction of poverty was not the stated goal. Rather, it was explicitly sidelined in favor of a form of economic growth that would make government aid redundant and private loans profitable:

> At this stage [of self-sustained growth], a country may still be underdeveloped in the sense of having a low income, but its capital needs may be fairly adequately met by stimulating a flow of lending on "commercial" terms.[74]

There were other voices, for sure. For example, the 1962 UN report heralding the "Development Decade" criticized economic growth as the primary aim of development policy because GNP statistics "might conceal as much as they indicate."[75] Yet these solemn calls for a changed

[72] OECD-HA, DAG/WP(61)9, Relative Effectiveness and Terms and Conditions of the different types of financial assistance, March 1, 1961.

[73] Walt W. Rostow, *Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge: Cambridge University Press, 1960), 7. On Rostow and modernization theory, see Nils Gilman, *Mandarins of the Future: Modernization Theory in Cold War America* (Baltimore: Johns Hopkins University Press, 2003); Engerman, Gilman, Haefele, and Latham, *Staging Growth*.

[74] Thorkil Kristensen, "The Western Industrialised Nations and Developing Countries," *The OECD Observer* 1 (December 1964): 3–7.

[75] United Nations, *The United Nations Development Decade: Proposals for Action. Report by the Secretary-General* (Geneva: United Nations, 1962), 2.

conception of progress did not much affect development thinking in the 1960s, not even within the UN.[76]

The fundamental precondition for this path of quantitative capitalist growth through industrialization, so the OECD argued, was a transfer of capital and technology from the OECD countries to the global South.[77] Accordingly, besides devising a measure of the level of "development" and an overall doctrine for the global aid regime, the third key task of the OECD was defining and tracking the amount of development assistance and to use peer pressure to increase the volume and effectiveness of member countries' aid.

This was essential, since different definitions of aid and different methods of measuring it statistically made comparisons and any discussion about burden sharing impossible. For example, while in 1960 West Germany claimed to have provided 3.4 billion DM for development aid in 1959, the US State Department calculated this to be only 500 million.[78] There was a lengthy controversy on the high aid figures for France, Portugal, and Belgium, since these countries counted many of the agreements made in the process of decolonization as aid, even though they merely financed the regular running of the government apparatus.[79] Furthermore, much data was not published at all. For example, George W. Ball, head of the US delegation, moaned, "the ex-colonial powers often kept secret the aid provided [to] their former dependencies." Another problem was the lack of adequate data about who gave what kind of aid and how much, which made aid coordination as well as effective Western efforts to "help [Third World countries] with their development planning" impossible.[80] The OEEC report "The Flow of Financial Resources to Countries in Course of Economic Development," which according to its main author Maddison was prepared at "breakneck speed" and was published in April 1961, provided the main guidelines used until the present by the DAC in the collection of data from member countries.[81] However, at first the OECD did not achieve a uniform definition of what could be declared as development assistance and merely collected the data provided by national statistical offices. It was only in 1969 that the DAC formally

76 See Toye and Toye, *UN and Global Political Economy*; Daniel R. Maul, *Human Rights, Development and Decolonization: The International Labour Organization, 1940–70* (Basingstoke: Palgrave Macmillan, 2012).

77 Circular Telegram from the Department of State to Certain Diplomatic Missions, March 17, 1961, *FRUS 1961–1963, Vol. IX (Foreign Economic Policy)*, 214–17.

78 Douglas Dillon, Interview, *Der Spiegel* 25, June 14, 1961.

79 Lloyd Jonnes, oral history interview, in Association for Diplomatic Studies and Training, "Subject Reader."

80 Ball, *The Past Has Another Pattern*, 195.

81 Maddison, "Confessions of a Chiffrephile."

defined "official development assistance" (ODA), which was tightened in 1972 and became the most widely used indicator for the volume of aid globally.[82] The definition of ODA included all financial flows provided by official agencies to countries on a DAC list of aid recipients that aimed at the "promotion of the economic development and welfare of developing countries as its main objective" and which had a "grant element of at least 25 per cent."[83] Since donor countries had dictated this definition, its degree of generosity (termed "concessionality") was rather low and countries in the global South and critical development economists, who pressed for more preferential terms, criticized ODA because it included many quasi-commercial and profitable loans and investments.

Building on this common definition of what counted as aid, the OECD used peer pressure and the review procedure to increase the volume and effectiveness of their aid.[84] This process was based on commonly agreed goals, most importantly a measure that linked the amount of ODA of a donor country to its economic capacity, thus providing comparability. Already in 1960 it was discussed whether as a symbol of the rich countries' commitment to aid there should be targets for the amount of appropriate financial flows. And by 1961 discussions led to the assessment that development aid of 1 percent of GNP was economically reasonable for the ten member countries of the DAG collectively, depending on each country's economic strength and its magnitude of military spending.[85] In the 1970s the target, which first included all financial flows, was reformulated in the form that is still the official commitment of rich countries today: the provision of ODA of 0.7 percent of GNP annually.[86] Since in these debates, the aid targets started to be expressed as a percentage of the donors' national income, they not only linked economic growth in the North to the "aid rush," but also made it a condition for the success of the development effort.[87]

[82] OECD-HA, DAG/5, Doc 5, Fifth meeting of the DAG, Material on Economic Growth and the Impact of Foreign Capital in Underdeveloped Countries, July 11–13, 1961. See also Douglas Dillon, Interview, *Der Spiegel*, 25, June 14, 1961; Ball, *The Past Has Another Pattern*, 196.

[83] OECD, *Dac in Dates*, 16.

[84] The OECD was one of the first organizations to work on aid evaluation. See Basil E. Cracknell, *Evaluating Development Aid: Issues, Problems and Solutions* (New Delhi: SAGE, 2000), 293f.

[85] Douglas Dillon, Interview, *Der Spiegel* 25, June 14, 1961; Telegram from the Embassy in the United Kingdom to the Department of State, March 28, 1961, *FRUS 1961–1963, Vol. IX (Foreign Economic Policy)*, 220–24; Ball, *The Past Has Another Pattern*, 486.

[86] Michael A. Clemens and Todd J. Moss, "The Ghost of 0.7 per Cent: Origins and Relevance of the International Aid Target," *International Journal of Development Issues* 6, no. 1 (2007): 3–25. See also Kunibert Raffer and Hans Wolfgang Singer, *The Economic North-South Divide: Six Decades of Unequal Development* (Cheltenham: Edward Elgar, 2001).

[87] Pharo and Fraser, *The Aid Rush*.

Within the Post-Development literature, the relationship between the development and the growth idea is largely not problematized; rather, growth is interpreted as being the same as development or as the means to achieve development.[88] However, while both concepts largely overlap, there are some key differences: first, whereas economic "development" described qualitative changes, often alluded to as "stages" and based on the idea of organic development from seeds to fully grown plants, economic "growth" indicated mere quantitative increase; second, whereas "development" was directional in the sense that the final stage was already given at the beginning, "growth" was without final stage and potentially limitless; and third, whereas "development" was largely used in relation to "developing countries," "growth" was the preferred concept for the industrialized countries of the OECD and the Soviet bloc.

In this chapter, I have argued that the development focus of the OECD emerged from its association with the ERP. The Marshall Plan did not only become the intellectual master narrative for the global development enterprise, which copied many of its institutional arrangements and guidelines, but the same organization, which was founded for the self-monitoring of ERP aid, was in 1961 transformed into the world's pre-eminent donors' club. However, while the OEEC received loans and grants on a highly concessional basis and the recipients of aid themselves monitored its distribution and use, these principles were not reproduced in the OECD. The DAC was an exclusive forum, designed to suspend the voices of aid recipients, and its criteria for aid, set by the donors themselves, did not guarantee a flow of capital from the North to the South that was comparable in magnitude or concessionality to the Marshall Plan. DAC countries thus not only captured the power of standardizing the major development-related policy ideas, practices, and data with all the relevant definitions and specifications, but they also monopolized the process of evaluating donor performance.

This proved important since the OECD fundamentally failed in its publicly proclaimed key goal: increasing the flow of aid to the global South. Following a considerable increase of official aid flows during the 1950s, peaking in 1961 at 0.54 percent of GNP, the quantitative evolution of ODA of all OECD countries reveals a continuous decline that stagnated during the 1970s and 1980s at only roughly 0.35 percent of GNP, and then further decreased.[89] Although these trends have to be treated with caution since the definition of what was reported as ODA was

[88] See, for example, Rist, *The History of Development*; Escobar, *Encountering Development*; Sachs, *The Development Dictionary*.
[89] Data retrieved from OECD.Stat (2011).

problematic and was applied differently during this period, they reveal the general trends of development flows in the postwar period. In any case, during the period of OECD work on development, its member countries collectively veered further and further away from the stated goal of providing ODA of 0.7 percent of GNP.[90]

As will be discussed in the next part of this book, the quantitative growth paradigm came under heavy fire from the late 1960s onwards. GNP growth was questioned both regarding its environmental effects and for its inability to contribute to human welfare and to alleviate social problems such as inequality. A similar debate was waged regarding the aims of "developing countries," also within the OECD. The 1970 review by the chairman of the DAC Edwin M. Martin had still opened lauding the success of the development enterprise by reporting that the "key 1969 fact for those interested in the progress of the developing countries was that the growth of GNP in real terms reached its highest level."[91] However, in the 1971 review the tone had shifted, Martin discussed the "limitations of the GNP and other solely quantitative approaches to development" and called for a new focus on other problems such as population growth, education, malnutrition, job creation, agricultural research, science and technology, and the environmental crisis.[92] This was indicative of more fundamental shifts in development thinking. The so-called "basic needs approach" to development, which became hegemonic in the 1970s in development agencies and international organizations around the world, was based on a critique of the "trickle down" argument and put distributional questions and the employment problem at the center of development debates.[93] Fundamentally, it advocated a critique of GNP-growth as the primary goal of development policies. At the dawn of the second Development Decade, the realization that human welfare was not identical with economic growth was gaining increasing acceptance, even within the Western "temple of growth," the OECD.[94]

[90] Only Norway and the Netherlands provided more than the stated goal from the mid-1970s onwards. For a contextualization of ODA flows, see Raffer and Singer, *North-South Divide*, 69–72.

[91] Edwin M. Martin, *Development Assistance. Efforts and Policies of the Members of the Development Assistance Committee* (Paris: OECD, 1970), 13; 89–97.

[92] Edwin M. Martin, *Development Assistance. Efforts and Policies of the Members of the Development Assistance Committee* (Paris: OECD, 1971), 14.

[93] Ian Little, Tibor Scitovsky, and Maurice Scott, *Industry and Trade in Some Developing Countries. A Comparative Study* (Oxford: Oxford University Press, 1970), 6, 92.

[94] OECD-HA, Box 36482, Van Lennep, Rede vor der Österreichischen Gesellschaft für Aussenpolitik und Internationale Beziehungen, January 14, 1971. See also Paul Streeten, "From Growth to Basic Needs," *Finance & Development* 16, no. 3 (1979): 28–31; Norman L. Hicks, "Growth vs Basic Needs: Is There a Trade-Off?," *World Development* 7, no. 11–12 (1979): 985–94.

Part III

Paradigm in discussion

The "problems of modern society," environment, and welfare (1969–1974)

When the end of the decade of the 1960s was approaching, it became apparent that the OECD would not only achieve but also supersede its ambitious growth target set at the first Ministerial meeting in 1961. Between 1961 and 1970 – the time that has consequently been remembered as the height of the "golden age" – OECD countries experienced phenomenal rates of growth, which averaged 4.8 percent annually and raised the combined national product by over 55 percent (and by 60 percent including the new OECD member countries Japan and Finland).[1] The latest projections in 1970 pointed to even faster rates of expansion for the next decade and beyond, forecasting an average growth rate of 5.2 percent annually up to 1980, again adding to the OECD's GNP another staggering 65–70 percent.[2] Symptomatic of the deep-seated confidence in the future of high growth rates, an OECD report analyzed growth as a "quasi-automatic or spontaneous" process that was "self-reproducing" and "self-reinforcing." The organization ascertained that the pursuit of growth and the commitment of "virtually all governments" to growth had become self-evident facts and that this commitment, "can no longer be considered a policy decision: it is difficult to conceive of circumstances where it might be given up." Since all existing evidence suggested that growth rates would continue at least as fast as they were in the past decade and a half, and that "potential GNP for the OECD area might triple or quadruple between now and the end of the century," the organization concluded, "the risk for modern industrial countries is not that of not having enough growth."[3]

[1] Hobsbawm, *Age of Extremes*; OECD, *The Growth of Output, 1960–1980: Retrospect, Prospect and Problems of Policy. Report of Working Party No. 2 to the Economic Policy Committee* (Paris: OECD, 1970), 79.

[2] OECD-HA, C(70)53, Documentation for Meeting of Council at Ministerial Level, Prospects for Economic Growth, April 10, 1970, Annex C, Table 3; OECD, *The Growth of Output, 1960–1980*, 79.

[3] OECD-HA, CPE/WP2(69)17, The Growth of Output in OECD Countries, 1960–1980, Introduction: Retrospect, Prospects, and Policies, June 16, 1969; CPE/WP2(69)25,

However, nobody within the OECD really celebrated this success. Not only had economic growth during the 1960s been accompanied by balance of payments crises, exchange rate adjustments, and in the late 1960s a slow increase of inflation, all of which worried policy-makers and advisers at that time much more than later retrospections suggest.[4] More importantly, the optimistic and technocratic outlook that had dominated the 1960s had started to crumble. The new Secretary-General of the OECD, Emile van Lennep, aptly summarized this shift in a speech in July 1970. Reflecting on the OECD history and its original goals set in 1961, he said: "Firstly, we succeeded in our growth objective – only to realize by the end of the decade that this should give no cause for complacency, since the very concept of growth called for redefinition." Elaborating further on what had changed, van Lennep remarked, "the objective of 50 percent was assumed to be an end in itself – and a somewhat ambitious one at that." Since then, he argued, the OECD had learned to "question this assumption" by asking "more searching questions." While the key questions tackled within the OECD and its member countries in the early 1960s had centered on unveiling the "secret of growth," developing "policies for more rapid growth," and assessing how "undergrowthed" OECD economies were, only a decade later the OECD's Secretary-General proposed to focus on a rather profound questioning of the growth paradigm:

> To what uses should this growth be put? If increased growth does not create improved conditions of life, will not growth become an illusion? What is the point of more unless more means also better?[5]

These questions are rather revealing and, articulated from within the ranks of what was one of the most growth-oriented institutions globally, capture the insecurity of economic policy-makers in the early 1970s about the goals of economic activity.

What had changed since the bold declaration of the 50 percent growth target in 1961? No sooner had the growth paradigm been firmly established in the early 1960s than it was attacked from a variety of quarters and was undermined by social and economic developments. Particularly important for the changing societal paradigms in this era were the protests

Growth of Output in OECD Countries, 1960–1980, Chapter 5: Conclusion, October 29, 1969.

[4] This is discussed in Alec Cairncross, "Introduction: The 1960s," in *The Legacy of the Golden Age: The 1960s and Their Economic Consequences*, ed. Frances Cairncross and Alec Cairncross (New York and London: Routledge, 1992), 1–13.

[5] OECD-HA, CES Divers 1970, Van Lennep at the Meeting of the Committee on Economic Affairs and Development of the Consultative Assembly of the Council of Europe, July 3, 1970.

and the social unrest that unfolded around the world in the context of what has been described as the "world revolution of 1968," a truly transnational phenomenon that criticized the injustices and exclusions produced by capitalist growth and its materialism.[6] Further, during the 1960s powerful ecological movements were rapidly emerging, which spread the image of a vulnerable planet threatened by seemingly uncontrollable technological and economic developments.[7] The decades leading up to the 1970s had experienced increasing attention to the long-term future, which was regarded as predictable, and to the globe as an interconnected system.[8] The focus on economic growth had also been criticized in widely read publications such as Galbraith's early critique in *The Affluent Society* (1958) or Mishan's *The Cost of Economic Growth* (1967), and there was a proliferation of publications prefiguring the alarmism associated with the Club of Rome's *Limits to Growth* (1972) such as Ehrlich's *Population Bomb* (1968) or Toffler's *Future Shock*.[9] Economists, and in particular sociologists and ecologists, had become increasingly skeptical toward the technocratic belief in the positive effects of quantitative growth.[10] Several international organizations, including the specialized

[6] Immanuel Wallerstein, "1968, Revolution in the World-System. Theses and Queries," *Theory and Society* 18, no. 4 (1989): 431–49; Carole Fink, Philipp Gassert, and Detlef Junker, eds., *1968: The World Transformed* (Cambridge: Cambridge University Press, 1998); Ingrid Gilcher-Holtey, *Die 68er Bewegung: Deutschland, Westeuropa, USA* (München: C.H. Beck, 2011).

[7] Kai F. Hünemörder, *Die Frühgeschichte der globalen Umweltkrise und die Formierung der deutschen Umweltpolitik (1950–1973)* (Stuttgart: Franz Steiner Verlag, 2004); John S. Dryzek, *The Politics of the Earth: Environmental Discourses* (Oxford: Oxford University Press, 2005); Robert Poole, *Earthrise: How Man First Saw the Earth* (New Haven: Yale University Press, 2008).

[8] See in particular Jenny Andersson, "The Great Future Debate and the Struggle for the World," *The American Historical Review* 117, no. 5 (2012): 1411–30

[9] Galbraith, *The Affluent Society*; Ezra J. Mishan, *The Costs of Economic Growth* (New York: Staples Press, 1967); Paul R. Ehrlich, *The Population Bomb* (New York: Ballantine, 1968); Alvin Toffler, *Future Shock* (New York: Random House, 1970). On the context, see also Sabine Höhler, "'Carrying Capacity' – the Moral Economy of the 'Coming Spaceship Earth'," *Atena* XXVI (2006): 59–74; Stephen Macekura, *Of Limits and Growth: Global Environmentalism and the Rise of "Sustainable Development" in the Twentieth Century* (Cambridge: Cambridge University Press, 2015); Steurer, *Der Wachstumsdiskurs in Wissenschaft und Politik*.

[10] Symptomatic of these discussions are the debates at the "colloque d'Arras" in June 1965, in which Pierre Bourdieu and government statisticians and economists from the Institut National de la Statistique et des Études Économiques under Claude Gruson discussed the macro economic effects of growth on equality. See Frédéric Lebaron, "Pierre Bourdieu: Economic Models against Economism," *Theory and Society* 32, no. 5/6 (2003): 551–65; Alain Desrosières, "Bourdieu et les statisticiens: une rencontre improbable et ses deux héritages," in *Travailler avec Bourdieu*, ed. Pierre Encrevé and Rose Mary Lagrave (Paris: Flammarion, 2003), 209–18.

agencies of the UN, had taken up some of the issues raised in these discussions such as environmental problems or population growth.[11] Next, in the second half of the 1960s, a variety of disturbing economic developments arose, such as increasing competition in world markets, decreasing profits for private enterprises, intensifying balance of payments problems, a growing concern about rates of inflation, and early signs of an eminent oil crisis – all of which occurred despite continuing high growth rates.[12] Rapidly rising gross national products had turned from a promise into a challenge: Western Europeans realized that while one could have growth without welfare – a widespread complaint in the 1950s among workers – it was impossible to finance welfare states whose services tended to expand exponentially without ever increasing growth rates, which, however, had become strains on old institutions such as the family, education systems, and parliamentary democracy itself.[13] Further, the efforts to win the Cold War by "modernizing" the Third World were faltering, not only with the vain efforts to win the war in Vietnam.[14] Finally, industrialized countries, as contemporary social scientists have observed, experienced the beginnings of a profound change toward "post-material" or "postmodern" values epitomized by E. F. Schumacher's *Small Is Beautiful.*[15]

These developments culminated into an ideological crisis of the growth paradigm. Based on the mistaken belief that growth in the 1970s would continue at a faster pace than in the previous decade, in most OECD countries the problems arising from continued quantitative growth and the desirability and long-term possibility of economic growth were fervently debated in the years after 1968. These discussions were waged within social movements, trade unions, churches, academia, and governments, and they involved large segments of the general public and created new fault lines within both the conservative and the progressive political camps,

[11] Richard Jolly, Louis Emmerij, and Thomas G. Weiss, *UN Ideas That Changed the World* (Bloomington: Indiana University Press, 2009); Matthew J. Connelly, *Fatal Misconception: The Struggle to Control World Population* (Cambridge: Harvard University Press, 2009).

[12] Eichengreen, *The European Economy since 1945*, 216–24.

[13] Ellwood, *The Shock of America*, 439. See also Peter Lindert, *Growing Public. Social Spending and Economic Growth since the Eighteenth Century* (Cambridge: Cambridge University Press, 2004).

[14] Gilman, *Mandarins of the Future*, 203–77.

[15] See, especially, the studies by Ronald Inglehart, i.e. *The Silent Revolution: Changing Values and Political Styles among Western Publics* (Princeton: Princeton University Press, 1977); E. F. Schumacher, *Small Is Beautiful: Economics as If People Mattered* (New York: Harper & Row, 1973). See also the critical remarks on the use of social science concepts by contemporary historians in Graf and Priemel, "Zeitgeschichte in der Welt der Sozialwissenschaften."

transcending established national and ideological divides, and not only in all OECD countries including Japan, but also in the Soviet Union and many countries in the global South.[16]

For several years, historians have debated fundamental changes in societal leitmotifs at the beginning of what has been labeled the era "after the boom" that was characterized by deep structural changes related to the "shock of the global." However, from the vantage point of an analysis of the historically contested hegemony of the concept of economic growth, the period between the two symbolic years 1968 and 1973/1974 stands out as a particularly interesting phase (much more so, than the decadological "seventies").[17] This "crisis before the crisis" was particularly marked within the OECD, where an exceptionally lively debate about the problems and unwanted side-effects of economic growth was held under the heading "problems of modern society."[18] Exercising its role as the "keeper of the keys" of capitalist growth economics, the OECD reacted to these developments, as did other international organizations, established policy forums, and governments. The general framework, within which the emerging environmental problems were conceptualized, operationalized, and made governable, was called "planet management."[19] While forecasting was well established within economics, it was only in this context that the horizon of planning the "long term" was extended to fields other than economics such as technological change, the environment, and social values – an area in which the OECD became a vanguard.[20] However, as will be shown, with regard to critiques of GNP growth and the

[16] Collins, *More*, 98–125; Sutela, *Economic Thought and Economic Reform in the Soviet Union*, 47; Yarrow, *Measuring America*, chap. 7. By the late 1960s in many countries, but also in Japan, professional economists discussed that new means of measuring social welfare had to be found. The antipollution movement in Japan was rallying under the slogan "Kutabare GNP!" (To Hell with GNP!). Shigeto Tsuru, *Japan's Capitalism: Creative Defeat and beyond* (Cambridge: Cambridge University Press, 1993), 146.

[17] See, for example, Anselm Doering-Manteuffel and Lutz Raphael, *Nach dem Boom: Brüche und Kontinuitäten der Industriemoderne seit 1970*, 2nd ed. (Göttingen: Vandenhoeck & Ruprecht, 2010), esp. 134–37; Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent, eds., *The Shock of the Global. The 1970s in Perspective* (Cambridge: Belknap Press, 2010); Konrad H. Jarausch, ed., *Das Ende der Zuversicht? Die siebziger Jahre als Geschichte* (Göttingen: Vandenhoeck & Ruprecht, 2008). Public debates on these issues lasted much longer and were most pronounced in the wake of the publication of the Club of Rome's first report *Limits to Growth*. See Chapter 8.

[18] Some of the arguments in Chapters 7 and 8 are further elaborated in Schmelzer, "Crisis."

[19] Fernando Elichirigoity, *Planet Management: Limits to Growth, Computer Simulation, and the Emergence of Global Spaces* (Evanston: Northwestern University Press, 1999). See also Sabine Höhler, "Spaceship Earth": Envisioning Human Habitats in the Environmental Age," *GHI Bulletin* 42 (2008): 65–85.

[20] Jenny Andersson and Anne-Greet Keizer, "Governing the Future: Science, Policy and Public Participation in the Construction of the Long Term in the Netherlands and Sweden," *History and Technology* 30, no. 1–2 (2014): 104–22.

incorporation of environmental problems within economic analyses, the OECD debates began earlier, influenced discussions in other fora, and were in their initial form more far-reaching and profound than within other international organizations or governmental institutions. Part III examines how economic growth was questioned and reconfigured in these discussions.

7 Quantity in question

Challenging the hegemony of growth and the OECD–Club of Rome nexus

> Many aspects of developed societies are approaching a condition that may be described as saturation, in the sense that things cannot go on growing much longer in some lines without reaching fairly fundamental limits.[1]

When Randolph W. Burgess, US banker and diplomat and one of the Four Wise Men who had designed the institutional set-up of the OECD, was asked in 1971 to assess the organization's work after ten years, he no longer highlighted the need for boosting growth, as it had been ingrained in the OECD's Convention in 1960. While proudly recalling that "in these 10 years the gross national product and national income of the OECD countries as a whole have doubled [*sic*]," he in particular focused on a totally new set of problems: "the diseases of prosperity, perhaps over-prosperity, which we must learn to treat as effectively as we are learning to treat poverty and physical disease." With these diseases he referred to the newly emerging developments challenging the hegemony of the growth paradigm such as "our troubles, of disenchanted youth (and of some of their elders as well) and crime and pollution."[2]

Remarkably, less than a decade after its foundation, the OECD, this "temple of growth for industrialized countries," developed a particularly lively debate questioning quantitative growth under the label "problems of modern society." These discussions, which were symptomatic of wider societal discourses and a more general uncertainty as to the longer-term prospects of industrialization, modernization, and consumer capitalism, form the core of this chapter. Within the OECD, they were not launched by one of the national delegations or high-ranking government officials from member countries, as is conventionally assumed in International Relations theory.[3] Rather, the driving force behind this new perspective

[1] OECD, *Science, Growth and Society. Report of the Secretary-General's Ad Hoc Group on New Concepts of Science Policy* (Paris: OECD, 1971), 21.

[2] Burgess, "Reunion of the Group of Four," 441.

[3] Trondal, Marcussen, Larsson, and Veggeland, *Unpacking International Organisations*. See also Michael Barnett and Martha Finnemore, *Rules for the World: International Organizations in Global Politics* (Ithaca, NY: Cornell University Press, 2004).

was a group of scientists and bureaucrats around the science branch of the organization and its Director-General Alexander King, who were either working in the OECD Secretariat or were members of the OECD's Committee for Science Policy (CSP). Even though largely neglected by historical research and in the public memory, it was this group of international bureaucrats, concerned about the negative effects of modernization and economic expansion, that actually proved instrumental in launching the Club of Rome. They built a transnational discourse coalition to advance new perspectives on economic growth, both through the OECD, whose debates were targeted at key economists and ministers from member countries, and through the Club of Rome, whose 1972 report *Limits to Growth* forcefully shaped public debates.[4]

This group of experts originated new perspectives and arguments, but above all it introduced the critique of quantitative growth and ecological questions into the epistemic space of the OECD and thus of Western governments at a very early stage. This chapter examines how economic growth was questioned within OECD discussions about the "problems of modern society," which aspects of the growth paradigm were criticized, and how the identification of GNP growth as an adequate yardstick for progress, national health, or prosperity was challenged. It also argues that the OECD can be regarded as the cradle of the Club of Rome because of the astonishing level of personal overlaps and because debates and modes of thinking in both forums were intimately linked together. Although the working background of some of the key personalities of the Club of Rome within the OECD has been noted repeatedly, these interrelationships have largely been neglected in the extensive literature on the Club of Rome.[5] On the one hand, this group used the resources, reputation, and international contacts of the OECD to provide its agenda with

[4] On transnational discourse communities, see the contributions in Marie-Laure Djelic and Sigrid Quack, eds., *Transnational Communities: Shaping Global Economic Governance* (Cambridge: Cambridge University Press, 2010).

[5] The standard reference is Peter Moll, *From Scarcity to Sustainability. Futures Studies and the Environment: The Role of the Club of Rome* (Frankfurt a.M.: Peter Lang, 1991). Similar to most other studies, Moll refers to the OECD when discussing the background of some of the people involved in the Club but does not analyze it. See also Elodie Vieille Blanchard, "Modelling the Future: An Overview of the 'Limits to Growth'Debate," *Centaurus* 52, no. 2 (2010): 91–116; Jason Lemoine Churchill, "The Limits of Influence: The Club of Rome and Canada, 1968 to 1988" (PhD thesis, University of Waterloo, Ontario, 2006); Elichirigoity, *Planet Management*; Friedemann Hahn, "Von Unsinn bis Untergang: Rezeption des Club of Rome und der Grenzen des Wachstums in der Bundesrepublik der frühen 1970er Jahre" (PhD thesis, Universität Freiburg, 2006); Patrick Kupper, "'Weltuntergangs-Vision aus dem Computer'. Zur Geschichte der Studie 'Die Grenzen des Wachstums' von 1972," in *Wird Kassandra heiser? Die Geschichte falscher Ökoalarme*, ed. Frank Uekötter and Jens Hohensee (Stuttgart: Steiner, 2004), 98–111; Jürgen Streich, *30 Jahre Club of Rome: Anspruch, Kritik,*

legitimacy, and was thus a key node in the transnational diffusion of the set of ideas that will form the core of this chapter. The Secretariat, on the other hand, sought to consolidate its hegemonic position within international debates on economic growth by adopting critical currents of economic thinking and thus not relinquishing a potentially important new field of economic policy debates to other international organizations. However, this critical perspective did not represent the consensus within the OECD. Rather, as will be discussed in the next chapter, this current of non-conformist or heretical thinking was at first utterly ignored and then fervently opposed by the Keynesian and neoclassical economists within the Economics Department and its influence on the longer-term evolution of the growth paradigm was rather limited.

The formation of the OECD–Club of Rome nexus

The center of this growth-critical and ecologically oriented debate on what were called the "problems of modern society" was the Scientific Affairs Directorate headed by Alexander King and the OECD's science committee. By the late 1960s, the long-term science director King had arguably become one of the most powerful officials in the organization, not least due to his experience and his very close personal contacts to Kristensen.[6] King has adequately been described as a "trader in thought, a cool catalyst with the golden knack of transforming ideas into action."[7] In this period, he describes in his memoirs, he became increasingly worried about the fundamental changes – also in his personal life – that resulted from economic growth: increasing environmental deterioration, "technology out of control," the nuclear threat, the student revolts, the hippies, and a situation in which "the majority were enjoying the affluence that technology was delivering and craved more – much more."[8] Another driving force of this perspective was Secretary-General Kristensen. The Danish economist and liberal-conservative politician had already in the early 1960s cautioned against confusing GNP with "welfare," and was one of the protagonists in the debates about overpopulation in poor countries.[9] Already since the mid-1960s, King and Kristensen discussed the absurdity of aiming at quantitative growth in perpetuity, the looming ecological problems, and governments' inability to adequately deal with these issues: "Kristensen and I felt that governments, although willing to

Zukunft (Basel: Birkhäuser, 1997); Guillaume Vera-Navas, "Le Club de Rome," Maîtrise d'histoire 1999–2001 (Université de Chambéry, 2001).

6 TNA, FCO 55/417, Chadwick to Combs, June 15, 1970; King, "Interview," 19.

7 Howard Brabyn, "Cool Catalyst," *New Scientist* 55, August 24, 1972, 391.

8 King, *Let the Cat Turn Round*, 292.

9 Schmelzer, "Thorkil Kristensen."

debate these things, were not capable of acting quickly enough or responsively enough to these changes. [. . .] It was at that time that Kristensen and I got in touch with Aurelio Peccei. The Club of Rome was actually born inside the OECD around such concerns."[10]

The science and technology division of the OECD, which was the only part of the organization that broadly collaborated with experts from other disciplines such as sociologists, historians, and political scientists, had already worked for years on related questions, especially in the fields of education and science policies, environmental policies, and technological forecasting.[11] Due to its nonconformist outlook, King's directorate became widely regarded as the "'enfant terribles' of the house."[12] And under his strong influence, the CSP, which was in 1972 transformed into the Committee for Science and Technology Policy (CSTP), pioneered early work on environmental questions, focusing on the scientific and technological aspects of issues such as radioactive waste, air and water pollution, chemical safety, and car exhaust fumes.[13] At least since 1967, the OECD's science committee had been very active in discussing the relations between growth, society, and science, and because arguments critical of growth were voiced repeatedly, the CSP had established itself as the "OECD's acknowledged and indispensable trouble-maker, the 'court jester' if you like," as Salomon Wald, a high-ranking OECD official, remembered.[14]

Kristensen, King, and their associates around the science directorate and the CSP were fundamentally skeptical about the potential of existing political institutions to catalyze the controversial global debate they deemed necessary, because they regarded these institutions as the "guardians of the status quo and hence the enemies of change."[15] They saw themselves "faced with the extraordinary arrogance of the economist, the naïvety of the natural scientist, the ignorance of the politician, and the

[10] King, "Interview," 19.

[11] See Bill L. Long, *International Environmental Issues and the OECD, 1950–2000: An Historical Perspective* (Paris: OECD, 2000); OECD, *OECD at Work for Science and Education*.

[12] Jean Jacques Salomon, "La Tristesse de Cassandre," in *Décision, prospective, auto-organisation mélanges en l'honneur de Jacques Lesourne* (Paris: Dunod, 1999), 345.

[13] OECD-HA, ENV(70)16, Concluding Remarks of the Committee for Research Cooperation, November 10, 1970; ENV(70)14, Bibliography of OECD Documents and Reports on the Environment, November 9, 1970. Long gives a short overview in *International Environmental Issues and the OECD, 1950–2000*, 28–30.

[14] Martin Sherwood, "OECD Seeks a Modern Science Policy," *New Scientist and Science Journal*, July 1, 1971, 4–5; Salomon Wald, "Umberto Colombo in Memoriam. Honouring His Contribution to the OECD," 2007, www.clubofrome.at/news/sup2007/dl_may_col_wald.pdf (November 19, 2012).

[15] Alexander King, "The Launch of a Club," in *The Club of Rome*, ed. Pentti Malaska and Matti Vapaavuori (Turku: Finnish Society for Futures Studies, 1979), 57.

bloody-mindedness of the bureaucrat," all unable to tackle the all-embracing ensemble of problems they had identified.[16] In this situation, King met the Italian industrialist and visionary Aurelio Peccei, at that time an executive of Fiat, managing director of both Olivetti and Italconsult, and a globally well-connected speaker and political adviser, who had rallied around similar concerns.[17]

The two founding fathers of the Club of Rome first met in late 1967 or early 1968 in the OECD headquarter in Paris. Their connection came about due to King's OECD contacts in the Secretariat and the CSP.[18] They immediately discovered that they shared a "vision of global dangers that could threaten mankind such as over-population, environmental degradation, worldwide poverty and misuse of technology." Since there "did not seem to be any single body capable of analyzing, let alone starting significant action against the global threats," after lunch King and Peccei sat down in King's office in the *Château de la Muette* and drew up a list of people they wanted to involve in these issues.[19]

In April 1968 King and Peccei brought together twenty leading European industrialists, academics, and bureaucrats for a first meeting in the Villa Farnesina in Rome. The background paper, which was presented "to set the tone of the meeting," was prepared by the OECD consultant Erich Jantsch. Jantsch, an Austrian systems analyst, had since 1965 directed a large OECD research project under King and his 1967 report *Technological Forecasting in Perspective* was a state-of-the-art study that influenced futures scholars and planners well into the 1970s and became one of the "best-sellers" of the OECD.[20] However, according to King and Peccei, the meeting was "a monumental flop" and the discussions remained technical and inconclusive. After two days of "peripheral semantic or theological debates," the participants could not even manage to "agree among themselves, not even on a mere

[16] Alexander King, "Research, Development and Problems of the Industrialised Societies," in *Documentation and Information in Research and Development*, ed. EIRMA (Paris: EIRMA, 1970), 131.

[17] Gunter A. Pauli, *Crusader for the Future. A Portrait of Aurelio Peccei, Founder of the Club of Rome* (New York: Pergamon Press, 1987).

[18] The Soviet scientist Jermen Gvishiani had read a speech Peccei had held in September 1965 to managers and bankers in Buenos Aires. He was so impressed that he sent the speech first to CSP delegate Carroll Wilson, who then sent it to King's office, asking King to identify the author. Aurelio Peccei, *The Human Quality* (New York: Pergamon Press, 1977), 50–52; 63; Alexander King, "The Club of Rome. A Case Study of Institutional Innovation," in *The Club of Rome*, ed. Pentti Malaska and Matti Vapaavuori (Turku: Finnish Society for Futures Studies, 1979), 34–39; Moll, *From Scarcity to Sustainability*, 61ff.

[19] King, "The Launch of a Club," 56.

[20] Ibid.; Erich Jantsch, *Technological Forecasting in Perspective* (Paris: OECD, 1967). See also Salomon, "La Tristesse de Cassandre," 343.

prolegomena."[21] Many participants were deterred by the scholarly tone of Jantsch's paper and the technicality of the discussion, but an underlying more serious problem was the European–American animosity, which had been reinforced by the Vietnam War and the involvement of US-think tanks and planning institutions such as the RAND Corporation in this conflict.[22] Despite this disappointment, after the meeting four participants decided to form a group and called it the Club of Rome: Peccei, King, Jantsch, and Hugo Thiemann, the Swiss director of the Geneva branch of the Battelle Memorial Institute and later research manager of the Nestlé Group.[23] After this core group had been established, they held several rather informal meetings, mostly sponsored by the Battelle Institute and Peccei, and started to co-opt other members. How important the OECD was in this process and what concerns were driving these people can be demonstrated by analyzing the Bellagio meeting.

"No exponential growth rate can continue forever": the Bellagio message of 1968

Only half a year after the first founding meeting of the Club of Rome, in late October 1968 the OECD and the Rockefeller Foundation organized a *Working Symposium on Long-Range Forecasting and Planning* in Bellagio, Italy. At this conference, which was organized by Jantsch, eighteen academics, businessmen, and bureaucrats in the field of technological forecasting discussed the long-term impacts of scientific and technological advances and formulated a surprisingly blunt critique of unbridled economic growth and its social and ecological consequences.[24] With this event the OECD aimed at setting the use of computer techniques and long-range planning on the agenda of the international and in particular of the European academic and policy-making scene.[25] For the Club of Rome core group, on the other hand, the symposium served as an ideal place for the recruitment of new members: the MIT computer

[21] Brabyn, "Cool Catalyst"; King, "The Club of Rome"; Peccei, *The Human Quality*, 65.
[22] On the RAND Corporation, see Alex Abella, *Soldiers of Reason: The Rand Corporation and the Rise of the American Empire* (Orlando: Houghton Mifflin Harcourt, 2009).
[23] Moll, *From Scarcity to Sustainability*, 65; King, "The Club of Rome," 36.
[24] The meeting is well documented in Erich Jantsch, ed., *Perspectives on Planning: Proceedings of the OECD Working Symposium on Long-Range Forecasting and Planning Bellagio, Italy 27th October–2nd November* 1968 (Paris: OECD, 1969).
[25] Futures studies were much more advanced in the US, where think tanks such as the RAND corporation had been working in this field for several years. See Moll, *From Scarcity to Sustainability*, 151; and, more generally, Thomas P. Hughes and Agatha C. Hughes, eds., *Systems, Experts, and Computers: The Systems Approach in Management and Engineering, World War II and After* (Cambridge: MIT Press, 2000).

engineer and systems scientist Jay W. Forrester, the Turkish-American cyberneticist and system theorist Hasan Özbekhan, the Hungarian physicist and Nobel laureate Dennis Gabor, and the French-born American environmentalist René Dubos later joined the Club. Forrerster and Özbekhan would later compete for the first study to the Club of Rome.[26] Forrester actually presented the first attempt of an application to complex social systems of the "Industrial Dynamics" concept, which he and his co-workers had developed in the past decade and which would later be commissioned for the first report to the Club of Rome.[27]

The discussions at Bellagio were heated, controversial, and very productive. They revolved around a shared perception of the current "time of planetary emergency." As succinctly summarized by Peccei:

> The present state of disorganization of the world system, the uncontrolled forces we unleash against its compartmented structure, the exponential growth of interacting phenomena, many of them approaching critical maxima [...] is bound to bring civilization as we understand it, and possibly all mankind, to its gravest crisis and even to assured disaster in a not distant future.[28]

According to Forrester, one of the most active participants in the meeting, the conference "highlight" was a discussion on the dynamics and the condition of ecological equilibrium, in which they came to the conclusion that a variety of threatening changes were "occurring as exponential growth rates." Building on this observation, drawn from the efforts at long-range forecasting that the OECD had been involved in for many years, Forrester claimed that "no exponential growth rate can continue forever." He argued: "We are now in sight of the period when many of these exponential growth curves must level out into equilibrium. Population growth and pollution growth must cease [...]."[29]

While disagreement prevailed in the way of achieving the goal of formulating a "platform for the new planning," as the organizers had envisaged, the conference was regarded as a success. All the participants signed onto a statement called "The Bellagio Declaration on Planning,"

[26] Jay W. Forrester, "From the Ranch to System Dynamics: An Autobiography," in *Management Laureates: A Collection of Autobiographical Essays*, ed. Arthur Bedeian (Greenwich: JAI Press, 1992), 337–70. See also Jay W. Forrester, *World Dynamics* (Cambridge: Wright-Allen Press, 1971).

[27] Jay W. Forrester, "Planning Under the Dynamic Influences of Complex Social Systems," in *Perspectives on Planning*, ed. Erich Jantsch (Paris: OECD, 1969), 237–56.

[28] Aurelio Peccei, "Reflections on the Bellagio Conference," in *Perspectives on Planning*, ed. Erich Jantsch (Paris: OECD, 1969), 518. On the discussions at the symposium, see Erich Jantsch, "Synopsis of Papers and Discussions," in *Perspectives on Planning*, ed. Erich Jantsch (Paris: OECD, 1969), 13–32.

[29] Jay W. Forrester, "Reflections on the Bellagio Conference," in *Perspectives on Planning*, ed. Erich Jantsch (Paris: OECD, 1969), 509.

which anticipated many of the major themes of later Club of Rome debates. Four aspects of this declaration are striking: First, the renowned businessmen and academics at the Bellagio meeting were deeply concerned about the global crisis of interrelated economic, social, and technological trends that were "irreversible and world-wide," characterized by a deterioration of the "quality of individual life and of that of the community," and that "threatens our whole future." Second, building on cybernetic arguments widespread at the time, the declaration called for an integrated approach of long-term "international planning" that not only deals with isolated symptoms but rather attacks the basic causes by "plan[ning] systems as a whole." Further, the declaration cautioned against the risks of unlimited growth and rejected the technocratic belief in the ability of science and technology to solve the multiplicity of problems facing humanity – science, they claimed, could make situations that are "inherently bad, more efficiently bad." Finally, the Bellagio declaration stated these problems should be solved by apolitical management techniques and demanded urgent action "irrespective of political, social and economic ideologies."[30] In particular regarding the skepticism toward economic growth and technological solutions, and regarding the endorsement of computer-assisted long-term planning techniques, the experts were breaking new ground.

Jason L. Churchill may have exaggerated somewhat in his dissertation on the Club of Rome's influence in Canada when he claimed that the Club "subsequently accepted as its mission to spread the Bellagio message to the world's leading policy-makers."[31] Yet the symposium, its debates, and the final declaration articulated in nascent form a worldview, the "Bellagio message," that was to become highly influential in the coming years through the work of the Club of Rome, but also, to a lesser extent and in another form, through the OECD.

In the years following the Bellagio meeting, more members were co-opted into the Club of Rome, which became incorporated in Switzerland in 1970 – still claiming to be a "non-organization" or a "mobile grouping of individuals."[32] Since one could not apply for membership but had to be personally invited, early members of the Club of Rome were largely acquaintances of the executive committee and later of existing members

[30] Jantsch, *Perspectives on Planning*, 7–9. See also Forrester, "Reflections on the Bellagio Conference," 503.
[31] Churchill, "The Limits of Influence," 40. See also Forrester, "From the Ranch to System Dynamics"; Moll, *From Scarcity to Sustainability*, 70–75.
[32] Other delegates to the CSP such as Frits Böttcher and Carroll Wilson also became influential members of the Club of Rome. Peccei, *The Human Quality*, 73; Alexander King, *Another Kind of Growth: Industrial Society and the Quality of Life* (London: David Davies Memorial Institute of International Studies, 1972), 12.

of the Club.[33] Of those networks activated in this initial period, the OECD was of particular importance.

The personal overlap between the OECD and the Club of Rome in its initial phase is astonishing.[34] Not only were three of the four persons that founded the Club working in or with the OECD. But besides the Italian industrialist Peccei and the German industrial designer Eduard Pestel, who secured the funding from the Volkswagen foundation for the first report, all the crucial personalities in the formative period of the Club of Rome until the publication of its famous 1972 report *Limits to Growth* were closely connected to the OECD Secretariat or the CPS. Almost the entire core group of the Club of Rome, its "executive committee," which has been characterized as the true "motor" of the Club of Rome, and whose members signed responsible for the 1972 report *Limits to Growth*, was closely related to the OECD.[35] On the Secretariat side these were King, Jantsch, and Secretary-General Kristensen, who became an official member of the Club after leaving the OECD in late 1969, but who had already been involved in earlier discussions. And in the context of the CSP, three succeeding chairmen and its two vice-chairmen were all early members of the Club of Rome: the Belgian health expert Jacques Spaey, the Japanese economist and planner Saburo Okita, the Italian chemist and research director of one of the largest chemical corporations (Montedison S.p.A.) Umberto Colombo, the British physicist Rennie Whitehead, and Hugo Thiemann.[36]

In the coming years, this all-male elite group from the global North was to become highly influential in launching a global debate, at first by informally talking to government officials, businessmen, and ministers around the world, and then, much more successfully, by publishing the computer-assisted analysis produced at MIT *Limits to Growth*, which was accompanied by a staggering public relations campaign.[37] They formed a

[33] Peccei, *The Human Quality*, 75.

[34] There was some overlap between the Club of Rome and NATO's Science Committee as well, since both Whitehead and Pestel were members in both. Churchill, "The Limits of Influence," 166.

[35] Vera-Navas, "Le Club de Rome," 69; Donella H. Meadows, Dennis L. Meadows, Jorgen Randers, and William W. Behrens, *The Limits to Growth: A Report for the Club of Rome's Project on the Predicament of Mankind* (Washington: Potomac Associates, 1972), 189–200.

[36] On these experts, see Ronald A. Morse, "Saburo Okita: Japan's First Globalist," in *Three Dialogues with Saburo Okita*, Occasional Papers Nr. 1 (Washington: The Wilson Center, 1980), iii–viii; Saburo Okita, *Japan's Challenging Years: Reflections on My Lifetime* (Sydney: George Allen & Unwin, 1983); Wald, "Umberto Colombo in Memoriam"; Rennie Whitehead, Memoirs of a Boffin. A Personal Story of Life in the 20th Century, http://www.whitehead-family.ca/drrennie/memoirs.html, 1955 (November 25, 2015). For a list of members of the Club of Rome, see Appendix B in Moll, *From Scarcity to Sustainability*.

[37] "Access to the decision-makers was not difficult," writes King. King, "Launch of a Club," 59.

shared set of normative and principled beliefs that revolved around the interconnected crisis-phenomena of the *problématique*, the limits to exponential quantitative growth, and the need for long-term planetary management; they generated shared causal beliefs, in particular regarding the detrimental social and ecological effects of uncontrolled growth, technology, and markets; and they pursued a common policy enterprise both within the OECD and in other organizations and contexts, in particular the Club of Rome.[38]

King, later reflecting on the intended role and goals of the Club of Rome, described it as a stick to stab the established body politics and international institutions in the side "to make it jump a bit."[39] While this critique of state bureaucracies and international organizations was constitutive to the worldview of the Club, this did not prevent its members from exploiting their close contacts to governments or international institutions or from letting governments or business communities sponsor the annual general meetings and their major projects.[40] Members of the group around King used the OECD in different ways as a host of conferences, information resource, pool of experts, and platform for publications. In this constellation, King was the fulcrum. As stated in a letter from Peccei to Kristensen's successor as Secretary-General of the OECD, Emile van Lennep, King became the "logical 'trait d'union'" between the two institutions.[41] While the Club functioned as a "detonator," at the same time its core members used international organizations "as transmission belts," as stated explicitly by Peccei, and thus acquired a strong leverage.[42] As demonstrated in the next section, the most important "transmission belt" was the OECD.

"Problems of the modern society": the concept and its origins

The mutual entanglements were not confined to questions of personal networks, legitimacy, and organizational support, but the transfer of ideas, frameworks, and methods was also remarkable. When in 1970 the Club of Rome for the first time defined its overall objective as working on what was termed the "Predicament of Mankind," it even used OECD

[38] They thus shared many characteristics of epistemic communities. Peter M. Haas, "Introduction: Epistemic Communities and International Policy Coordination," *International Organization* 46, no. 1 (1992): 1–35.

[39] Alexander King, *The Great Transition: Speech Delivered to the Sandford Fleming Foundation 5 June 1987* (Waterloo: Sandford Fleming Foundation, 1987).

[40] Pauli, *Crusador*, 80–82; Churchill, "The Limits of Influence," 62f.

[41] OECD-HA, Box 36478, Peccei to van Lennep, March 27, 1970.

[42] Peccei, quoted in Bowen Northrup, "Thinking Big," NYT, October 2, 1972, 1.

language by claiming to contribute "toward an understanding of the *problems of modern society* considered as an ensemble, and to the analysis of the dynamics, interdependencies, interactions, and overlappings that characterize this ensemble."[43]

What was this OECD debate about the "problems of modern society" all about? Immediately after the Bellagio conference, the outgoing Secretary-General Kristensen and his close associate King launched an initiative to reframe the core policy vision of the OECD in line with the Bellagio message. At the MCM in February 1969, only months before leaving the organization, Kristensen presented a note entitled "Problems of the modern society," in which he discussed the "structural change" taking place within highly industrialized countries due to fast technological developments and high growth rates, which create new kinds of problems.[44] In his speech, Kristensen analyzed the problems of affluence and discussed "the bad by-products of technology, the problems of pollution, of living in cities that are gradually becoming cluttered up by automobiles, of the alienation of the individual."[45] While the notion of problems of the modern society within the OECD was a legacy of Kristensen, the "intellectual author" of the concept, who strongly influenced Kristensen, was King.[46]

Kristensen also arranged a lively discussion with OECD ministers under the same heading. Although the details of his arguments were partly discarded as "downright silly," there was general support for Kristensen's proposal to strengthen work within the OECD on the "problems of modern society."[47] The ensuing debate centered particularly on the recent student and workers' protests around the world. In his contribution Kristensen had

43 OECD-HA, Box 36478, Club of Rome, "The Predicament of Mankind: Quest for Structured Responses to Growing World-wide Complexities and Uncertainties. A Proposal," 1970 (emphasis added).

44 OECD-HA, PRESS/A(69)10, Problems of the modern society. Statement by the Secretary-General, Thorkil Kristensen, February 14, 1969.

45 King, "Research, Development and Problems of the Industrialised Societies," 126. OECD-HA, C/M(69)5, Minutes of the 180th Meeting, 13–February 14, 1969; C(69) 123, Problems of the Modern Society, September 18, 1969. Long wrongly attributes this paper, which he regards as a "landmark study," to van Lennep. Long, *International Environmental Issues and the OECD, 1950–2000*, 31.

46 Van Lennep, *Working for the World Economy*, 225, 230. Another source might have been the radical Marxist philosopher and OECD economist Cornelius Castoriadis, who had used this rather uncommon phrase in a lecture in 1965 and who was also involved in the OECD debates. Cornelius Castoriadis, "The Crisis of Modern Society," in *Political and Social Writings: Volume 3, 1961–1979: Recommencing the Revolution: From Socialism to the Autonomous Society*, by Cornelius Castoriadis (Minnesota: University of Minnesota Press, 1992), 109.

47 TNA, FCO 69/53, "OECD: Problems of Modern Society," draft telegram by Roper, September 22, 1969; FCO 69/51, Chadwick, "Common Problems of the Advanced Societies," April 8, 1969.

interpreted the "student troubles" and the demands by workers for increased participation as the most apparent symptoms of a whole ensemble of interrelated problems. The resultant discussion among ministers, much to the surprise of the Secretariat, revealed "an extreme sense of urgency." King's recollection, only months later, might have overstated the point slightly, but it illustrates the general mood of the meeting:

> It was admitted that if, in this next decade, we continue with economic growth for its own sake, as a major aim of the highly industrialized countries, the result could be dissolution of our institutions, due to accumulation of the by-products of technology and to individual and social dissatisfaction.[48]

The debate during the 1969 MCM demonstrates how the birth of the concept of "problems of modern society" was intimately linked to the events of 1968 and motivated by the desire to safeguard existing institutions in the face of new and seemingly interrelated phenomena of crisis.[49] This relation was referred to in most of the key texts and speeches.[50] For example, the first Secretariat document discussing the operational work of the OECD on the "problems of modern society" emphasized that

> the hippies, the tendencies towards anarchy in youth groups, the sex explosion and rapid change in moral standards and religious thinking all may be the more pressing and alarming aspects of our modern society.[51]

The events of 1968 in France and around the world had sent shock waves throughout the establishment, also within the OECD. In an article in the *OECD Observer*, the Head of the Educational Development Division expressed a widespread perception when he related the student unrest causally to the rejection of "growthmanship," the "consumer view" of society, and the "index-economics" that had transformed people into productive units. To make his point, the author referred to an allegory put forth by the economist John Kenneth Galbraith, in which St. Peter enquires those who ask for acceptance into paradise what they have done to contribute to the growth of GNP. Even though there was some

48 King, "Research, Development and Problems of the Industrialised Societies," 126. See also OECD-HA, C(69)168, Problems of Modern Society. Economic Growth, Environment and Welfare, December 16, 1969.

49 Similarly, Nixon's environmental strategy and that of NATO were also motivated by the events of 1968. See Thorsten Schulz, "Transatlantic Environmental Security in the 1970s? NATO's 'Third Dimension' as an Early Environmental and Human Security Approach," *Historical Social Research* 35, no. 4 (2010): 309–28.

50 See, for example, Thorkil Kristensen, "Problems of the Modern Society," *The OECD Observer* 39 (April 1969): 5–6. See also OECD-HA, Box 36478, A.P. [Aurelio Peccei], "Facing the Emergence of Global Problems," June 2, 1969.

51 OECD-HA, Box 36486, The Problems of the Modern Society, no date (1969), no name (probably King).

sympathy for the ideas of the student movement within the Secretariat, and despite a 1968 meeting between student leaders and people from the Secretariat, including Kristensen, the relations were distanced and characterized by the OECD's top-down management perspective.[52]

After the debate at the 1969 MCM, ministers agreed that the OECD should further elaborate on the problems caused by rapid technological progress and high rates of economic growth.[53] Kristensen's memorandum had actually "triggered a good deal of thought" within the economic ministries of member countries, largely because, as stated at an internal meeting in the US State Department, "[i]n the past maximizing GNP has been the principal criterion for economic policy without regard to the diseconomies involved in economic growth," and the new OECD debate was questioning this assumption.[54] The fact that arguments criticizing the conventional focus on economic growth came from the top executive of the intergovernmental economic think tank of industrialized countries gave them a considerable degree of legitimacy and force, and thus spurred the diffusion of these ideas among OECD member countries.

During the last months of Kristensen's work at the OECD, a time when there was a "seething mass of idea-plasma" on these issues within the Paris-bureaucracy, he further elaborated on the new outlook, but decisions had to wait until van Lennep took over in October 1969.[55] Kristensen's approach was quintessentially a rather additive list of issues and related OECD work on problems caused by rapid growth that aimed at justifying that "the OECD is better placed than any other international organization" to deal with these questions. In a 1969 paper circulated within the Secretariat, King formulated a more consistent perspective. He argued that "more and more people have come to wonder whether the last decade of material growth in the OECD countries has on balance clearly further promoted the happiness of mankind," lamented that both in

[52] George S. Papadopoulos, "Student Unrest: Impact on Educational Systems, the Economy and Society in General," *The OECD Observer* 37 (December 1968): 33–35. In 1968 the Education Committee and the Governing Board of CERI arranged a meeting between some of the student leaders and people from the Secretariat, including Kristensen. Some of the ideas expressed by the students subsequently entered the institution, and staff with a background in the movement was hired. King, *Let the Cat Turn Round*, 239; Kjell Eide, *30 Years of Educational Collaboration in the OECD* (unpublished: UNESCO, 1990), 32; King, *Science and Policy*, 91.

[53] OECD-HA, C/M(69)5, Minutes of the 180th Meeting, February 13–14, 1969, 128; C/M(69)7, 13f. King was very satisfied with Kristensen's presentation, which he saw as arguing in the same vein as Peccei's *The Chasm Ahead*. King, "Research, Development and Problems of the Industrialised Societies," 126.

[54] NARA RG 59, Entry A1 5618, Box 3, Folder OECD 8–1 Modern Society, Meeting at Executive Office Building, January 27, 1970.

[55] TNA, FCO 69/51, Chadwick to Britten, March 31, 1969; OECD-HA, C(69)123, Problems of the Modern Society, September 18, 1969.

economic theory and in government policy it had not been realized that the social and ecological "external diseconomies are growing in magnitude on a very rapid scale," and argued that due to rising diseconomies the GNP figures did not adequately reflect the increase in welfare, a mismeasurement that would progressively widen in the future. Therefore, drawing on the theory of welfare economics, he demanded "a reorientation of the objectives and the thinking on economic policies." Instead of promoting economic growth, King asserted, it "should be an essential objective of economic policy to reduce the gap between GNP and welfare." Although arguing that this reduction should be not promoted by a reduction in growth itself but rather by "reducing the social costs of economic growth," the paper also stated that "a relative decline in the real growth rate might be unavoidable."[56] Most importantly, King made two concrete proposals to structure future OECD work within this field that were to become highly influential during the 1970s: the development of alternative indicators to measure welfare and the establishment of legislation to enforce environmental amenity rights. In the coming years, the "problems of modern society" became the key slogan of the OECD, while the Club of Rome worked with the even wider concept of the "problématique."[57] Both discourses put the social and ecological crises caused in the long term by the normal functioning of the growth economy squarely at the center of attention. The 1960s focus on quantitative growth, it was argued, had led to overpopulation, alienation, social discontent at the work place, environmental destruction, and student unrest. All these seemingly unrelated problems were merged into one. This systemic perspective had the advantage of putting the interrelationships between the economy and other societal questions at the center of attention, but its pervasiveness, explaining all problems of the time as directly causally related, tended to become arbitrary and trite.[58]

From the "promotion of growth" to its "problems": the conspicuous transformation of a working party

The perspective of questioning quantitative growth advanced by the group around King had a considerable impact on the outlook of

[56] OECD-HA, Box 36486, The Problems of the Modern Society, no date (1969), no name (King).

[57] On the idea of the problématique, see Aurelio Peccei, *The Chasm Ahead* (London: Macmillan, 1969).

[58] See OECD-HA, Box 36478, Club of Rome, "The Predicament of Mankind: Quest for Structured Responses to Growing World-wide Complexities and Uncertainties. A Proposal," 1970.

committees and working groups within the OECD and through these and their publications on the wider public, national governments, and international organizations. While the next chapter will take a closer look at the controversies around the issues raised in these debates, the following sections analyze two reports – on economic and on science policies – both of which were exceptional for official documents of their time in the way they refined and deepened the critique of quantitative growth. The first set of reports, ironically, was actually prepared by the EPC's WP-2, which had been set up in 1961 to promote the idea of quantitative growth and government policies aimed at increasing its rate. Contrary to the debates around King's science branch, the discussions within WP-2 and part of the Economics Department involved mostly economists and were thus framed in a more narrowly economic fashion. The debates within WP-2, which provided the framework for the early environmental work of the OECD in the 1970s discussed in Chapter 9, demonstrate that while King and his associates articulated the uneasiness with modernity, materialism, and growthmanship most vigorously, the phenomenon was more widespread, also within the OECD.

Questions around the viability of the dominant growth focus emerged in the economic branch of the OECD when it was charged with reviewing the achievements of the growth target during the 1960s and with analyzing growth prospects for the 1970s, not least because member countries and the wider public expected a new growth target for the next decade. Contrary to previous studies, in reviewing the growth experience WP-2 not only focused on the supply side and prospects for the output of OECD economies, but also analyzed the uses of the additional wealth, the prospects of expenditure.[59] From 1967 onwards, it thus worked on an assessment of the problem of choice regarding public and private investment over the coming three or four decades, a question that was labeled "the 'growth-for-what' problem."[60]

This resulted in two reports: *The Growth of Output, 1960–1980: Retrospect, Prospect and Problems of Policy* (1970) and *Expenditure Trends in OECD Countries, 1960–1980* (1972).[61] The first report, which was drafted at the same time as the "problems of modern society" were advanced by Kristensen, provides a revealing account of the questioning of quantitative growth within the heart of the "economic conscience" of

[59] OECD-HA, CPE(68)9, Programme of Work of Working Party No. 2, October 31, 1968.
[60] NARA, RG 59, Entry A1 5605, Box 12, Folder E-8–2 – Standard of living – EPC, Frank W. Schiff to Dallas Jones, May 3, 1967; Alfred Reifman to Dallas Jones, February 17, 1967.
[61] OECD, The Growth of Output, 1960–1980; OECD, *Expenditure Trends in OECD Countries, 1960–1980. Report of Working Party No. 2 to the Economic Policy Committee* (Paris: OECD, 1972).

the West. One of the key authors was Cornelius Castoriadis, who had worked in the Secretariat since 1948 and was director of Statistics, National Accounts, and Growth Studies. During the 1950s and 1960s, the Marxist economist, philosopher, and founding editor of the libertarian-socialist journal *Socialisme ou Barbarie* was one of the earliest critics of the growth paradigm and castigated (not within the OECD, but under pseudonyms) economism, capitalist accumulation, and the rule of bureaucracies.[62]

In sharp contrast to both the anxious attempts to increase growth rates in the early 1960s and the renewed anxiety about growth from 1974 onwards, *The Growth of Output* assumed that high growth and the government's focus on growth were a given and thus focused on a new set of problems, the "continued dissatisfaction with the distribution of the increased income, and of a new uneasiness with ways and conditions of life."[63] Before the report provided a rather technical discussion of the growth record of the 1960s and the prospects of supply for the next decade, it dealt with questions of welfare, needs, and the limits of GNP accounting. The point of departure was not, as it had been in the early 1960s, the maximization of growth, but rather "the concept of optimum growth from the point of view of social well-being." The report actually started off by challenging the notion fundamental to both neoclassical and Keynesian economics that needs are unlimited and a self-evident given. While in poor societies – in Western Europe until the postwar period – the "end of economic activity" and thus of growth was rather obvious, this was much more difficult in "affluent" societies, the authors argued:

> First, the needs themselves, in their concrete form, are heavily influenced, if not engineered, by the economic process itself. This is most easily seen in the continuous change of consumer habits in the present-day industrial economies. Second, as the needs become much less self-evident, and as the productive capacity of societies increases, the margin and therefore the problems of choice become larger. Nor can their solution be left entirely to the automatic working of the market mechanism.[64]

[62] OECD-HA, CE/M(70)2, January 27 to February 3, 1970; Box 36486, Short notes on an intra-Secretariat meeting on the Modern society, January 6, 1970. Castoriadis' arguments, which were published under a pseudonym in the journal *Solidarity*, were considerably more critical toward capitalist consumption than those advanced within the OECD. See Cornelius Castoriadis, *Cornelius Castoriadis, Political and Social Writings* (Minneapolis: University of Minnesota Press, 1988); Cornelius Castoriadis, *A Society Adrift: Interviews and Debates, 1974–1997* (New York: Fordham University Press, 2010); François Dosse, *Castoriadis: une vie* (Paris: La Découverte Editions, 2014).

[63] OECD-HA, CPE/WP2(69)17, The Growth of Output in OECD Countries, 1960–1980, Introduction: Retrospect, Prospects, and Policies, June 16, 1969. See also OECD, *The Growth of Output, 1960–1980*, 8, 95f.

[64] Ibid., 10. For similar arguments, see Galbraith, *The Affluent Society*.

Echoing contemporary arguments popular within ecological and anti-consumerist social movements, the report thus historicized the idea of "needs" and positioned it squarely within the economic process that had – in the age of consumerism – come to "engineer" the needs that the expansion of production was supposed to satisfy.[65] At the same time, the report argued, the growth process had expanded the choices open to society and in this process the market had become increasingly incapable of providing "rational answers" due to the long time horizon and complexity of the questions involved and because increasingly needs such as health and education were not susceptible to market valuation. Thus, "the connection between the economic and social benefits and the costs of the growth process becomes both complex and obscure." Within the industrial economies of the richer countries, growth was not an adequate measure of human welfare, WP-2 claimed; quite the contrary, there were social and ecological costs of growth, which had to be taken into account and which could potentially even outweigh the benefits of growth. While the original draft had argued that "[t]he question, what is it, that is growing, and at what cost, leads back to the reassessment of some of the fundamental postulates of economic thinking" and had been quite explicit in criticizing the focus on quantitative growth, this perspective was attenuated in the drafting process.[66] Instead, the final report provided a detailed critique of GNP accounting methods.

By 1970, the OECD, whose predecessor organization had been vital in establishing GNP as an internationally standardized measure of societal wealth, argued that this "conventional" measure was inadequate. It already discussed what only two years later would be termed the social and environmental "externalities" of growth, i.e., the unwanted societal side effects or negative spillover effects of economic growth, which, because they are not priced, do not show up in firm-level accounting or national income figures.[67] Notwithstanding that the report was entirely based on statistics expressed in the GNP accounting framework, it called for the development of alternative indicators and contained an appendix that discussed in detail the limitations of national income accounting (see Chapter 9).[68]

[65] See, for example, Ivan Illich, *Toward a History of Needs* (New York: Pantheon Books, 1978); and more generally Christopher J. Berry, *The Idea of Luxury: A Conceptual and Historical Investigation* (Cambridge: Cambridge University Press, 1994), chap. 7.

[66] OECD, *The Growth of Output, 1960–1980*, 11.

[67] OECD-HA, Economic Growth and the New Concern of Policy, Annex to CPE/WP2 (72), Future Work on the Problems of Economic Growth, April 14, 1972.

[68] Annex I "Reliability of National Accounts Data," in OECD, *The Growth of Output, 1960–1980*, 177–99.

One of the aims of the OECD was, as stated explicitly in the conclusion, to provide member states with strategies to "remove some of the present sources of dissatisfaction with the haphazard character of the contemporary growth process" that the bureaucrats observed, in particular in relation to the revolt of 1968.[69] The report actually proposed to shift the focus away from quantitative growth. Building on the likely prospects of tripling or quadrupling GNP by the end of the century – the original draft even spoke of the "virtual certainty of continuing substantial economic growth over the coming decades" – the OECD proposed that governments should frame their policies in this long-term perspective.[70] In addition to growth targets (the original draft had argued instead of growth targets), industrialized countries should formulate concrete social goals:

> Policies should be formulated in terms of such objectives as the alleviation of poverty, the provision of acceptable housing standards, the elimination of hazards to health, the improvement of environment, improvement in the provision for and quality of education, assistance to poor countries.[71]

The second report of WP-2, *Expenditure Trends in OECD countries*, was much more analytical and technical and provided data and projections on the results of growth. These data, as was noted, were important since the diagnosed and projected substantial decline of private consumption and the relative increase of public funds enabled governments to direct policies toward the above-mentioned social concerns. WP-2 argued,

> the use of extra wealth which the growth process creates so as to meet social needs, to improve the quality of life, and to mitigate the unwanted, undesirable, and potentially dangerous side-effects of the growth process, is, increasingly, a major problem for policy.[72]

In light of this shift in focus, it was only fitting, when in 1972 WP-2 changed its name and mandate: It was transformed from a working party "for the Promotion of Economic Growth" into one "on the Problems concerning Economic Growth and the Allocation of National Resources."[73] Thus, only a decade after the OECD had launched a coordinated effort to put the promotion of economic growth as the most important policy goal on the agenda of governments, this aim was cast

[69] Ibid., 171.
[70] OECD-HA, CPE/WP2(69)25, Growth of Output in OECD Countries, 1960–1980, Chapter 5: Conclusion, October 29, 1969.
[71] OECD, *The Growth of Output, 1960–1980*, 171. See also OECD-HA, CPE/WP2(69)25, Growth of Output in OECD Countries, 1960–1980, Chapter 5: Conclusion, October 29, 1969.
[72] OECD, *Expenditure Trends in OECD Countries*, 3.
[73] OECD-HA, CPE(72)7 and Annex; OECD-HA, CPE/WP2(76)9, Future Work of the Working Party, October 8, 1976.

into severe doubt, even within the sacred chamber of this temple of growth, the OECD's WP-2. This new perspective rendered possible a discussion of GNP growth in its complex and partly conflicting interrelations to human welfare and ecological limits.

"Science, growth and society": the Brooks report and the "crisis of civilization"

In Kristensen's last months as Secretary-General of the OECD, he and King worked hard to strengthen the new outlook they had proposed. The most important initiative was the formation of an ad hoc group of science and economic experts charged with studying new concepts of science policy in the face of the "problems of modern societies."[74] Due to the OECD's prestige in the field of science policies, member countries supported this project and shortly before leaving the organization, Kristensen appointed Harvey Brooks, a distinguished physics professor and dean at Harvard University, as chairman of the expert group.[75]

Notably, the ten science experts assembled by the Secretariat and Brooks overlapped to a large degree with the network around King and the Club of Rome. King and Kristensen both became experts in this group together with two other members of the Club, Okita and Spaey. Thus, four of the ten OECD experts were also members of the Club of Rome, and another, Umberto Colombo, was close to the Club and joined it in 1972.[76] No wonder, then, that the OECD expert group was strongly influenced by the ideas of the emerging Club of Rome network. In 1971 they published *Science, Growth and Society*, a report that not only influenced the science ministers' meeting in 1971, but also became a "watershed" in science-policy-making throughout the OECD world.[77] Similar to the *Piganiol Report* of 1963 that had launched an era of science policy-making in which the expansion of science was geared toward boosting growth (see Chapter 5), the *Brooks Report* of 1971 became a landmark initiating a fundamentally different perspective on the relations between society, growth, and science that replaced the optimism of the 1960s with the

[74] NARA, RG 59, Entry A1 5605, Box 17, Folder SCI 3 – OECD Science Policy Committee, 1969, David Beckler to Harvey Brooks, August 7, 1969 and attached report by Philip W. Hemily.

[75] On Brooks, see Jeremy Pierce, "Harvey Brooks, 88, Advised U.S. on Science," *NYT*, June 13, 2004; Holdren, John P. "A Tribute to Harvey Brooks." *Belfer Center Newsletter, Fall 2004*.

[76] See Ramunni and Le Roux, "L'OCDE"; Ludovic Fulleringer, "Libéralisme économique et technoscience: Une étude du rapport Brooks de l'OCDE" (Master 2, Ecole des Hautes Etudes en Sciences Sociales, 2012).

[77] OECD, *Science, Growth and Society*; Wald, "Umberto Colombo in Memoriam."

concern about the negative impacts of science and growth on society and the environment.[78]

Building on the worldview of the problématique, the science experts interpreted their time as a "crisis of civilization."[79] Looking back on the 1960s and governments' and economists' efforts to boost growth, and noting the increased public "feeling of unease" about the prospects opened up by growth and the "traumatic effects" of the growth process, the report argued that the very achievements of high growth rates had led to an appreciation of its narrowness and restrictions: "by its very success the economic approach has proved its limitations."[80] Consequently, in its conclusion the report identified two central themes as characterizing the situation of modern societies in the 1970s that were remarkably similar to WP-2's report *Growth of Output*: first, that "economic growth *per se* is no longer a sufficient overall objective," but that concrete qualitative objectives should guide policy-making; and second, that "further interventions in the operation of the market economy will become necessary" to mitigate the disadvantageous side effects of growth and to steer economic development in a desirable direction.[81] This advocacy of qualitative growth was based on a very distinct discussion of tendencies of "saturation":

> Many aspects of developed societies are approaching a condition that may be described as saturation, in the sense that things cannot go on growing much longer in some lines without reaching fairly fundamental limits. [. . .] This does not mean that growth will stop in the next decade, or even that the time limits for growth in the future can now be foreseen in every instance, but only that a declining rate of growth is foreseeable within the lifetime of people now alive.[82]

Thus the "limits for growth," which became the watchword of public debates after the publication of the Club of Rome's 1972 report, already framed the discussion in the Brooks report, which also called for necessary societal transformations resulting from a continued decline in growth rates in the future. In a letter of transmittal to Secretary-General van Lennep, Brooks described the new stance emerging from the report as a "shift of emphasis away from defense, national prestige, and quantitative economic growth towards the more rational management of both growth and new technology in the interest of newly perceived social needs."[83]

78 See also Sagasti, Salomon, and Sachs-Jeantet, *The Uncertain Quest*.

79 Jean-Jacques Salomon, "A Science Policy for the 1970s," *The OECD Observer* 53 (August 1971): 3–9.

80 OECD, *Science, Growth and Society*, 25. 81 Ibid., 89.

82 Ibid., 21. See also King, *Science and Policy*, 52; Salomon, "A Science Policy for the 1970s."

83 Harvey Brooks to Emile Van Lennep, March 25, 1971, reproduced in OECD, *Science, Growth and Society*, 7–8.

However, intense discussions in the Council demonstrated that the experts' conclusions deviated so drastically from the opinions of OECD governments that the report could only be published at the private responsibility of the experts and not as an official OECD document. Nonetheless, the report became the key document of the OECD science ministers' meeting in October 1971.[84] The fact that Umberto Colombo, director of research at Montedison S.p.A., was a member of the expert group was pivotal, because governments took note that the warnings of environmental destruction – and the limits for growth not only came from the top of the Western government think tank, but also from the top of one of the largest chemical companies of the world.[85]

The hegemony of the growth paradigm during the late 1950s and the 1960s had produced a consensus within OECD societies around a shared set of concepts and goals that guided self-styled rational policies geared toward overcoming social conflicts by raising national incomes and strengthening welfare states. However, by the late 1960s this harmony was starting to crumble, and the myth of growth as magic bullet and universal yardstick was losing force. As the Brooks report aptly put it, "government policy in general and the goals of society, after a long period of consensus, are themselves passing through a period of uncertainty and conflict."[86]

The OECD was both a forum, in which these shifts in policy and societal goals were voiced, discussed, and negotiated, and at the same time an actor with a specific and controversial agenda. The OECD debate on the "problems of modern society" did not result from the influence of member countries, but was advocated and shaped by a group of OECD bureaucrats and delegates in the science committee. They formed a shared set of normative and principled beliefs that revolved around the interconnected crisis-phenomena of the problématique, the limits to exponential quantitative growth, and the need for long-term planetary management; they generated shared causal beliefs, in particular regarding the detrimental social and ecological effects of uncontrolled growth, technology, and markets; and they pursued a common policy enterprise both within the OECD and in other organizations and contexts, in particular the Club of Rome.[87] In contrast to environmental movements at that time, this group aimed at elites, encouraging them to manage the planet differently, and provided top-down and techno-fix solutions. The catch-all problem diagnosis and its inferred all-inclusive solutions were

[84] Alexander King, "Ministers Meet to Consider Science Policy for the Seventies," *The OECD Observer* 54 (October 1971): 3–4.
[85] Wald, "Umberto Colombo in Memoriam."
[86] OECD, *Science, Growth and Society*, 38. [87] Haas, "Introduction."

not only imprecise, but produced a self-referential body of redundant verdicts and arguments. Seen in the longer perspective, this debate was characterized by a fundamental ambivalence: while criticizing materialism, technocracy, the optimism of the focus on quantitative growth, and the disregard of ecological and social phenomena beyond the economic sphere, its outlook was still largely based on the same planning-euphoria and technocracy so characteristic of the cybernetic era.[88] The OECD's insistence on the necessity of planning the "long term" had a marked effect on the governments in many Western European countries, who also started to mobilize social sciences as expertise for the long-term planning of the policy process.[89] Most importantly, however, these discussions rendered the interrelationships between GNP growth and societal aims such as welfare, modernity, and development problematic. The question, whether GNP growth actually contributes to a better life, has since accompanied policy debates until today.

[88] See Gabriele Metzler, "'Geborgenheit im gesicherten Fortschritt'. Das Jahrzehnt von Planbarkeit und Machbarkeit," in *Demokratisierung und gesellschaftlicher Aufbruch. Die sechziger Jahre als Wendezeit der Bundesrepublik*, ed. Matthias Frese, Julia Paulus, and Karl Teppe (Paderborn: Schöningh, 2003), 777–97; Alexander Schmidt-Gerning, "Das 'kybernetische Zeitalter'. Zur Bedeutung wissenschaftlicher Leitbilder für die Politikberatung am Beispiel der Zukunftsforschung der 60er und 70er Jahre," in *Experten und Politik. Wissenschaftliche Politikberatung in geschichtlicher Perspektive*, ed. Stefan Fisch and Wilfried Rudloff (Berlin: Duncker & Humblot, 2004), 349–68.

[89] Andersson and Keizer, "Governing the Future."

8 Reclaiming growth

Organizational dynamics and the "dialectic" of qualitative growth

> Le concept de croissance [. . .] est en effet un concept conventional, limité, et, de ce fait, trompeur.[1]

In the early 1970s, many high-level policy-makers in the administrations of industrialized countries were uneasily maneuvering between an undamped confidence in the future of economic growth and a profound questioning of the very concept of GNP-growth and its social and ecological side effects. Reflecting on the dramatic changes in the climate of opinion since the 1960s, when growth had been the "reigning fashion of political economy," influential US economists James Tobin and William Nordhaus observed in 1972 the strong criticisms that now "indict both economic science and economic policy for blind obeisance to aggregate material 'progress.'"[2] Among government officials, both the hyperbolic confidence in never-ending high growth and the genuine and fundamental suspicion of growth have not recurred since.

This ambivalence was symptomatically encapsulated in the OECD's Ministerial meeting in May 1970. On one hand, the economic or financial ministers of industrialized countries adopted as their overarching policy objective for the next decade a combined GNP-growth of 65 percent. As in 1961, this primary aspiration was expressed in terms of quantitative national accounts, yet – following the logic of exponential growth curves – the new growth target was considerably higher than nine years ago.[3] Exponential quantitative growth was the norm, reality, and prospect taken for granted. On the other hand, the meeting discussed a paper by the new Secretary-General Emile van Lennep that criticized GNP as a "conventional concept of limited scope" and in their final declaration ministers stated that "economic growth is not an end in itself, but rather an instrument for creating better conditions for life."[4] In sharp contrast to

1 OECD-HA, Box 36486, Eldin to van Lennep, February 6, 1970.
2 Nordhaus and Tobin, "Is Growth Obsolete?," 1.
3 OECD-HA, C/M(70)4, February 11, 1970.
4 OECD-HA, C(70)70, Documentation for Meeting of Council at Ministerial Level, Agenda Item 2, Economic Policies and Prospects in the OECD Area, May 15, 1970; C(70)94, Communiqué approved by the Council on May 22, 1970.

the indiscriminate faith in growth in the early 1960s and reminiscent of ecological and welfare economics, the official documentation for the meeting argued that GNP is misleading because it only measures market activities: On one hand, GNP "disregard[s] factors such as the cost-free use of natural resources, nuisances and other 'external diseconomies' imposed on society," on the other it does "not include in production a great many services not measured by market price." Instead of quantitative growth, economic policies should aim at enhancing well-being, the OECD argued:

> Economic policy is meaningless unless it is related to a broad concept of well-being. This depends not only on the quantity of new goods and services which appear on the market, but also on a whole series of factors which are only imperfectly recorded by economic accounts: security of employment, fair distribution of income, working conditions and leisure, the existence of adequate public services, harmonious social relations, the level of health and culture, the quality of the environment and so forth.[5]

A report a year later asserted that the 1970 Ministerial statement "marks both the end of one era and the faltering start of another."[6] However, this unorthodox and critical perspective on the quantitative growth paradigm and with it this ambivalence, a broad *zeitgeist* reflected in the OECD debates about the "problems of modern society," was rather short-lived and without much long-term effect. While the oil-shortages seemed to prove the doomsday scenarios of the OECD futures studies and the Club of Rome, in the established institutions like the OECD the questioning of economic growth inconspicuously faded away with the onset of stagflation. Within only a few years, the growth paradigm had resumed its hegemonic position among societal and governmental goals with only minor adaptations.

Three developments explain this outcome. Most generally, while critical currents of growth skepticism were partly acceptable to the political establishment in the late 1960s and early 1970s, after the publication of the Club of Rome's 1972 report and the onset of oil crisis and stagflation in 1973/1974 the dominant policy discourses and member states' interests shifted toward reviving growth rates. There was no elaborate justification, but the focus of attention shifted to what were perceived as the more pressing short-term problems associated with the economic crisis: energy shortages, monetary turmoil, and stagflation. Further, in an arduous controversy within the OECD Secretariat the group around King

[5] OECD-HA, C(70)70, Documentation for Meeting of Council at Ministerial Level, Agenda Item 2, Economic Policies and Prospects in the OECD Area, May 15, 1970.

[6] OECD, *Science, Growth and Society*, 25.

progressively lost influence and was ousted by the more growth-oriented Economics Department, whose arguments and outlook were more in line with the interests of powerful member states, and by a change in orientation at the top of the Secretariat. Finally, with the concept of “qualitative growth,” the OECD was able to superficially incorporate the social and ecological critique of growth without dismissing the core of the growth paradigm. By transferring some key issues of the critical debates into special projects and separate bodies in the fields of environmental policies and social indicators, the core economic outlook of the OECD could persist largely unchanged. Although raising essential questions that one would have expected to be boosted by the economic crisis of 1973/1974 onwards, this debate about the limits to growth and the search for a new guiding paradigm perished when the economic situation turned dire. Nevertheless, this international discussion provided the intellectual foil against which the events of the 1970s were interpreted.

Contrary to the narrative of *The Rise and Fall of Economic Growth* by Heinz W. Arndt, who characterized the critical public and academic debates in the early 1970s as the demise of growthmanship, during the 1970s mainstream political institutions such as the OECD successfully reclaimed the concept of economic growth, which had become discredited.[7] This chapter examines these developments by focusing on intra- and inter-organizational dynamics of the debate, in particular on an internal dispute between two factions within the OECD Secretariat, and by analyzing discussions among member countries, the OECD’s strategy of “qualitative growth,” and the organization’s reaction to the publication of *Limits to Growth* in 1972.

More than a new “attractive stamp”? Organizational dynamics and policy networks

When van Lennep became Secretary-General in October 1969, he was confronted with the crucial task of developing a new orientation for the OECD for the next decade because the achievement of high growth rates – the OECD’s raison d’être when it was founded – had come to be seen as a “virtual certainty.”[8] Also, the end of the period set in 1961 to achieve the 50 percent growth target raised expectations for a new growth target. The concept of the “problems of modern society” that had been developed by King and Kristensen, although only a “first starting point,”

[7] Arndt, *The Rise and Fall of Economic Growth*. Arndt actually participated in this debate by taking a strong stance in favor of “the right kind of economic growth.” See Ibid., 151–56.

[8] OECD-HA, CPE/WP2(69)25, Growth of Output in OECD Countries, 1960–1980, Chapter 5: Conclusion, October 29, 1969.

provided a solid basis for such a new orientation. That this set of arguments came to provide the foundation for the guiding vision of the OECD in the early 1970s resulted to a considerable extent from the organizational logic of international organizations, which need to reframe their work once in a while to place themselves in a better competitive position in the contested arena of international organizations competing for limited attention and funds. After ten years, during which growth was the core vision of the OECD, a reframing seemed necessary to renew the competitive edge of its analysis, to give the ongoing work a more "attractive presentation," to link its work more closely to the problems facing national governments, and to acquire new funding.[9] The Ministerial meetings had to be framed with new issues that were "sexy."[10] As one Secretariat-paper explained, "the problems of the modern society with which we are dealing here should lead to new activities on new problems, and should lead to defining a new task for the Organization."[11] While the number of staff of the OECD had stagnated for some years, the new tasks in the context of the "problems of modern society" were used by the Secretariat to justify a considerable increase in personnel.[12]

At that time, other international organizations were also launching similar debates, making bids to become the international key agents for possible actions resulting from these new public concerns. The initiative that came closest to approximating the OECD's efforts was carried out by the Nixon administration, which pressed for the creation of a so-called "Committee on the Challenges for Modern Societies" (CCMS) within NATO. The aim was to use environmental problems to further East–West dialogue, to broaden the concept of security to include environmental security, and "to improve [the NATO's] image, especially with young people, by demonstrating its concern to influence for good the nature of the society it is designed to protect."[13] Nixon's speechwriter had heard Kristensen's talk at the February 1969 Ministerial meeting and proposed to use this phrase – copied with only a slight modification from OECD debates – as a new umbrella term to redefine NATO. In this situation of inter-organizational competition, van Lennep was not only concerned that NATO would "walk away with King's ideas," using them

9 OECD-HA, Box 36486, Cottier to van Lennep, October 15, 1969.
10 NARA RG 59, Entry A1 5618, Box 3, Folder W.3 SPC 1971, Philip W. Hemily to John Granger, July 29, 1971.
11 OECD-HA, Box 36486, The Problems of the Modern Society, no date (1969), no name (King).
12 OECD-HA, CES/69.57, 1970 Programme of Work of the Organisation, Statement by the Secretary-General, September 11, 1969; TNA, FCO 69/53, Roper to Foreign and Commonwealth Office, September 26, 1969. See also Figure I.3.
13 TNA, FCO 69/52, F.C.O., "NATO and Environmental Problems," May 1969.

to justify its new activities, but also that within the NATO context the "initially so creative thoughts by Alexander King will lead to 'more of the same'."[14] In the end, both organizations started similar work on the problems/challenges of modern society, but the OECD initiative was more successful. The NATO's committee had a narrow conception of environmental issues, and, since it was established against the preferences of all European allies, its output was limited to pilot case studies on environmental sector issues.[15] There was thus a clear competition with NATO, but also with other international organizations such as the UN, the EEC, and the Council of Europe. This created a time pressure to advance as rapidly as possible with the OECD's environmental work, which will be discussed in the next chapter.[16] In the same period, the World Bank under McNamara turned away from modernization theory and industrialization strategies toward what has been called the "basic needs approach" to development, a shift in discourse (less so in development practice) that was mutually reinforcing with the debates about quantitative growth within the OECD.[17]

Even though inter-organizational competition for new policy fields did play a role, the "problems of modern society" were not merely an "attractive stamp" to further the organizational interests of the OECD, but this debate was also the result of the activities of international bureaucrats around the Club of Rome with specific interests.[18] Immediately after van Lennep had become the new Secretary-General, King arranged long conversations with him on the "problems of modern society." Arguing that the

[14] Van Lennep, *Working for the World Economy*, 225–26. See also OECD-HA, Box 36486, Manlio Brosio to van Lennep, November 14, 1969; TNA, FCO 69/52, Chadwick to Killick, June 16, 1969.

[15] European NATO members preferred the OECD and generally dismissed discussing environmental issues within the Cold War framework. See also Jacob Darwin Hamblin, "Environmentalism for the Atlantic Alliance: NATO's Experiment with the 'Challenges of Modern Society,'" *Environmental History* 15, no. 1 (2010): 54–75; Schulz, "Transatlantic Environmental Security in the 1970s?"; Russell E. Train, "A New Approach to International Environmental Cooperation: The NATO Committee on the Challenges of Modern Society," *University of Kansas Law Review* 22 (1973): 167–91.

[16] TNA, FCO 69/51, Trend to Sir Zuckerman, attached to a note by Bendall, "Common Problems of Advanced Societies," early April 1969; OECD-HA, Box 36486, King to Kristensen, April 15, 1969; OECD-HA, Box 36486, Cottier to van Lennep, October 15, 1969.

[17] See the discussions in Devesh Kapur, John P. Lewis, and Richard Webb, *The World Bank: Its First Half Century. Volume 1: History* (Washington: Brookings Institution Press, 1997), 215–68; Robert S. McNamara, *The McNamara Years at the World Bank: Major Policy Addresses of Robert S. McNamara, 1968–1981* (Baltimore: Johns Hopkins University Press, 1981); Maul, *Human Rights, Development and Decolonization*, pt. 3.

[18] OECD-HA, C(69)168, Problems of Modern Society. Economic Growth, Environment and Welfare, December 16, 1969; Box 36486, Eldin to van Lennep, January 16, 1970.

concept, as set out in the documents so far, was "too vague," King suggested to put the redefinition of the concept of economic growth at the center of the new leitmotif, especially since in many member states public opinion was "beginning to feel that the concept of the growth rate of the economy is not a sufficient long-term policy objective."[19] Van Lennep took a strong personal interest in the new outlook of the OECD and developed it into a coherent message and a manageable organizational program. For him, reacting to the shifting public opinion and the increasing critique of the effects of growth were the central tasks of governments in the upcoming decade.[20] In his first months at the OECD the new Secretary-General spent most of his time refining and discussing the new outlook, which became encapsulated in his consequential paper "Problems of Modern Society. Economic Growth, Environment and Welfare." Van Lennep reframed the catchphrase as focusing on a "new orientation [...] to our policies for economic growth" and promoted to steer OECD objectives for the next decade away from quantity and the highest growth rates toward quality and welfare:

> There is an important question before us – should the Organization limit itself to continuing to stress the importance of economic growth, or should we broaden our emphasis? It is my own strong conviction that the Organization should interpret the challenge facing Modern Society in such a way that in defining the growth target for the next decade emphasis is placed on the qualitative as opposed to the quantitative aspects of growth. That is, for the 1970's, we should put *more emphasis on welfare, and less on growth for its own sake.* [...] the OECD should not identify itself with a policy that treats the highest possible growth rate as an objective in itself. Structural and welfare objectives should not be sacrificed for the sake of a faster growth of GDP.

The OECD-report further argued, "the steadily increasing wealth [did] not necessarily mean that human welfare improves correspondingly." Thus, the Secretary-General of an organization whose principal goal was to achieve the highest growth called for a turn away from quantitative growth. Explicitly drawing on the theory of welfare economics as well as on critics of growth such as Ezra J. Mishan or Roefie Hueting, who had worked on environmental diseconomies and the externalities of growth, van Lennep advocated a fundamental reorientation of the OECD's economic philosophy.[21]

[19] OECD-HA, Box 36486, Kjellen to van Lennep, October 10, 1969.

[20] OECD-HA, Box 36486, Press Conference of van Lennep, Paris, February 16, 1970.

[21] OECD-HA, C(69)168, Problems of Modern Society. Economic Growth, Environment and Welfare, December 16, 1969 (emphasis in original underlined); Van Lennep, *Working for the World Economy*, 227; Mishan, *The Costs of Economic Growth*.

Building on an earlier paper by King, van Lennep proposed to focus OECD work on two issues. First, in order to steer economic growth toward what was socially desirable, the OECD should develop an internationally comparable system of social indicators.[22] And second, believing that the free market economy had to be adjusted to include an environmental dimension, van Lennep proposed studying how the negative external effects of growth – the "external diseconomy" – could be prevented through environmental taxation, regulations, standards, or prohibitions.[23] To realize his proposal, van Lennep set up an inter-secretariat coordination group on the "problems of modern society," in which key OECD officials discussed how to convince member states to launch this new work.[24]

"Tugging the rope": disputed critique of quantitative growth and the "dialectic" of qualitative growth

The attempts to give the OECD a new orientation were not universally welcomed, not even within the OECD. On the contrary, in the early 1970s there were two influential factions within the bureaucracy: On one hand, the group around King, the Directorate for Scientific Affairs, and the science committee, which was heavily supported by Kristensen until he left in 1969, promoted a critique of quantitative growth. The top macro-economists in the Economics Department, on the other hand, dismissed and opposed these attempts to redefine the core of economic policy goals and defended the traditional economic orthodoxy. In the process leading up to the 1970 Ministerial, in which the growth-oriented positions of several member countries became apparent, but particularly in the following years, the economists' position became increasingly strengthened, and the more fundamental attack on GNP-growth was tamed and stripped of its critical currents.

Since the beginning of these discussions, OECD bureaucrats like Christopher Dow, Assistant Secretary-General since 1963 and one of the most influential economists within the organization, argued that there was no trade-off between growth and welfare and that high growth rates would in practice automatically achieve all the qualitative

[22] Van Lennep, *Working for the World Economy*, 226.

[23] OECD Council. OECD-HA, C(69)168, Problems of Modern Society. Economic Growth, Environment and Welfare, Note by the Secretary-General, December 16, 1969.

[24] OECD-HA, Box 36486, Groupe de coordination inter-Secrétariat sur les problémes de la Société Moderne, 1ere Reunion, February 11, 1970; Short notes on an intra-Secretariat meeting on the Modern society, January 6, 1970; Box 36486, Eldin to van Lennep, March 17, 1970.

objectives.[25] In particular, they defended growth against "Dr. King's side" of the Secretariat and argued that the OECD should continue to identify itself with a policy that sees "the highest possible growth of production as an end in itself."[26] Similarly, the EPC ignored these questions and continued to focus on its usual topics, among them demand management within key countries, balance of payments difficulties, and inflation. It delegated all the work on longer-term issues and a reconfiguration of growth policies to its WP-2.[27]

This was a conflict not just between different departments within the OECD, which had been governed under Kristensen so loosely that their directors developed into separate "robber barons," but eminently a quarrel between different professional affiliations and a struggle over the hegemony of economists and economics within the organization.[28] The science and technology side of the OECD was the only part of the organization that broadly collaborated with experts from other disciplines such as sociologists, historians, and political scientists and was therefore regarded by other departments and by the Council with suspicion.[29] Already since the late 1960s the studies on science and technology and on technological forecasting that were pursued within King's Directorate had "aroused the distrust of economists who clung to the quantitative approach to macroeconomic projections" and feared the institutionalization of futures studies in the process of country reviews that was dominated by economists.[30]

Van Lennep's position was somewhere in between. Whereas he adopted many of the arguments developed by King and Kristensen, he gave them a distinctly economic twist, framing the questions that had emerged in the context of the broad debate about "problems of modern society" in strictly economic terms and advancing economic methodologies such as cost–benefit analyses to tackle the problems. In the early 1970s he progressively came to support the traditional position within the Economics Department while at the same time pressing for the establishment of new bodies to deal with the new questions. The balance must have been delicate. In 1970, the British Foreign and Commonwealth Office was concerned that "in the absence of anyone tugging, as it were,

[25] Van Lennep, *Working for the World Economy*, 226. On Dow, see Andrew Britton, "John Christopher Roderick Dow, 1916–1998," *Proceedings of the British Academy* 105 (2000): 397–416.

[26] TNA, FCO 55/420, Roger to Arculus, April 3, 1970; Van Lennep, *Working for the World Economy*, 226.

[27] OECD-HA, C/M(70)18, June 30, 1970; CES/50.73, Report of the Secretary-General to the Council, July 2, 1970.

[28] TNA, FCO 55/417, Chadwick to Combs, OECD: Current Round-up, June 15, 1970.

[29] Salomon, "La Tristesse de Cassandre," 345. [30] Ibid., 344.

on Dow's end of the rope is liable to mean that King will, by the weight of his Department's past work and his own energy and enthusiasm, pull the whole show over into the Science Directorate."[31] Van Lennep's conviction that a separate environmental directorate and committee had to be set up to tackle the problems raised in these debates turned out to be decisive. Hitherto, the OECD's considerable work related to environmental pollution had been initiated by King and was largely done within the Committee for Research Co-operation (CRC) under King's directorship.[32] And in the early 1970s King even advocated the establishment of a permanent department for future studies under his leadership to deepen the analysis of the "problems of modern society."[33] But with the support van Lennep mustered from member countries for restructuring and strengthening the OECD's environmental outlook, which will be discussed in more detail in the next chapter, the responsibility for environmental work was effectively seized from King, who was seriously "unhappy" and "emotional about having one of his favorite divisions taken away from him."[34]

Not just within the Secretariat, but also among member countries and by other international organizations, the outlook that part of the OECD bureaucrats had come to take was regarded with suspicion. In the European Commission, for example, the depth of changes was discussed with irritation and the rapporteur to the OECD even wondered whether it was still the same organization.[35] In the Executive Committee of the OECD, delegations were very skeptical on the intentions of the Secretariat to advance in the proposed way with the new approach because the OECD studies of economic long-term developments were regarded as "esoteric."[36] And in a Council discussion the US, encouraged by other member countries, questioned the OECD approach by expressing the fear that the strong focus on external diseconomies might lead to the abandonment of the classical focus of growth as an aim of economic policy and could threaten economic targetry.[37] Similarly, the French delegate argued that it was important "not to leave public opinion

[31] TNA, FCO 55/420, Roger to Arculus, April 3, 1970. See also TNA, FCO 69/322, F. G. K. Gallagher, Some Impressions of OECD, Permanent UK Representative to the OECD at Paris to the Secretary of State for Foreign and Commonwealth Affairs, August 24, 1972.

[32] OECD-HA, CE/M(70)2, January 27 to February 3, 1970; Long, *International Environmental Issues and the OECD, 1950–2000*, 27–33.

[33] Salomon, "La Tristesse de Cassandre," 346.

[34] TNA, FCO 55/417, Chadwick to Embling, July 1, 1970.

[35] ECBA BAC/1978 572, Rapport No 455, January 23, 1970.

[36] OECD-HA, Box 36486, Eldin to van Lennep, February 4, 1970.

[37] OECD-HA, Box 36486, Eldin to van Lennep, January 16, 1970; C/M(70)1, January 13, 1970.

under the belief that quality prevailed over quantity." And the Spanish delegate argued that "developing countries looked to the OECD mainly for assistance in furthering their own growth," that this was difficult without fast quantitative growth, and that therefore he "hoped that growth targets would not be set too low" because it would be "regrettable if OECD were to give the impression that it was slowing down development."[38]

To address the concerns raised by several delegations about the diminishing importance of growth policies, the new French Deputy Secretary-General Gérard Eldin advanced a counter-strategy that he described as a "dialectical line of thought." Eldin argued that the "maximization of economic growth" should stay "an essential objective of the Organization," since without the resources generated by high growth rates the "political leeway of 'structural' economic policies and of social policies would be extremely reduced"; in addition, and to embrace the legitimate critique raised within the debate on the "problems of modern society," the OECD should focus on the "qualitative" content of the GNP-increases.[39] This "dialectic" increasingly became the official OECD position. On the surface, it incorporated the critique leveled against GNP-growth through compensatory environmental and social policies, while at the same time rendering continued quantitative growth necessary and desirable. Accordingly, in a controversial Council debate, van Lennep assured OECD member states that, as in the 1960s, the "[m]aximization of growth remained one of the Organization's fundamental aims" for the future, and that the focus on qualitative aspects of growth was "complementary" and not in conflict with the traditional outlook. The OECD continued to advance high growth rates, but to remedy the negative side effects of growth, some of the additional resources should be used for social and environmental policies, thus making growth "qualitative."[40]

In this new, watered-down guise, member countries generally appreciated the reframing of the OECD's policy focus around qualitative aspects of growth and environmental issues. Particularly important was that with his two proposals for action van Lennep had boiled down Kristensen's original "ambitious and diffuse" critique and "grandiose

[38] OECD-HA, C/M(70)2, January 20, 1970.
[39] OECD-HA, Box 36486, Eldin to van Lennep, January 16, 1970. See also Gérard Eldin, "The Need for Intergovernmental Cooperation and Coordination in Environmental Policy," in *Managing the Environment: International Economic Cooperation for Pollution Control*, ed. Allen V. Kneese, Sidney E. Rolfe, and Joseph W. Harned (New York: Praeger, 1971), 199–207.
[40] OECD-HA, C/M(70)2, January 20, 1970; Box 36486, Eldin to van Lennep, February 6, 1970.

scheme" into a manageable program for new working structures.[41] These discussions reached the highest OECD level at the May 1970 MCM, which has been referred to at the beginning of this chapter. Key issues were the evaluation of the growth experience of the 1960s, the possible setting of a new growth target for the next decade, and the prominent reconfiguration not only of the work of the OECD for the coming years, but of the broad orientation of economic policies in relation to growth.[42]

In the prior discussions, van Lennep's original key message that "the moment seems to have come when the whole significance of this concept [of growth] must be questioned" had caused serious disagreements, and, after severe opposition by several delegations who feared a general rejection of growth behind this formulation, was changed significantly.[43] Instead of "questioning" growth, growth should be "reconsidered and developed," the final record stated. Nonetheless, van Lennep's official statement – which was not just a statement by an OECD official like all the prior papers, but had been agreed upon in lengthy discussions by all OECD delegations – contained several of the key points of the critical debate discussed in Chapter 7. Particularly striking was that the document defined environmental policies, which it framed in the broad economic context of qualitative growth, as a key issue of the OECD: "[o]f all the problems facing the contemporary world, scarcely any are more significant or more pressing than those relating to the deterioration of the environment and the background of life."[44]

Ministers were also confronted with a report by WP-2, which largely drew on the debates discussed in the last chapter related to *The Growth of Output* and which pleaded for policies to redirect growth according to social and ecological priorities.[45] With regard to both environmental and social problems, the OECD's advocacy of "qualitative growth" was essentially a proposal for interventionist government policies in new and hitherto neglected areas, a scheme to launch new public programs to steer the revenues of high growth rates in the desired direction:

41 TNA, FCO 55/417, Wheeler to Combs, January 28, 1970.

42 OECD-HA, C(70)53, Documentation for Meeting of Council at Ministerial Level, Prospects for Economic Growth, April 10, 1970. Another key issue was inflation, and van Lennep had prepared a report that was discussed at the Ministerial meeting. OECD, *Inflation: The Present Problem. Report by the Secretary General* (Paris: OECD, 1970).

43 OECD-HA, C(79)69, Documentation for Council at Ministerial Level. Economic Policies and the Problems of the Environment, May 6, 1970.

44 OECD-HA, C(70)70, Documentation for Meeting of Council at Ministerial Level, Agenda Item 2, Economic Policies and Prospects in the OECD Area, May 15, 1970. On the discussions, see CE/M(70)17, May 8, 1970.

45 OECD-HA, CPE/WP2(70)1, Report by WP-2 of the EPC to the Ministerial Council on the Growth of Output 1960–1980, and related problems, March 3, 1970.

Whether the most obvious social demands are satisfied – for example, for better cities, improved education opportunities, or for the prevention of pollution – will depend on public expenditure in whole or in part or on new legislation or other government intervention. The scale and order in which needs are met will thus require governments to establish priorities.[46]

In the debate among ministers these proposals received mixed reactions. Several delegations, in particular Japan, the Netherlands, Sweden, Belgium, Denmark, and West Germany, appreciated the OECD's focus on reorienting growth policies or, as a Dutch delegate put it, thought that it was "imperative to give [environmental problems] a certain priority over the aims of economic growth." The US, supported by Canada, on the other hand, although generally pressing for a larger role of environmental policies, was not pleased with the critique of growth voiced within the OECD. US Deputy Under-Secretary of State Nathaniel Samuels started his statement by asserting that his government "did not consider that there was only a negative relationship between economic growth and the environment," but rather a "positive relationship" in which growth was the precondition for a better environment. Further, he called on all countries to reaffirm the importance of long-term growth and defended the view that growth was basically tantamount to the quality of life.[47]

The outcome of these debates – resulting from the complex interplay of different factions within the Secretariat and partly conflicting interests of member countries – was ambivalent. Although many of the fundamental flaws of GNP as a yardstick for progress and well-being had been revealed, the OECD set itself a quantitative framework as the overall policy goal: to increase the combined GNP of member countries by 65 percent during the 1970s.[48] Because some countries were cautious to set another growth target, it was called "objective," implying less committal terms.[49] This objective was not only passed due to the considerable pressure of the US, but also because member countries thought, as van Lennep put it, that the "failure to adopt a new growth objective after the decision taken in 1961 and after the successful experience of the 1960's,

[46] Ibid. See also OECD-HA, C(70)53, Documentation for the Meeting of the Council at Ministerial Level, April 10, 1970, Annex C.

[47] OECD-HA, C/M(70)15, May 20–22, 1970. See also TNA, FCO 55/421, Danish Delegation to the Chairman of the EPC, September 10, 1970.

[48] Before, van Lennep had elaborated extensively on the "inadequacy of national accounts fixing economic growth targets." OECD-HA, C/M(70)4, February 11, 1970.

[49] On the skepticism of several countries, in particular West Germany, Britain, and Denmark, see OECD-HA, C/M(70)12, May 5, 1970; CE/M(70)15, July 7, 1970; TNA, FCO 69/53, handwritten letter from Thomas to Killick and Britten, August 29, 1969.

would appear as a vote against economic growth."[50] This message was to be eschewed.

To balance the ambivalent endorsement of the quantitative growth target, the OECD also set up work programs that were "attempts to redefine the concept of 'economic growth'."[51] As had been envisaged by van Lennep, and building on the suggestions of the preparatory working parties that had been charged with developing the structure, compositions, mandates, and terms of reference of specific working groups, the ministers decided that the OECD should become the primary international organization for the rich countries' environmental policies and should develop qualitative indicators for human welfare.[52]

"Maybe these forecasts are exaggerated, maybe not": the OECD and the limits to growth

Before these two initiatives will be discussed in the next chapter, the following section examines the OECD's reactions to the 1972 landmark report to the Club of Rome, *Limits to Growth*. These are particularly interesting because the report put the OECD in a difficult position, not only due to its close organizational connections to the Club, but also since it was the international organization that member states had charged with working on the issue of long-term growth and environmental problems. *Limits to Growth* pressured the OECD to take a less ambiguous stance on the question of growth.[53]

The interrelationships, personal overlaps, and discursive cross-fertilizations between the bureaucrats, scientists, and entrepreneurs around King in the Secretariat, the OECD's science committee, and the Club of Rome, which were particularly strong when Kristensen was Secretary-General, continued to play a key role in OECD debates after Kristensen's resignation. At an Italian cocktail party in October 1969, van Lennep met Peccei, who explained the plans of the Club of Rome to him. Following this meeting, which must have caught the attention of the new Secretary-General, he requested a report on the Club's activities. In his brief, King argued that the questions discussed by the Club

[50] OECD-HA, C/M(70)15, May 20–22, 1970; C(70)53, Documentation for Meeting of Council at Ministerial Level, Prospects for Economic Growth, April 10, 1970, Annex C, Table 3.

[51] NARA RG 59, Entry A1 5618, Box 3, Folder OECD 8–1 Modern Society, Meeting at Executive Office Building, January 27, 1970.

[52] OECD-HA, C(70)12, Problems of Economic Growth, Environment and Welfare. Proposals for Preparatory Considerations of the Problems, January 16, 1970.

[53] OECD-HA, Box 239707, OCDE BK/3040, Confidential Memorandum from Bo Kjellén to Secretary-General, August 2, 1972.

of Rome were "clearly related to our preoccupations with modern society problems," but should not be seen as a competition but rather as a "useful complement of new knowledge which would be difficult to obtain owing to the limitations of OECD budgets."[54] In March 1970 King even organized a meeting between the core of the Secretariat and several members of the Club of Rome at the Château de la Muette to discuss possible overlaps and cross-fertilizations between the OECD work on "problems of modern society" and the planned Club of Rome study "The Predicament of Mankind." Van Lennep gave the Club his "moral support," authorized King's continued work within the Club, and offered to provide all relevant data from the OECD statistics.[55] In 1971 van Lennep was invited to participate at the meeting of the Club of Rome in Canada on the "Purpose and Activity of the Club of Rome," but cancelled his participation due to other engagements.[56] Furthermore, members of the Club of Rome broadened their influence on the OECD's science and technology policy.[57]

When in February 1972 the first report to the Club of Rome was finished, van Lennep was – besides the Club of Rome founder King – the first person in Europe to receive a copy of the yet unpublished report. King, who had written a long letter that provides a fascinating account of the thinking of one of the founders of the Club about its main report, sent it to him. After King had assessed possible counter-arguments against the report – and he actually anticipated most of the criticism waged against *Limits to Growth* in the coming years – he warned van Lennep that its analysis was "probably not misleading." In particular, King highlighted:

> One of the main features of the present work is the way in which it stresses the exponential nature of growth, both of population and of the economy, and the significance of this for pollution and for resource depletion. Although rather obvious, this is relatively new in its policy context.

[54] King was already planning a private meeting between van Lennep and Peccei, since – he argued – "it does raise matters of how far OECD should informally encourage the group." OECD-HA, Box 36478, Memorandum by King to van Lennep, October 20, 1969.

[55] OECD-HA, Box 36478, Peccei to van Lennep, March 27, 1970; Ozbekhan to van Lennep, March 22, 1970.

[56] OECD-HA, Box 36479, Peccei to King, February 26, 1971; King to Peccei, March 18, 1971.

[57] In 1969, there were international efforts to launch a so-called "Institut International de Technologie" under the umbrella of the OECD, involving key members of the Club of Rome. OECD-HA, Box 36478, Timmons to Dantin, February 26, 1969; Dantin to Pestel, May 9, 1969.

Apparently, King was ardently concerned, even though he admitted that "we are not yet on the edge of disaster."[58]

The study, which was prepared by a research team at the MIT using sophisticated mathematical modeling and computers to manage the data, impressed OECD economists. In particular the question of resources and the possibility of resource depletion due to continued economic growth, a key argument of *Limits to Growth*, had not been addressed in all the OECD debates on environmental problems up to 1972.[59] In the beginning, OECD experts felt unable to assess whether the forecasts were correct. Shortly after receiving the report, van Lennep publicly declared: "Maybe these forecasts are exaggerated, maybe not. Under all circumstances they have to be taken into consideration in the framework of economic policy."[60] This uncertainty was shared among the core of the Secretariat.[61] Even Christopher Dow, the strongest opponent of the discussions on qualitative aspects of growth, conceded that some of the problems raised by the Club of Rome were "worth thinking seriously about," even though he was – regarding the involvement of King in this project – "somewhat irked by the idea of a 'zero growth policy' to be found in some writing of this ilk."[62] Similarly, experts in the EPC were seriously concerned about the possible impacts of pollution control costs that could lead to a "slowing-down of economic growth," and requested further studies of this problem.[63]

However, as the public debate became more heated and demands for no growth or negative growth started to be voiced from such diverse contexts as the ecological movements, prominent scientists, or the European Commission, the report deepened the fracture within the Secretariat. In particular the plea by Sicco Mansholt, vice-president of the European Commission, for a reorientation of the economy toward social utility and zero growth sparked vivid and controversial public debates in most member countries.[64] The macro-economists within the

[58] OECD-HA, Box 36480, King to van Lennep, "Activities of the Club of Rome in Relation to Long Term Policies," February 25, 1972. See also Box 239707, Confidential Memorandum from King to van Lennep, February 25, 1972.
[59] Meadows, Meadows, Randers, and Behrens, *The Limits to Growth*.
[60] OECD-HA, Box 36483, Van Lennep, speech at the New Zealand Institute of International Affairs, March 2, 1972.
[61] OECD-HA, Box 239707, OCDE BK/3040, Confidential Memorandum from Bo Kjellén to Secretary-General, February 8, 1972.
[62] OECD-HA, Box 239707, JCRD/ps/72.225, J. C. R. Dow to J. D. Fay, Rome Club (RC) et al, March 21, 1972.
[63] OECD-HA, CE/M(73)33, November 29, 1973.
[64] Timothée Duverger, "De Meadows à Mansholt: L'invention du "zégisme,"" *Entropia* 10 (2011): 114–23. Mansholt wrote: "Pour nous, dans le monde industriel, diminuer le niveau matériel de notre vie devient une nécessité. Ce qui ne signifie pas une croissance zéro, mais une croissance négative [. . .] L'incitation à la croissance n'est qu'un objectif

OECD came to look with disdain at the lack of economic understanding that according to them the MIT-team had demonstrated and were annoyed by the "prophetic seers view" of the Club of Rome. They rejected the model, because they did not agree with its assumptions, in particular the assumptions about the relationships between scarcity and the development of prices and technological innovation.[65] The natural scientists around King on the other hand, van Lennep remembers, looked compassionately onto the economists as men who were apparently not yet ready to grasp the failure of their economic models and understand that the real problems lay in the interrelations of the different developments referred to as "the problematique."[66]

The OECD's Secretary-General was attempting a fine balancing act in this debate. Symptomatically, in his dozens of lectures and talks at international or national organizations, private associations, and business meetings in the early 1970s, van Lennep focused on explaining to the audiences the "problems of modern society," the critique of quantitative growth threatening life on "spaceship earth," and proposed alternative indicators and international environmental policies as solutions.[67] On one hand, he forcefully argued against ecological blindness and mainstream growthmanship, raised awareness for the negative social and environmental effects of unbridled growth, and advocated corrective legislative actions, including a fundamental modification of GNP as an index for progress and a critique of the "myth of growth confined to increase in output only."[68] On the other hand, a strong thrust of van Lennep's efforts aimed at countering more radical critics of growth and at

politique immédiat servant les intérêts des minorités dominantes." Sicco Mansholt, *La crise* (Paris: Stock, 1974), 166f.

65 Even though OECD economists did not directly argue that there was no resource problem at all, their position was strengthened by arguments in this direction by many neoclassical economists. Most famously, Robert Solow argued in his Richard T. Ely Lecture to the AEA: "If it is very easy to substitute other factors for natural resources, then there is in principle no 'problem.' The world can, in effect, get along without natural resources." Robert M. Solow, "The Economics of Resources or the Resources of Economics," *American Economic Review* 64, no. 2 (1974): 11.

66 Emile van Lennep, *Working for the World Economy* (Amsterdam: NIBE, 1998), 230. See also OECD-HA, Box 239707, Gass to King, Memorandum: Rome Club et al, March 7, 1972.

67 OECD-HA, Box 36483, Van Lennep, speech at the New Zealand Institute of International Affairs, March 2, 1972. This term had been introduced by the economist Kenneth Boulding in 1966 and was widely used in the emerging environmental movement.

68 OECD-HA, Box 36483, Van Lennep, speech at the BIAC Luncheon, Tokyo, April 27, 1970; Van Lennep, speech at BIAC, May 4, 1972; Van Lennep, speech at the Arbeitsgemeinschaft Aussenhandel der Deutschen Wirtschaft, Bonn, September 17, 1970; Box 239707, PRESS/A(72)17, Address by the Secretary-General, delivered in Paris on the occasion of the 10th Anniversary of BIAC, May 4, 1972.

channeling the looming public discontent with capitalist expansion, the unequal distribution of the benefits of growth, or the very nature of the technocratic industrial society into less conflictive avenues. In almost all his speeches, van Lennep emphasized that there was no intrinsic conflict between growth and both welfare and environmental protection and that in any case zero-growth was not an option.[69] Whereas a critique of quantitative growth was deemed necessary, the demand to stop GNP-growth was "far too extremistic."[70] Van Lennep's more moderate position, which was still worlds apart from the growth discourse of the 1960s or the renewed focus on growth in the latter 1970s, was that a "lower material growth rate" could be the "*result* of policies aimed at achieving our more fundamental social and political objectives."[71] This, however, would only become relevant in the distant future and would not affect what increasingly came to be labeled "qualitative growth," he argued.[72]

Institutionally, the OECD was less ambiguous. Symptomatically, Deputy Secretary-General Gérard Eldin proclaimed in the *OECD Observer*: "We in OECD do not believe there to be any fundamental conflict between economic growth and environmental protection."[73] These and similar public relations statements concealed that internally OECD officials were quite uncertain about the validity of the Club of Rome's model and proposed an "objective testing and evaluation of the private analyses" to disprove the arguments "for the concept of zero growth as feasible policy."[74] Nevertheless, in public statements the organization took a strong and definite stance. A booklet on the OECD's approach to environmental problems expressed the organization's official position by arguing that

> zero growth would mean zero progress in coping with the accumulated problems of the past, not to mention those of the future. Only an expanding economy can provide the resources to meet the higher expectations of man in his quest for a

69 OECD-HA, Box 36483, Article by van Lennep for "European Review," no date, 1970; Box 36482, Statement of the Secretary-General before the Opening Session of the Environment Committee, no date, 1970; Box 36483, Speech at the Federation of Swedish Industries, October 13, 1970.

70 OECD-HA, Box 36483, Van Lennep, speech at the BIAC Luncheon, Tokyo, April 27, 1970.

71 OECD-HA, Box 239707, PRESS/A(72)17, Address by the Secretary-General, delivered in Paris on the occasion of the 10th Anniversary of BIAC, May 4, 1972; OECD, "New Thinking on Economic Growth," *The OECD Observer* 58 (June 1972): 3.

72 OECD-HA, Box 218218, Sec-Gen Danish Television Interview – Talking points by Secretariat, June 23, 1972.

73 Gérard Eldin, "The Need for Intergovernmental Co-Operation and Co-Ordination Regarding the Environment," *The OECD Observer* 50 (February 1971): 3–6.

74 OECD-HA, DAS/72/1635, Gass to Eldin, March 20, 1972.

better quality of life, either through increasing income or through more adequate public services.

In line with the mainstream reaction of that time, it further stated that the entire approach of questioning economic growth was flawed, and that the task of governments "in maintaining or promoting an acceptable human environment must now be developed in the framework of policies for economic growth."[75] Not the economy had to function within the given environmental constraints, but the environment had to be managed within the framework of growth economics. Thus, by authority of the official OECD position, growth was defended as the necessary precondition for progress.[76]

In the following years, part of the OECD work on long-term growth prospects also addressed questions and countered arguments raised by the Club of Rome's first report. In particular WP-2 and the Environment Committee worked on the possible effects of environmental measures on GNP in the medium term.[77] Most importantly, however, was the ambitious *Interfutures* project launched by the OECD to officially refute the *Limits to Growth*, which will be discussed in the Epilogue.

From the problems to the recession of modern societies

"A major recession would no longer be a *deus ex machina*, but could only result from miscalculation or a deliberate act of government."[78] This statement in a 1970 OECD report by Secretary-General van Lennep aptly captures the deep faith of policy-makers in the ability of government planning to effectively steer the economic fate of societies. In sharp contrast to the anxieties about the ups and downs of economic cycles that dominated policy discourses until the 1950s, during the 1960s politicians had come to regard continued growth as the normal state of the economy and recessions as avoidable blunders. The optimism of the late 1960s is striking. Nobel Prize winning economists Robert Solow and Paul Samuelson, epitomizing the advance of the Keynesian synthesis in growth economics, pronounced the end of capitalist instability and destructive

[75] OECD, *OECD at Work for the Environment* (Paris: OECD, 1973), 8, 15.

[76] Van Lennep was invited as the advocate for growth in the US TV-show "The Advocates" during the 1972 UN Conference in Stockholm to discuss the limits to growth with Sicco Mansholt. OECD-HA, Box 218218, Ronnie Townsen to van Lennep, May 17, 1972; *New York Times*, May 14, 1972, p. 12.

[77] Van Lennep kept close contacts to the Club of Rome and attended its 1976 meeting. OECD-HA, Box 239707, Club of Rome to van Lennep, June 23, 1976; Peccei to van Lennep, September 13, 1976.

[78] OECD-HA, CPE(70)8, The Present Problem of Inflation, Report by the Secretary-General, October 30, 1970. See also OECD, *Inflation*, 8.

cycles of crisis. “The old notion of a [...] ‘business cycle’ is not very interesting any more.”[79] And the US top economic adviser Arthur Okun argued that with modern growth theory at hand of all governments, recessions were “now [...] preventable, like airplane crashes.”[80] This confidence underlay the debate about limits, diseconomies, and qualitative growth discussed in the last two chapters, as well as the ambitious OECD growth objective for the 1970s. However, these triumphalist visions could not have been more misplaced. In the wake of the economic crisis of 1973/1974, the industrial production of the developed market economies fell by 10 percent within only one year. And even though growth subsequently picked up again in many OECD countries, it continued at a considerably slower pace than in the postwar golden years.[81]

With the advent of the economic crisis of the 1970s, particularly with the demise of the monetary regime of the Bretton Woods system, the oil shock, and stagflation, the focus shifted toward seemingly more pressing problems. In the general public, the energy shortages and their effects on industrialized countries were partly interpreted as proof for the predictions of the Club of Rome.[82] Yet within the OECD, the eruption of the economic and energy crises did not strengthen the faction critical of quantitative economic growth. Although the events seemed to give plausibility to the arguments of the group around King, the debate on the “problems of modern society” just quietly withered, without much justification or controversy. It was choked by a combination of changing member state interests, an attempt by the top level of the Secretariat to better position the OECD, and a shift of influence within the organization.

Most importantly, OECD member states were worried about the international repercussions of oil shortages, stagflation, and the intensified North–South conflict. While generally interested in and supportive of the new perspective advanced within the Paris bureaucracy, especially in the beginning, member states pressed for an economic approach to the problems raised in these debates and lost interest when the energy and growth crises became apparent. Anxious to use the industrialized countries’ think tank to counter these threats, they championed a refocusing of the OECD’s activities on trade issues (the OECD Trade Pledge from 1974 onwards), the foundation of the International Energy Agency (IEA) under the umbrealla of the OECD in 1974, negotiations about the New International

79 Robert M. Solow, “Review,” *Economic History Review* 23, no. 2 (1970): 410.

80 Arthur M. Okun, *The Political Economy of Prosperity* (Washington: Brookings Institution, 1970), 33.

81 Hobsbawm, *Age of Extremes*, 403–32.

82 Steurer, *Der Wachstumsdiskurs in Wissenschaft und Politik*; Hahn, “Von Unsinn bis Untergang”; Churchill, “The Limits of Influence.”

Economic Order, and the advancement of liberal guidelines for multinational enterprises to counter more restrictive efforts in other international fora such as the UN or the ILO.[83] Under van Lennep's leadership the Secretariat aimed at swiftly using the newly emerging topics to adapt the OECD outlook to the needs of member states in the 1970s.[84] The Secretary-General advanced a "remodelling" of the organization to contribute to what he perceived as the "formation of a cooperative world economic policy," a "streamlining" that was criticized by King and his associates because it turned the OECD into less of a partly autonomous "think-tank" able to advance its own agenda and more into a policy-making body. However, in the longer-term, this reorientation brought only mixed results. To some degree, the "shock of the global" generally heightened the importance of international economic coordination, which moved to the forefront of governmental agendas and provided new possibilities for the OECD in the energy sector or regarding North-South relationships – the OECD was repeatedly used to counter the threat posed by UNCTAD proposals of a New International Economic Order. Yet, with the creation of the G7 in 1975 (Canada, France, Italy, Japan, the UK, the US, and West Germany) the OECD was relegated to a second tier in the international governance structure. Despite repeated demands, OECD Secretary General Emile van Lennep was not invited to the G7 meetings. And if the OECD served as a 'support infrastructure' for the G7, notably through the expertise and contacts gathered in its Economic Policy Committee, its lack of decisional power was only more glaring than ever.[85]

[83] TNA, T 354/437, The New Economic Order: Institutional Aspects and Implications for OECD. Memorandum by the United Kingdom Delegation to OECD, September 1974; NARA, RG 59, Entry A1-5605, Box 4, Folder 1969 Ministerial, Problems of Modern Society, February 1969. On the Trade Pledge, see TNA, T 354/204, OECD, Declaration adopted by Governments of OECD Member countries on May 30, 1974. On the earlier debates in the OECD's Oil Committee and the IEA see Graf, *Öl und Souveränität: Petroknowledge und Energiepolitik in den USA und Westeuropa in den 1970er Jahren* esp. chap. 3 and 7. On the IEA, see also Richard Scott, *The History of the International Energy Agency: The First Twenty Years* (Paris: International Energy Agency, 1994), Vol 1–3; Helga Steeg, "Role of the International Energy Agency," *World Economy* 8, no. 2 (1985): 189–92; Henning Türk, "The Oil Crisis of 1973 as a Challenge to Multilateral Energy Cooperation among Western Industrialized Countries," *Historical Social Research* 39, no. 4 (2014): 209–30. On the guidelines, see Hajduk, "A Code to Bind them All."

[84] Van Lennep, *Working for the World Economy*, 226.

[85] Samuel Beroud and Matthieu Leimgruber, "A Pilot Fish ahead of the Sharks? The Changing Fortunes of the OECD during the 'Long 1970'" (Workshop "Crisis, Ideas and Policy Transformation: Experts and Expertise in European International Organizations, 1973-1987," Maastricht University, 2014). See also Emmanuel Mourlon-Druol, *A Europe Made of Money: The Emergence of the European Monetary*

This shift to a renewed focus on growth that accompanied these organizational changes did not go unnoticed. Already in 1974, an article in *The OECD Observer* complained:

> The energy crisis has recently diverted attention from the longer range objective governments have set themselves: to change the emphasis from the quantitative to the qualitative aspects of economic growth.[86]

The crisis of growth stabilized the growth paradigm. It did not strengthen the critique of quantitative growth, which had mushroomed at a time of relatively high growth rates, but rather revealed a hierarchy of member states' interest: long-term problems associated with welfare and ecology were subordinated to the short-term needs of the market economy. At the political level, this cut short the discourse around the social and ecological problems of quantitative growth. This backlash ousted the "problems of modern society" from the core of international policy formation within the OECD. As will be discussed in the following chapter, ecological questions have certainly found their way into the institutions of national and global governance and social statistics have created a wealth of additional information on societal progress. Yet they either functioned in accordance with the growth paradigm or were marginalized. Macroeconomic policy-making continued to focus on what had been at the center of the critique of OECD debates between 1968 and 1973/1974, quantitative growth.

System (Ithaca, N.Y: Cornell University Press, 2012); Andrew Baker, *The Group of Seven: Finance Ministries, Central Banks and Global Financial Governance* (London and New York: Routledge, 2006).

86 OECD, "Towards a More Desirable Allocation of Resources: The Case of Pollution Control," *The OECD Observer* 71 (August 1974): 34–35.

9 Quantifying quality

Managing the environmental costs of growth and the difficult quest for "gross national well-being"

> This in itself logical idea to seek a quantification of quality has proved to be extremely difficult in practice.[1]

> By reducing any quality to quantity, myth economizes intelligence: it understands reality more cheaply.[2]

Only two decades after national income accounting had been standardized, GDP was already widely criticized, not only within parts of the social and ecological movements and by critical academics and journalists, but even within the OECD, the custodian of economic numbers. In 1970, Secretary-General van Lennep stated this quite clearly:

> with regard to G.N.P., traditional national accounting systems – although still indispensable for specific purposes – are certainly in many ways inadequate in a modern society if they are to express our new objectives which are coming to be determined more and more in terms of quality rather than quantity or, putting the question in the vocabulary of traditional philosophy, in terms of "being" rather than "having."[3]

Public administrators, economists, and sociologists came to realize the particular worldview ingrained in GDP-accounting, which focused on quantity, on "having," and on markets, and thus disregarded much of what many people valued. The quite technical critique of the traditional economic statistics underlying the growth paradigm centered on what came to be called positive and negative "externalities": It condemned the fact that GDP included many economic activities that did not enhance welfare but were rather environmental and social costs while at the same time excluding many non-market services that did contribute to welfare.

This chapter analyzes the effects of the social and ecological critiques of GDP-growth that had spread around the world in the early 1970s by exploring the OECD's efforts to promote liberal environmental policies

[1] Van Lennep, *Working for the World Economy*, 226.
[2] Roland Barthes, *Mythologies* (New York: Noonday Press, 1991), 154.
[3] OECD-HA, Box 36483, Van Lennep, speech at the BIAC Luncheon in Tokyo, April 27, 1970.

and to establish social indicators that measured societal well-being – both of which were symptomatic of the interventionist and qualitative policies launched in many member countries in the 1970s. More concretely, the chapter focuses on the two tangible outcomes of the debate about the "problems of modern society" within the OECD, environmental policies and social indicators. Both constituted specific responses to the two flaws identified in the critique of GDP accounting. And both were launched at the 1970 Ministerial meeting, which had proclaimed that "economic growth is not an end in itself, but rather an instrument for creating better conditions for life."[4] Needless to say, at the height of the planning euphoria, Western industrialized countries did not abandon the measurement approach. On the contrary, the importance of measurement intensified, as declared by van Lennep at the 1970 Ministerial meeting: "When we now turn to the area constituted by the quality of life, the problem of measurement becomes capital. We have to quantify the qualitation" [*sic*].[5] The two initiatives – environmental policies and social indicators – both started with high ambitions and aimed at overcoming key problems of GDP-growth through the "quantification of quality," better management, and more refined planning.[6]

As the first international organization to set up a directorate for environmental policies – at a time, when no member country had an environmental ministry – the OECD had a considerable influence on framing environmental policies before member countries started to set up environmental ministries of their own.[7] Its proclaimed task was to develop policies "to prevent, reduce or eliminate the undesirable consequences of growth."[8] Yet in spite of these grandiose ambitions, over the years the OECD considerably boiled down its approach. The organization de facto came to focus on proving through the quantification of the monetary costs associated with environmental protection that environmental policies would not reduce economic growth rates, and at framing

[4] OECD-HA, C(70)70, Documentation for Meeting of Council at Ministerial Level, Agenda Item 2, Economic Policies and Prospects in the OECD Area, May 15, 1970; C(70)94, Communiqué approved by the Council on May 22, 1970.

[5] OECD-HA, Box 36483, Van Lennep, speech at the Arbeitsgemeinschaft Aussenhandel der Deutschen Wirtschaft, Bonn, September 17, 1970.

[6] Van Lennep, *Working for the World Economy*, 226.

[7] Long, *International Environmental Issues and the OECD, 1950–2000*; Per-Olof Busch, "The OECD Environment Directorate. The Art of Persuasion and Its Limits," in *Managers of Global Change: The Influence of International Environmental Bureaucracies*, ed. Frank Biermann and Bernd Siebenhüner (Cambridge: MIT Press, 2009), 75–99; Van Lennep, *Working for the World Economy*, 228.

[8] OECD-HA, C(70)22, Creation of an ad hoc preparatory committee on the activities of the Organisation on environmental problems relating to economic growth, February 5, 1970.

environmental problems in such a way as to make them seemingly compatible with continued growth and with the international free market regime, thus paving the ground for what has been characterized as "liberal environmentalism."[9]

On the other hand, the OECD developed social indicators that were intended to measure progress toward increasing the "quality of life" and to supplement or improve GDP. The OECD actually ventured on a similar undertaking as its predecessor organization two decades earlier: Just as in the early 1950s the OEEC had tried to answer the question "what is meant by riches, needs, performances, [. . .] and progress, and how are they to be measured and compared?" by developing and standardizing national income accounting, in the early 1970s the OECD tried to answer the same questions anew:[10] "If the fruits of economic growth are to be more effectively used to improve the quality of life, yardsticks are needed with which to assess needs, define targets and measure performance."[11] However, the quantification of the "quality of life" proved much more difficult than the quantification of national income. The ambitious objectives and the reasons for the limited achievements of the OECD's program provide an interesting case study of the difficulties and impediments of defining alternatives to the quantitative growth paradigm.

This chapter argues that while effectively putting environmental issues and the search for social indicators on the international agenda, both programs proved rather ineffective with regard to actually shifting policies away from the focus on quantitative growth, from "having" as opposed to "being," as it was envisaged in the debates about the "problems of modern society." The OECD's decision to proceed with special working groups on these issues effectively left the core of economic policy debates untouched and the top of the organization, its Economics Department, and the EPC continued to focus on output and quantitative growth, in particular after the onset of stagflation in the mid-1970s.

The critique of GDP and the search for alternatives

The detailed critique of GDP accounting as a measure of societal progress, which dates back to the 1950s and became quite widespread until the early 1970s, not only served as one of the key justifications for the

9 Bernstein, *The Compromise of Liberal Environmentalism*.

10 Stone and Hansen, "Inter-Country Comparisons of the National Accounts and the Work of the National Accounts Research Unit of the OEEC," 101.

11 OECD, "How to Measure Well-Being. OECD's Programme to Develop a Set of Social Indicators," *The OECD Observer* 64 (June 1973): 36–37.

emergence of environmental policies, but also provided the foil against which social indicators were devised.[12] Within the OECD, a detailed and outspoken exposition of the statistical flaws of GDP was actually articulated quite early, most prominently in the 1970 report *The Growth of Output*. Indicative of the broader debate within ecological and welfare economics, the OECD lambasted GDP as a "conventional" measure that is problematic for two reasons: First, because it only measures marketable output, it was held to be unable to take into account benefits derived from public services (such as health care and education) and other "free goods." Second, the report "questioned if part of the marketable output is really output at all," for example the costs of mitigating "the nuisances and hazards created by the growth process," but also the many "side-effects of pollution," or the "time lost in traffic jams."[13] A better measure, the OECD implied, should include non-market activities and services that actually improve social welfare while at the same time deducting those parts of the market "output" that did not contribute to welfare. The report also contained an extensive appendix that discussed in detail the limitations, uncertainties, and distortions of national income accounting. This discussion of the "Reliability of National Accounts Data" started by asserting:

> There is occasionally a tendency to interpret the concept of outputs, or Gross Domestic Product, wrongly, particularly by linking its growth to improved welfare, the implicit assumption being that when the GDP increases in real terms a greater quantity of goods and services is available to the various economic agents, with a consequent increase in their welfare. As a result, growth in output comes to be regarded as an end in itself [. . .].[14]

Besides warning of the common but mistaken conflation of economic growth and welfare, the annex analyzed in detail how things generally discussed as "negative" such as high numbers of road accidents, air pollution, and traffic congestion, were actually increasing economic growth, while "positive" things such as the quality of the environment or non-monetary services were not included in the standard measure:

> If, for example, all other things being equal, the number of road accidents increases substantially, the result is an increase in the output of hospital services and garage repairs and hence of the GDP. The damage caused by the road

12 See, symptomatically, Nordhaus and Tobin, "Is Growth Obsolete?" For an early critique of GNP as a measure of living standards see Leopold Kohr, "Toward a New Measurement of Living Standards," *American Journal of Economics and Sociology* 15, no. 1 (1955): 93–104.
13 OECD, *The Growth of Output, 1960–1980,* 11.
14 Annex I "Reliability of National Accounts Data," in Ibid., 177–99.

accidents clearly does not contribute to welfare. And this is by no means a unique case.[15]

Further, the report discussed the large impact of "conventions" such as that of leaving out "the work of housewives."[16]

For all these reasons, the OECD claimed, "it is doubtful how far the growth of marketable output, as defined in national income statistics, is an adequate measure of the growth that is important for society."[17] Thus, in contrast to most statistical publications by government institutions, international organizations or universities, the report opened the "black box" of GDP accounting and made explicit some of the powerful limitations, reductions, and exclusions inherent in this way of measuring, comparing, and ranking economies. In order to establish measures that can deservedly be linked to improved welfare, used as yardsticks for comparisons, and potentially serve as an "end in itself," the report recommended the development of social indicators. The critique of GDP questioned the OECD's very way of working that heavily relied on the collection and analysis of statistical data within the framework of national income accounting. If the statistical basis was inadequate, the organization's analyses and advice were also problematic. The British delegate aptly observed, "since the nature of OECD's work depends on statistics and tries to avoid 'hunches,' the Secretary-General and his advisers thought that an effort should be made to construct a new statistical basis for social statistics."[18] Before turning to the OECD's efforts to develop social indicators, the next section analyzes the organization's work in quantifying and managing the environmental costs of growth.

Heralding environmental policies in their economic context

The OECD was the first international organization to put international cooperation in the environmental field at the top of its agenda, both thematically and institutionally. However, at that time similar efforts were launched by other international organizations such as the UN, WHO, FAO, UNESCO, EEC, Council of Europe, and in particular NATO.[19] What distinguished the OECD approach from environmental debates

[15] Ibid., 178.

[16] Ibid. For more recent discussions, see Coyle, *GDP: A Brief but Affectionate History;* Stiglitz, Sen, and Fitoussi, *Mismeasuring*; Waring, *Counting for Nothing*; Fioramonti, *Gross Domestic Problem*.

[17] OECD, *The Growth of Output, 1960–1980*, 11.

[18] TNA, FCO 69/234, Chadwick to Gallagher, April 6, 1971.

[19] OECD-HA, ENV (70)3, List prepared by Ad Hoc Preparatory Committee on the Activities of the Organisation on Environmental Problems Related to Economic

within other international organizations was that the OECD framed these problems as the by-products of quantitative growth, and from the beginning discussed the economic dimension of the issues involved. The OECD was preferred by many member countries due to its membership (comprising all the "modern societies"), due to the technical competence and experience of the Secretariat, the organization's economic focus, and the international dimension of the problems involved.[20]

When the OECD initiated its environmental work in 1970, no member country had an environmental ministry or department. They were, however, anxious to use the OECD "to beget environment policy just as ten years ago OECD was instrumental in the creation of government policies for science."[21] The OECD – anxious to increase its area of competency and influence – met this demand by "herald[ing] the creation of administrative structures for managing environmental problems in an integrated fashion."[22] The OECD debates, but also the 1972 UN *Conference on the Human Environment* and the broader environmental discourses, ushered in the first period of institutionalization of national environmental ministries: Starting with Britain in 1970, within three years a third of OECD member countries had institutionalized environmental politics as a key federal responsibility.[23]

When the problems of environmental degradation first came to the center of national and international policy debates, they were discussed not as a separate new field of scientific enquiry and policies, but as an economic problem of the first order. While sectoral work by natural scientists had hitherto dominated the emerging environmental policies, in 1970 the OECD deliberately adopted an "economic approach" to

Growth, February 27, 1970. On the NATO, see Hamblin, "Environmentalism for the Atlantic Alliance." On other international organizations, see Bernstein, *The Compromise of Liberal Environmentalism*; John McCormick, *The Global Environmental Movement* (New York: Wiley, 1995); Frank Biermann and Bernd Siebenhüner, *International Organizations in Global Environmental Governance* (London and New York: Routledge, 2009).

[20] OECD-HA, Box 36486, Eldin to van Lennep, January 16, 1970; C/M(70)1, January 13, 1970; C/M(70)2, January 20, 1970; BAK, B 102/90682, OECD Ministerratstagung, Sachstand und Stellungnahme, May 11, 1970.

[21] TNA, FCO 55/417, Chadwick to FCO, February 2, 1970. See also OECD-HA, ENV (70)15, General Outline of the 1971 Programme Proposal, November 4, 1970.

[22] OECD-HA; ENV(70)20, National Administrative Arrangements for the Co-ordination of Approaches to Environmental Problems, November 5, 1970.

[23] In 1971 and 1972, the following countries set up environmental ministries: Australia, France, Canada, the Netherlands, Denmark, Norway, and Austria. On the international diffusion of environmental ministries, see Per-Olof Busch and Helge Jörgens, "International Patterns of Environmental Policy Change and Convergence," *European Environment* 15, no. 2 (2005): 80–101; Helge Jörgens, "Die Institutionalisierung von Umweltpolitik im internationalen Vergleich," in *Umweltpolitik der Industrieländer. Entwicklung – Bilanz – Erfolgsbedingungen*, ed. Martin Jänicke (Berlin: Edition Sigma, 1996), 59–112.

environmental issues, seeing these as a continuation of its work on economic growth in the 1960s, and focused both on microeconomic and macroeconomic problems.[24] Characteristically, a documentation for the 1970 Ministerial meeting argued, "[e]nvironmental problems cannot be dissociated from their economic context" because these problems are largely "byproducts of economic activities, generally operations of production or consumption," and therefore have to form part of economic policy.[25] The economic outlook of the OECD's work on environmental questions was institutionalized from the beginning: To assist the Secretariat in the new field and to "act as a watchdog to ensure that environmental problems are considered as a total system," the OECD set up a Central Analysis Unit that was charged with the development of analytical methods such as cost–benefit analysis, technological forecasting, econometric work, and systems analysis.[26] The OECD employed several influential economists as consultants who were at that time involved in setting up environmental economics.[27] To advise the Environment Committee and the Secretariat the OECD further created a small and restricted Sub-Committee of Economic Experts, in which economists from selected member countries developed environmental policy frameworks.[28] And the Secretariat organized "think tank" seminars at which eminent scholars in the emerging field of ecological and welfare economics advised the organization on social indicators, methods of analysis and evaluation, and on policy options in addressing social and ecological externalities.[29] Many of these discussions and proposals were taken up in the following years and decades by member countries, which welcomed the expertise generated by the OECD in this new policy field. The OECD tried to partially incorporate the new perspectives from

24 OECD-HA, Box 36486, Secretariat Co-ordination Group on Welfare and Environment Policy, Summary Record, September 14, 1970; TNA, FCO 55/420, Roger to Arculus, April 3, 1970; Wilfred Beckerman, "Environmental Policy: The Contribution of Economics," *The OECD Observer* 60 (October 1972): 34–36.

25 OECD-HA, C(70)70, Documentation for Meeting of Council at Ministerial Level, May 15, 1970.

26 OECD-HA, ENV(70)19, Economic Analysis and Evaluation, November 12, 1970.

27 One survey, for example, was prepared among others by Robert U. Ayres, influential growth critic and ecological economist. OECD-HA, ENV(71)4, Survey of environmental protection policies, March 11, 1971. See also ENV(71)19, Observations on Environmental Issues, Memorandum by Professor C. L. Wilson, May 12, 1971.

28 OECD-HA, ENV(71)10, Proposed method for the preparation of Committee discussion on economic and trade issues related to environmental problems and policies, March 10, 1971; ENV/M(71)1, March 24–26, 1971. In 1975 the Sub-Committee evolved into the Group of Economic Experts. Long, *International Environmental Issues and the OECD, 1950–2000*, 52.

29 OECD, *Problems of Environmental Economics. Record of the Seminar Held at the OECD in Summer 1971* (Paris: OECD, 1972).

ecological and welfare economics, while at the same time actively countering the widespread view that the environmental problems were demonstrating the "inadequacy of traditional economic theory and the need for some sort of 'revolutionary' new approach to economics."[30]

Promoting the compatibility of environmental policies, markets, and growth

The general thrust of the OECD's environmental work has been adequately summarized in an internal document in 1971:

> We, here in OECD, feel that we have a special responsibility for the OECD member countries [. . .], which follow the market economy. Our responsibility is to see that stable economic growth continues to occur within the market economy and that institutional arrangements are made so that pollution control works towards a stronger and more effective market economy rather than towards a reduction of market forces.[31]

Whereas the OECD's environmental outlook had originally emerged from the debates critical of quantitative growth that were characterized by a profound questioning of traditional statistical methods, expansion, and the self-regulatory powers of markets, in the following years the OECD abandoned its more radical questioning. As the organization advanced from the reconsideration of basic economic assumptions and structures of the growth paradigm to the level of intergovernmental negotiation, institutionalization, and the preparation of more tangible results, the OECD increasingly focused on assisting member countries in setting up environmental policies in line with its general mandate – the protection of free markets and the promotion of economic growth. The environmental policy norms the OECD produced in these two areas, which will be analyzed in turn, proved essential to the international establishment of what Steven Bernstein has called "liberal environmentalism."[32]

[30] Beckerman, "Environmental Policy," 36. That most of the debates in the OECD in the 2000s were already prefigured in the 1971 think tank seminars has been noted by John Stephenson and Simon Upton. See the OECD report SG/SD/RT(2010)3, "Strategies for Green Growth: Framing the Issues," December 2010.

[31] OECD-HA, Box 36482, Draft Answers for the Secretary-General on Questions on Pollution, February 2, 1971.

[32] Bernstein, *The Compromise of Liberal Environmentalism*. See also Maarten A. Hajer, *The Politics of Environmental Discourse: Ecological Modernization and the Policy Process* (Oxford: Oxford University Press, 1995); on OECD work on environmental issues, see Long, *International Environmental Issues and the OECD, 1950–2000*. The OECD's extensive work on air and water management, urban policy, unintended occurrence of chemicals, waste management etc. will be neglected in the following sections. See Ibid., 33–59.

First, the OECD focused on the development of institutional arrangements to ensure that environmental policies strengthened the market economy rather than leading to "a reduction of market forces."[33] The key task of the OECD was to answer the following question:

How best to limit distortions in international competition and to preclude non-tariff barriers to trade, erected in the name of a nation's health, clean living conditions or safety? How, in effect, to prevent environmental protection from becoming another form of protectionism?[34]

Already by 1972 the OECD's Environment Committee had developed the highly influential and famous Polluter Pays Principle (PPP).[35] The PPP stated that in order to avoid distortions in international trade and investment, the costs of ensuring that the environment stays clean should generally be reflected in the prices of the polluting goods and services and should not be distorted by national subsidies.[36] The perspective underlying this approach was decidedly market-oriented:

Thus environmental factors – clear air and water, for example – can be brought into the economic calculus along with the more traditional factors of production: they can be given a price. This approach has been considered the most efficient way of reducing pollution and the one least likely to distort international economic exchanges, if no subsidies are given.[37]

In November 1974, the OECD organized the first meeting of environment ministers, which was chaired by Gro Harlem Brundtland, then Norway's environment minister and later prime minister and head of the UN's World Commission of Environment and Development (WCED).[38] The message of the meeting was ambivalent. On one hand, a *Declaration on Environment Policy* proclaimed the protection and improvement of the quality of the environment as "a major objective of the OECD Member

[33] OECD-HA, Box 36482, Draft Answers for the Secretary-General on Questions on Pollution, February 2, 1971 (draft by Roderick).

[34] OECD-HA, C(72)128, Recommendation on Guiding Principles Concerning the International Economic Aspects of Environmental Policies, May 26, 1972; OECD, *OECD at Work for the Environment*, 11; Long, *International Environmental Issues and the OECD, 1950–2000*, 44.

[35] OECD-HA, ENV(73)19, The "Polluter-Pays" Principle. Scope and Recommendations for putting it into force, February 21, 1973. The PPP was first officially adopted in the *Guiding Principles concerning International Economic Aspects of Environmental Polices* that also contained standards on the harmonization of environmental standards, a non-discrimination rule between countries to ensure conformity with GATT, and principles on product standards, compensatory import levies, and export rebates.

[36] OECD-HA, C(72)128, Recommendation on Guiding Principles Concerning the International Economic Aspects of Environmental Policies, May 26, 1972.

[37] OECD, *OECD at Work for the Environment*, 9.

[38] OECD-HA, C(74)177, Recommendation of the Council on the Implementation of the Polluter-Pays Principle, November 14, 1974.

countries" and promoted the "improvement of human well-being" as the key goal.[39] Consequently, the OECD attempted to extend the "new frontier of economics" through work on "environmental indicators" aimed at "measure[ing] a nation's social performance in more concrete terms," which, however, proved difficult to agree upon.[40] On the other hand, the impressive wave of OECD legislation in the environmental field launched at the meeting and in the following years merely dealt with transfrontier pollution (i.e., non-discrimination and equal right of hearing), liberal trade rules, and the PPP. It thus focused more on preventing protectionist environmental subsidies or distortions of international trade than on actually reducing environmental harm.[41] A related concern within the OECD was "The Burden on the Private Sector" resulting from higher taxes for environmental measures and the diminishing profits due to rising pollution control costs, which were studied by WP-2.[42] Further, in the context of the oil crisis, the OECD came to focus more on the security and stability of energy sources than on their polluting effects. Ironically, one day after the first ever meeting of environment ministers in November 1974, the International Energy Agency (IEA) was established as a subsidiary body of the OECD charged with coordinating Western oil consumers' interests.[43]

[39] OECD-HA, C(74)179, Resolution of the Council concerning the Declaration on Environment Policy, November 14, 1974.

[40] OECD, *OECD at Work for the Environment*, 8. Whereas in the 1970s the OECD only achieved agreement in the context of social indicators, in the late 1980s the OECD developed and published the first international sets of environmental indicators and has since been highly active in this field. OECD, *Environmental Indicators: A Preliminary Set* (Paris: OECD, 1991); OECD, *Environmental Indicators: OECD Core Set* (Paris: OECD, 1994); OECD, *OECD Key Environmental Indicators 2008* (Paris: OECD, 2008).

[41] OECD, "10 Recommendations of OECD's Environment Ministers," *The OECD Observer* 72 (October 1974): 9–11. See also OECD-HA, C(74)178, Recommendation of the Council on Principles concerning Transfrontier Pollution, November 14, 1974; OECD, "Who 'Exports' and Who 'Imports' Pollution?," *The OECD Observer* 70 (June 1974): 12–13. While in the following years the PPP became an important norm used by environmentalists to pressure for the internalization of the costs of pollution, in its weak form, as articulated by the OECD, it contained too many exceptions to be effective. On the difference between weak and strong PPP, see Vito de Lucia, "Polluter Pays Principle," in *Encyclopedia of the Earth*, ed. Cutler Cleveland (Washington: Environmental Information Coalition, National Council for Science and the Environment, 2008); Candice Stevens, "Trade and the Environment: The OECD Guiding Principles Revisited," *Environmental Law* 23 (1993): 607–19.

[42] OECD-HA, CPE/WP2(73)2, Pollution Control: The Burden on the Private Sector, June 18, 1973.

[43] OECD-HA, C(74)180, Decision of the Council Establishing an International Energy Agency of the Organisation, November 15, 1974. On the IEA, see Richard Scott, *The History of the International Energy Agency: The First Twenty Years* (Paris: International Energy Agency, 1994); Steeg, "Role of the International Energy Agency;" Graf, *Öl und Souveränität: Petroknowledge und Energiepolitik in den USA und Westeuropa in den 1970er Jahren.*

Alongside this attempt to frame environmental policies as compatible with international free markets, the OECD focused on proving through comparative systematic studies that environmental policies would not significantly diminish economic growth rates. When environmental questions arrived with a full blow in the international policy arena, experts within the Secretariat, but also within national ministries, were uncertain as to the magnitude of the problem. In particular the question whether in the longer term sincere actions to counteract environmental damage would not lead to a reduction of economic activity was open for debate.[44] At the first meeting of the newly founded Environment Committee in November 1970, van Lennep's opening statement framed the essential antagonism structuring the debate as the possible conflict between economic growth and environmental integrity:

> The argument is sometimes voiced that there is a fundamental conflict between continued economic expansion and the maintenance of a high quality of environment; and that in order to arrest the process of environmental degradation we may have no other alternative but to abandon or at least severely curtail economic growth.

While the general uncertainty about the costs and benefits of quantitative economic growth were key to the emergence of international environmental policy debates, the response was already fixed from the beginning. Thus, van Lennep dismissed the foregoing argument as ill-founded and appeased the exceptionally large high-level meeting by arguing that the solution

> is not to abandon growth but to encourage growth of the right kind by wisely allocating our limited resources; not to curtail production but to create new mechanisms and institutions which would more effectively cope with the "externalities" which presently are not taken into account in the framework of our market mechanism.

Van Lennep's argument was twofold: First, he asserted that the end of growth would lead to a decline in well-being because "priority social aims [. . .] can only be satisfied by increased national wealth" – he antedated poverty, unemployment, less homes, education, and medical services, and even undernourishment. Second, he argued that the end of growth would not lead to a restoration of the physical environment, but could only help in arresting further degradation, while the internalization of ecological externalities could achieve both, growth and improvements in environmental quality.[45]

[44] OECD-HA, C/M(70)13, May 12, 1970; TNA, FCO 55/421, Chadwick, OECD Ad Hoc Preparatory Committee on the Environment, May 7, 1970.

[45] OECD-HA, Annex 1 to the minutes of the first meeting, ENV/M(70)1, November 24–25, 1970. See also OECD, "New Thinking on Economic Growth."

During the 1970s, the OECD worked on substantiating these assertions, aiming on one hand at conciliating the private sector and government officials, who feared the negative impacts of environmental legislation, and on the other at countering the arguments from ecological movements and what were called the "doomsday prophets," who insisted that there was an inherent conflict between a growth-economy and ecological sustainability. By assigning this key question to economists rather than system theorists or ecologists, the OECD framed this possible conflict only in terms of monetary values, boiling the multifaceted questions down to econometric calculations of the costs of environmental protection in relation to annual increases of GNP. The first statistical study was undertaken by the Subcommittee of Economic Experts and came to the conclusion that for six countries, for which partial data were available, the total pollution control costs during the entire 1970s would be below 3 percent of GNP.[46] When the importance of the question was considerably boosted in the debate leading up to the publication of the Club of Rome's first report, the OECD delegated this task to the EPC's WP-2, which came to the conclusion that the effects on GNP would be even smaller than hitherto estimated, accounting for less than 1 percent of member countries' GNP by 1980.[47]

As argued in the last chapter, environmental discourses changed dramatically with the economic turmoil in the context of oil crisis and stagflation in the mid-1970s. There was not only what has been called an "energy backlash" against environmental policies, but generally other issues such as stability, employment, trade, and growth suppressed environmental concerns.[48] At a meeting of the Environment Committee in 1977, Secretary-General van Lennep observed that

> The international economic scene, as you all know, has, in the last few years, been extremely preoccupied with the energy crisis and with recession, inflation, unemployment, balance of payments problems, and with the "Dialogue" between the North and the South. These important and difficult issues have preoccupied our Governments very much and it looks as if the environmental problems [. . .] have somewhat been put in the background.[49]

[46] OECD, "Some Recent OECD Initiatives in the Field of the Environment," *The OECD Observer* 62 (February 1973): 8–10.

[47] OECD-HA, C(73)237, Economic Implications of Pollution Control. A General Assessment, November 23, 1973; OECD, "New Thinking on Economic Growth"; OECD, *Economic Implications of Pollution Control: A General Assessment* (Paris: OECD, 1974).

[48] Hilliard Roderick, "Energy and the Environment: A Conflict of Interest or Two Aspects of a Single Policy?," *The OECD Observer* 70 (June 1974): 9.

[49] OECD-HA, ENV/M(77)1/Annex. See also Long, *International Environmental Issues and the OECD, 1950–2000*, esp. 53–60.

Nonetheless, and quite independently of the difficulties to prove this empirically, the OECD further pushed forward its thesis of the compatibility between growth and environmental policies. In the following years, the OECD even advanced a Schumpeterian line of argument, according to which environmental policies could stimulate innovation in new methods of production, industrial organization, open up new consumer markets, and strengthen those forces that are, according to Schumpeter, the "fundamental impulse that sets and keeps the capitalist engine in motion."[50] For example, in 1974 Hilliard Roderick, director of the OECD's Environment Directorate, argued that pollution control measures would actually stimulate rather than slow down economic growth due to the need for green technological innovations and replacements.[51] As discussed in the Epilogue, from the 1970s onwards both the market-liberal approach to environmental problems and the assumed harmony between economic growth and environmental integrity have continued to fundamentally structure environmental debates.

The OECD's social indicator program: ambitious objectives and slow progress

The OECD's work on social indicators between 1970 and 1985 was an integral and quite influential part of what has been called the "social indicators movement."[52] This intellectual current, social science research effort, and reform program of national statistical offices was an outgrowth of the critique of quantitative economic growth of the late 1960s. It involved social scientists, statistical experts, and policy-makers in a quest to comprehensively model and measure the different aspects that contributed to the "quality of life." The main functions of social indicators were the measurement of levels, distributions, and changes in individual and social welfare, in particular the monitoring of social change over time, also with a view to explaining these changes and thus influencing policy-making.[53]

50 Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper, 1975), 82.
51 Roderick, "Energy and the Environment."
52 The history of that movement still has to be written. See, however, Frédéric Lebaron, *Les indicateurs sociaux au XXIe siècle* (Paris: Dunod, 2011); Gadrey and Jany-Catrice, *New Indicators*. Accounts by key protagonists give some first impressions: M. Joseph Sirgy, Alex C. Michalos, Abbott L. Ferriss, Richard A. Easterlin, William Pavot, and Donald Patrick, "The Quality-of-Life (QOL) Research Movement: Past, Present, and Future," *Social Indicators Research* 76, no. 3 (2006): 343–466; Frank M. Andrews, "The Evolution of a Movement," *Journal of Public Policy* 9, no. 4 (1989): 401–5.
53 Heinz-Herbert Noll, "Social Indicators and Quality of Life Research: Background, Achievements and Current Trends," in *Advances in Sociological Knowledge over Half a Century*, ed. Nikolai Genov (Paris: International Social Science Council, 2002), 171–72. Mancur Olson defined social indicators as a "statistic of direct normative interest which

Building on earlier predecessors, similar debates emerged in most OECD countries in the late 1960s. The modern social indicator approach was first formulated in attempts by the US National Aeronautics and Space Administration (NASA) to assess the impact and spillover effects of the American space program on US society.[54] It rapidly spread to most OECD countries. In 1969, US economist Mancur Olson wrote an influential study for the Department of Health, Education, and Welfare, *Towards a Social Report*. In France, a prestigious research project that included Pierre Bourdieu questioned the social benefits of quantitative growth and advocated the need for more qualitative measures of wealth, a demand that was later taken up by Jacques Delors within the French Plan. In Britain, the Social Science Research Council organized prestigious conferences on social indicators, in which Alexander King also participated. And also in Japan there were intense discussions about alternative measures of welfare.[55]

In the 1970s several international organizations started to work on new statistical measures, focusing either on a better collection of social statistics (UNECE, UNRISD, EEC) or on developing indicators in specific areas (ILO for employment, UNESCO for education, WHO for health).[56] The OECD's Social Indicator Program, which collaborated closely with these organizations, was in its initial ambitions the most far-reaching of these endeavors, but, as will be argued, also quite unsuccessful in achieving its goals. Between 1971 and 1985, when the program was wound up, delegates from all member countries, but also from the EEC, ILO, UN, and UNESCO, participated in the OECD's "Working Group on Social Indicators."[57] To give political impact to its work, the OECD included

facilitates concise, comprehensive and balanced judgments about the condition of major aspects of a society. It is in all cases a direct measure of welfare and is subject to the interpretation that if it changes in the 'right' direction while other things remain equal, things have gotten better, or people are 'better off.'" US Department of Health, Education, and Welfare, ed., *Towards a Social Report* (Washington: US Government Printing Office, 1969), 97.

54 Noll, "Social Indicators and Quality of Life Research," 168f.; Clifford W. Cobb and Craig Rixford, *Lessons Learned from the History of Social Indicators* (Washington: Redefining Progress, 1998).

55 US Department of Health, Education, and Welfare, *Towards a Social Report*; Desrosières, "Bourdieu et les statisticiens: une rencontre improbable et ses deux héritages"; Lebaron, "Pierre Bourdieu"; Andrew Shonfield and Stella Shaw, *Social Indicators and Social Policy* (London: Heinemann Educational Books, 1972); Tsuru, *Japan's Capitalism*, 138–46; O'Bryan, *The Growth Idea*, 180–84.

56 OECD, *Measuring Social Well-Being. A Progress Report on the Development of Social Indicators* (Paris: OECD, 1976), 11; OECD, *1976 Progress Report on Phase II* (Paris: OECD, 1977), 13–17. See also JRNS/6/4, Richard Stone, Statistical Contributions to Socio-Economic Analysis and Policy, April 1972.

57 This was WP-1 of the Manpower and Social Affairs committee. See OECD-HA, MO/WP1/M(75)1, May 20–23, 1975.

not only officials from member countries' statistical offices and economists, sociologists, and statisticians from important social science research institutes in its work program, but also representatives from treasuries, finance departments, and labor ministries, thus taking into account the perspectives of both "producers and potential users of social statistics."[58]

What were the objectives of the OECD's program? OECD officials had initially envisaged an ambitious effort to harmonize social statistical systems in OECD member countries in a similar way as this had been done for GNP accounting in the 1950s. In 1971, the Secretariat defined the goal as the

> co-ordinated development of an information system (social indicators) with the general objectives of (i) identifying the social demands, aspirations and problems which are, will be, or should be claimants for major attention; (ii) measuring and reporting the progress and/or retrogression in meeting these demands, and thus (iii) better focusing and enlightening public discussion and decision-making.[59]

This ambition to define social demands, conceptualize indicators to measure the "quality of life," and use these to realign policies through the harmonized introduction of social indicators in all member countries pervaded the general discourse within the Secretariat in the early 1970s. Rene Bertrand, head of the organization's national accounting branch, argued that "a number of countries are now pressing ahead developing their own systems [of social indicators], and that, unless international classifications were established quickly it would be too late because countries would each have gone their own ways." His hope was – and this became a key justification for the OECD's program – that "the OECD could act in time," while other international organizations with wider and more diverse membership such as the UN could not.[60]

The OECD did not merely aim at collecting and standardizing already existing data, many of which were regarded as irrelevant or misleading. Rather, it ventured on an international investigation into underlying normative questions by trying to reach agreement among member governments on "what is meant by well-being or 'quality of life' and hence what it is that should be measured."[61] In contrast to the historical origins of national income accounts, the conception of which had been heavily

[58] TNA, FCO 69/234, J. M. Bridgeman, OECD work on social indicators. Note by H. M. Treasury and the Central Statistical Office, March 18, 1971.

[59] OECD-HA, SI 9, Social Indicators Development Programme, December 28, 1971, attached to CPE/WP2(72)2, February 4, 1972.

[60] TNA, FCO 69/234, J. M. Bridgeman, OECD work on social indicators. Note by H. M. Treasury and the Central Statistical Office, March 18, 1971.

[61] OECD, "How to Measure Well-Being," 36.

influenced by the availability of data, the OECD's social indicator program consciously started with the difficult task of first defining what should be measured. This was regarded as important to ensure "that availability (or ease) of measurement does not unduly influence the choice of what needs measuring."[62] For example, while progress in health was conventionally assessed by an increase in the number of hospital beds or doctors per 10,000 inhabitants, measured as a fraction of GNP expenditures, the OECD argued this was a bad set of data since "what one would like to measure is the number of people who *are* healthy and the number of years of healthy life they lead."[63]

To achieve these objectives, the OECD proceeded in three partly overlapping steps. In the first phase (1971–1973), the organization endeavored to find consensus on a "definition of what is meant by 'quality of life'"; in the second phase (1973–1980), the goal was to proceed toward defining specific indicators that enable "the measurement of the quality of life"; and the third phase (1976–1985) was devoted to the partial implementation and voluntary reporting on some of these indicators.[64] While quite successful regarding the first step, the definition of "social concerns," the OECD only partially achieved concrete definitions of quantifiable "social indicators" to measure these concerns and largely failed regarding the third, the implementation and reporting of these indicators by member countries.

In May 1973 OECD ministers succeeded in officially approving a *List of Social Concerns Common to Most OECD Countries*, which became highly influential for subsequent academic and governmental efforts in this field until today.[65] This list identified twenty-four fundamental "social concerns" in eight areas.[66] Analyzing societal aspirations that the governments of industrialized countries had identified would go beyond the scope of this chapter.[67] However, as can be seen in Table 9.1

62 David E. Christian, "International Social Indicators: The OECD Experience," *Social Indicators Research* 1, no. 2 (1974): 179.
63 OECD, "How to Measure Well-Being," 36.
64 OECD, *Measuring Social Well-Being*, 7–8.
65 OECD, *List of Social Concerns Common to Most OECD Countries* (Paris: OECD, 1973).
66 14 of the concerns also had a total of 56 sub-concerns. Some aspects have been left out such as aesthetic values or "love and friendship" since these were regarded as "not amenable to quantification." OECD, "How to Measure Well-Being," 37. – In this framework, a "social concern" was defined as "an identifiable aspiration or concern of fundamental and direct importance to human well-being," and thus as a societal end as opposed to a means, which had only instrumental or indirect importance for well-being. OECD, *List of Social Concerns Common to Most OECD Countries*, 9.
67 The list was subsequently overhauled in line with new findings. For an updated list and the discussions leading to these changes, see OECD, *Measuring Social Well-Being*, 35–155.

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Table 9.1 *Comparison of the list of social concerns common to most OECD countries (1973) and the indicators used in the OECD's Better Life Index (2011)*

Topics 1973	Fundamental social concerns from the OECD list of 1973	Topics 2011	Better Life Index indicators of 2011
Health	The probability of a healthy life through all stages of the life cycle	**Health**	Life expectancy
	The impact of health impairments on individuals		Self-reported health
Individual development through learning	The acquisition by children of the basic knowledge, skills and values necessary for their individual development and their successful functioning as citizens in their society	**Education**	Student's skills in maths, reading and science
	The availability of opportunities for continuing self-development and the propensity of individuals to use them		
	The maintenance and development by individuals of the knowledge, skills and flexibility required to fulfill their economic potential and to enable them to integrate themselves in the economic process if they wish to do so		Years in education
	The individual's satisfaction with the process of individual development through learning, while he is in the process		Educational attainment
	The maintenance and development of the cultural heritage relative to its positive contribution to the well-being of the members of various social groups		
Employment and quality of working life	The availability of gainful employment for those who desire it	**Jobs**	Employment rate
			Long-term unemployment rate
	The quality of working life		Personal earnings
	Individual satisfaction with the experience of working life		Job security
Time and leisure	The availability of effective choices for the use of time	**Work-life balance**	Employees working very long hours
			Time devoted to leisure and personal care
Command over goods and services	The personal command over goods and services	**Income**	Household disposable income
	The number of individuals experiencing material deprivation		
	The extent of equity in the distribution of command over goods and services		
	The quality, range of choice and accessibility of private and public goods and services		
	The protection of individuals and families against economic hazards		Household financial wealth
Physical environment	Housing conditions	**Housing**	Rooms per person
			Housing expenditure
			Dwelling with basic facilities
	Population exposure to harmful and/or unpleasant pollutants	**Environment**	Air pollution
	The benefit derived by the population from the use and management of the environment		Water quality
Personal safety and the administration of justice	Violence victimization and harassment suffered by individuals	**Safety**	Homicide rate
	Fairness and humanity of the administration of justice		Assault rate
	The extent of confidence in the administration of justice		
Social opportunity and participation	The degree of social inequality	**Civic engagement**	Voter turnout
	The extent of opportunity for participating in community life, institutions and decision- making		Consultation on rule-making
		Community	Quality of support network
		Life satisfaction	Life Satisfaction

that juxtaposes this early list with the indicators in the OECD's *Better Life Index* of 2011, the 1973 agreement was quite trendsetting and far-reaching.[68] It already contained almost all the issues that social indicators try to measure today, the phrasing of the social concerns even testifies to a more sincere attempt to move beyond market valuation than the *Better Life Index*, and the 1973 list included some additional concerns that have vanished since such as the degree of inequality in income and wealth, the quality of working life, or the availability of public goods and services.[69]

Ministers also expressed the intention to proceed to identify desired indicators that could actually comparably measure the status and change of the social concerns, aiming ideally at defining "a single major indicator for each social concern."[70] Yet this second phase was much more difficult and the working party only reached agreement on preliminary indicators for around half of the social concerns.[71] The OECD published a progress report and a series of specialized reports, written by experts from member countries, which covered issues ranging from the measurement of work satisfaction to disability, time use, and victimization.[72] The achievements were very uneven because for some areas such as health there already existed considerable agreement on objectives and concepts, or the OECD could even use already existing indicators, while for other issues such as leisure time basic conceptual questions had to be solved in difficult and time-consuming negotiations.[73] It took until 1980 for the OECD to adopt a report that presented the first international set of indicators, which did, however, not cover all the social concerns identified by the OECD.[74]

Even though a successful completion of the second phase was not in sight, in early 1976 the OECD started with the third phase, the partial implementation of the social indicators. The Secretariat, which had

[68] OECD, *List of Social Concerns*; OECD, *How's Life? Measuring Well-Being* (Paris: OECD, 2011). See also www.oecdbetterlifeindex.org.

[69] OECD, *List of Social Concerns*. The attempt to move beyond market valuations is apparent in the formulation of one social concern as the "personal command over goods and services," which was in 2011 reduced to the average disposable income and wealth of households.

[70] OECD, "How to Measure Well-Being," 37. See also Christian, "International Social Indicators," 180.

[71] OECD-HA, MO/WP1(75)2, Social Indicators: 1975 Program of Work, March 28, 1975; OECD, *1976 Progress Report on Phase II*, 3–8, 24–32.

[72] See the various titles in the series "OECD Social Indicator Development Programme, Special Studies."

[73] OECD, *Measuring Social Well-Being*.

[74] Among the 33 indicators were the distribution of wealth, fatal occupational injuries, adult education, and the suicide rate. The list is published in OECD, *The OECD List of Social Indicators* (Paris: OECD, 1982), 13, more details are given on p. 23–47. See also OECD-HA, MO/WP1(80)2, Draft Synthesis Report of Working Party, January 28, 1980.

originally envisaged to have finished the development of indicators by that time, proposed to at least develop a set of "First Generation Social Indicators" as a target for reporting within two to three years. However, a group of countries had lost interest in the program, which they regarded as ineffective and too expensive, and the "North American/UK/Sweden block" obviated this proposal.[75] The agreement that was finally reached was that small groups of member countries could voluntarily collaborate in a dozen of "Common Development Efforts" to share their experience and expertise, working either on precise statistical definitions or on broader conceptual problems, and report back to the entire working group.[76] Emphasis was laid on reaching agreement on some indicator specifications as soon as possible and to start relating these to available data on a pilot basis in order to prompt national statistical activities in member countries.[77]

Far from becoming a prelude to generalized social reporting in OECD countries, in the 1980s the program had been reduced to "a professional forum for exchanges and review purposes" and to an attempt by the Secretariat to collect existing data from member countries for those indicators where agreement had been reached.[78] The resulting final product of the OECD's 15-year effort, the 1986 report *Living Conditions in OECD Countries: A Compendium of Social Indicators*, epitomized the unfinished and fragmentary state of the OECD's endeavor. Not only were many indicators not finished and thus not included, but few countries had reported numbers, almost none of the scattered data was comparable between countries, and the total absence of time series did not allow any assessment of trends. As already decided in the late 1970s, the OECD discontinued its social indicators program in 1985.[79]

The impediments of defining alternatives to quantitative growth

The OECD's effort to develop social indicators to overcome the focus on GNP growth, as well as the organization's environmental work, did not lead to the refocusing of policies originally envisioned in the debate on the "problems of modern society." Indeed, as repeatedly stated by

[75] TNA, T 371/267, Halley to Anson, March 15, 1976; T 371/268, Halley, Report of a Meeting of the OECD Social Indicators Working Party, March 29–31, 1976.
[76] OECD, "Progress on Social Indicators," *The OECD Observer* 85 (March 1977): 24–27.
[77] For more details on the CDE's, see OECD, *1976 Progress Report on Phase II*.
[78] TNA, T 371/505, Halley to Butler, March 7, 1978.
[79] OECD, *Living Conditions in OECD Countries: A Compendium of Social Indicators* (Paris: OECD, 1986).

protagonists of the social indicators movement, the OECD has "heavily influenced modern social reporting" and initiated regular publications of national social reports in most member countries.[80] However, five factors stood in the way of actually producing an internationally harmonized system of social indicators that could reorient policies away from growth toward furthering social well-being. As a close reading of the reemerging debate on redefining progress since the 1990s shows, these difficulties stand symptomatic of the larger challenges involved in this search for alternatives to the growth paradigm until today.[81]

First, OECD bureaucrats had underestimated the difficulty of producing in abstract, at the international level, a universal and workable definition of the "quality of life" and of agreeing on suitable indicators amenable to measurement and comparison. The OECD project was based on the powerful idea that

> the composition of social well-being has an inter-cultural and inter-temporal sameness, but that actual levels of well-being within its component parts may differ between societies and between different points in time.[82]

However, exactly defining this universal "sameness" that supposedly characterized social well-being for all societies, cultures, and for all times, was more than a technocratic exercise. One of the main objections to the whole endeavor, Secretary-General van Lennep conceded, was that social indicators were "normative."[83] Even though, of course, economic indicators such as GNP were also normative, this pointed to the heart of the difficulties encountered by the working party in many of its arduous discussions: Identifying indicators that measure societal progress and social well-being necessarily involved extremely difficult value judgments that were further complicated in an international arena, where diverging social and political cultures, interests, and statistical traditions clashed.[84]

[80] Noll, "Social Indicators and Quality of Life Research," 184. See also Christian, "International Social Indicators"; OECD, *Living Conditions in OECD Countries*, 6. These reports first appeared regularly in Britain (Social Trends, first edition in 1970), France (Données Sociales, 1973) Netherlands (Social and Cultural Report, 1974), Norway (Sosialt Utsyn, 1974), Sweden (Perspectiv pa Välfärden, 1974), Denmark (Levelikar I Danmark, 1976), Austria (Sozialstaatliche Daten, 1977), Germany (Datenreport, 1983), Italy (Sintesi della Vita Sociale Italiana, 1990). Noll, "Social Indicators and Quality of Life Research," 182; OECD, *Measuring Social Well-Being*, 158; OECD, *1976 Progress Report on Phase II*, 11.

[81] Cassiers, *Redefining Prosperity*.

[82] OECD, *Measuring Social Well-Being*, 14.

[83] Van Lennep in an interview, quoted in Hazel Henderson, "What's next in the Great Debate about Measuring Wealth and Progress?," *Challenge* 39, no. 6 (1996): 52.

[84] Symptomatically, see the heated debates at the last meetings. TNA, T 371/505, Halley, Supplementary Notes on Discussion of OECD Working Party Social Indicators Draft Report, March 22, 1978; Halley, OECD Working Party on Social Indicators, March 22, 1978.

This was much more difficult than the international harmonization of national income accounting in the early 1950s, which had been achieved by a small and exclusive group of economists, who relied on supposedly technical expert discourses, and whose task was much more narrowly defined as measuring economic output.

Second, when the organization started to work on social indicators, there was no established conceptual framework the OECD could simply standardize and internationalize. The few existing concepts by sociologists and social accounting experts were still extremely fragmentary and inconsistent.[85] Even though, as argued in Chapter 1, the standardization of national income accounting in the early 1950s involved considerable conflicts about the exact demarcations of what was included as economic activity, in the late 1940s and early 1950s international experts could rely on a relatively well-established economic theory. In contrast, for social indicators there was no readily developed framework that could have structured the debates. As van Lennep remarked, existing work on social indicators was at a "very early stage and lacks the precision and thorough analysis which Kuznets gave to our national accounting systems and Keynes gave to our economic policy objectives."[86]

Third, the OECD's working party often lacked the required technical level of expertise in a great variety of different fields covered by the identified social concerns and it did not connect well to the ongoing academic debates on the issue, even though selectively involving some of the key social scientists. The OECD's definition of the "quality of life," which was ingrained in the *List of Social Concerns*, relied neither on scientifically established results nor on public debates or surveys of what people actually valued, but solely on the opinions of government officials. This deliberate "political judgment approach," which aimed at reaching international consensus among bureaucrats, rested uncomfortably with the ongoing academic research.[87] While the OECD's work was attentively noticed and appreciated among Western scholars for its official status, social scientists argued that much more research, model building, and empirical studies were necessary before valid social indicators could be defined. They further criticized the OECD's indicator program as an

[85] Noll, "Social Indicators and Quality of Life Research."

[86] OECD-HA, Box 36483, Van Lennep, speech at the BIAC Luncheon, Tokyo, April 27, 1970.

[87] Christian, "International Social Indicators," 179. For a more recent critique of top-down philosophical attempts to define well-being, see Avner Offer, "Introduction," in *In Pursuit of the Quality of Life*, ed. Avner Offer (New York: Oxford University Press, 1996), 1–17.

impractical "armchair" proposal that was characterized by "narcissism, arrogance, and insularity."[88]

Fourth, member states were generally unwilling to rebuild their social statistical efforts in line with the OECD's framework. The requirements for the development of indicators, set by the OECD itself in its "guidelines," were very ambitious and included standards of validity, criteria for disaggregation and aggregation, for inter-temporal and international comparability, intelligibility, and the potential availability of data, all of which included many technical questions and judgments on which member countries had to find agreement.[89] Progress in this difficult undertaking was generally slow, only possible for some of the indicators, and often not on an OECD-wide basis. By 1977, the Secretariat had to admit that "members of the OECD were never going to be prepared to adapt their statistical systems in any really fundamental way."[90] Before the OECD had finished its program in the early 1980s, member countries had already institutionalized a total of over 200 different indicators on which data were collected, but which could not be easily compared internationally.[91] Member countries were not willing to forfeit their national sovereignty in producing diverging national social statistical systems. Some officials also feared that if the OECD would actually publish social statistics, these could put as much pressure on domestic politics as the OECD's economic reports did. The British Treasury, for example, rejected the publication of "international comparative league tables [of social indicators by the OECD], which could expose UK policies to pressure, and in effect have external influence on the determination of our own priorities."[92]

Finally, the economic crisis following the so-called oil-shock of 1973/1974 in OECD countries shifted the focus back to the importance of jobs, stable money, and quantitative growth. It also ended the period of

[88] Ted S. Palys, "Review of: Measuring Social Well-Being: A Progress Report on the Development of Social Indicators Organisation for Economic Cooperation and Development," *Social Indicators Research* 6, no. 3 (1979): 390; Christian, "International Social Indicators," 173.

[89] OECD-HA, MO/WP1(75)3, Presentation and Structure of Social Indicators, April 30, 1975; "Guidelines for Social Indicator Development and Disaggregation," in OECD, *1976 Progress Report on Phase II*, 38–44. See also MO/WP1(80)2, Draft Synthesis Report of Working Party, January 28, 1980.

[90] TNA, T 371/268, Halley, Note of a talk with Mr Gass on 31st March at OECD, April 14, 1977.

[91] OECD, *The OECD List of Social Indicators*, 7.

[92] TNA, T 371/267, Halley to Anson, February 2, 1976. These statistics had a "considerable political overtone," if published by the OECD, Britain argued, also compared to the less influential UN.

expanding social budgets.[93] Already in 1975 an internal paper stated that "the economic and social situation of the Member countries have somewhat muted the policy importance of qualitative aspects of growth because short-term conjunctural considerations have dominated social and economic policies."[94] The optimism and planning euphoria that had formed the basis of the social indicator movement faded in the latter 1970s. Social indicator development had rested on the idea that, based on new information, politicians and planners would effectively and rationally steer societies toward a better life. Advocates of social indicators believed that "what gets measured gets done."[95] This simplistic and naïve understanding of the policy-making process proved an illusion. Furthermore, the rise of neoliberal free-market ideologies in the late 1970s ran counter to the entire approach of using detailed social statistics to better plan the use and distribution of the "fruits of economic growth [...] to improve the quality of life," as it had been originally envisaged by the OECD.[96] And while the search for social indicators had been initiated at a time when "resource constraints did not appear to be a major hindrance," by the latter 1970s public spending was generally cut back in the context of economic slack and budget deficits.[97] Not only within the OECD, but also more generally, by the mid-1970s the social indicator movement passed its zenith and entered a phase of both continuous institutionalization and assimilation, which has been characterized as "dissolution by diffusion." Government-sponsored social indicators research and statistical efforts were generally rolled back, research centers were closed, and many publically funded social indicators reports were terminated.[98]

Nonetheless, the efforts developed within the OECD were partly continued in some of its member countries and from the 1990s onwards, interest in social indicators experienced a revival.[99] Two decades after the idea was first launched, the concept of "quality of life" regained

93 Esping-Andersen, *Welfare States in Transition*; Lindert, *Growing Public*, pt. 1.
94 OECD-HA, MAS(24), Manpower and Social Implications of a future period of steady and sustained growth. Possible Item 2 for Ministerial, June 23, 1975. See also TNA, T 371/267, February 1976.
95 Noll, "Social Indicators and Quality of Life Research," 186.
96 OECD, "How to Measure Well-Being."
97 OECD, *The OECD List of Social Indicators*, 7.
98 Wolfgang Zapf, "Social Reporting in the 1970s and in the 1990s," *Social Indicators Research* 51, no. 1 (2000): 1–15; Andrews, "The Evolution of a Movement."
99 Zapf, "Social Reporting in the 1970s and in the 1990s." In contrast, the more pragmatic program of the EEC was actually carried out and the series *Social Indicators for the European Community* has been published by Eurostat in three editions between 1977 and 1984, before it was replaced by the annual *Social Portrait of Europe* (since 1991), and complemented by the *Social Situation Report* since 2000.

widespread popular, political, and theoretical appeal, and researchers focused increasingly on developing composite or summary social indicators, the most important of which was the UNDP's Human Development Index, published since 1990.[100] Also within the OECD, these efforts were revived: at a meeting of OECD Social Policy Ministers in 1998, the social indicators project was relaunched, and in 2001 a new list of OECD indicators was published together with related data, which have been updated regularly since as the *Society at a Glance* series.[101] These efforts – building on long-term experiences and being much more pragmatic and taking a piece-by-piece approach – culminated at the 50th anniversary of the organization in 2011 in the publication of a multidimensional and interactive social indicator database, *Your Better Life Index* (BLI). Instead of focusing on economic output alone, the BLI, which has become *en vogue* recently, focuses on a multitude of factors and dimensions of life. It presents data on housing, income, jobs, community, education, environment, civic engagement, health, life satisfaction safety, or work-life balance and enables the users to weigh these 11 dimensions according to their own preferences.[102] At the launch of the BLI in Paris OECD Secretary-General Angel Gurría quoted Bob Kennedy, who in 1968 said of GNP that it

> does not allow for the health of our children, the quality of their education, or the joy of their play; it does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials [. . .] It measures everything, in short, except that which makes life worthwhile.[103]

Even though historical research on this latter period is lacking, initial evidence suggests that the earlier efforts at the focus of this chapter had a major influence on these recent initiatives and that conditions are much better now than thirty years ago to find agreement at an international level on at least a provisional set of indicators.

100 Others are the Index of Social Progress, the Fordham Index of Social Health, or the Genuine Progress Indicator. Valerie Møller, Denis Huschka, and Alex C. Michalos, eds., Barometers of Quality of Life Around the Globe: How Are We Doing? (Dordrecht: Springer, 2009); Fleurbaey and Blanchet, *Beyond GDP: Measuring Welfare and Assessing Sustainability*.

101 OECD, *Society at a Glance: OECD Social Indicators* (Paris: OECD, 2001f.).

102 OECD, *Your Better Life Index* (Paris: OECD, 2011).

103 Brian Keeley, *OECD launches Your Better Life Index*, 2011, http://oecdinsights.org/2011/05/24/oecd-launches-your-better-life-index/ (November 25, 2015).

Conclusion

Provincializing growth

A specter is haunting not just Europe, but the entire industrialized world – the specter of secular stagnation. In the wake of the recent economic crisis at the end of the first decade of the twenty-first century, more and more economists have stated that they believe we have entered a new stage in the history of economic development. Based on the analysis that growth rates in those countries with the longest experience with economic growth – the original OECD countries from Western Europe, North America, and Japan – depict a sustained decline (see Figure C.1), these economists voice the concern that early-industrialized countries might soon confront the end of growth.

Going back to stagnationist theories that were formulated in the late 1930s, most prominently by US economist Alvin Hansen, the authors of this "new secular stagnation hypothesis" predict the demise of relevant growth rates in the coming decades and put forth various reasons – technological, demographic, historical, and economic – for their claims. The term secular stagnation gained particular prominence through a November 2013 speech by Lawrence Summers, former President of Obama's National Economic Council, at the IMF Forum, but proponents of this end of growth thesis range from Tyler Cowen, author of *The Great Stagnation*, to Robert Gordon who predicts "The Demise of U.S. Economic Growth," to such famous economists as Robert Solow, Paul Krugman, and Thomas Piketty. Even though not yet common sense among economists, their arguments have gained considerable traction due to a continuous slack in economic output, in particular in the EU, and due to continuously low real interest rates close to or below zero.[1] In the

[1] The reasons discussed for this trend range from diminished long-run growth potentials due to declining technological productivity increases to structural "headwinds" such as stagnant populations, inequality and public debt. See Tyler Cowen, *The Great Stagnation: How America Ate All The Low-Hanging Fruit of Modern History, Got Sick, and Will (Eventually) Feel Better* (New York: Dutton Adult, 2011); Robert J. Gordon, *The Demise of U.S. Economic Growth: Restatement, Rebuttal, and Reflections*, Working Paper (National Bureau of Economic Research, February 2014), www.nber.org/papers/w19895; Richard

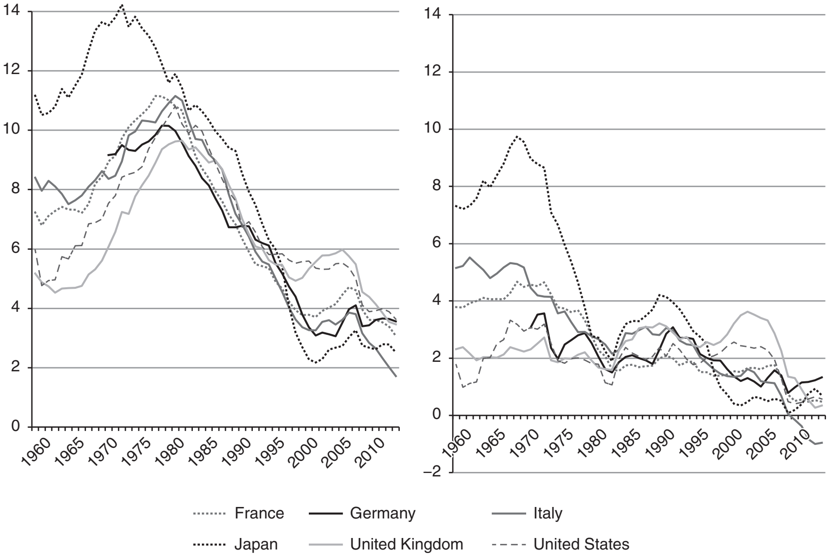

Figure C.1 Nominal (left) and real (right) GDP% change on year earlier (rolling 10-year averages) in key OECD countries, 1960–2014
Source: Penn World Tables; The Economist

words of Barry Eichengreen: "The idea that America and the other advanced economies might be suffering from more than the hangover from a financial crisis resonated with many observers."[2]

In the long term, economic growth might just not develop in the form of the hockey stick we are used to imagining – being stagnant for most of human history and then speeding up very rapidly into an almost vertical rise following a J-curve. Rather, those regions that kicked off capitalist industrialization first seem to have been transitioning into a development more adequately described as an S-curve, in which rapid acceleration slows down and eventually comes to a halt. In the long term, economic growth of Western societies from 1760 to 1970 might prove to be a historical exception.

So why is the possible end of growth a threatening specter and not – as in the vision of some of the greatest economists of the nineteenth and

Baldwin and Coen Teulings, eds., *Secular Stagnation: Facts, Causes and Cures* (London: CEPR Press, 2014); Piketty, *Capital in the Twenty-First Century*.

2 Barry Eichengreen, "Secular Stagnation: A Review of the Issues," in *Secular Stagnation: Facts, Causes and Cures*, ed. Richard Baldwin and Coen Teulings (London: CEPR Press, 2014), 41.

twentieth centuries – a welcome future? After all, as John Stuart Mill had already argued in 1848, the end of economic growth does not imply the end of human improvements. To the contrary: in a stationary state, he argued,

> [t]here would be as much scope as ever for all kinds of mental culture, and moral and social progress; as much room for improving the Art of Living, and much more likelihood of its being improved, when minds ceased to be engrossed by the art of getting on.[3]

In a similar vein, John Maynard Keynes developed in his famous treatise *Economic Possibilities for our Grandchildren* – notably written at the start of the Great Depression of the 1930s – a series of fascinating long-term predictions for a good life beyond economic growth, accelerating toil, and never-ending accumulation. Economic output and living standards in industrialized countries, he predicted, would continuously increase well into the twenty-first century when, around 2030, the grandchildren of his generation would reach a state of abundance, in which consumption needs would largely be satiated and in which, finally liberated from mundane economic activities such as saving, accumulation, and labor, people could devote themselves to the higher goods of leisure and the arts.[4] In the decades following Keynes' writings, this view of growth as a temporary phase of human history that would finally give way to a prosperous and more meaningful post-growth era was rapidly superseded by the economic growth paradigm, even though some traces persisted. The first Secretary-General of the OECD, for example, still in 1961 – only weeks before the organization launched its growth target – echoed Mill's and Keynes' thoughts by prefiguring the end of the growth imperative and thus a time, in which growth was no longer a necessity nor a goal:

> Now it is very much *à la mode* to speak of economic growth, and it seems to be assumed by many people that rapid economic growth is something which must evidently go on. I am not sure this is so. If you could imagine what the world would look like in another century, if we had rapid economic growth of 5 per cent, 6 per cent or 7 per cent a year, we would get a fantastic, unbelievable level. [. . .] There may come a period when [growth] is no longer necessary.[5]

[3] Mill, *Principles of Political Economy, with Some of Their Applications to Social Philosophy*, bk. 4, chap. 6. On the context, see Gareth Dale, "Critiques of Growth in Classical Political Economy: Mill's Stationary State and a Marxian Response," *New Political Economy* 18, no. 3 (2012): 431–57.

[4] John Maynard Keynes, "The Economic Possibilities of Our Grandchildren," in *Essays in Persuasion* (New York: W.W. Norton & Company, 1963), 358–73. See also the contributions in Lorenzo Pecchi and Gustavo Piga, *Revisiting Keynes: Economic Possibilities for Our Grandchildren* (Cambridge: MIT Press, 2008).

[5] OECD-HA, Thorkil Kristensen, "Work and Policies of the O.E.C.D.," Confidential Annex: Statement by Mr. Kristensen at the second Council Meeting, C/M(61)2, October 13, 1961. For an early statement of steady state economics, see Herman E. Daly, *Steady State Economics* (San Francisco: W.H. Freeman and Company, 1977).

Now, more than half a century later, the global economy has not only achieved these "fantastic and unbelievable" levels of output, but – quite paradoxically at first sight – the possible petering out of economic growth in the richest countries has turned from the utopian dream formulated by Mill and Keynes into an imagined collective nightmare of policy-makers, economists, and international organizations. In particular since the outbreak of the world economic crisis, the hopes in and calls for higher economic growth have again become the corner stone and purpose of politics all around the world. At the same time, however, the vision of a world beyond economic growth is becoming more compelling, essential, and acute. Advocates of growth are today confronted with the strongest opposition in decades and the dissatisfaction with growth and its effects is spreading not only in social movements, but increasingly among general populations and at the fringes of politics and academia.[6] While critics of growth generally do not welcome stagnation as such – since within capitalist social and economic structures that are predicated on economic growth stagnation is tantamount to social crises – they call for a fundamental social-ecological transformation of industrialized societies that overcomes the growth imperative.[7]

Two growth problems have become particularly pronounced: global environmental crises and rising inequalities. On one hand, humanity is faced with the highly unsettling challenge of attenuating the ecological destruction that has accompanied economic growth ever since the industrial revolution in the eighteenth century and with particular speed since the Great Acceleration in the middle of the twentieth century. While the growth paradigm was convenient for the mid-twentieth-century "empty" world with abundant ecological resources and sinks, it helped create drastically changed conditions. Since economic reasoning has not adjusted, the growth paradigm has increasingly become a threat to humans, the planet, and future generations.[8] All efforts to decouple GDP-growth from environmental destruction through technological

[6] See, for example, Costanza, Kubiszewski, Giovannini, Lovins, McGlade, Pickett, Ragnarsdóttir, Roberts, De Vogli, and Wilkinson, "Development: Time to Leave GDP Behind;" Naomi Klein, *This Changes Everything: Capitalism vs. the Climate* (London: Penguin UK, 2014); Latouche, *Farewell to Growth;* D'Alisa, Demaria, and Kallis, *Degrowth: A Vocabulary for a New Era*; Muraca, *Gut leben;* Jackson, *Prosperity without Growth*, Victor, *Managing without Growth*; Sedlacek, *Economics of Good and Evil;* Robert Skidelsky and Edward Skidelsky, *How Much Is Enough? Money and the Good Life* (New York: Other Press, 2012).

[7] Cassiers, Redefining Prosperity; D'Alisa, Demaria, and Kallis, Degrowth; Skidelsky and Skidelsky, *How Much Is Enough? Money and the Good Life*; Bernd Sommer and Harald Welzer, *Transformationsdesign. Wege in eine zukunftsfähige Moderne* (München: Oekom, 2014); Muraca, *Gut leben.*

[8] McNeill, *Something New Under the Sun*, 336. See also the related analysis of the dangers of climate change in Timothy Snyder, *Black Earth: The Holocaust as History and Warning* (New York: Tim Duggan Books, 2015).

innovations and renewable energies have failed to achieve the absolute reductions necessary for a livable planet – the only time when global or regional CO_2 emissions actually declined were caused by the oil price shock and US recession in the early 1980s, the collapse of the former Soviet Union, and the economic decline following the world financial crisis in 2009. Economists, ecologists, and politicians increasingly recognize that economic growth is the key driver of ecological destruction and climate change, with all their social consequences, and argue that the dependence on growth might be the key obstacle to real solutions to humanity's ecological dilemmas. The relation, however, goes both ways: not only that growth jeopardizes sustainability, but climate change also imperils the future of economic growth.[9]

And on the other hand, in recent decades economic growth has been accompanied by mounting income inequalities in industrialized countries and worldwide, as prominently denounced by the Occupy movement and as analyzed by Thomas Piketty and many others. In contrast to the golden postwar era, the diminishing growth that is squeezed out of the economic system in recent years has largely benefitted the richer strata of society (who in turn found it difficult to turn their rapidly increasing wealth into productive investments). Not least due to continuously declining growth rates, but also spurred by processes of financialization and globalization, shifts in social power related to the decline of trade unions, and to rising social and environmental costs of growth, more and more people have lost their faith in the ability of capitalist growth to provide for a better future.[10]

[9] According to the *Stern Review*, the cost of not acting against climate change could be equivalent to losing between 5 and 20 percent of GDP each year, indefinitely. Nicholas Stern, *The Economics of Climate Change: The Stern Review* (Cambridge: Cambridge University Press, 2007). On the relation between economic growth and climate change, see, for example, Jackson, *Prosperity without Growth*; IPCC, *Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change* (IPCC, Geneva: 2014); Ugo Bardi, *The Limits to Growth Revisited* (New York: Springer, 2011); Klein, *This Changes Everything;* OECD, *OECD Environmental Outlook to 2050*; Will Steffen, Regina Angelina Sanderson, Peter D. Tyson, Jill Jäger, Pamela A. Matson, Berrien Moore III, Frank Oldfield, Katherine Richardson, Hans Joachim Schellnhuber, Billie L. Turner, and Robert J. Wasson, *Global Change and the Earth System: A Planet Under Pressure* (Berlin and New York: Springer, 2005). Whether 2014 will prove to be the first year with global GDP growth, in which green house gases emissions stalled, will have to be seen. See www.iea.org/newsroomandevents/news/2015/march/global-energy-related-emissions-of-carbon-dioxide-stalled-in-2014.html (March 15, 2015).

[10] See, for example, Piketty, *Capital in the Twenty-First Century*; Fleurbaey and Blanchet, *Beyond GDP: Measuring Welfare and Assessing Sustainability*; Wolfgang Streeck, *Buying Time*; Beverly J. Silver, *Forces of Labor: Workers' Movements and Globalization Since* 1870 (Cambridge: Cambridge University Press, 2003); Branko Milanović, *Worlds Apart: Measuring International and Global Inequality* (Princeton University Press, 2007); Branko Milanovic, *The Haves and the Have-Nots: A Brief and Idiosyncratic History of*

In recent years, evidence from research both in cross-sections and over time, intra- and internationally has demonstrated that the welfare-benefits of GNP growth vary considerably over time and tend to diminish the richer a country gets. These studies show that growth in rich nations did not alleviate poverty, nor has it been indispensable for human flourishing, for which other factors, most importantly the degree of equality, are much more important. For example, while for the US between 1950 and 1998 per capita GDP virtually tripled, in the same period net economic, social, and environmental wealth (measured as the Genuine Progress Indicators or the Index of Sustainable Economic Welfare) barely increased at all and even declined after the 1980s.[11] The problem of inequality is further exacerbated – in a global context – by ecological crises, most importantly climate change: Those regions that have historically been least responsible for ecological destructions are being hit hardest, while those regions that have historically benefited most from industrial growth and are thus most responsible, are much less vulnerable, not least because they have acquired the resources to adapt.[12] Thus the bright and powerful vision that propelled economic growth – to provide the material basis for a better life for all – bears little resemblance to the current prospects of only accumulating the wealth of the richest while destroying the environment and livelihoods of future generations and the poorest and most vulnerable today.

Given these problems, and given the well-known difficulties associated with GDP as a measure of social well-being, the pervasiveness of growth as a policy goal is a peculiar "puzzle" in need of explanation. To start to come to terms with this conundrum, this book has analyzed the historical making and remaking of the economic growth paradigm. Quintessentially, I have argued that the ideal of growth and its underlying expertise are neither neutral analytical categories nor can they be taken for

Global Inequality (New York: Basic Books, 2012); OECD, *How Was Life? Global Well-Being since 1820* (Paris: OECD, 2014).

11 Jason Venetoulis and Clifford W. Cobb, *The Genuine Progress Indicator 1950–2002 (2004 Update): Measuring the Real State of the Economy* (Oakland: Redefining Progress, 2004). This research also shows, that the well-being of individuals depends much more on the relative position within a society than on absolute wealth, and that due to "headonic treadmills" people are locked in a competitive struggle for ever-increasing consumption that is not beneficial to human happiness. See note 9 in the Introduction, and Offer, *The Challenge of Affluence;* Jean Gadrey, "What's Wrong with GDP and Growth? The Need for Alternative Indicators," in *A Guide to What's Wrong with Economics*, ed. Edward Fullbrook (London: Anthem Press, 2004), 262–78; OECD, *The Well-Being of Nations. The Role of Human and Social Capital* (Paris: OECD, 2001), 76–78.

12 Patrick Bond, *Politics of Climate Justice: Paralysis Above, Movement Below* (Scottsville, South Africa: University of Kwazulu Natal Press, 2012); Kenis and Lievens, *The Limits of the Green Economy*; Klein, *This Changes Everything*; Henry Shue, *Climate Justice: Vulnerability and Protection* (Oxford: Oxford University Press, 2014).

granted as having always already been there. Rather, the notion that the pursuit of GDP-growth should be a key societal goal and the techniques for measuring, modeling, and prescribing growth have emerged historically speaking quite recently and have identifiable trajectories of their own. And rather than springing fully formed into prominence, they were produced and promoted by specific people and institutions in particular contexts. Whereas a focus on economic growth was quite understandable given the circumstances of the mid-twentieth century – and the book has focused on these underlying reasons and on what policy experts were trying to do by stimulating growth – these circumstances have changed drastically today. One can think of growth as a kind of addiction, which is pleasurable in the beginning – when the benefits outweigh the costs – and becomes impossible to kick off when the side effects increasingly emerge, not least because a world without it has become inconceivable.[13]

By exploring the growth paradigm through a historical analysis of economic and policy-making expertise within the OECD, this study has analyzed growth as a transnational social paradigm that consisted of a specific ensemble of societal, political, and academic discourses, theories, and statistical standards. Collectively, they produced, stabilized, and legitimated the view that GDP-growth is desirable, imperative, natural, and essentially limitless. This analysis, I hope, will contribute to put this peculiar economic metric in its relative political, historical, and doctrinal setting and thus (adapting a now famous phrase from Dipesh Chakrabarty) to provincialize economic growth. Through the analysis of its distinctly Western origins and history, this study aims at provincializing a discourse that categorically articulates the core policy goal and universal metric for all nations. A more thorough historical understanding of this overarching economic desire, self-evident policy goal, and unquestioned academic and societal norm could help to "decenter" the ideal of growth and thus open up possibilities for fresh thinking outside of the narrow confines of the growth paradigm.[14]

How did the pursuit of economic growth become the essential and definite goal of economic policy-making? The making of this core feature

[13] See Herman E. Daly, *Ecological Economics and Sustainable Development* (Cheltenham: Edward Elgar, 2008); Muraca, *Gut leben*. I would also like to thank Avner Offer for this suggestion.

[14] Chakrabarty, *Provincialising Europe*. Foucault has written a lot about the value of history in unsettling ideas. For example: "But experience has taught me that the history of various forms of rationality is sometimes more effective in unsettling our certitudes and dogmatism than is abstract criticism." Michel Foucault, "Politics and Reason," in *Politics, Philosophy, Culture: Interviews and Other Writings, 1977–1984*, edited by Lawrence D. Kritzman (London: Routledge, 2013), 57–85, here 83.

of the religion of capitalism has to be situated within longer-term developments that reach back to the onset of intensified capitalist industrialization in the early eighteenth century.[15] At that time, a secularized conception of economic progress and a first generation of classical growth theories emerged, which, however, fell into oblivion with the rise of econometrics and neoclassical economics in the later nineteenth century. Building on statistical developments in the early twentieth century, it was only in the context of the Great Depression that a renewed interest in macro economic questions gave rise to the modern conception of "the economy" and to interventionist economic policies geared toward stability and employment. Yet it was not before the late 1940s and early 1950s that in the context of World War II, European reconstruction, and Cold War competition economic expansion became a key policy goal throughout the world. The growth paradigm emerged as part of what has been called "high modernism," a system of beliefs and practices aimed at increasing the power of the state in line with what were believed to be scientific ideas in order to reshape societies by maximizing production to improve the human lot.[16] To analyze this final phase of the making of the growth paradigm and its contested evolution, this study has focused on knowledge and debates about economic growth within the OECD in the postwar era. While in the book the OECD served as an exemplary and particularly meaningful observation platform to explore the production, negotiation, and legitimation of the transnational growth paradigm, this concluding summary focuses on the more general themes emerging from analyzing the epistemic space of this technocratic international organization. Four discourses were specifically relevant in reinforcing the hegemony of growth and collectively rationalized, universalized, and naturalized the growth paradigm.

GPD as a measure: To begin with, the growth paradigm was based on the claim that GDP correctly measures economic activity, which is roughly understood as the volume of monetary exchange within the market economy of a nation state. While presented as an objective, universal, and technical device, the history of the contested making of this international standard reveals not only the inscribed reductions, assumptions, and exclusions, but also its power to naturalize a particular mode of seeing the world and its potential for being turned into a universal metric of worth. Most of the controversies that are currently waged about how GDP "mismeasures our lives" can actually be traced back to

[15] Christoph Fleischmann, *Gewinn in alle Ewigkeit: Kapitalismus als Religion* (Zürich: Rotpunktverlag, 2010).

[16] Scott, *Seeing Like a State*. For more literature on these earlier developments see the introduction to Part I.

the period of the making and international standardization of "the world's most powerful number" in the late 1940s and early 1950s, as demonstrated in Chapter 1.[17] Not only were early income statisticians extremely cautious regarding the universality and the ability of their frameworks to measure welfare and make meaningful comparisons over space and time, but they were engaged in quite fundamental controversies about how to define economic output, whether to include non-monetary housework, and about the explanatory power of these numbers. Accordingly, different countries measured income in divergent ways, some of which for example included domestic work or emphasized quantities in addition to monetary values. Yet governments and international organizations, which acutely required comparative statistics to manage member country contributions and international aid flows, cut short these disputes among academics and deliberately homogenized and streamlined existing approaches by standardizing a particular version of GDP accounting. It was a small network of predominantly American and British statisticians that established within the OEEC the first international standard for measuring "the economy," which was then globalized through the UN. Thus, rather than building on a scientific consensus and statistical knowledge, it was the political usefulness of market-oriented income data that proved decisive in turning GDP into a universal yardstick, which came to form the basis for both economics as a discipline and modern policy-making.

The social technique of GDP accounting was particularly suitable to provide the statistical and conceptual basis of a social paradigm because it reflected and fitted to key elements within the economic structure of the time of its invention, in particular the prevalence of market principles, the importance of exchange values within capitalism, and the negligence of reproductive and non-monetary work. Moreover, the simplicity and graphic symbolism of its quantification, the black-boxing of its statistical limitations, and its international standardization enabled powerful comparisons over time and space, thus laying the ground for an all-encompassing and generally comprehensible framework. The rise of economics as the leading social science, itself spurred by the scientific credence and power of mathematical models and statistical methods, enhanced the neutral and technical aura of GDP accounting and by forming its "master metaphor," growth statistics actually became constitutive to the entire discipline. Furthermore, national income accounting powerfully reinforced the nation-state and its boundaries as the most fundamental units for social life – for measuring economic progress,

[17] Stiglitz, Sen, and Fitoussi, *Mismeasuring Our Lives*; Fioramonti, *Gross Domestic Problem*.

defining societal problems (unemployment, inequality, inflation, etc.), and the space of political interventions. The international standardization and the deeply entrenched associations in public discourses have gridlocked the present standard of measuring prosperity and welfare. As discussed in Chapter 9, by focusing on the vein efforts launched in the 1970s to agree on social indicators as an alternative to GDP, this path-dependency and historical stickiness of GDP statistics makes it extremely difficult to establish fundamental alternatives for measuring the "quality of life."

Growth as panacea: Second, the growth paradigm asserted that economic growth is a universal remedy for some of the most pressing challenges of modern societies and imperative to avoid economic and social crises. While the specific challenges that according to growth discourses could only be met by GDP growth continuously changed, depending on the socioeconomic circumstances of particular times and places, the reliance on growth as a panacea has remained stable. The political focus on growth as the overarching goal first emerged in the US in the late 1940s and in Western Europe and Japan in the early 1950s as a response to the economic and social problems associated with World War II, rearmament, postwar reconstruction, political instability, colonial decline, and the Cold War (as discussed in Chapters 2–6). To counter the crisis of liberal democratic capitalism related to economic depression and fascism, elites believed that liberal market societies could only be re-legitimized by promising a better life to everyone and by delivering on that promise. Thus, while economic goals had largely been expressed as material or sectoral production plans until the 1940s, during the 1950s the idea of aiming at achieving the more abstract goal of expanding GDP took hold. Driven by the revolution of rising expectations, governments in capitalist industrialized countries, but increasingly all around the world, produced a consensus around a set of allegedly rational policies geared toward overcoming social conflicts by raising national incomes and strengthening welfare states.

By de-ideologizing political conflicts over the distribution of income, growth policies played a crucial role in producing the stable postwar consensus around embedded liberalism. It helped integrate labor and the political Left, rendered rearmament feasible without a decline in living standards, it offered a way out of the dollar gap, helped stabilize the Bretton Woods system, and in the context of global inequalities it offered the (post)colonial countries in the global South a possible route out of poverty toward what came to be defined as "progress." While the book has focused on the specific challenges that dominated debates within the OECD, a comparison with existing accounts demonstrates that similar dynamics shaped the emergence of growth discourses in countries like the US, Japan, or West Germany, even though with specific national peculiarities.[18] In this context, it was not merely a coincidence that the confidence in the possibility of long-term stable growth and the resolve to achieve this newly established "duty" of governments emerged at a time of unprecedented stability and expansion throughout the Western World. While the extraordinary performance of Western economies in this period laid the basis for the belief in long-term growth, international competition and Cold War rivalry were equally strong drivers of this new outlook, which turned growthmanship into a seemingly inevitable vocation – "expand or die" was one slogan within the OEEC. Growth developed into the central weapon on the economic front of the Cold War, and it served as the basis for the postcolonial relations of the rich countries to the global South. From the mid-1950s onwards, these pragmatic policies that had emerged to confront postwar challenges became justified by the emerging growth paradigm, which was quickly transformed "into the one ideology which explained how the political consensus could permanently endure."[19]

Even after the idea that growth should be a prime objective of governments had prevailed in the late 1950s, it remained unclear what exactly governments had to do to boost growth rates, and opinions sharply differed according to diverging economic schools of thought, national traditions, and economic interests between countries, social groups, and over time. Even though in the Fordist growth regime of the postwar era OECD member countries followed broadly similar economic policies within the framework of "embedded liberalism," ideological divergences made a clear-cut consensus impossible. In particular the question of planning and state intervention divided member countries in the 1950s and 1960s. In the context of the economic crisis of the 1970s and the ideological retreat of Keynesianism, planning, and state intervention, which had come to be regarded as incapable of overcoming stagflation and declining profit rates, growth policies were recast in a neoliberal, supply-side, and market-oriented framework. Even if the rise of neoliberal thought and policies has tended to push active growth policies through government regulations to the background, the growth discourses of the postwar period constituted a key foundation for the market orthodoxy of the neoliberal era. Most fundamentally, rather than interpreting the state as in charge of boosting growth and ensuring through welfare state

[18] Collins, *More;* O'Bryan, *The Growth Idea*; Eva Friman, "No Limits"; Bossmann, "Arrested Development"; Steiner, "Wachstum als wirtschaftspolitisches Leitbild." See also Chapters 3, 4, and 5.

[19] Milward, *The European Rescue of the Nation-State*, 35.

policies that growth benefited the majorities, this "antistatist growthmanship" deemed government interventions that did not enable free-market activities as obstacles to growth and thus pushed for deregulated markets, privatization of public services, and financialization. However, with the crisis of capitalism since 2007, the question of a new, more crisis-prone and sustainable growth regime is back on the agenda of global policy debates.[20]

Growth as a universal yardstick: Third, the growth paradigm was reinforced by the belief and often-implicit assumption that economic growth was practically the same as or a necessary means of achieving some of the most essential ambitions of societies such as social well-being, progress, modernity, societal dynamism, national power, or prestige. Steady growth and the prospect of ever-increasing consumption helped resurrect the belief in progress, which had been so seriously eroded by the Great Depression, two World Wars, and the Shoah. The technical, scientific, and politically neutral aura of growthmanship, which was underwritten by an array of tools for measuring, counting, predicting, and managing growth, could easily be contrasted to what had come to be seen as the irrational management of states in the 1930s, to nationalistic and imperial rivalries, and to the ideology of fascism.[21] Yet despite this technocratic appeal, during the 1950s and culminating in the 1960s, the idea of "economic growth" became charged with multifaceted meanings, suffused with arresting symbolisms, and imbued with ardent assumptions, all of which produced the connections between GDP-growth and core societal values mentioned earlier. In the contexts of the Cold War, colonial decline, and international competition, economic growth became the most essential symbol and key foundation of national power. It was not in terms of equality, emancipation, or employment that nation states around the world came to compete against each other, but in terms of rising quantities of goods and services produced. Growth became *the* internationally accepted policy goal, common denominator, and most basic form of global governance.[22]

[20] Robert Skidelsky, *Keynes. The Return of the Master* (New York: Penguin, 2010); Arrighi, *Adam Smith in Beijing*; Ruggie, *International regimes, Transactions, and Change;* Collins, *More*, 166-213; Wendy Brown, *Undoing the Demos*; Dale, Mathai, and De Oliveira, *Green Growth*.

[21] Max Horkheimer and Theodor W. Adorno, *Dialektik der Aufklärung: philosophische Fragmente*, 16th ed. (Frankfurt a.M.: Fischer Taschenbuch Verlag, 2006); Dale, "The Growth Paradigm: A critique." This dimension was particularly important for the emergence of the growth paradigm in Japan and West Germany. See in particular O'Bryan, *The Growth Idea*; and the discussions in Chapters 2 and 4.

[22] These arguments are further developed in Chapters 4 and 6. See also Purdey, *Economic Growth, the Environment and International Relations;* Hobsbawm, *Age of Extremes*.

These associations – between GDP-growth and power, progress, and prosperity – which generally underlay policy debates on economic growth but were largely implicit and assumed, became so close that key societal objectives were to a considerable degree reduced to or identified with economic growth itself (as discussed in Chapters 1 and 4). If one wanted to assess the status of a country with regard to one of these objectives, it became common to take GDP, recent growth rates, or growth prospects as the most basic point of reference. Not only in government documents on the general state of a country or region, but also in newspaper articles, within economics or progressively in other social sciences such as sociology or history, GDP growth became an overall barometer and icon. It was this process that finally lifted the extent or expansion of the monetary value of the market economy, measured as GDP, to the status of a powerful benchmark employed to assess success or failure of government policies, but also to symbolically determine the relative status of countries and power blocs within the international arena. At the same time, these conflations or very close associations have clouded the real relationships between GDP-growth and progress, well-being, or modernity into something that is not discussed. Since growth was deemed inherently good, there could of course never be enough. That growth could at some point in history become "uneconomic," i.e., cease to add more to societal welfare than it subtracts due to rising ecological and social costs, became almost unthinkable.[23] This had far-reaching effects in the realm of politics. By the 1960s, the proliferation of the growth paradigm based on GDP-statistics had universalized a worldview in which the economy was seen as an autonomous whole (of which the ecosystem was at best a subsystem providing substitutable resources) and in which the identification of growth with progress rendered social and other opportunity costs invisible.

Growth without limits: Finally, a fundamental often implicit supposition underlying the growth paradigm was that economic growth could potentially continue at least for decades, if not forever, provided the correct governmental and intergovernmental policies were pursued. While the classical economists' understanding had conceptualized economic processes in terms of physical flows of resources, matter, and energy, thus

[23] One of the fundamental arguments of ecological economics is that neoclassical economics disregards the concept of optimal scale in *macro*economic analyses. While in *micro*-economics it is generally accepted that due to decreasing marginal utility and increasing marginal costs there is a point after which further expansion of production becomes uneconomic; this "when to stop rule" has generally not been applied to the economy as a whole. The diminishing marginal utility of consumption is disregarded, thus justifying continued GDP-growth. See, for example, Daly and Farley, *Ecological Economics*, 15–26. See also Offer, *The Challenge of Affluence*.

suggesting limits to growth, the 1930s and 1940s saw the emergence of the modern conception of "the economy" as a self-contained totality of monetary flows forming relations between production, distribution, and consumption that could – as monetary flows dissociated from energy and nature – expand without limits. After the classical and neoclassical theories on stagnation and the anxieties about the ups and downs of economic cycles that had hitherto dominated policy debates had been dismissed in the early 1950s, economists and politicians came to regard continued growth as the normal state of the economy and recessions as avoidable blunders. While in this period the infinite possibility of pursuing economic expansion was largely taken for granted, from the 1960s onwards economists started to justify the credo of unlimited growth with reference to technological progress and the power of the price mechanism and competition.[24]

The growth paradigm was not a monolithic set of discourses and its evolution was not linear and irreversible. Rather, the hegemony of growth was and still is continuously renegotiated and remade in a contingent process, in which the growth paradigm was highly flexible and quickly integrated newly emerging problems and perspectives without relinquishing its fundamental tenets. In fact, the predominantly unquestioned hegemony of unlimited quantitative growth was rather short-lived. It lasted only from the mid-1950s to the late 1960s, thus spanning the exceptional period of high and stable growth rates of the golden decades. By the late 1960s, this harmony was starting to crumble, and the myth of growth as magic bullet and universal yardstick was losing force. Particularly important for the changing societal paradigms in this era was the social unrest that unfolded around the world in the context of "1968," whose critique of the injustices and exclusions produced by capitalist growth, its materialism and environmental destruction worried policy-makers much more than generally believed. By focusing on the OECD's debate about "problems of modern society" and the relations between the OECD and the Club of Rome – one a pillar of the postwar economic order, the other an intellectual insurgency against that order – Chapters 7 and 8 demonstrate that the social, intellectual, and economic turmoil of the late 1960s prompted rethinking and repentance even within the institutions that had aspired to guide postwar industrial growth. For several years, some of the key propositions of the growth paradigm were questioned in a debate that revolved around the statistical codification of growth, the conflation of GDP-growth with progress and

[24] Mitchell, "Fixing the Economy"; Tooze, "Imagining National Economies;" Mitra-Kahn, "Redefining the Economy;" and Chapters 1, 3, and 7.

increasing well-being, and the ecological prospects of economic expansion on a finite planet. Similar debates, which testify to fissures within the high-modernist, growth-oriented consensus of transnational technocratic elites, characterized the World Bank's shift from GDP to "human needs" under McNamara, the G-77's advocacy of redistributionist rather than productivist solutions to poverty in its New International Economic Order, NATO's debate about "challenges for modern societies," and similar popular and expert discussions in countries all around the globe.[25] However, even though the doubts about quantitative growth were sincere and quite profound, even within parts of the political establishment (in particular compared to current debates forty years later), with the onset of economic turmoil, soaring energy prices, and stagflation, the critical perspectives were dismissed or incorporated into the norm of "qualitative growth." As shown in Chapter 9, environmental policies were designed in ways that promoted free trade and economic expansion, efforts to devise social indicators as an alternative to GDP failed, and growth now became even deemed necessary to generate the resources needed to counter the ecological and social side-effects of growth. While these critical debates about the benefits and costs of economic growth have never really ebbed away since the 1970s, within established institutions and government circles environmental and social concerns were soon folded into the growth framework. In the neoliberal growth regime the hegemony of growth became as strong as before. Confronted with mounting critiques about the inability to deliver on the promises associated with growth and the inherent contradiction between continued growth and sustainability, governments and international organizations increasingly pursued their efforts to reconceptualize growth. To account for its perceived failures and limitations, they came up with concepts ranging from "qualitative" to "sustainable," "inclusive," or "green" growth. Growth as such, however, was hardly ever questioned. This debate, which has reached its most controversial climax in the wake of the most recent capitalist crisis, will certainly be one of the key questions of the twenty-first century.[26]

The growth paradigm became hegemonic in the sense of justifying and sustaining a particular perspective – the propositions just spelled

[25] Next to the discussion in Chapters 8 and 9, see in particular Nils Gilman, "The New International Economic Order: A Reintroduction," *Humanity Journal* 6, no. 1 (2015), 1–16; Robert L. Rothstein, *Global Bargaining: UNCTAD and the Quest for a New International Economic Order* (Princeton: Princeton University Press, 1979); Maul, *Human Rights, Development and Decolonization*, pt. 3; Schmelzer, "The Crisis before the Crisis;" Kapur, Lewis, and Webb, *The World Bank*.

[26] Next to the Epilogue, see Borowy, *Defining Sustainable Development;* Bernstein, *Liberal Environmentalism*; Cassiers, *Redefining Prosperity;* Macekura, *Of Limits and Growth;* Sabin, *The Bet;* Skidelsky and Skidelsky, *How Much Is Enough? Money and the Good Life*.

out – and the underlying social and power relations as natural, inevitable, and timeless. However, these perspectives should not be understood as arbitrarily misdirected beliefs or "statistical hallucinations," as is sometimes assumed in the growth-critical literature.[27] Rather, the hegemony of growth is deeply embedded within social relations, modern industrial society, and capitalist modes of production. As argued in the Introduction, not only are capitalist societies dynamically stabilizing and reproducing themselves in a steady process of expansion and intensification with regard to space, time, and energy, and are thus predicated on continuous accumulation, but governments are dependent upon domestic growth to generate taxes and win votes and compete against rival states in the competitive state system. By focusing on the making and remaking of the growth *paradigm*, this book argues that the particular worldview associated with these social relations played a key role in its own right. What has been dubbed "the most important idea of the twentieth century" – the hegemony of growth – has and still does powerfully shape politics, society, and everyday life.[28]

Most importantly, growth came to be presented as the common good, thus justifying the particular interests of those who benefited most from the expansion of market transactions as beneficial for all.[29] The hegemony of growth depoliticized key societal debates about what societies value, how they interpret their current position historically and within the globalized economy, and how they conceptualize the good life and future developments. Growth turned difficult political conflicts over distribution and what should be the goal of policy-making into technical, non-political management questions of how to collectively increase the economic output of the nation state. By thus transforming class and other social antagonisms into apparent win-win situations, it provided what could be called an "imaginary resolution of real contradictions." As British futurist Hazel Henderson remarked already in 1973, only this focus on growth,

> with its assumptions that an ever-expanding pie would conveniently provide increasing portions to the poor [. . .], has made it possible to submerge the issue of distribution. [. . .] But if at some point the economic pie ceases growing, then

[27] Ezra J. Mishan, *Economic Myths and the Mythology of Economics* (Brighton: Wheatsheaf Books, 1986), 114.
[28] McNeill, *Something New Under the Sun*, 236.
[29] Some have even argued that within the growth ideology "the unlimited growth of production and of the productive forces is in fact the central objective of human existence." Cornelius Castoriadis, *Philosophy, Politics, Autonomy. Essays in Political Philosophy* (New York: Oxford University Press, 1991), 184.

the focus of public attention will inevitably turn toward the manner in which it is shared.[30]

And by transforming contested and changing societal goals into technical economic problems, growth discourses have deeply colonized our imaginaries: they not only reinforced the dominance of economic thinking and arguments by turning political or social questions into economic problems (what could be called "economism"), but they also strengthened the privileged positions of economic technocrats within modern societies and underpinned the primacy of the economy over politics.[31]

As argued throughout the book, growthmanship was mutually reinforcing with the increasing importance of economic knowledge production as a key justificatory basis for policy-making within the modern state. Their ability to measure, model, and steer growth made economists increasingly indispensable for managing modern societies based on growth and thus reinforced the "superiority of economists";[32] and the expansion of economic approaches also strengthened the growth paradigm. Even though the mid-twentieth century saw the proliferation of growing armies of experts, ranging from international relations theorists to demographers, anthropologists, sociologists to agronomists, economists were the only ones who managed to claim they had mastered what had become a fetish throughout the world, economic growth. The increased responsibility of governments to boost growth not only advanced the authority of economic experts in traditionally non-economic, social, and cultural realms such as science and education policies, but also fundamentally intensified what has been discussed as the scientization or economization of the social.

[30] Eagleton, *Ideology*, 6; Hazel Henderson, "The Limits of Traditional Economics: New Models for Managing a 'Steady State Economy'," *Financial Analysts Journal* 29, no. 3 (1973): 28–87, here 79.

[31] How the hegemony of growth promotes and at the same time conceals particular interests has various dimensions, in particular in terms of class (the expansion of capital becomes a precondition for the satisfaction of all other interests), gender (the "male bias" of national income accounting and its focus on the formal sector), and place (positioning within the globalized economy). Next to the related discussions in Chapter 1, 2, and 4, see in particular Dale, "The Growth Paradigm: A critique"; Diane Elson, "Talking to the Boys: Gender and Economic Growth Models," in *Feminist Visions of Development: Gender, Analysis and Policy*, edited by Cecile Jackson and Ruth Pearson (London and New York: Routledge, 1998), 155–70; Antonio Gramsci, *Prison Notebooks*, edited by Joseph A. Buttigieg (New York: Columbia University Press, 2011); Perry Anderson, "The Antinomies of Antonio Gramsci," *New Left Review* 100 (1976): 5–78; Maier, "The Politics of Productivity;" Waring, *Counting for Nothing*.

[32] Fourcade, Ollion, and Algan, "The Superiority of Economists."

Relatedly, the hegemony of growth fundamentally transformed the state's tasks, purpose, and legitimacy, all of which became linked to growth and thus to the economy. Growth became the "indispensable ideology of the state."[33] This process occurred much earlier than is usually believed. Wendy Brown, for example, situates the threefold economization of the state in the 1980s and links it to the rise of neoliberalism:

> The state secures, advances, and props the economy; the state's purpose is to facilitate the economy, and the state's legitimacy is linked to the growth of the economy – as an overt actor on behalf of the economy. State action, state purpose, and state legitimacy: each is economized by neoliberalism.

A focus on the rise of the growth paradigm, however, shows that already from the 1950s onwards the expansion of the economy became what could be described as the raison d'état. In fact, as argued in Chapter 4, in the middle of the twentieth century growth took the space in the national imaginaries that had hitherto (in the age of empires) been occupied by territorial expansion.[34]

Furthermore, the growth paradigm strengthened and was in turn reinforced by the constitution of the imagined community of the "West" and of "developed" countries. The global proliferation of national income accounting provided a statistical and thus seemingly scientific justification for the demarcation of a natural community of interests, the Western industrialized countries with relatively high GDP. And collective growth targets gave this community a common mission that was situated within Cold War rivalries and the reorganization of geopolitics in the wake of decolonization. More fundamentally, the worldwide assertion of growthmanship universalized a particular set of values and policy-goals that as a matter of principle positioned Western countries at the top as the most "advanced" on the path of ever-increasing GDP as the "standard" for all to emulate. The growth paradigm is thus intimately linked to debates about global inequalities, postcolonialism, post-development, and just futures.[35] A historical understanding of the making and remaking of the growth paradigm that reflects on the problematic claims to universality

[33] McNeill, *Something New Under the Sun*, 335. See also Eagleton, *Ideology*, 45.

[34] Within this framework, all essential questions around what is progress and well-being are excluded from the domain of public debate and democracy and are relegated to economic and statistical experts in international organizations. The quote is from Brown, *Undoing the Demos*, 64. Next to the discussion in Chapter 1, 4, and 6, see also Milward, *The European Rescue of the Nation-State*, 35; Purdey, *Economic Growth, the Environment and International Relations;* Cooley and Snyder, *Ranking the World;* Yarrow, *Measuring America*.

[35] Next to the discussion in Chapter 6, see in particular the similar argument regarding "American Greatness" in Yarrow, *Measuring America*. See also Sachs, *The Development Dictionary;* Escobar, *Encountering Development;* Rist, *The History of Development*.

and the related tendency to marginalize other perspectives embedded in growth discourses, is thus necessary, if one wants to provincialize this hegemonic idea and open up possibilities of thinking beyond the expectations and categories embedded in dominant growth thinking.[36]

Given the OECD's unsettled history packed with fundamental transformations, what could be described as the raison d'être of this elusive organization, which served throughout this book as the observation platform to study the emergence and transformations of the transnational growth paradigm in the postwar period? On the most general level, the OECD can be characterized as a warden of liberal capitalism, a think tank designed for the defense, promotion, and monitoring of capitalist economies and market societies and a place to deal with the internal contradictions of liberal capitalism through specific modes of "cooperation." As the problems and the conceptions of liberal capitalism have changed, the specific functions of the OECD cannot be defined a priori, which contributes to its open-ended status. Three other dimensions are key to understand the historical trajectory of the OECD.

First, the OECD was a geopolitical platform. While the OECD was an important geopolitical actor throughout its history, its predecessor – the OEEC – never fulfilled the geopolitical role it was designed for in 1948, to serve as the incubator for the United States of Europe. Yet it soon took on another related role: up until 1989 (and possibly beyond) the organization was the economic grouping representing the economic interests of the capitalist West. The organization never openly acknowledged this role as a "warden of the West" and, even though it is essential to understand the OECD's history, this role has been overlooked in existing research. As demonstrated throughout, but particularly in Chapters 4 and 6, the OECD was a highly valued geopolitical tool for its members both vis-á-vis the Soviet Union and the decolonizing global South. Further, throughout its history the OECD has been an important meeting place for experts and politicians from the small group of its economically most powerful member countries. Whereas up to the mid-1970s these big-power negotiations took place – next to the G10 and to more closed bilateral channels – within and through the OECD structure, with the foundation of the G7 in 1975 the OECD started to loose in importance. With the relative demise of OECD member countries related to the rise of the emerging market economies that did not want to join this organization – widely perceived as a Western Club – the geopolitical function of the OECD as a kind of Cold War economic NATO continued to be eroded.

[36] Chakrabarty, *Provincialising Europe*, 4.

Second, the OECD was an economic expert think tank and an experts' meeting place. These functions of the OECD have continuously increased in importance throughout the organization's history – from minor beginnings in the OEEC era to the definitive characteristic after the end of the Cold War. Soft-power modes of governance such as multilateral surveillance and peer review, the opening up and collective evaluation of (partly sensible) economic and economic policy making information among bureaucrats helped not only in advancing a certain form of transparency among Western industrialized countries, but also in the internationalization of policy makers. Of particular importance in this regard was the authority of economic expertise. While not many economists were engaged in the early OEEC and its committees – which were largely a meeting place for bureaucrats, politicians, and industrialists – from the 1960s onwards economics became the lead discipline within the organization and the Secretariat began to mainly employ economists. The organization's authority in public debates derived to a large degree from the authority of economic expertise, which in the case of the OECD was framed as detached from national interests and devoid of particular economic ideologies. Economic approaches increasingly came to expand onto and to dominate other policy fields the organization dealt with – education and environment being interesting examples of this economization process (as discussed in Chapters 5 and 9). These developments within the organization were, however, not unchallenged. The internecine conflicts around quantitative growth and environmental questions between two factions of the Secretariat in the early 1970s or the organization's shift in economic ideology from a roughly Keynesian framework to a supply-side orientation are two examples of such dynamics (Chapters 8, 9, and Epilogue).

Third, the OECD was an identity-generating Club of the West. During the 1950s and in particular from the 1960s onwards, it became the organization defining the community of highly "developed" or "advanced" capitalist countries on the "mental maps" of officials, and increasingly the wider public. The OECD was founded as the "economic conscience of the free world" that aimed at the "construction of an international economic philosophy" that guarded the principles of liberal capitalism and the interests of this imagined community of countries. The notion of "like-mindedness" was key to all the negotiations about new member countries throughout the OECD's history, in particular in the 1960s and 1970s. Given that for the demarcation of a community of countries the non-members – or the "other" – is highly important, with the end of the Cold War and the rise of newly emerging market economies the OECD lost two key identity-defining markers. Since the 1990s, the OECD no longer encompasses all the core economies of global capitalism and struggles to find a new identity beyond the Cold War vision of representing rich capitalist countries and the (post)colonial idea of representing the major developed economic powers.

If the argument is taken seriously that growth is not a self-evident concept and economic desire, but rather emerged in and is intrinsically shaped by concrete historical situations, was promoted by specific interests, and has continuously been contested, this has far-reaching consequences not only for political debates, but also for the research-agendas of the social sciences, in particular for economics and economic history. To begin with, the discipline of economics was deeply entangled in the making of the growth paradigm and partly derived its authority and influence from the prevalence of growthmanship. More fundamentally, in economics and in economic history GDP or growth very often underlie research as seemingly unproblematic analytical categories. One could even argue that economic history (more so than economics itself) has come to be conflated with the history of economic growth. As Timothy Shenk has argued, even the most recent vogue, histories of capitalism, are promoted by "apostles of growth," who, rather than defining capitalism through its institutions or actors, study it as continuous economic expansion.[37] A historical understanding of the politically contested making and remaking of growth statistics and their underlying concepts is thus indispensable for both economists and historians if they want to avoid to unconsciously reproducing a geographically and temporally very narrow and particular perspective that has for many good reasons been criticized as problematic. This analysis thus supports not only the ongoing efforts to refine measuring tools beyond GDP, to use them for historical studies, and to integrate the environment into economic analyses, but also renders the development of an economics and a new way to understand the economy necessary – an economics that is adaptable for an era of stagnation and climate change, that reflects on the growth paradigm and its entangled histories, and in which the key questions revolve not around scarcity and the production of ever-increasing amounts of goods and services, but around the destiny of surplus and the creation of prosperity and justice for all.[38]

[37] Timothy Shenk, "Apostles of Growth," *The Nation*, November 5, 2014, www.thenation.com/article/188369/apostles-growth.

[38] This also has to be an economics that reconnects to the broader enterprise of political economy, intimately connected to ethics, history, society, and nature – as it was in the nineteenth century, before the discipline broke away in the name of mathematical knowledge and models. See, for example, Sedlacek, *Economics of Good and Evil;* Jackson, *Prosperity without Growth;* OECD, *How was Life?;* Costanza, Kubiszewski, Giovannini,

This study opens up a series of questions for further investigation. Most generally, the temporal and geographical scope of the arguments discussed in this book could be tested and expanded. The study's aim to provincialize the growth paradigm through an analysis of its distinctly Western history has to be complemented by studies that examine the evolution of policy-norms related to growth in non-Western societies and the reciprocal interactions with Western expertise. Similarly, comparative studies of growth thinking at the international level and in various regional and national contexts, both at the level of economic expertise and focusing on more popular discourses, could help situate the growth paradigm more precisely within broader discursive developments. Further, related studies could push the analysis back to the precursors of modern growthmanship since the beginning of industrialization and deepen our understanding of the more recent developments, which could only be discussed cursorily in the Epilogue.[39]

The issues raised by the hegemony of the growth paradigm will certainly not be resolved soon. They reopen searching questions about what societies value, what should be understood as progress, and who benefits and who bears the costs. As summarized by the Greek-French philosopher Castoriadis:

> Economic growth is realized; but this is the growth of what, for whom, at what cost, to arrive at what? A partial *moment* of the economic system (not even the quantitative moment, but one part of the quantitative moment concerning *certain* goods and services) is set up as the sovereign moment of the economy; and, represented by this partial moment, the economy, itself a moment of social life, is set up as the sovereign instance of society.[40]

The growth paradigm is ultimately unstable and self-contradictory since the expectation it raises of continually increasing levels of material production run up to the ecological limits of a finite planet. While it

Lovins, McGlade, Pickett, Ragnarsdóttir, Roberts, De Vogli, and Wilkinson, "Development: Time to Leave GDP Behind"; Samuel Alexander and Amanda McLeod, eds. *Simple Living in History: Pioneers of the Deep Future* (Melbourne: Simplicity Institute Publishing, 2014); Piketty, *Capital in the Twenty-First Century*, Introduction.

[39] Studies on the history of the OECD are only in their infancy and much needs to be done. As discussed in the Introduction and in the introductory chapter on the OECD's history, this book could only cover one history of the organization with a specific topical focus, leaving out many other areas of OECD-work that still need to be covered by source-based historical analysis. For an overview of current historical research on the OECD and further avenues see Matthieu Leimgruber and Matthias Schmelzer, "Historical research on the OECD," paper presented at the conference *Warden of the West. The OECD and the global political economy, 1948 to present* (University of Zürich, August 2015).

[40] Cornelius Castoriadis, *The Imaginary Institution of Society* (Cambridge: MIT Press, 1998), 159f.

rests on the assumption that eventually all can share in the benefits of economic growth, even the universalization of the current levels of material production of Western Europe, the US, and Japan (not to speak of continually rising levels of growth for all) is evidently impossible given the constraints of resources and ecological sinks and threatens to cause ecological crises of catastrophic and planetary scale, which have even brought back the specter of a resurgence of "ecological panic" or "the next genocide."[41] It is thus rather fortunate, as argued by Richard Wilkinson and Kate Pickett in their celebrated statistical survey of welfare over time and between societies, that

> just when the human species discovers that the environment cannot absorb further increases in emissions, we also learn that further economic growth in the developed world no longer improves health, happiness or measures of wellbeing. On top of that, we have now seen that there are ways of improving the quality of life in rich countries without further economic growth.[42]

Thus, as it is becoming more and more obvious that industrialization, economic growth, and the vast but unequal accumulation of wealth have triggered a process of global warming that will, according to current projections, fundamentally undermine the ecological foundations of human life on this planet and thus "change everything," we also learn that the very process driving the anthropocene – capitalist economic growth – is neither self-evident, natural, nor indispensable.[43]

[41] Snyder, *Black Earth: The Holocaus as History and Warning*, in particular the Conclusion; Timothy Snyder, "The Next Genocide," *New York Times*, September 13, 2015, p. SR7. Snyder's arguments are, of course, highly controversial. See, for example, Jennifer Schüssler, "Historian With Bold Intentions" *New York Times*, September 8, 2015, p. C1.
[42] Wilkinson and Pickett, *The Spirit Level*, 218f.; Purdey, *The Growth Paradigm*.
[43] Klein, *This Changes Everything*.

Epilogue

Paradigm remade (1975–2011)

> [A]ll our social and economic objectives depend on the general trend of prosperity [. . .] Stagnation magnifies all our difficulties; stable growth enhances our possibilities.[1]

> Without growth no investments, without growth no jobs, without growth no funds for education, without growth no aid for the weak. And conversely: With growth investment, jobs, funds for education, aid for the weak, and – most importantly – trust by the people.[2]

These sentences from a speech by US president Henry Kissinger at the OECD Ministerial meeting in 1975 and from a government declaration by German chancellor Angela Merkel in 2009 aptly summarize the hegemonic position the growth paradigm regained since the mid-1970s and continues to hold until today. Uttered in the midst of the two most fundamental capitalist crises since the Great Depression of the 1930s, they demonstrate the overarching priority attached to GDP growth that formed the puzzle treated in this book. In the late 1960s and early 1970s, the focus on quantitative growth had been quite fundamentally questioned by social movements, in the general public, and among experts for disregarding the social and ecological costs of expansion and distorting policies geared toward well-being. However, from the mid-1970s onwards the growth paradigm regained its hegemonic position in policy discourses by adapting to ideological and societal currents. Yet in contrast to the unquestioned predominance during the 1950s and 1960s, the debates disputing the desirability and unlimited possibility of GDP growth have never really subsided after the intellectual crisis of growthmanship following 1968. Growth has increasingly been attacked as incapable of delivering the benefits its advocates promise. Multiple avenues of critique have argued that despite considerable increases in GDP,

[1] NARA, RG 56, Entry A1 803, Box 8, Folder OECD Ministerial Meeting (16), The Imperatives of Growth and Cooperation. Speech by Henry A. Kissinger before the OECD Ministerial Council, May 28, 1975.

[2] Regierungserklärung von Bundeskanzlerin Angela Merkel, November 10, 2009, online at: www.bundesregierung.de (translation MS).

unemployment remained high, well-being and happiness ceased to rise or even declined, inequality increased quite dramatically, and that growth proved unable to effectively reduce global poverty. At the same time, critics argued, the costs of growth, in particular the ecological costs, have been soaring and fundamentally threaten human sociability in the long term.[3] In reaction to mounting criticism against growth, international organizations and governments have come up with a multitude of concepts that supposedly adjust the growth paradigm to account for its perceived failures – from "qualitative" growth to "sustainable," "inclusive," or "green" growth.

Similarly, in sharp contrast to the steady confidence of economists and politicians in the "virtual certainty" of stable and high growth rates, starting in the 1970s growth itself has come under severe stress. Between the onset of the oil crisis in 1973 and 1975, total OECD output had fallen by 2.6 percent – "instead of rising by 10 per cent as it would have done if average rates of growth [as in the 1960s] had continued," as stated in contemporary OECD papers.[4] In individual countries the slump was much more severe. Similarly, unemployment within the OECD had risen to 5.5 percent in 1975, further increased to over 8 percent in the early 1980s, and has remained relatively high.[5] Since then, the stable and high rates of growth of the 1950s and 1960s have never returned. Rather, industrialized countries experienced a secular trend of falling growth rates that has reawakened the fear among economists that longer-term stagnation might actually be the most realistic scenario for the future of highly industrialized countries (see Conclusion).[6]

How was the growth paradigm remade in the face of this double crisis, the ideological crisis of growthmanship and the actual crisis of falling growth rates that was accompanied by declining benefits and rising costs? Without delving into the ongoing historiographical debate about the structural breaks and the "social changes of revolutionary quality" that characterize the era "after the boom," most importantly the deindustrialization and digitalization of production, the entrepreneurial self as the

[3] Fioramonti, *Gross Domestic Problem*; Jackson, *Prosperity without Growth*; Piketty, *Capital in the Twenty-First Century*; Sachs, *The Development Dictionary*; Waring, *Counting for Nothing*; Wilkinson and Pickett, *Spirit Level*. See also the Conclusion.

[4] OECD-HA, MAS/MIN(76)3, Meeting of the Manpower and Social Affairs Committee at Ministerial Level, March 4 and 5, 1976, Item 5, February 19, 1976.

[5] On the crisis, see Charles S. Maier, "'Malaise': The Crisis of Capitalism in the 1970s," in *The Shock of the Global. The 1970s in Perspective*, ed. Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent (Cambridge: Belknap Press, 2010), 25–48; Robert Brenner, *The Economics of Global Turbulence: The Advanced Capitalist Economies from Long Boom to Long Downturn, 1945–2005* (London: Verso, 2006).

[6] Piketty, *Capital in the Twenty-First Century*, chap. 2.

new societal model, and the shift from welfare-state-oriented policies of embedded liberalism to neoliberal governance, this Epilogue provides a pointed outlook on the evolution of the growth paradigm since the mid-1970s.[7]

The 1975 Ministerial meeting marked a turning point in the industrialized countries' debate about growth. On one hand, it put an end to the controversy about the "problems of modern society" by reaffirming without any qualifications the pursuit of growth as a key responsibility of governments. Symptomatically, Kissinger praised the multiple advantages of growth, warned that "[e]conomic stagnation breeds political instability," and argued that the economic crisis of the 1970s demonstrated "how much all our social and economic objectives depend on the general trend of prosperity."[8] As in the 1950s and 1960s, growth was not only charged with meeting the multiple challenges facing Western economies, but growth was again invoked as a universal measure of worth and a precondition for the achievement of key societal objectives. Even though the energy crisis for the first time confronted officials with the fundamental dependence of economic activities on the availability of cheap and abundant fossil fuels and thus with a key concern of growth critics, rather than reinforcing the ongoing rethinking of the growth paradigm, it led to intense but only partly successful efforts, also within the OECD, to counter the oil price rises and resulting economic ruptures within the growth regime.[9]

However, while the economic crisis had restored growthmanship within government circles, in popular discourses the onset of energy shortages and stagflation were widely interpreted as proof for the predictions of the Club of Rome. The "dialectical" argument of "qualitative growth" that asserted that the "maximization of economic growth" would free up the resources needed to overcome the ecological and social shortcomings of GNP growth was indeed taking hold among government officials and economists. Yet the debate about "limits" had captured the public imagination in many OECD countries and threatened to further undermine growth-oriented policies. The critics were a large segment of Western societies. For example, in 1979 the sociologist Amitai Etzioni reported to US president Jimmy Carter that one-third of American

[7] Doering-Manteuffel and Raphael, *Nach dem Boom*.

[8] NARA, RG 56, Entry A1 803, Box 8, Folder OECD Ministerial Meeting (16), The Imperatives of Growth and Cooperation. May 28, 1975. See very similar statements in the communiqué of the 1974 MCM, OECD-HA, C(74)80, Documentation for Meeting of Council at Ministerial Level, Agenda Item 1, May 16, 1974.

[9] Bamberger, *The History of the International Energy Agency, 1974–2004*; Mitchell, *Carbon Democracy*, chap. 7; David E. Spiro, *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets* (Ithaca: Cornell University Press, 1999), 80–102.

citizens was "pro-growth," another third was "anti-growth," and the rest was "highly uncertain."[10]

Next to the challenge of widespread insecurity about growthmanship within public discourses, the OECD was confronted with the fact that the growth policies focusing on government planning and demand management, which the organization had promoted and which had to varying degrees been employed by member countries during the 1960s, were increasingly regarded as incapable of overcoming stagflation. The political consensus of the postwar period had eroded. Returns on investment had continuously diminished due to structural changes and the political discipline, which had been imposed by the Cold War, declined with the coming to power of social democratic and leftist parties in many OECD countries during the 1960s, resulting in a wave of strikes, rising wage demands, and the "highest level of militancy since the Liberation."[11] The considerable increases in wages in many OECD countries spurred inflation. This was escalated by the abandonment by the Nixon administration in 1971 of the dollar parity of gold, which had underlain the fixed exchange rate system of Bretton Woods, and by the oil crisis of 1973 that led to continuously rising oil prices. In 1970, the world price of crude oil was at $1.80 per barrel; a decade later it had risen to $39. From 1973 onwards the Western world slid into a severe economic downturn that was characterized by a hitherto unknown combination of high rates of inflation and stagnation and that considerably increased transatlantic tensions. Even though Keynesian-style demand management and planning were still employed for several years, there was what scholars have called a "great disillusionment" with planning and the state's ability to rationally steer economic development. Within the "political economy of stagflation," the focus of economic policies on boosting growth seemed out of place. The primary goals were arresting inflation and buffering recessions; the watchwords were balance and stability.[12] At the same time, discretionary

[10] Quoted in Bill McKibben, *Eaarth: Making a Life on a Tough New Planet* (New York: Times Books, 2010), 93. See also Steurer, *Der Wachstumsdiskurs in Wissenschaft und Politik*; Hajer, *The Politics of Environmental Discourse*.

[11] Charles S. Maier, "The Politics of Inflation and Economic Stagnation: Theoretical Approaches and International Case Studies," in *The Politics of Inflation and Economic Stagnation: Theoretical Approaches and International Case Studies*, ed. Leon N. Lindberg, Charles S. Maier and Brian M. Barry (Washington: Brookings Institution Press, 1985), 16.

[12] Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Simon & Schuster, 1991); Schanetzky, *Die große Ernüchterung*; David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2007); Collins, *More*, 152–62; Leon N. Lindberg, Charles S. Maier, and Brian M. Barry, *The Politics of Inflation and Economic Stagnation: Theoretical Approaches and International Case Studies* (Washington: Brookings Institution Press, 1985); Hayes, "The Social History of Quantifying Inflation"; Thomas

fiscal and monetary growth policies, which had been inspired by Keynes and partly relied on the so-called "Phillips curve" that asserted an inverse relationship between unemployment and inflation, had come under heavy attack within mainstream economics, in particular at US universities. Neoliberal economists, such as Milton Friedman, supported by a comprehensive transnational network of intellectuals, industrialists, and think tanks, argued that contrary to the conventional wisdom, stagnation could well go along with inflation because there existed a "natural rate of unemployment"; the belief in government intervention was undermined by the emerging rational expectations school; and self-proclaimed neoliberal economists advanced to key positions within academia and powerful think tanks and promoted the "disembedding" of markets from political and social regulations.[13]

To address both challenges, the widespread popular fears about the ecological "limits to growth" and the perceived inability of demand-side growth policies to generate stable growth and profits, in the coming decades the OECD launched various efforts to recast the growth paradigm that continue until the preset day. Two expert reports, officially conceptualized at the height of economic upheavals at the 1975 OECD Ministerial meeting and written in the following tumultuous years by prestigious economists and OECD experts, symbolically mark the reconfigurations of growth thinking since the mid-1970s. The OECD *Interfutures* study, published in 1979, presented an official refutation to *Limits to Growth* by mapping long-term growth paths for sustainably "mastering the probable and managing the unpredictable." And the so-called McCracken report, initiated by the Kissinger administration and published in 1977, is often interpreted as the first official endorsement of neoliberal growth policies and – even though more ambiguous on closer analysis – proved influential in the shift to disciplinary and supply-side policies within the OECD and beyond. In fact, the long-term policy developments of these two reconfigurations of the growth paradigm, which will be analyzed in the following sections, were intrinsically related:

D. Willett, *Political Business Cycles: The Political Economy of Money, Inflation, and Unemployment* (Durham: Duke University Press, 1988); Matthias Schulz and Thomas Alan Schwartz, "Introduction," in *The Strained Alliance: US-European Relations from Nixon to Carter*, ed. Matthias Schulz and Thomas Alan Schwartz (Cambridge: Cambridge University Press, 2009), 1–22; Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism*. Brooklyn (NY: Verso, 2014).

13 Milton Friedman, "The Role of Monetary Policy," *The American Economic Review*, 1968, 1–17; Collins, *More*, 179–91; Mirowski and Plehwe, *The Road from Mont Pèlerin*; Robert Skidelsky, ed., *The End of the Keynesian Era: Essays on the Disintegration of the Keynesian Political Economy* (New York: Holmes & Meier Publishers, 1977); Blyth, *Great Transformations*, 152–275.

As Mitchell has argued in *Carbon Democracy*, the way in which in the context of the economic crisis and the oil shocks the environment was turned into an object of politics rivalling the economy has helped to install the market as the fundamental organizing principle.[14]

No limits: overcoming the environmental contradictions of capitalism

The *Interfutures* project, which was initiated by Japan and funded by voluntary contributions from most member countries, the EEC, and by several private foundations (Toyota, Ford, and the German Marshall Fund), aimed at assessing the long-term developments of OECD countries in the global context and at refuting the discourse of limits. Ironically, the idea for this group was developed by Club of Rome founder and OECD director Alexander King and the international group of government experts was chaired by Saburo Okita, one of the most influential Japanese government economists, president of the Japanese Overseas Development Fund, and also early member of the Club of Rome.[15] From the beginning, member countries had hoped that *Interfutures* would authoritatively counter growth critics and provide its rebuttal with the "stamp of OECD," a "reputable organization" in contrast to the private Club of Rome.[16] And indeed, the study's key conclusion was that there were no physical limits to growth, which could "continue during the next half-century." Rather, the experts argued, there were political, economic, and social limits that had to be overcome by a mix of market-oriented structural reforms, environmental policies,

[14] Timothy Mitchell, *Carbon Democracy*, chap 5 and 7; OECD, *Interfutures. Facing the Future. Mastering the Probable and Managing the Unpredictable* (Paris: OECD, 1979); Paul W. McCracken, *Towards Full Employment and Price Stability: A Report to the OECD by a Group of Independent Experts* (Paris: OECD, 1977). In the Communiqué of the Ministers the two reports were noted in the same context. NARA, RG 56, Entry A1 803, Box 8, Folder OECD Ministerial Meeting (15), US Embassy Paris to Secretary of the Treasury, OECD Ministerial Communiqué, May 29, 1975. See also OECD-HA, C(75)75, Letter by Japanese Government to the Secretary-General, May 9, 1975.

[15] OECD-HA, C(75)204, A proposed research project on "The Future Development of Advanced Industrial Societies in Harmony with that of Developing Countries," November 28, 1975 and Annexes; OECD, "A New Look at the Future of Industrialised Societies," *The OECD Observer* 79 (February 1976): 20–21. Project Director was the French future studies expert Jacques Lesourne. See *Décision, prospective, auto-organisation. Mélanges en l'honneur de Jacques Lesourne* (Paris: Dunod, 1999) esp. 488–493. A similar initiative was launched by the EEC in Brussels. Commission of the European Communities, *Europe plus Thirty Report* (Brussels: Commission of the European Communities, 1975). See also Wayland Kennet, *The Futures of Europe* (Cambridge: Cambridge University Press, 1976).

[16] TNA, T 354/438, Todd to Bayne, January 23, 1975.

and moderate redistribution to safeguard the "dominant value system." More specifically, the report argued that its "main objective must be to preserve the mechanisms of the market economy by cushioning excessively abrupt consequences that might give rise to governmental measures which jeopardise those mechanisms." The liberal outlook was deliberate – during the writing process the steering committee had advocated, drawing on Milton Friedman's recent book, that "this 'there ain't no free lunch' line of examination might be developed into the project's major theme." Because of this market-liberal slant the report has been dubbed by a critical observer as "a coherent capitalist manifesto for our times" and "an intelligent conservative's guide to reform."[17]

Even though praised for its high analytical qualities, the report only received lukewarm reactions from most government officials, even within the OECD. They not only disapproved of the relatively low growth forecasts to the year 2000 in the *Interfutures* report (that were still much higher than actual developments).[18] More fundamentally, its long-term and comprehensive approach of planetary management, which stood in the tradition of the discussions about the "problems of modern society," futures studies, and the Club of Rome, had become outmoded and, even though in a market-liberal variant, was incompatible with the short-term preoccupations of most member countries and the critique of state intervention that was on the rise.

Nonetheless, the report's key credo of the possibility of unlimited growth, which was extensively promulgated by the OECD, had a strong impact. Not only within the scientific community of futures studies, but also in the wider public, it fostered the conviction "that the hypotheses of the Club of Rome were rejected after the Interfuture [*sic*]."[19] Environmental issues almost entirely disappeared from the OECD's

[17] OECD, *Interfutures*, 16, 385, 406. NARA, RG 56, Entry A1 803, Box 8, Folder Interfutures (Cables, Memos etc.), Embassy Paris to SECSTATE in Washington, July 18, 1977; OECD, "Are There Physical Limits to Growth?," *The OECD Observer* 100 (September 1979): 9–13; Reginald Herbold Green, "Gale Warnings: Fragments of Charts and Guides for Navigators," *Development Dialogue*, no. 1 (1980): 35–54. See also Milton Friedman, *There's No Such Thing as a Free Lunch* (LaSalle, Ill.: Open Court, 1975).

[18] The US and the OECD were apparently upset about the moderate growth forecast of between 3.4 and 4.3 percent in the Interfutures report. The real growth until 2000 was only an average 2.8 percent. See Bruno Hérault, "Interfuturs: Une Prospective de La Mondialisation," *Horizons Stratégiques* 7, no. 1 (2008): 151–58, here 156; Salomon, "La Tristesse de Cassandre."

[19] Michel Godet, "Future Memories," *Technological Forecasting and Social Change* 77, no. 9 (2010): 1458. Another author wrote: "Interfuturs est en quelque sorte, à la prospective, ce que l'opération Overlord est à l'histoire militaire." Michel Albert, "Interfutures vingt ans après," in *Décision, prospective, auto-organisation mélanges en l'honneur de Jacques Lesourne*, ed. Jacques Lesourne (Paris: Dunod, 1999), 306–17.

Ministerial declarations in the latter 1970s and 1980s, a time in which "environment" was largely mentioned only in the context of improving international competition to create a "more dynamic economic environment." Building on the earlier international environmental policy norms discussed in the last chapter, the key conclusion of *Interfutures* soon became the official OECD position that was publicized with the environment ministers' meetings in 1979 and 1984. Background papers for the first meeting emphasized the "complementarity and compatibility of environmental and economic policies" and argued that environmental policies could actually become a vehicle for economic recovery.[20] In 1979 Jim MacNeill, OECD director of environment, argued that "[s]lower growth, with a slower replacement of capital, can reduce the rate at which newer, less-polluting processes find their way into the system." He bluntly stated that he "personally believe[d] that the relationship between economic development and environmental quality is positive, cumulative and self-reinforcing, at least in the long-term." And the OECD's International Conference on Environment and Economics in June 1984, which brought together environmental experts and high-level government officials and ministers to discuss the mutual benefits of environmental policies, industrial innovation, increased efficiency, and the role of economic instruments, reached the following far-seeing conclusion:

> Continued environmental improvement and sustained economic growth are essential, compatible and interrelated policy objectives for OECD Member countries. This, the major conclusion of the Conference, means that the environment and the economy, if properly managed, are mutually reinforcing; and are supportive of and supported by technological innovation.[21]

As has been argued, the OECD thus prefigured a far-reaching reconfiguration: While environmental protection first appeared as an issue that was seen to be in *conflict* with economic growth and could at best be balanced, this relationship was reversed. Economic growth and the environment did not have to be balanced, but could be integrated.

[20] OECD, *Environmental Policies for the 1980s* (Paris: OECD, 1980), 60–61. The meeting produced a *Declaration on Anticipatory Environmental Policies*, which suggested that "environmental considerations are incorporated at an early stage of any decision" and promoted economic and fiscal rather than legal regulatory instruments. OECD-HA, C(79)114, Declaration on Anticipatory Environment Policies, adopted at the Ministerial meeting on the Environment Committee, May 8, 1979.

[21] Jim MacNeill, "Environment Policy in Transition," *The OECD Observer* 97 (March 1979): 40–41; Communiqué of the Meeting of the OECD Council at Ministerial Level in June 1981, www.g8.utoronto.ca/oecd/oecd81.htm (January 7, 2014); OECD, *Environment and Economics. Results of the International Conference on Environment and Economics* (Paris: OECD, 1985), 10.

Building on this discourse, in the early 1980s the OECD Environment Committee promoted many of the assumptions underlying the international norm of "sustainable development" that became famous through the UN Brundtland report. Charged with reviewing the global environmental and social crisis, in 1984 the UN initiated the World Commission on Environment and Development, which was chaired by Gro Harlem Brundtland – former Norwegian prime minister and minister of the environment, who had been introduced to international environmental debates through the OECD – and whose Secretary-General became Jim MacNeill, former OECD director of environment. Its 1987 report *Our Common Future*, based on the assumed harmony between growth, development, and ecological protection, has structured the debate on the relationship between the economy and the environment since the late 1980s. It became most famous for its definition of sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." In the coming years, the key slogan of "sustainable development" was taken up by most international organizations, and governments around the world debated whether their policies were compatible with this new guiding theme.[22] Furthermore, in the context of increasing anxieties about climate change as a major global environmental problem caused by economic expansion based on fossil fuels, the Brundtland report gave rise to a renewed public debate in the late 1980s and early 1990s about possible limits to growth. However, as will be discussed below, in the coming decade the report's more nuanced analysis and its focus on redistribution, legal obligations, possible limits, and on closely linking social and ecological questions in a context of global inequalities were soon forgotten. Already in 1989 the OECD Ministerial declaration, while endorsing the principle of "sustainable development," narrowed this broad concept by arguing that "intensified efforts for technological breakthrough are important to reconcile economic growth and environmental protection" and this, it

[22] World Commission on Environment and Development, *Our Common Future* (Geneva: WCED, 1987), 45; Joy Paton, *Seeking Sustainability: On the Prospect of an Ecological Liberalism* (London and New York: Routledge, 2011), 91–110; Iris Borowy, *Defining Sustainable Development: The World Commission on Environment and Development (Brundtland Commission)* (London and New York: Routledge, 2013), 167–83; Macekura, *Of Limits and Growth*; Paul N. Edwards, *A Vast Machine: Computer Models, Climate Data, and the Politics of Global Warming* (Boston: MIT Press, 2010); Paul Sabin, *The Bet: Paul Ehrlich, Julian Simon, and Our Gamble over Earth's Future* (New Haven: Yale University Press, 2013). Jim MacNeill stated: "We laid the intellectual foundations for what later became known as sustainable development in [the] OECD between '80 and '84." Quoted in Bernstein, *Liberal Environmentalism*, 198.

was specified a year later, required the "optimum use of market mechanisms."[23]

Free market growthmanship: unleashing markets, investments, and profits for growth

When van Lennep introduced the two expert groups in 1975, he formulated the organization's hope in the results of the studies by comparing the OECD's quest for a recast growth paradigm to the rise of Keynesianism after the Great Depression:

> The Great Depression of the 1930's produced much new thinking about the management of market economies which stood us in good stead in the first phase of the post-war period. There is surely no reason why the Great Stagflation of the early 1970s should not throw up new ideas as to how best to overcome the different problems we are running into today.[24]

And indeed, while the OECD until the mid-1970s had been a "bastion of Keynesianism" that was "either ignoring or stoutly opposing monetarist views," the expert group under the chairmanship of US economist Paul W. McCracken, which consisted of well-respected, predominantly conservative economists with experience both in academia and government institutions, initiated a cautious yet remarkable shift in perspective. Its widely publicized report criticized mounting social expenditures and labor market "rigidities" and argued that "non-inflationary growth" could only pick up when demand was further restrained and governments "deliberately maintain labor slack."[25] The McCracken report was not only widely perceived as a "plea for growth" directed against the critics in academia and social movements, but more importantly as an embryonic endorsement of neoliberal policies that resulted from the assumed conflict underlying the report between the conditions that would enable

[23] Meeting of the Council at Ministerial level on May 31–June 1, 1989 Communiqué, www.g8.utoronto.ca/oecd/oecd89.htm; Meeting of the Council at Ministerial Level in May 1990 Communiqué, www.g8.utoronto.ca/oecd/oecd90.htm (November 24, 2015).

[24] Emile Van Lennep, "Beyond Stagflation: Policies for Renewed Growth," *The OECD Observer* 77 (September 1975): 3–6.

[25] OECD-HA, Folder 239638, Memorandum from J. R. Gass to Angus Maddison, February 4, 1977; McCracken, *Towards Full Employment*; Donald R. Hodge, "Review 'Towards Full Employment and Price Stability,'" *Journal of Money, Credit, and Banking* 10, no. 3 (1978): 396. On the making of the McCracken report, see the first part of the unpublished thesis by Gayon, "L'OCDE au travail." The chair of the group, Paul McCracken, and another economist of the group, Herbert Giersch, were both members of the neoliberal Mont Pèlerin Society. On this context, see Mirowski and Plehwe, *The Road from Mont Pèlerin.* One expert of the group, Attila Karaosmanoglu, commented: "I do not share the degree of faith expressed by the majority of the Group in the working of the market mechanism." McCracken, *Towards Full Employment*, 249.

economic growth and both the way democracy worked and the nature of the welfare state. Several analysts have credited the report with contributing considerably to making the "idea that a 'disciplinary' (rather than a welfare) state was needed to make capitalism work" respectable among government experts. In fact, the report made clear that the result of its policy recommendations could be severe. As summarized by Stephen Gill, this meant "higher, potentially permanent, levels of unemployment, and therefore the major capitalist states would have to jettison commitment to one of the central pillars of the postwar welfarist consensus. The changes involved an attack on wage indexation, and a general offensive designed to 'liberalize' labor markets."[26] However, the influence of this report should not be overemphasized as is done in some of the literature. While market-oriented reforms dominated the microeconomic and in particular labor market recommendations of the report, in terms of the macroeconomic governance of international balance of payments questions it followed a reflationary management approach.[27]

Within the OECD Secretariat, the McCracken report, which has been interpreted as an attempt to fast-track neoliberal ideology into the OECD's Economics Department, sparked a conflict between the Keynesian "macroeconomists," who promoted improved demand management, and the "structuralists," who advocated monetary and wage restraint and supply-side instruments. Yet the belief in the power of the price mechanism to smooth all market imbalances, which underlay the report, appealed to a growing faction within the Secretariat. Hence, from the mid-1970s onwards the organization ceased to recommend fiscal policies aimed at fine-tuning the business cycle or to promote a strong welfare state, and Secretary-General van Lennep carefully managed the

[26] Stephen Gill, *American Hegemony and the Trilateral Commission* (Cambridge, Cambridge University Press, 2009), 100; Karl Kühne, "Retrospektiver Optimismus der acht Weisen. Der McCracken Report im Zwielicht," *Wirtschaftsdienst* VII (1977): 399–403. The most influential account is Robert O. Keohane, "Economics, Inflation, and the Role of the State: Political Implications of the McCracken Report," *World Politics* 31, no. 1 (1978): 108–28. See also Robert Gilpin, *Global Political Economy: Understanding the International Economic Order* (Princeton: Princeton University Press, 2001), 72; Mahon and McBride, "Introduction," 15–16; Anthony Endres and G. A Fleming, "The Shaping of Research Agendas in International Economic Organizations: Illustrations from the World Bank, IMF and OECD," *Working Paper Series, University of Auckland. Dept. of Economics* 233 (2002).

[27] Samuel Beroud and Matthieu Leimgruber, "A Pilot Fish ahead of the Sharks? The Changing Fortunes of the OECD during the 'Long 1970'," paper presented at the conference *Crisis, Ideas and Policy Transformation: Experts and Expertise in European International Organizations, 1973–1987* (Maastricht University, 2014); Samuel Beroud, "'Positive Adjustments': The Emergence of Supply-side Economics in the OECD and G7, 1970-1983," paper presented at the conference *Warden of the West. The OECD and the Global Political Economy* (University of Zürich, August 2015).

organization's shift from "embedded liberalism" and Keynesian growth policies toward neoclassical economics.[28] This transformation of policy frameworks within the OECD is, however, a complicated one that was largely dominated by changing member states interests rather than ideological shifts. As recently shown, various policy proposals generally attributed to these diverging policy schools overlapped and complemented each other during the 1970s, not only within the OECD but more generally in the international policy arena. Within the OECD, structural policies, and in particular "positive adjustment policies," were developed from 1977 onwards by Keynesian economic advisors to President Jimmy Carter and German economists advocating the social market economy. They were at first intended as a microeconomic complement to reflationary and interventionist macroeconomic policies and only later became integrated into a "neoliberal" agenda.[29]

Nonetheless, from the 1978 Ministerial onwards, which proclaimed "positive adjustment policies" as the new guiding theme for the organization, all committees redesigned their work around the new vision of structural and market oriented reforms – first at the microeconomic level, later on more generally. Rather than interpreting the crises of the 1970s such as slow growth, high unemployment, and soaring inflation as temporary phenomena caused by high oil prices – which again reached record levels with the second oil shock in 1979 and 1980 – the OECD advanced a view that framed these as "structural" problems. A 1980 report, for example, predicted "jobless growth" in industrialized countries.[30] Since profits rather than demand or labor power were increasingly discussed as the key drivers of growth, the long-term trend of profits to fall in most OECD countries since the mid-1960s became a core concern of the organization. Faced with declining growth rates, the OECD started to analyze social expenditures as an obstacle to growth, criticized the "welfare state in crisis," and increasingly promoted the privatization of social services. In the area of labor policies the organization came to promote labor market "flexibility," employer's interests, and the "active society." From the early 1980s onwards, the OECD promoted

[28] Emile Van Lennep, "A Shift in the Balance of Risks in the Current Economic Situation," *The OECD Observer* 89 (November 1977): 3–4; Dow, "OECD," 261; Woodward, *The OECD*, 23–29; Mahon and McBride, *The OECD and Transnational Governance*.

[29] This question, however, needs to be further studied, also in relation to competition among international organizations for "neoclassical" preeminence. See Samuel Beroud, "'Positive Adjustments': The Emergence of Supply-side Economics in the OECD and G7;" Leimgruber, "The Embattled Standard-Bearer of Social Insurance and Its Challenger."

[30] OECD, "Positive Adjustment Policies (PAPs)," *The OECD Observer* 99 (July 1979): 34–38; OECD, *The Case for Positive Adjustment Policies. A Compendium of OECD Documents* (Paris: OECD, 1979).

policies of structural adjustment leading to wage reductions, a focus on enterprise efficiency, layoffs of unneeded workers, limits on payroll taxes, etc. As it had done since the 1950s, the OECD again played a key role in developing and diffusing a science policy framework adapted to the perceived necessities of the time. Faced with globalization, within the OECD and beyond the idea took hold that successful innovations depended not on (public) investments into R&D, but rather on international competition and the creation of a climate conducive to international capital investments – "international competition based on innovation became an 'obsession,'" as remembered by the head of the OECD science policy division. Further, building on its long-standing work with the OECD's *Code for the Liberalization of Capital Movements* and pushed by French socialist economists and diplomats, the OECD emerged as a powerful advocate for all-out liberalization of capital movements and financial markets.[31]

Indicative of these changes, in April 1980 the EPC's WP-2, which had been the OECD's center of Keynesian growth policies, long-term planning, and the "problems" of GDP growth, was abandoned and merged into a working party on the "policy-analytic aspects of macro economic and structural problems" that focused on supply-side policies and restraining public budgets. A comprehensive survey of regular OECD reports in that era has shown that by 1980 positions incompatible with neoclassical economics had been ousted from the Secretariat and the organization's advice to member countries embraced fully neoliberal and supply-side recipes. The OECD's new blueprint was:

> cut budgets, eliminate labor market rigidities, strengthen competition, free international trade, rationalize production, exploit all new technologies, refrain from demand management, strengthen the personal responsibility of individuals and families and reduce generous social security benefits.[32]

[31] OECD-HA, CPE/WP2(80)3, Factor Income Shares and Profit Rates, 25 April 1980; Peter Hill, *Profits and Rates of Return* (Paris: OECD, 1979); Leimgruber, "The Embattled Standard-Bearer of Social Insurance and Its Challenger"; OECD, *Labor Market Flexibility: A Report to Labour Ministers* (Paris: OECD, 1982); Ramunni and Le Roux, "L'OCDE et les politiques scientifiques"; OECD, *Technical Change and Economic Policy: Science and Technology in the New Economic and Social Context* (Paris: OECD, 1980); Rawi Abdelal, *Capital Rules: The Construction of Global Finance* (Cambridge: Harvard University Press, 2007); Stephany Griffith-Jones, Ricardo Gottschalk, and Xavier Cirera, *The OECD Experience with Capital Account Liberalization* (Geneva: UNCTAD, 2003); David Henderson, "The Role of the OECD in Liberalising International Trade and Capital Flows," *The World Economy* 19 (1996): 11–28.

[32] OECD-HA, CPE(80)4, Organisation of the Committee's Working Parties, April 29, 1980; Klaus Armingeon, "OECD and National Welfare State Development," in *The OECD and European Welfare States*, ed. Klaus Armingeon and Michelle Beyeler (Cheltenham: Edward Elgar, 2004), 228.

Symptomatic of the new orthodoxy that spread – following the election of Margaret Thatcher and Ronald Reagan – throughout the OECD world and beyond, in 1980 van Lennep summarized the experiences in the last decade by deploring that "in responding to rising economic and social aspirations, OECD countries allowed their economies to become over-loaded, over-regulated and insufficiently profitable."[33] The communiqué at the Ministerial meeting in 1980 emphasized supply-side policies and measures to improve the investment climate, and among ministers there was almost anonymous agreement that there was "no alternative to giving priority to the fight against inflation, which meant continued fiscal disciplines and monetary restraint."[34] And from 1984 onwards, under new Secretary General Jean-Claude Paye (1984–1996), a French free-market economist and diplomat, the OECD developed into a market-liberal think tank promoting the liberalization of global markets for products, services, investments, and capital – all justified in the name of trying to increase the now precarious growth rates.[35] This new outlook became so closely identified with the OECD that in 1991 Paye had to assure the world that "it would be a shame if the OECD was characterized as an economic success and a social failure."[36]

Even though this focus on markets, discipline, and restraint was a frontal attack on the form the growth paradigm had taken in the 1960s, in particular on its close relation to government planning, expansionary fiscal and monetary policies, and the welfare state, it did not weaken the focus on growth. It is fascinating to see how during the latter 1970s OECD governments and the Secretariat clung to what they had come to conceptualize as normality, a steady growth path of an average of

[33] Emile Van Lennep, "The Seventies: A Review – The Eighties: A Preview," *The OECD Observer* 102 (January 1980): 3–8;

[34] OECD-HA, C(80)104(Final), Communiqué, June 6, 1980. See the debate C/M(80)12, June 3-4, 1980. Only Sweden and Norway disagreed. The US delegate argued that it was important to change the attitudes in the public "about the need to accept a real income loss," and British Chancellor of Exchequer advocated a greater role for the OECD in "educating and informing the public about the economic realities [and] the need for such disciplines." TNA, FCO 59/1698, UK Delegation to FCO, June 6, 1980.

[35] 1984 not only marked the coming of a new Secretary-General, but also some fundamental shifts on the level of directors and key OECD personnel and the end of the transition period to supply-side and free market approaches. For example, the Economics Directorate, which had been headed by Silvia Ostry (1979-1983), was taken over by David Henderson (1984-1992); and Stephen Marris, the Keynesian chief economist and top advisor of van Lennep, left the organization in 1983.

[36] Steven Greenhouse, "Making a Difference; The O.E.C.D.'s Polite Pusher," *New York Times*, June 9, 1991; Woodward, *The OECD*, 29–32; Carroll and Kellow, *The OECD*, 80–94. Before joining the OECD, Paye was a senior civil servant under Valéry Giscard d'Estaing and a G-7 Sherpa under Mitterrand. His candidacy can be interpreted as a compromise choice against the Thatcher–Reagan approach to economic problems.

between 4 or 5 percent annually. At the MCM in May 1974, ministers proclaimed the doctrine of a "normal sustainable rate of some 5 per cent," even though at that time the Secretariat only projected a growth of 1.5 percent for the coming year and further prospects were bleak due to the precarious energy situation and rising inflation. Two years later in June 1976, building on Secretariat analysis and the WP-2 report *A Growth Scenario to 1980*, OECD ministers again agreed on a medium-term growth strategy of 5 percent minimum growth rates per year up to 1980. And in 1977 the OECD still thought that a growth target of more than 5 percent was realistic and van Lennep conjured member countries to strengthen their efforts to "get back on target." It was only in 1978 that the Secretariat finally released a "long-awaited post mortem on OECD forecasting" that presented a general analysis and critique of the forecasting record of the organization. This prompted more realistic and much lower growth forecasts and related policy goals, even though for several years these still exceeded real developments.[37]

Rather than undermining the growth paradigm, what has been called the monetarist "counter-revolution," the "marketization" of economics, or the rise of "neoliberalism" merely rearticulated growthmanship in a new guise. Arguments justifying the benefits of growth were adapted to highlight the so-called "trickle-down" argument according to which not state-sponsored redistribution but the unhampered workings of growing markets would benefit even the most disadvantaged. Symptomatically, US president Ronald Reagan claimed in his major 1980 campaign speech, "Our aim is to increase our national wealth so all will have more, not just redistribute what we already have which is just a sharing of scarcity."[38] Most fundamentally, instead of seeing the government as the guarantor in charge of boosting growth in multiple policy fields and ensuring through welfare state policies that growth benefited the majorities, this "antistatist growthmanship" deemed government interventions that did not enable free-market activities as obstacles to growth.

[37] OECD-HA, C(74)80, Documentation for Meeting of Council at Ministerial Level, Agenda Item 1, May 16, 1974; CPE/WP2(76)5, A Growth Scenario to 1980, April 30, 1976; TNA, T 387/109, Fitchew to Littler, May 30, 1977; NARA RG 56, Entry A1 803, Box 4, Folder OECD EPC 1978, American Embassy Paris to Secretary of State, July 26, 1978; OECD-HA, C(79)103, Overcoming the obstacles to sustained economic growth. Note by the Secretary-General, June 5, 1979. See also the discussion of OECD forecasting techniques and failures in the 1970s in G. E. John Llewellyn, Stephen Potter, and Lee Samuelson, *Economic Forecasting and Policy: The International Dimension* (London and New York: Routledge, 1985).

[38] Quoted in Collins, *More*, 196. See also Fourcade, *Economists and Societies*; Harvey, *A Brief History of Neoliberalism*; Edward S. Herman, "Liberal Growthmanship and Free Trade," in *Triumph of the Market: Essays on Economics, Politics and the Media*, by Edward S. Herman (Boston: South End Press, 1997), 43–52.

Thus, the OECD started to focus on public management reforms to organize governments more "efficiently" and more in line with private interests. In the neoliberal growth regime "growth" still carried the promises of employment, equality, welfare, and rising living standards, but these were more and more postponed in the name of growth. These forms of social progress all depended on "sustained non-inflationary growth," which, so the new reasoning went, in turn depended on open trade, deregulation, flexible labor markets, technological progress, higher investments, and – most generally – higher "profitability."[39] While the "golden age" still acted as a legitimating force, higher rates of unemployment, declining wages, rising inequality, and welfare cuts were justified as necessary prerequisites of faster growth, which, so the promise went, would create more jobs and rising wages and living standards in the future.

From "sustainable" to "green" growth and beyond: the precarious harmony of environment and economy

The final victory of economic liberalism and free market growthmanship – some even dreamed of the *End of History* (Francis Fukuyama) – came of course with the collapse of the Soviet Union in 1989/1990. The end of the Cold War, which had come to be waged over whether communism or capitalism would generate more economic output, was also the result of the fact that the latter had "outgrown" its enemy. In the mid-twentieth century, the threat of faster Soviet growth had been a key driving force in the establishment of the Western growth paradigm. Yet from the 1970s onwards even official Soviet growth rates, let alone real ones, started to slow down and thus changed the parameters of what has adequately been labelled a "stats war." Retrospective estimates have indicated that whereas official statistics proclaimed an increase of 8.500 percent between 1928 and 1985, the Soviet economy had expanded by merely 500 or 600 percent and thus not enough to provide a convincing alternative.[40] With the adoption of the Western system of national income

[39] Communiqué of the Meeting of the OECD Council at Ministerial level in May 1982, www.g8.utoronto.ca/oecd/oecd82.htm; Collins, *More*, 191–97; Leslie A. Pal, *Frontiers of Governance: The OECD and Global Public Management Reform* (Basingstoke: Palgrave Macmillan, 2012); Wendy Brown, *Undoing the Demos: Neoliberalism's Stealth Revolution* (New York: The MIT Press, 2015).

[40] Fioramonti, *Gross Domestic Problem*, 39; Sutela, *Economic Thought and Economic Reform in the Soviet Union*, chap. 5; Gur Ofer, "Soviet Economic Growth: 1928–1985," *Journal of Economic Literature* 25, no. 4 (1987): 1767–1833. See also Alec Nove, *An Economic History of the USSR. 1917-1991* (London: Penguin Books, 1992). It should be kept in mind, however, that the measuring errors in Western GDP accounting and their political

accounting by all former Soviet states in the 1990s, GDP finally became the universal standard around the world. However, far from reducing the competitive pressure for fast growth, with the dwindling of Cold War rivalry in the 1980s newly emerging fast growing economies such as Japan, the "Asian Tigers," and more recently the BRIICS states (Brazil, Russia, India, Indonesia, China, and South Africa) ensured that the global race toward the triumphalist universal aspiration of never-ending growth continues unabated into the twenty-first century.[41]

Both the end of the Cold War and the relative economic decline of this "Club of the Rich" due to much faster growth rates in non-OECD economies proved highly unsettling for the organization. Founded as a Western Cold War institution with a key role in institutionalizing the hegemony of donor countries in North–South relations, the OECD was ill-equipped for the multipolar world of globalization. Since for the demarcation of a community of countries the non-members – or the "other" – is highly important, with the end of the Cold War and the rise of newly emerging market economies the OECD lost two key identity-defining markers. Since the 1990s, the OECD no longer encompasses *all* the core economies of global capitalism and struggles to find a new identity beyond the Cold War vision of representing rich capitalist countries and the (post)colonial idea of representing the major developed economic powers. To counter its demise as a think tank whose analysis can make universal claims, the OECD admitted Mexico (1994), the Czech Republic (1995), South Korea, Hungary, Poland (1996), Slovakia (2000), Chile, Slovenia, Israel, and Estonia (2010) as new members.[42] Further, in 2006 the former Mexican foreign minister Angel Gurría became Secretary-General and the OECD embarked on tightening its relations with key emerging market economies (Brazil, China, India, Indonesia, and South Africa) through the so-called "Enhanced Engagement" program. However, faced with the rise of other international fora such as the G20, the influence of the OECD on these countries was rather weak, not least due to the OECD's reputed

uses are also considerable. See, for example, Jochen Hartwig, "On Spurious Differences in Growth Performance and on the Misuse of National Accounts Data for Governance Purposes," *Review of International Political Economy* 13, no. 4 (2006): 535–58.

41 Herrera, *Mirrors of the Economy*; Purdey, *Economic Growth*, chap. 2; Giovanni Arrighi, *Adam Smith in Beijing: Lineages of the 21st Century* (London: Verso, 2009). The inclusion of formerly Soviet economies into the world market led, quite paradoxically, to a decline in official GDP data in these countries as measured by international organizations. On this paradox, see Jefferies, *Measuring National Income in the Centrally Planned Economies*.

42 The OECD's role in the transition toward market economy in the former Soviet Bloc needs to be further studied.

"Westerness" and because the OECD had little to offer to the new players on the world markets. As stated by Judith Clifton and Daniel Diaz-Fuentes: "the organization needs the emerging economies, but do they need the OECD?" The OECD, the quintessential Western international organization, has thus been characterized not without irony as a "sunset organization."[43]

Nonetheless, the organization has and remains active in almost any field of government activity and continues to influence government norms and behavior. In the 1990s the liberalization of trade, finance, and investment moved center-stage, as did, in the field of environmental policies, the focus on economic instruments and markets for environmental costs. In particular under the new Secretary-General, Canadian market-liberal politician and lawyer Donald Johnston (1996–2006), the OECD became a "champion of more open flows of goods, services and capital as a vehicle for increasing world economic growth and welfare" and played "a particularly important role [. . .] in support of the globalization process" by launching – yet again – an "OECD growth project."[44] One of the key efforts to deepen the globalization of trade, investment, and finance was the so-called Multilateral Agreement on Investment (MAI), which was negotiated within the OECD between 1995 and 1998 but failed due to widespread opposition by social movements and civil society groups. In fact, these protests against the OECD spurred what later became the so-called anti-globalization movement, which challenged corporate-led liberalization of trade and finances to the detriment of people and the planet.[45]

The problems of growth that had started to be discussed in the late 1960s did not disappear, but became even more urgent with the increasing attention paid to the global and interconnected environmental problems such as climate change, biodiversity loss, and deforestation, all of which are intimately connected to the massive expansion of the global economy. Furthermore, while in parts of the world emerging market economies grew rapidly and universalized Western modes of mass

[43] Judith Clifton and Daniel Díaz-Fuentes, "The OECD and 'The Rest': Analyzing the Limits of Policy Transfer," *Journal of Comparative Policy Analysis: Research and Practice* 16, no. 3 (2014): 249–65; Schmelzer, "A Club of the Rich to Help the Poor?"; Clifton and Díaz-Fuentes, "From 'Club of the Rich' to 'Globalisation À La Carte'?," 310; Kishore Mahbubani, "The OECD: A Classic Sunset Organisation," *Global Policy* 3, no. 1 (2012): 117–18.

[44] Donald Johnston in OECD, *OECD Annual Report* (Paris: OECD, 2000), 5; Aynsley Kellow and Peter Carrol, "Donald Johnston," *Biographical Dictionary of Secretaries-General of International Organizations*, 2013, www.ru.nl/fm/iobio

[45] Andrew Jackson and Matthew Sanger, *Dismantling Democracy: The Multilateral Agreement on Investment (MAI) and Its Impact* (Ottawa: James Lorimer, 1998). On this period, see Woodward, *The OECD*, 34–41.

consumption, growth-oriented policies in the framework of the free market Washington Consensus increasingly failed to deliver on its promises: For large regions in the global South, the "lost 1980s" were a decade of disastrous economic failures, and the financial crises of the 1990s proved highly destructive, in particular for Asian economies. Thus, combined with the mounting environmental problems, the "development paradigm" and its underlying assumption, that through global growth, technological progress, globalization, and the "trickle down" effect eventually all will share in the wealth produced, lost much of its credibility.[46] Furthermore, in OECD countries the various policies of anti-statist growthmanship, financialization, and the focus on restraining monetary growth actually brought down inflation, increased the rate of return on capital, and reinvigorated growth (even though growth rates tended to decline). However, unlike in the golden postwar decades, the promises of free-market growth were increasingly undermined by real developments: On average and in the long term, within most OECD societies the problem of unemployment did not disappear, inequalities increased quite markedly, and according to various studies and indicators, the welfare and prosperity in OECD societies ceased to improve or even declined.[47]

The international debates about economic growth since the 1990s were characterized by the continuous and increasingly intense efforts to reconceptualize growth to account for these perceived failures and the relentless focus on markets and technological innovations. A key event became the 1992 UN Conference on Environment and Development or "Earth summit" in Rio de Janeiro, which marked the adoption of "sustainable development" in mainstream policy discourses. In fact, part of the agenda was the clear request that the developed countries take the lead in reducing their environmental impact through fundamental changes in their "unsustainable patterns of production and consumption." However, this critical edge was not backed by a strong constellation of powerful interests and instead of changes in production and consumption patterns, the coming decades experienced their intensification and globalization. Symptomatically, the OECD's endorsement of "sustainable development" was based on a narrow interpretation of the

[46] See, for example, Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective* (London: Anthem Press, 2002); James Ferguson, *The Anti-Politics Machine: "Development," Depoliticization, and Bureaucratic Power in Lesotho* (Cambridge: Cambridge University Press, 1990); Sachs, *The Development Dictionary*; Amartya Sen, *Development as Freedom* (Oxford: Oxford University Press, 1999).

[47] Jackson, *Prosperity without Growth*; Hobsbawm, *Age of Extremes*, pt. 3; Piketty, *Capital*; Wilkinson and Pickett, *Spirit Level*; Streeck, *Buying Time.*

Rio Declaration and focused mainly on the use of economic instruments and the reliance of market mechanisms to solve environmental problems, which had since the late 1980s again become a prominent item on the organization's agenda. This outlook was largely compatible with the appropriation of the concept of sustainable development by the global business community in the wake of the Rio summit. Focusing on the idea of "eco-efficiency," i.e., using energy-efficient technologies to further increase the value of production while decreasing environmental impact, the Swiss entrepreneur Stephan Schmidheiny, in collaboration with the OECD and the UN, founded the CEO-led Business Council for Sustainable Development to promote business-friendly versions of "sustainable development."[48] Rio inspired efforts to reduce greenhouse gas emissions through a UN framework convention (what in 1997 became known as the Kyoto Protocol). However, all the environmental policies adopted and all the technological progress aimed at realizing sustainable development did not slow down the increasing overuse of the earth's ecological capacities. Due to political disagreements, many loopholes and inconsistencies in the framework, international economic competition, and the relentless focus on growth, the international community failed to set an effective, binding, and global framework to enforce the needed reductions in emissions.[49]

In fact, in the beginning of the twenty-first century, the global ecosystem appears to be approximating two limits at the same time: the end of easily accessible fossil fuels, which enabled the phenomenal growth of technologically based consumerist modes of production and consumption, coincides with a period of accelerating global warming that may end the era of temperatures conducive to human societies. More than half of the increase in levels of carbon dioxide in the atmosphere – which has gone up 40 percent since industrialization – has occurred since the late 1980s, the "imperial mode of living" based on mass consumption and high mobility in the global North has increasingly become universalized through the fast growth of emerging markets, and since 2008 the global economy uses the resources and sinks of more than 1.5 planets every year.[50]

[48] United Nations Conference on Environment and Development, *Agenda 21: Programme of Action for Sustainable Development* (New York: United Nations, 1992), chap. 4; Bernstein, *The Compromise of Liberal Environmentalism*, chap. 3; OECD, *Managing the Environment: The Role of Economic Instruments* (Paris: OECD, 1994); Long, *International Environmental Issues and the OECD, 1950–2000*, 80–116; Stephan Schmidheiny, *Changing Course: A Global Business Perspective on Development and the Environment* (Cambridge: MIT Press, 1992).

[49] See, for example, Gerald Kutney, *Carbon Politics and the Failure of the Kyoto Protocol* (London and New York: Routledge, 2014).

[50] Chakrabarty, "The Climate of History"; Ulrich Brand and Markus Wissen, "Crisis and Continuity of Capitalist Society-Nature Relationships: The Imperial Mode of Living and

In the wake of the financial and economic crisis that has hit countries around the world since 2007, states and international organization have again stepped up efforts to revisit traditional economic goals and models. The most influential new concept that emerged as the guiding principle of powerful institutions to reshape society–nature relations was the "green economy," which built on earlier debates about a "Green New Deal" and ecological modernization more generally and promoted market and technological reforms to reconcile economic, ecological, and social goals. Yet the green economy concept went even one step further by appropriating ecological crises for the reinvention of capitalism. As argued in a recent volume: "Its underlying message is attractive and optimistic: if the market can become the tool for tackling climate change and other major ecological crises, the fight against these crises can also be the royal road to solving the problems of the market." Due to its similarity with earlier attempts such as "qualitative growth" in the 1970s or "sustainable development" in the 1990s, the green economy has been characterized as the "next oxymoron," similarly unable to reconcile effective environmental protection with free trade and growth.[51]

These debates echo within the OECD, which came to promote "green," "inclusive," and "pro-poor growth" as its new objectives. Already in the 1990s the OECD had started to study and discuss inequalities – an issue that had largely been neglected during its entire history – and this new focus led to a major 2008 report entitled "Growing Unequal" that demonstrated a widening of income distribution in most OECD countries in the last 20 years. In 2009, the OECD Ministerial Council declared that "'green' and 'growth' can go hand-in-hand" and proclaimed the development of a "Green Growth Strategy in order to achieve economic recovery and environmentally and socially sustainable economic growth" at the same time. Furthermore, building on work in the 1970s, which was taken up again in the 1990s, the OECD further developed social indicators, started to produce its *Society at a Glance* series, and in 2011 finally published a multidimensional and interactive social indicator database, *Your Better Life Index*. The OECD has thus not

the Limits to Environmental Governance," *Review of International Political Economy* 20, no. 4 (2013): 687–711; Mitchell, *Carbon Democracy*, 1–11, 231–54; Johan Rockström, Will Steffen, Kevin Noone, Åsa Persson, F. Stuart Chapin, Eric F. Lambin, Timothy M. Lenton, Marten Scheffer, Carl Folge, Hans-Joachim Schellnhuber et al., "A Safe Operating Space for Humanity," *Nature* 461, no. 7263 (September 24, 2009): 472–75.

51 Anneleen Kenis and Matthias Lievens, *The Limits of the Green Economy: From Re-Inventing Capitalism to Re-Politicising the Present* (New York: Routledge, 2015) cover text; Ulrich Brand, "Green Economy – the Next Oxymoron? No Lessons Learned from Failures of Implementing Sustainable Development," *GAIA – Ecological Perspectives for Science and Society* 21, no. 1 (2012): 28–32. See also Gareth Dale, Manu V. Mathai, and Jose Puppim De Oliveira, eds., *Green Growth: Political Ideology, Political Economy and Policy Alternatives* (London: Zed Books, 2016).

only opened up its membership to newly emerging markets, but has also taken "a more open-minded approach to policy, recognizing there are more ways to economic growth than the 'OECD way.'"[52]

Symptomatically of this more cautious approach to growth, at the organization's fiftieth anniversary in 2011 OECD ministers discussed again, whether in the face of soaring global environmental destruction and economic crisis the very concept of growth needs justification and redefinition. In his speech, French president Nicolas Sarkozy asked searching questions about the way economic growth has come to be measured:

> How can we assess wealth solely by means of an average individual, when this individual doesn't really exist? [. . .] How can we account for what we produce as wealth when we don't simultaneously account for what we destroy? In today's world, how can we believe that unmarketable things have no value?[53]

In fact, recent years, in particular in the context of reflections on the underlying causes of the world economic crisis, have seen a still ongoing controversy within the OECD about the status and understanding of economic growth that culminated in the "New Approaches to Economic Challenges" initiative.[54] A controversy that is complicated by the fact that growth, as shown in this book, is the organizational ideology of the OECD that defines not only its core tasks but also its identity. While this discussion demonstrates the current uneasiness of policy-makers with the growth paradigm and the OECD's continuous efforts to renew its core policy-outlook in line with the changing interests of member countries, due to its ambiguous stance, the OECD has also been criticized as behaving like "Dr. Jekyll and Mr. Hyde."[55] On one hand, the

[52] OECD, *Growing Unequal. Income Distribution and Poverty in OECD Countries* (Paris: OECD, 2008); OECD, *Promoting Inclusive Growth: Challenges and Policies* (Paris: OECD, 2012); OECD, *Your Better Life Index*. See also www.oecd.org/greengrowth and www.oecd.org/inclusive-growth; OECD-HA, C/MIN(2009)5/ADD1/FINAL, Meeting of the Council at Ministerial Level, June 24–25, 2009. For an exceptional earlier OECD-report on inequality, which made some headlines in the late 1970s, see Malcom Sawyer, *Income Distribution in OECD Countries*, OECD Economic Outlook (Paris: OECD, 1976). The final quotation is from Judith Clifton and Daniel Díaz-Fuentes, "La Nueva Política Económica de la OCDE ante el cambio en la Economía Mundial," 2011, http://mpra.ub.uni-muenchen.de/33043/.

[53] OECD, *OECD Yearbook 2011: Better Policies for Better Lives* (Paris: OECD, 2011), 10–12.

[54] See in particular the report for the 2015 Ministerial meeting, OECD, *Final NAEC Synthesis: New Approaches to Economic Challenges* (Paris: OECD, 2015). See also http://www.oecd.org/naec (November 25, 2015).

[55] BRAINPOoL, *Review Report on Beyond GDP Indicators: Categorisation, Intentions and Impacts*, 2012, www.brainpoolproject.eu. See also the critical comments by Robert Skidelsky at the press conference on the *Final NAEC Synthesis* in September 2015, http://video.oecd.org/1974/en/NAEC-Presentation-of-the-NAEC-Synthesis.html (November 25, 2015).

organization qualifies its aims as “stronger, cleaner, fairer economic growth,” as “inclusive” and “green growth,” and repeatedly claims that growth should not be an aim for policy-makers due to its inherent flaws and insurmountable ecological constraints. Yet at the same time, the OECD still advocates, in the words of Secretary-General Gurría, “to make growth the number one priority.”[56] And whereas in 1961, when the OECD started to promote the highest growth possible, long-term growth seemed to imply “unbelievable” levels of production for the OECD’s first Secretary-General Kristensen, fifty years later ecological disasters seem easier to imagine for most government experts than an end of growth. Current OECD projections for 2050 forecast a quadrupling of global GDP.[57]

[56] Larry Elliot, “OECD calls on eurozone finance ministers to take decisive action,” *Guardian*, March 27, 2012. The OECD, together with the World Bank, UNEP, and the Global Green Growth Institute, started the so-called Green Growth Knowledge Platform and launched the International Green Growth Dialogue. See, for example, the related OECD debates (www.oecd.org/greengrowth), the Global Green Growth Institute (www.gggi.org); the EU’s 2020 strategy (http://ec.europa.eu/europe2020).

[57] OECD-HA, Thorkil Kristensen, “Work and Policies of the O.E.C.D.,” Confidential Annex: Statement by Kristensen at the second Council Meeting, C/M(61)2, October 13, 1961; OECD, *OECD Environmental Outlook to 2050: The Consequences of Inaction* (Paris: OECD, 2012). See also the recent OECD project *Policy Challenges for the Next 50 Years*, available at http://www.oecd.org/eco/lookingto2060.htm (November 25, 2015).

Archival sources and select bibliography

Archival sources

OECD Historical Archive, Paris

C	Council
CE	Executive Committee
CES	Secretariat of the Executive Committee
CPE	Economic Policy Committee
CPE/WP	Working Parties of the EPC
DAG	Development Assistance Group
DAC	Development Assistance Committee
DAS	Directorate for Scientific Affairs
ENV	Environment Committee
EDR	Economic and Development Review Committee
MAS	Manpower and Social Affairs Committee
MO	Manpower Committee
OT	Overseas Territories Committee
SI	Social Indicator Development Program
SR	Committee for Scientific Research
STP	Science and Technology Policy Committee
SG	Secretary-General
SGD	Directorate of the Secretary-General
PRESS	Press series

Collection of the Historical Archive in Florence (FAC), various boxes
OEEC Secretariat Subject Files, various microfilms
Paper material in thematic boxes on various issues such as economic expansion, the reorganization of the OECD, the Club of Rome, social indicators, the McCracken Report (indicated by box number)

The National Archives (TNA), Kew, UK

CAB	Records of the Cabinet Office
CO	Records of the Colonial Office, Commonwealth and Foreign and Commonwealth Offices, Empire Marketing Board, and related bodies

FO	Records created or inherited by the Foreign Office
FCO	Records of the Foreign and Commonwealth Office and predecessors
LAB	Records of departments responsible for labour and employment matters and related bodies
PREM	Records of the Prime Minister's Office
T	Records created or inherited by HM Treasury

National Archives and Records Administration (NARA), College Park, MD, US

RG 56 General Records of the Department of the Treasury

A1 859 (Office of the Assistant Secretary for International Affairs (OASIA); International Finance Subject Files, 1950–1969)

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A1 803 (OASIA; Records Relating to the OECD, 1962–1984)

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