

Comparative Aspects of Peer Reviews OECD, Other International Institutions and the European Union

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Summary of Presentation

The purpose of my presentation is to add a historical and a comparative perspective to the discussion of peer reviews (and surveillance more generally) in other papers at the Jakarta Forum. The OECD has the longest history of organizing such reviews, but it has adjusted both the substantive content and the method of work over the decades.

There are basically two motives for conducting country reviews of economic performance and policies. The *first* is the interdependence arising from trade and financial – and possibly migratory – linkages. If these linkages are strong, it is important to understand the spill-over effects as well as possible. This motive is particularly significant in reviewing the major economies in the international system, but also in a regional context where spill-over effects are important. The *second* motive is to learn from the experience of other countries – both from successful policies and from failures.

OECD peer reviews of its member countries started with a focus on the first motive, but the second has gained ground steadily in the course of recent decades and is now dominant. Other institutions, notably the IMF, but also private financial institutions, now monitor international transmission of policies quite intensively, but there is a major role for the OECD in monitoring the sources of differences in growth performance over longer periods and the efforts to live up to “best performance” through adjustments in structural policies.

The OECD started in 1948 as a European regional institution with a central role in the post-war reconstruction of Europe. The Organisation for European Economic Cooperation (OEEC) – as it was then called – monitored the use by its 17 European members of US aid under the Marshall Plan and the process of trade liberalization and multilateralisation of payments. Over its first decade, the OEEC conducted –though it did not publish – peer reviews on trade policies. It faced limited competition: the IMF had not yet developed its surveillance and was strictly focussed on exchange rates; the GATT had not yet begun its trade policy reviews and the European Economic Community (EEC) of six nations was launched only at the beginning of 1958. In this early phase both of the above motives for surveillance applied.

From 1960-61 the United States and Canada joined. The peer review process benefited from the interest of US policy makers in understanding the sources of the growth performance in Europe which continued to outpace that of the United States into the 1960s. The process comprised both demand management, through comparative work on the impact of fiscal policies and the transmission mechanism of monetary policy, and structural policies, notably in product and financial markets.

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Parallel to this work the OECD began to publish from 1961 annual Economic Reviews of its member states through the EDRC. Over most of the first three decades the Reviews were centred on the short-term outlook and macroeconomic policies, information on which was not at that time easily available in other publications. Both of the above motives could still be said to apply to OECD surveillance in this period. However, competition stiffened: both the IMF (though Article IV consultations have only been published since 2000 – and only with the consent of the country concerned) and private financial institutions became increasingly active in disseminating similar information, though without the peer review element of the EDRC reviews.

Gradually over the past decade the focus in EDRC reviews has turned almost exclusively to the evaluation of country experiences with structural policies. The comparative work has been based on elaborate sets of indicators of performance first with respect to labour market policies - the OECD Job Strategy Study of 1994 was a watershed - then product market policies, including competition policies and deregulation of network industries. As Val Koromzay will describe in more detail, this material has been indispensable in deriving strength and legitimacy for the structural policy recommendations in the peer review process.

The reliance on indicators which permits benchmarking of individual country performance is by now a distinguishing feature of OECD surveillance. This is not least the case when compared to the structural surveillance performed in the regional context of the EU. At the same time the OECD is trying to extend its indicators to convey comparable information with respect to the role of financial markets in economic growth and of innovation policies.