

SESSION SUMMARY

■ **OPENING SESSION: BETTER POLICIES FOR BETTER LIVES**

Tuesday 24 May 2011

Moderator: **Axel Threlfall**, Lead Anchor, Reuters

Speakers: **Angel Gurría**, Secretary-General, OECD

Herman Van Rompuy, President, European Council

The word “young” recurred often in the opening session. Even as OECD Secretary-General **Angel Gurría** recalled the Organisation’s accomplishments over the past 50 years, he returned to the crisis and its impact on the younger generation. He introduced the OECD Better Life Initiative, and the Your Better Life Index, being launched at this OECD Forum (Tuesday May 24).

The President of the European Council, **Herman Van Rompuy** praised “the impressive and rightly cheered” achievements of the OECD, which like the European Union was a “child of the Second World War and its aftermath.”

The recovery was a concern to Mr. Gurría. “We are not out of the woods yet,” he said. “The crisis is not over yet; I think it is really only changing its face.” There are deep and persistent deficits, high unemployment and sovereign debt. He reminded the audience that unemployment still hovers around an average of 10% in OECD countries and youth unemployment in some countries has reached 30%. “In 2009 alone, the number of working poor increased by 100 million.”

“We are conscious that the current crisis reflects a failure of traditional economics,” Mr. Gurría said. “We are trying to capture all the lessons to be learned to generate new economic thinking.” Heed must also be paid to the fact that the epicentre of economic activity is shifting: “Developing countries will account for nearly 60% of global GDP by 2030,” the OECD Secretary General noted. “This is a big bang moment for development” and the OECD’s work with developing countries, to go beyond aid to achieve sustainable poverty reduction and growth.

Mr. Van Rompuy said that the approaches adopted by General Marshall with the creation of the OECD’s predecessor, the OEEC, and Robert Schuman had worked in tandem to build modern Europe. Today, Mr. Van Rompuy said “Europe has become a haven of stability and peace.” But the crisis and global forces have taken their toll. His wish was to safeguard the way of life in an EU assailed by these forces. “We need at least 2% of structural economic growth,” he said, if we are to “secure citizen prosperity and the place of Europe in the world.”

He said “the EU is bolder and more innovative than its critics claim,” citing four steps it has taken in light of the crisis: a €500 billion resource fund for distressed member countries; new mechanisms to avoid a

similar crisis in future; the Euro Plus Pact to strengthen policy coherence; and an overhaul of the supervisory and regulatory systems. He was not persuaded by arguments that the euro was in danger. As a body, he said, the European Union accounts for 20% of world GDP. But he stressed that there could be no “monetary union without an economic union”: sharing a single currency was not enough.

Mr. Van Rompuy countered scepticism over the EU’s ability to handle the deficit crisis by reminding the audience that together, Spain and Portugal accounted for only 6% of total EU GDP; the EU is still strong, he said. As an antidote to this scepticism, he quoted the French writer, Antoine de Saint-Exupéry: “If you want someone to build a boat.... instill in their heart a desire for the sea.”

The confidence expressed by Mr. Van Rompuy was questioned from the floor by a member of the Israeli Knesset. He asked whether, in light of the social unrest in many Middle East and North African countries, the huge demonstrations in Greece and Spain posed a threat to democracy. Mr. Van Rompuy noted that Europe had experienced such demonstrations before, for example in May 1968 in France. These protests were not a danger to democracy but an indication of its vitality. The new element – if there is a new element – is that these demonstrations are not being called by organisations, but by individuals, abetted by new technologies.

Mr. Gurría added a word of caution: do not confound the crises affecting different EU countries. The crisis in Greece was a fiscal problem, in Ireland a banking problem, and in Portugal a “self-inflicted injury” resulting from political choices. Spain had courageously addressed the challenges of banking, deficits, labour markets and the pension system and was about to address the fifth challenge of collective bargaining.

Is such confusion making the situation worse? Referring to bond yields, session moderator, **Axel Threlfall** asked whether markets, rather than policymakers, were calling the shots.

Mr. Van Rompuy agreed. “The first decade of the euro zone was quite successful. Underlying (this) there were already a lot of problems present (that) were not tackled because there was no political pressure”. He recalled his own experience as budget minister of Belgium when deficit reduction was necessary. He brought down the deficit by six points over a period of six years. “Greece has done it in one year,” he marveled. “Markets are not giving time to some countries” to get things done.

A member of the audience asked Mr. Gurría whether “Better Policies for Better Lives” was addressed only to OECD members or to developing countries as well. The Secretary-General was quick to point out that the OECD Development Centre deals with over 100 developing countries, and the OECD has established numerous programmes and initiatives in developing and emerging economies, including the Africa Partnership Forum, the New Partnership for Africa’s Development (NEPAD) and the Middle East and North Africa (MENA) Initiative on Governance and Investment for Development. But the OECD is “going beyond aid,” he said. It was not enough to give money (which in any case the OECD does not do); institutions must be able to channel that aid and be held accountable for the results.

The next 50 years, Mr. Gurría said, present us with an opportunity to “realise the dreams of our parents.” Who will be the judge? “Millions of young people round the world are hoping that we *get it right.*”