Research Article (special section)

From 'Club of the Rich' to 'Globalisation à la carte'? Evaluating Reform at the OECD

Judith Clifton and
Daniel Díaz-Fuentes
Universidad de Cantabria

Abstract
Recognising the declining weight of its members in the world economy, the OECD, formerly known as a 'club of rich, industrialised nations', is undergoing unprecedented organisational reform, including a more inclusive membership logic, engagement with new global players, and outreach to developing countries, all with a view to guaranteeing its continued relevance as a central actor in the task of global policy provision. Using the concepts of global public goods, clubs and models of multilateralism, this article critically evaluates the successes and limits of the OECD's reform, arguing that it is adopting a restrictive approach to expansion – globalisation 'à la carte'. Meaningful reform towards greater inclusion is apparent in the way research on nonmembers has been mainstreamed, and in its increased work both with emerging powers and with developing countries. Limits to reform are found in institutional rigidities including its overrepresentation of Europe and underrepresentation of Asia and other continents, reflected through staff profiles and membership. These biases may in turn reduce its attractiveness as a global forum to new players, particularly China.

Policy Implications

- Shifts in the world economy towards the east and the south pose significant challenges to international organisations, which must ensure that processes of global governance fully involve key actors, in the quest for functional and legitimate global policy.
- While many international organisations have near universal membership, the OECD was established as a club. However, it now recognises that it needs to engage key nonmembers in order to help govern the world economy.
- The OECD is casting off its 'club' inheritance, particularly in terms of the services it provides, which are increasingly oriented to serving a broader community beyond members.
- But future reform will be constrained until organisational change under way at the OECD manages to overcome its 'club' inheritance, and convinces emerging powers – particularly the BRICS – of the benefits of working with them.

> [T]he OECD is changing. It is becoming more inclusive, more sensitive to diversity and the many paths that have led to growth and development … the Organisation's new global strategy is increasing its relevance and responsiveness to the needs of the international community (OECD, 2009a, p. 3).

> Nor will anyone in the West have the courage to state another obvious truth: after having failed in its core mission, the OECD has clearly become a 'sunset' organisation. Its disappearance will have no impact on the developing world (Mahbubani, 2008, p. 69).

The Organisation for Economic Cooperation and Development (OECD) has adopted a bold new mantra in recent years: to guarantee its global nature and relevance in the architecture of international organisations (OECD, 2006). Organisational changes towards this aim have accelerated. Enlargement to Chile, Israel, Slovenia and Estonia in 2010, bringing membership to 34 countries, with planned short-term enlargement to Russia, is rendering the organisation's traditional bent towards western countries more diverse in political and economic terms. Deeper cooperation with important emerging economies – Brazil, China, India, Indonesia and South Africa – has been formalised through its 'enhanced engagement' programme, with a view to their possible future membership (OECD, 2005a). No longer is OECD research and analysis of nonmembers conducted 'at the margins' by its development-related bodies, since this work has been mainstreamed throughout the organisation. Regional programmes have been set up throughout the developing world in Africa, Asia and Latin America (OECD, 2009a, 2009b, 2009c). The OECD is also seeking to play an increasingly influential role in the preparation for and holding of G20 summits, as well as to collaborate more extensively with an array of international, national and local organisations. But these ambitions raise important questions. From its establishment in 1961, the OECD constituted a North Atlantic organisation, known colloquially as the 'rich man's club' or the 'economic NATO'. When founded, it replaced – while absorbing much of – the Organisation for European Economic Cooperation (OEEC), essentially a realpolitik project promoted by the United States to oversee the management of Marshall Aid and coordinate economic policy in Western Europe during the post-war period, in preference to permitting a Bretton Woods organisation to take on the task (Reinalda, 2009; Ul Haq et al., 1995). Evolving over five decades, the OECD became known as an exclusive club with membership restricted to industrialised countries, mostly based on the transatlantic alliance. Given its particular evolution and idiosyncrasies, the central aim of this article is to inquire whether the OECD is emerging as a genuinely global actor, and to map some of the limits of this transformation.

To help frame the discussion, we utilise concepts of public and club goods and the related concepts, global and club models of multilateralism. Public goods are traditionally conceptualised as being nonrival in consumption and having nonexcludable benefits, while club goods are thought of as being partially nonrival in consumption while the benefits of their consumption can be rendered excludable. Global models of multilateralism refer to inclusive forms of governance, where concerns focus on ensuring membership is representative, democratic and fair, and where participation means that members can actually contribute to and influence policy outcomes (Kaul et al., 2003). Club models of multilateral cooperation, in contrast, are understood as those where a small number of rich countries forge the rules in often nontransparent ways, excluding poorer countries as well as other actors such as labour, NGOs and civil society (Keohane and Nye, 2001). After setting out these concepts, we argue that the OECD historically constituted a club model of multilateralism par excellence, and opted to provide particular goods to a restricted membership from its origins to the end of the cold war. Our argument is based on close examination of the evolving logic of OECD membership, its decision-making norms, the way in which its staff was dominated by European nationals, and the organisation's priorities as regards the goods it provided, how and in whose interests. We then critically analyse the organisation's efforts to transform itself from a club to a more inclusive global organisation, which started gradually from 1989 but accelerated during the 2000s, particularly as regards its strategy towards greater inclusiveness through rapprochement with nonmembers. Reform has entailed significant change to its governance, organisational design and budget. We sourced information through 18 interviews during 2009 and 2010 with high-ranking current and former OECD officials, including former Secretary Generals and their Chief Economic Advisers, current and former OECD Directors of Global Strategy, Economics, Trade and Agriculture, Development Cooperation, Public Governance and Territorial Development, Public Affairs and Human Resources, as well as through formal documents in the Paris archive, official data on the human resources profile of the OECD Secretariat from 1961 to 2009, personal staff memoirs, private notes, correspondence and secondary material.[1]

We find that organisational survival is the prime driver of OECD reform. The OECD has recognised above all the importance of functional challenges to its future efficiency and legitimacy (Randall, 2001). OECD members and staff are cognisant, first, that member countries are increasingly vulnerable to emerging economies and, second, that members' combined share of economic growth is shrinking as emerging economies make their mark (OECD, 2010a). Its highest body, the Council, has publicly recognised that if the organisation does not become more inclusive, it risks being ineffectual and, even, irrelevant (OECD, 2006). Confronting the challenges head on, bold steps have been taken by officials and members to transform the organisation, particularly as regards re-engineering its club mentality towards more inclusion through transforming its external relations with nonmembers. One indicator of change is that official documents have acknowledged that there are more paths to development than the 'OECD way' (OECD, 2003). But two internal obstacles may slow down deeper change: first, vested interests of OECD members, particularly European countries, which may not always perceive power sharing with newcomers as being in their interest; second, the continued overrepresentation of Europeans in OECD posts, which may limit the organisation's effectiveness in attracting new members. But both these issues are linked to a formidable and ongoing external challenge: to persuade key nonmembers of the desirability of deeper integration into the organisation.

Club versus global goods and models of multilateralism

Much of the discussion on club and global models of multilateralism in the international organisation and political economy literature is based on seminal contributions from economics, particularly those by Nobel Prizewinners Paul Samuelson and James Buchanan, on public goods and club theory, respectively (Buchanan, 1965; Samuelson, 1954). A 'pure' public good is a good (or, usually, a service) that is nonrival in consumption and that has nonexcludable benefits. Commonly cited examples are law and order, security and defence, economic and financial stability and communicable disease control. Once these goods have been provided, individuals can – and sometimes must – consume them. The goods' benefits are indivisible in that they exist for all individuals in the same amount and with the same characteristics. Some scholars have argued that public goods become more apparent when they are undersupplied: for instance, people take financial stability and health for granted, but are alarmed by financial crises or flu epidemics. Beyond 'pure' public goods are goods whose characteristics fulfil only part of these two requirements. For instance, some goods are rivalrous in consumption but their benefits are not excludable, such as the atmosphere. Other goods are partially nonrival in their consumption (until there is 'congestion'), but their benefits are potentially excludable. Some of these are classified as 'club goods' and textbook illustrations include swimming pools, cable television and golf clubs, but a more relevant example for international organisations is knowledge. These classic definitions of public and club goods have been recently challenged and reconceptualised in a series of highly influential publications led by Inge Kaul under the auspices of the United Nations Programme for Development, as we discuss below.

Following this logic, Keohane and Nye (2001) analysed international organisation reform using ideal-type models of club and global multilateralism. They defined club multilateralism as a form of governance dominated by a small number of rich and usually like-minded countries. Here, negotiations typically took place between technically trained national experts in specific issue areas, for instance linking trade, intellectual property rights or environmental regimes across the leading capitalist countries. Excluded from discussions are developing and communist countries, as well as experts from other potentially related fields (environmental and labour standard experts in trade talks, for instance). Because governance is closed off and not transparent, decision makers cannot be made fully accountable. Policies and other decisions emanating from such a process serve the interest of the selected few, reflecting national interests and cross-national compromises. Keohane and Nye argued that most international economic organisations, including the General Agreement on Tariffs and Trade (GATT) and the International Monetary Fund (IMF), were run as clubs until at least the late 1990s. However, the end of the cold war marked a change, as club politics came under increasing attack due to functional and normative challenges (Randall, 2001). Functional challenges included the perception that developed economies were vulnerable to developing ones, so club-like governance was seen as increasingly obsolete since it excluded key economies from partaking in financing and managing goods or services required. Related to this was the normative concern that broader and greater participation in organisations by developing countries and NGOs was required in order to ensure the legitimacy of organisations and compliance with the decisions they took. Not broadening the club towards a more global configuration of governance could mean that policies are perceived as lacking legitimacy, even generating popular protest. Accepting the challenge that international economic organisations need to adopt more inclusive and broader forms of governance, scholars have put forward recommendations on how best this could be achieved.

One of the most influential recent contributions to this debate has been articulated by Inge Kaul and associates (Kaul et al., 1999, 2003; Kaul and Conceição, 2006). The point of departure is to revisit the classic formulation of public goods, critiquing this as inadequate, since society has become highly capable of modifying the (non)rivalrous aspects and (non)excludability of a good's benefits, for instance using technology. Samuelson's public goods theory is reconceptualised based on the insight that public goods are socially produced through political decisions. In addition, she critiques classic public goods theory as assuming that provision is at the local or national level, as she argues that globalisation has meant that more public goods and bads can potentially spill over national borders. It follows that states need to adopt political decisions to prioritise provision and management of certain public goods in order to avoid their underprovision. Kaul et al. establish links, or 'match' the design of international organisations to the efficiency with which they produce public goods. In particular, Kaul et al. argue that global models of multilateralism, which promote more inclusion, participation and democratic governance, are better equipped than club models in the task of providing and managing global public goods (Kaul et al., 2003). Club multilateralism may produce 'mismatch' when producing global public goods, since policy formation leaves out important actors involved in the producing of a particular good or the suffering of a particular bad, leading to poor-quality policy and growing perceptions of illegitimacy, sparking discord. Coinciding with a number of international organisation scholars, Kaul et al. encourage international organisations to shift away from the club towards a more global multilateral approach (Helleiner, 2010; Woods, 2010). Now, it is oversimplistic to expect that global governance will simply replace club governance evenly across international economic organisations. Most will opt for mixes of governance arrangements, as Beeson and Bell (2009) argued in the case of G20 governance. Nevertheless, there is a trend whereby club governance is increasingly perceived as inadequate, while major international economic organisations, such as the IMF and the World Bank, are embracing more inclusive, diverse approaches (Keohane and Nye, 2001). The ongoing reform of the OECD should be placed in this context. Before we examine the extent and limits of reforms, we use the concepts of club and global goods and models of multilateralism to examine the evolution of the OECD's club inheritance.

The club inheritance of the OECD

For the OECD successfully to transform itself from 'club' to more 'global' governance, it must overcome a distinct challenge not faced by peer organisations with more universal membership such as the IMF, the World Bank or even the GATT/World Trade Organization (WTO); for decades, most countries in the world were unwelcome to join the 'club', while its western members assumed they were 'developed' or economically 'superior' to their eastern and southern nonmember counterparts. Today, the OECD is seeking to 'woo' some of those very countries it previously deemed unsuitable for membership. In order to explore the club inheritance of the OECD we examine four significant aspects of its background: the logic of its membership; norms governing decision making; the evolution of its staff by number, profile and nationality; and the kinds of public goods or services it provided and in whose interests. On all counts, we argue that, until the beginning of change from 1989, the OECD constituted a club model of multilateralism par excellence.

What logic guided OECD membership? Analysis of the evolution of its membership points to a predominant logic bound up with cold war politics and capitalism which remained largely unchanged until the collapse of the Soviet Union. The OECD was created in 1961, replacing, while also inheriting important features – including membership – from the OEEC. The OEEC, in turn, was essentially a realpolitik project, established in 1948, in parallel with the Berlin Blockade (1948–49) and the ensuing Korean War (1950–53), on the initiative of the United States, in order to control Marshall Aid distribution and the reconstruction of Western Europe more directly than it would be able to via the International Bank of Development and Reconstruction (Ul Haq et al., 1995). Its contemporaries labelled the OEEC the 'economic counterpart' of NATO and the political 'rival' of the Molotov Plan, later to become COMECON (Gordon, 1956). OEEC membership was restricted to certain Western European members: Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, the United Kingdom and both occupied zones of Western Germany. Although much later, during the 1990s, OECD publications would make reference to one of the core values of its members as being 'democratic', this was not always so, as lacking democratic government did not prove a barrier to joining or remaining a member; this is borne out by the instances of members under authoritarian rule: Greece, Spain, Portugal and Turkey. Together, OEEC members developed a strong 'club-like' mentality, which often involved assuming confrontational postures towards the Soviet bloc.[2] Physically, its headquarters were located in a privileged Parisian suburb, in the *Chateau de la Muette*, previously home to French royalty and rebuilt for Henri de Rothschild, before being occupied during the Second World War by the German Naval Command until it was taken over by the United States Army. Marshall Aid was terminated in 1952 and the European economy recovered more quickly than had been expected. Rather than disbanding the OEEC, in 1961 – the same year as the Berlin Wall was being built – the OECD was established to replace it. Contemporary scholars understood that the purpose of the OECD was to help consolidate the transatlantic military and economic alliance between North America and Europe in a context of the cold war and of increased interdependence (Diebold, 1963). The OECD inherited all the OEEC members, in addition to the US, Canada and Spain, taking its membership to 20. It also inherited its infrastructure in Paris and its nearly 620 staff. Expansion beyond the original set of members was restricted to Japan (1964), Finland (1969) and 'western offshoots' (Maddison, 2006) Australia (1971) and New Zealand (1973). Although membership had expanded to the Pacific, the organisation remained a predominantly transatlantic one, and members assumed that the main attraction of the OECD for new members was economic activity within the transatlantic axis.[3] Membership expansion froze from 1973 onwards, coinciding with the crisis of United States hegemony epitomised by the collapse of the Gold Standard and the first petroleum crisis. It would not be until after the end of the cold war that the question of OECD enlargement would find its way back to the negotiating table, as we discuss in the third section.

Decision-making norms at the OECD differ, as in other organisations, depending on the layer of governance in question. The OECD governing structure is pyramidal, comprising the Council at its apex, the Committees and the Secretariat. Governance in the Council is achieved through one representative for each member plus the European Commission, each of whom have one vote. Decisions are taken by consensus, and countries that abstain are not obliged to comply. Member representatives are most often ambassadors who work on a full-time, permanent basis in Paris. The preferred method of decision making at the Council is consensus seeking. Theoretically, then, each member has an equal say, though members of the European Union enjoy a strong presence both through the sum of their members as well as through the Commission representative. The Committee structure, which has grown organically, is often seen as the OECD's most unique organisational feature: here, national policy makers from the capitals interact with each other and also with professional staff working on the same issue areas from the Secretariat to debate, produce and diffuse policy. By 2010, there were around 200 committees, subcommittees and working groups on a great diversity of topics. Each of these bodies is allowed to establish its own rules for membership: while many are open to all OECD members, a few are restricted to 'inner circles' of select members. One of the most influential of these bodies, Working Party 3 on Policies of the Promotion of Better International Payments System, of the Economic Policy Committee, is run by G7 members plus the Netherlands, Sweden and Switzerland, while Europe gets a double advantage as the European Commission is also included.[4] Should other countries wish to participate, they can only do so when invited under observer status. This norm has caused tensions when the OECD has sought to broaden participation by inviting China as observer, which complained about the participation rights of Europe, particularly small economies such as the Netherlands.[5] Business and workers' interests have been organised in the OECD through the Business and Industry Advisory Committee and the Trade Union Advisory Committee since 1962. It was not until the 2000s that the OECD institutionalised relations with civil society through organising open 'forums' and increasing invitations to participate in committees, partially in reaction to an unexpected popular outcry from the middle of the 1990s against its work on the Multilateral Agreement on Investment (Kobrin, 1998).

Governance of organisations is partly shaped by those individuals working inside it. Although data on staff numbers, profile and nationality are imperfect indicators, this is one route to offering some insight into an organisation's path dependency. First, we examine data on staff evolution organised by job categories used by the OECD, whereby: 'A' grade are professionals, including economists, policy analysts, heads of department, deputies or directors; 'B' are secretarial, technical or support staff; 'C' are manual staff; and 'L' are translators. Regarding overall numbers, there was a 'golden age' between 1961 and 1973, when staff numbers doubled, to 1,580 (Table 1). In the same period, staff became increasingly professionalised; by 1973, one-third belonged to category 'A'. Crisis in the form of the outbreak of the oil crisis and the collapse of the dollar Gold Standard was reflected in a significant slowdown of recruitment, mirroring slow membership expansion. Worse was to follow: the arrival of Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom coincided with a period of recruitment stagnation across all categories. New blood, and greater professionalisation, would only begin again from the 2000s.

Table 1. The rise and decline of the OECD by staff number and composition by category, 1961–2009

Years	Total Staff	Staff composition by categories			
		A	B	C	L
1961	617	20.9	53.8	19.6	5.7
1973	1,580	32.0	49.9	13.0	4.7
1980	1,813	32.2	50.5	12.3	4.6
1990	1,843	34.0	48.7	12.0	4.8
2000	1,918	42.6	46.2	6.3	4.5
2009	2,274	49.3	44.3	3.0	3.1

Source: Compiled by authors based on data on the OECD Secretariat provided by the OECD Human Resources Department, July 2009.
Note: 'A', professional staff, 'B', support staff, 'C', manual and technical staff, 'L', linguistic staff.

Next, OECD staff categories are broken down by nationality to show how certain countries have dominated positions. The OECD claims to recruit on merit and does not use national quota systems. For decades, staff were dominated by nationals from three postwar allies: France, the United Kingdom and the United States, in that order.

Comparing staff numbers and budgetary contribution by country reveals that some countries are sharply over- or underrepresented. When the OECD inherited OEEC staff, over 70 per cent were French nationals, followed by the British, comprising nearly 13 per cent.[6] In that year, the French made up the bulk of secretarial, manual and linguistic posts, but they also occupied 38 per cent of professional posts, as seen in Table 2.

Over time, the proportion of French nationals was reduced, while staff from the United States increased, particularly in the professional category, and United Kingdom staff fluctuated, remaining relatively constant, though the proportion of professionals fell while that of support staff increased. Still, by 2009 these three countries accounted for around *60 per cent of all jobs, and 45 per cent of professional posts*. Contrasting staff numbers with budgetary contributions is revealing. During the 2000s, the United States paid 25 per cent of the budget, followed by Japan, which paid 20 per cent. But Japanese staff made only minor incursions into the OECD, with a meagre 37 staff in 2009, despite the fact

Table 2. The OECD club: percentage of French, American and British nationals in staff total and by category, 1961–2009

		A	B	C	L	Total
1961	France	38.0	76.8	89.3	65.7	70.5
1973		30.7	60.2	83.5	54.1	53.5
1990		22.8	53.0	82.0	62.9	46.6
2009		21.8	49.2	88.2	63.4	37.3
1961	United States	0.8	0.3	0.0	0.0	0.3
1973		8.5	2.0	0.0	1.4	3.8
1990		15.0	7.1	0.5	1.1	8.7
2009		11.7	9.1	0.0	5.6	10.0
1961	United Kingdom	23.3	11.1	0.0	34.3	12.8
1973		17.0	22.4	0.5	31.1	18.2
1990		12.8	20.7	1.4	23.6	15.8
2009		10.9	16.6	0.0	11.3	13.1

Source: Compiled by authors based on data on OECD Secretariat provided by the Human Resources Department of the OECD, July 2009.
Note: 'A', professional staff, 'B', support staff, 'C', manual and technical staff, 'L', linguistic staff.

that membership dated from 1964. Japan's underrepresentation is one of the most visible signs of the OECD's continued path dependency on the west. Furthermore, the Japanese experience could be offputting to potential new members from Asia.

While staff nationality can only be taken as a crude organisational indicator, it arguably became more important from the 1980s, when the tradition of awarding indefinite contracts as 'international civil servants' was drastically reduced, replaced by fixed-term contracts. From then, hired staff would seek increasingly to reflect national interests, since their next job would most likely be in their home nation, rather than prioritise the defence of international, collective interests.[7] Dominance by France and the United States is also visible in recruitment at the top levels of the organisation. Between 1961 and 1984, the OECD Secretariat was headed by a Secretary General which rotated among small European countries, Denmark then the Netherlands, but was always supported by two deputy directors, one from the United States and the other from France. It was only in 1984, when the French diplomat Jean-Claude Paye was selected as Secretary General, that France relinquished its traditional post as deputy. Changes to this configuration at the top did not start to change until 1990, as we discuss below.

What public goods or services has the OECD provided, how and in whose interests? The organisation has little recourse to mandating countries through passing laws and, since the OEEC lost its role in allocating Marshall Aid, the OECD has not had funds to dispense. The goods or services it produces are usually understood to fall under the concept of 'soft governance' (Mahon and MacBride, 2009). One of the most important services produced by the OECD comprises the vast databases on a multitude of economic and social phenomena, collected, organised and analysed by its staff. These data constitute the bedrock upon which the organisation conducts its analysis, publishes reports and formulates policy recommendations. The tradition of collecting and assorting data commenced under the OEEC, which pioneered in Europe the standardisation of national accounts, information required in order to calculate Marshall Aid allocation (Maddison, 1994). Over the next few decades, efforts increased to collect and analyse a broad range of data on OECD members, not just on economic issues, but also on education, social policy, technology, innovation, employment and so forth. However, data collection and analysis of nonmembers was of secondary importance (Maddison, 2005). Typically, projects involving nonmember data were conducted by the Development Centre, and were usually financed by particular members on a voluntary basis (through 'part 2' of the budget). OECD reports on nonmembers took the form of 'unidirectional' recommendations, since it was assumed that its members and staff enjoyed superior policy 'know-how' based on the assumption of the superior functioning of their economies.[8] It was also often assumed that the 'OECD way' to economic growth, pursuing broadly liberalisation strategies, was a 'one-fits-all' recipe that could be applied to diverse economies and societies. Although, in the early days of the OEEC and OECD, Keynesianism was very influential, a shift occurred from the end of the 1970s whereby neoliberal economics and faith in market-based solutions, such as privatisation, became dominant (Clifton et al., 2006). These ideas, or ideologies, were deemed suitable both for OECD members and for nonmembers alike. It was not until the 2000s that the OECD acknowledged its errors and the need for a more nuanced approach that appreciated diversity and difference (OECD, 2003).

A second major service is the OECD's role as host of forums for policy makers, enabling them to meet peers from other member countries as well as the relevant OECD expert staff to discuss a particular agenda. These mostly closed forums are regarded by policy makers and staff as one of the organisation's chief assets. From the policy makers' perspective, their advantage is that policy makers can talk frankly and exchange ideas in private, without having to be seen to 'win' any particular debate.[9] The tradition of holding 'secretive' meetings dates back to the OEEC's organisation of meetings to discuss the sensitive topic of Marshall Plan Aid allocation.[10] But their opaque nature has aroused suspicion and criticism from observers, who have claimed that they served as places where the richest member countries could forge common postures with their allies before taking their agenda on to other international organisations or back home. For example, during the 1970s, the forums were used by the United States to engineer a western consensus on the G77's demand for a Generalised System of Preferences before confronting them at the UN (Meltzer, 1976).

One of the outcomes of these forums leads us to a third major OECD service, the establishment of an array of governance concepts, including 'Codes', 'Best Practice', 'Guidelines', 'Standards', 'Norms', 'Principles' and 'Criteria'. Once established, the OECD uses these concepts as benchmarks with which members' – and often, nonmembers' – policy practice is evaluated. Most concepts from the 1980s have been inspired by neoliberal economic ideologies. In addition, policy makers can use the concepts to justify policy domestically, ostensibly legitimised, as they are, as 'best practice' by rich, developed countries. Again, the origins of this work go back to the OEEC, responsible as it was for ensuring Marshall Plan Aid candidates were implementing trade and capital liberalisation policies to the satisfaction of the 'paymaster'. To ensure this was so, candidates had to present their policy achievements to an elected peer country, which would then subject the candidate country to rigorous questioning on its progress, a process known as 'confrontation'. If the candidate could not defend its position, it would be forced to modify policy before receiving finance from the Marshall Plan (Pagani, 2002). Although the OECD subsequently lost this financial leverage, nonetheless the process was gradually diffused across most levels of the organisation. Today, 'peer review' and 'peer pressure' are considered to be among the OECD's major attributes, to the extent that this was emulated by another 'club', the European Union, under the name 'Open Method of Coordination' (Schäfer, 2006). Scholars studying compliance argue that intellectual pressure and the desire to be seen to be 'doing the right thing' help explain the OECD's success (Webb, 2004). However, economists such as Chang and Grabel (2004) and Rodrik (2008) have argued how western countries' insistence on 'best practice' policy such as free trade for the developing world amounts to denying their own use of trade instruments in the past.

In synthesis, we have argued that the OECD, though ostensibly an economic organisation, was organised along political lines associated with the cold war, reflected in the composition and evolution of its membership and staff. Its major tasks – data collection and analysis, organising forums and establishing governance concepts for policy recommendation and evaluation – were conducted for members' economies in their interests. The use and appropriateness of their work for countries beyond members was not an issue. As a consequence of this inward-looking stance, the OECD became overconfident that its policies were applicable universally. The assumption was that all countries seeking to develop successfully should follow its guidelines and recommendations. This confidence started to sap – gradually – once members and staff recognised that the world was changing and the OECD was being gently nudged out from its centre: the import of their situation dawned slowly and reform began.

From club to global actor? Assessing OECD reform

Reform of the OECD from a club to a more global organisation occurred in two phases. The first phase was triggered by the end of the cold war, which OECD officials and members perceived as a political – but not an economic – challenge to the organisation. The challenge was understood as an important, but not a 'life-threatening' one; reform was somewhat slow, and the OECD 'club' approach did not disappear. Indeed, it was not until the second phase of reform, from the end of the 1990s, that decisive and bold action was taken to attempt to reform the organisation, including transforming what was increasingly perceived as an obsolete 'club' approach into a more inclusive global organisation.[11] Our analysis evaluates the status of reform, particularly as regards changes in membership logic, organisational changes to staff and governance, and the ways in which the organisation produced goods and services and for whom.

Post-1989 reform

The fall of the Berlin Wall and subsequent collapse of the Soviet Union were interpreted by OECD members and staff as proof of the superiority of the kinds of neoliberal economic policy they had been advocating, and thus were used to legitimise the organisation, particularly its economic expertise and functions. On the other hand, the political logic around which the organisation had evolved had changed dramatically. With the end of the cold war, questions about the future utility of the OECD increased and pressures grew from members to reduce its budget. Staff recruitment stagnated. As communism collapsed, the organisation reacted, as regards its membership, organisation and purpose, but only slowly. It took until 1990 to grant Japan one of the three deputy Secretary General posts. Still, the 'club' approach was not altered in this period. Indeed, in retrospect, many OECD members and officials regretted that more steps to reform had not been taken.

Despite multiple countries in Eastern Europe expressing interest in joining the OECD from 1989, its own members limited enlargement. OECD officials argue that membership expansion is based on two internal dynamics which seek to combine attaining 'symmetry' with political 'horse trading'.[12] In 1991, members agreed to accept only three candidate countries from Eastern Europe: the (then) Czechoslovakia, Hungary and Poland. Their restrictive approach can be explained by the fact that many non-European members did not to want the organisation to become 'even more' European. Accession to Eastern Europe was 'balanced' by the agreement to expand to Mexico, which joined the North American Free Trade Agreement (NAFTA) in 1994 and whose accession was promoted by the United States and South Korea. Enlargement thus proceeded with Mexico (1994), the Czech Republic and Poland (1995), Hungary and South Korea (1996) and, finally, the Slovak Republic, in 2000. On joining the OECD, Mexico and South Korea left the G77, as it was perceived that joint membership involved a conflict of interest. Symbolically, they left behind their status as a 'developing' economy. Interestingly, Chile's accession in 2010 differed, as it remained in both organisations, to the consternation of some G77 members (Deen, 2010). The OECD was later to acknowledge errors it made during the management of this stage of enlargement, particularly as regards its approach to the Eastern European members. These countries' accession had been made conditional on their following successful adoption of neoliberal economic policies recommended by the OECD, set out in its programme 'Partners in Transition'. But these policies assumed that a 'one-size-fits-all' recipe of price and trade liberalisation, macroeconomic stabilisation, privatisation and the creation of market institutions should be applied to all countries (OECD, 2003). Later, officials acknowledged that their lack of experience in managing non-western economies had meant that they had underestimated the diversity of these economies and their need for institutional building; they had shown themselves unprepared to understand what was required for successful transition (OECD, 2004).

Seeds of future reform were sown, however, as OECD officials modified the priorities as regards what goods the organisation should provide, and how. Before 1989, most OECD work on nonmembers had been considered a secondary activity. Publications on nonmembers generally took the unidirectional form of 'policy advice from the OECD'. Immediately, in 1990, the Centre for Cooperation with European Transition Economies was set up and dozens of economic and policy studies ensued including the first – and last – *Study of the Soviet Economy*, in conjunction with the IMF, the WTO and the European Bank for Reconstruction and Development (EBDR) in 1991. Most staff lacked experience working on transition economies, and some training was required (OECD, 2004). The OECD 'club' approach was not undermined, yet work 'on' nonmember economic systems had begun in earnest.

Going global – à la carte

Genuine attempts to transcend its exclusive 'club' mentality commenced from the end of the 1990s.[13] Both members and staff increasingly came to the view that the organisation's restrictive membership was becoming its principal handicap. Economic governance would become difficult if not impossible if major economic players were not involved. Moreover, the 'rich man's club' was looking increasingly less rich. The shrinking share of economic wealth constituted by the OECD has been encapsulated in a new report, *Shifting Wealth* (OECD, 2010a). According to these calculations, OECD members' share of the global economy measured in purchasing power parity was 59 per cent in 2000; by 2010, this had dropped to 50 per cent and, by 2030, would drop to just 43 per cent, as seen in Table 3. The share of G20 non-OECD members – Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia and South Africa – had increased from 22 per cent in 1990 to 31 per cent in 2010, and was predicted by Maddison (OECD, 2010a) to reach nearly 36 per cent by 2030. Between 2000 and 2010, OECD exports had fallen from 71 to 60 per cent of world totals. The 'rise of the rest' was understood as structural, not transitory, and supported by new dynamics including 'south–south' trade, investment and technology transfers between firms and industrial clusters based across Asia, Latin America and Africa (OECD, 2010a). For decades, the OECD's involvement in these regions had been minimal. It now *needed* them to bolster its own capacity to govern, its legitimacy and its relevance (OECD, 2004). Reform was implemented in the shadow of increasing financial pressure on the organisation by its members who questioned its continued relevance. Donald Johnstone's election as Secretary General from 1996 to 2006 was made conditional on his delivering sharp cuts to staff and efficiency savings.[14]

Introspective soul-searching, critical self-assessment and complex negotiation marked the winding process towards agreeing on a new strategy. Senior officials were charged with spearheading a reform strategy while identifying its potential pitfalls. One such obstacle was the public image of the OECD: during the 1990s, its officials had made overtures to East Asian 'tiger' governments, but these were met with suspicion since the organisation was associated with a negative view on state activism.[15] Its unidirectional approach to recommending neoliberal policy prescriptions for all economies was perceived as patronising and not always appropriate for non-western countries. Another potential obstacle to change was OECD members themselves, especially smaller European countries, reluctant to share their privileges with more members. A further challenge was OECD staff themselves, both professional and administrative, most

Table 3. Weight of OECD versus G20 non-OECD members in the world economy, 1960–2010*

	1960	1970	1980	1990	2000	2010	2030
Number of OECD members	20	22	24	24	30	34*	34*
Percentage of world population							
OECD	17.5	19.0	17.6	16.2	18.5	18.1	15.7
Non-OECD G20	47.2	47.8	48.2	48.3	47.8	47.5	45.1
Percentage of world GDP (1990 US$**)							
OECD	53.2	58.5	57.2	56.4	59.0	50.5	43.2
Non-OECD G20	20.9	19.6	20.6	22.4	25.4	31.3	35.8
Percentage of world exports (current US$)							
OECD	55.2	70.7	64.9	70.3	71.2	60.0	
Non-OECD G20	10.0	7.7	12.5	7.8	9.2	18.6	
Percentage of world imports (current US$)							
OECD	59.6	69.6	69.4	72.5	73.9	65.7	
Non-OECD G20	10.6	7.3	9.2	6.7	7.7	15.3	

Source: Compiled by the authors based on Work Bank WDI Online Indicators and forecasts developed by Maddison (OECD, 2010a).
Notes: G20 non-OECD members are Brazil, Russian Federation, India, China, Argentina, Indonesia, Saudi Arabia and South Africa.
**OECD members by September 2010 plus Estonia.*
***1990 US international dollars – Geary-Khamis criteria.*

of whom lacked an understanding of non-western economies, languages and cultures (OECD, 2005a).

Gradually, a consensus was forged on a blueprint for reform, with enlargement at its heart, which was implemented from the second half of the 2000s. Critically, enlargement was made conditional on prior approval of governance and budget reforms. As a sign of the changing times, for the first time a Secretary General from a developing country, Mexico, was elected, through open competition, not by political nomination, from 2006. The major significance of the governance reform passed in 2006 – which had mainly been at the insistence of the United States – was the introduction of the Qualified Majority Voting mechanism. Decisions no longer required unanimity but could be taken with support of 60 per cent of members, unless they were blocked by a group of three or more members which combined 25 per cent of part 1 of the budget (OECD, 2006). Budgetary reform was completed in 2008. A new system was introduced whereby one-third of the core (part 1) budget would be equally financed by all members, phased in over a ten-year period, while the cost of the other two-thirds would be shared according to capacity to pay. The overall effect was that the share of the budget paid by the two major contributors, the United States and Japan, would decrease (OECD, 2008). Another decision was that that new members would have to cover all the costs of membership, paying more than that paid by original members of the same size (Bourgon, 2009).

Enlargement finally got the green light. Road maps for accession to Chile, Estonia, Israel, the Russian Federation and Slovenia were signed in 2007. Again, the combined geographical profile of the accession countries reflected the desire of OECD members to balance 'European' versus 'non-European' entrants. Chile, Estonia, Israel and Slovenia acceded during 2010, while Russia's accession was delayed. Of these five countries, Russia had been the first to be considered as a candidate for accession as far back as the mid-1990s. Prime Minister Chernomyrdin had expressed an interest in Russia's joining in 1996, to which the Council replied formally that this was an 'ultimate shared goal' in 1997. Since then, extensive cooperation has taken place but a number of obstacles have reared their heads both from within Russia as well as from certain OECD members. Delays ensued as frustration grew. When the 2007 road map was drawn up, Russia was nearly not included, being listed only at the last minute after intensive lobbying. Its future accession has been made conditional on its joining the WTO and signing the OECD anticorruption convention, and top officials remain optimistic, though there are private concerns that Russia should not be kept waiting too long.

But even with the addition of Russia, this wave of enlargement does little fundamentally to alter the declining economic importance of OECD members. Recognising this, a programme entitled 'enhanced engagement' was launched, also in 2007, for implementation in five key economies: Brazil, China, India, Indonesia (due to pressure rom Australia and Italy) and South Africa. Although these countries had not stated their interest in joining, they were targeted by the OECD as countries that 'might eventually be willing and able to join' (OECD, 2010b, p. 5) as well as being those the organisation *needed* to engage with in order to presume it was representative of the world economy. From 2008, these countries were invited to participate in the main economic sessions of Ministerial Council Meetings, as well as in a select number of committees and working parties at different levels of intensity, from ad hoc to regular or full participation. This participation of these nonmembers in OECD business is ongoing and a comprehensive list of individual countries' participation is published as part of the OECD *Global Relations Programme*. Participation, however, is uneven: Brazil and India are much more involved than China. Brazil participates in over a dozen committees, from environmental policy to trade, competition and science and technology, while India is involved in the committees on agriculture, often with full member rights, fiscal affairs, information and communications technology, consumer policy, steel, higher education and statistics (OECD 2010b, table 4). In contrast, China's participation is mostly limited to work by the Committee on Fiscal Affairs. Interestingly, nonmembers such as Argentina and Singapore are active in more committees than China.

Overtures by the OECD towards more inclusive governance can, and do, backfire. The case of China, an OECD priority, is revealing. Formal bilateral relations between the OECD and China were pioneered by Secretary General Jean-Claude Paye (1984–96) and were centred on taxation. By 2005, OECD officials perceived relations with China to be blossoming (OECD, 2005b). Although some members queried China's human rights record, it was decided that the advantages of engaging with China far outweighed any potential disadvantages. Tensions in the relationship started to emerge, however. China was concerned about the overrepresentation of Europeans in the OECD: for instance, if it attended Working Party 3 meetings, Chinese delegates had to listen in silence to speeches by small countries such as the Netherlands. OECD members and officials became concerned that China was enjoying the OECD's services but did not intend to commit itself to its standards and norms through membership. Tensions came to a head in 2009 with the OECD's tax havens work, which included a project to name and shame 'noncooperative' tax havens. Hong Kong and Macau were included on the provisional list: China responded furiously, stating that this was its own affair. The OECD finally backed down, removing both, on the agreement that China would assume responsibility for their management. Still vexed, China blocked the OECD from participating in the G20 summit in London in April 2009. The OECD returned to G20 business when, at the direct invitation of President Obama, Angel Gurría attended the Pittsburgh meeting in September 2009 (OECD, 2010b, p. 11).

Another strand of reform is organisational, relating to OECD staff and the ways in which work was done. After freezes on recruitment during the 1980s and 1990s, new blood was recruited into the OECD, especially professionals at the lower level, as shown in Table 2. Despite the share of French, British and American staff in 'A' category posts having fallen, in 2009 the three countries combined made up for nearly half the top posts (categories A 5–7). Prior to reform, most OECD work on nonmembers was done through the 'Centre for Cooperation with Economies in Transition'. This was replaced by the 'Centre for Cooperation with Non-Members' in 1997. Staff received training in non-western economies and languages, and different theoretical perspectives, and were encouraged to adopt less confrontational and more confidence-building approaches to nonmembers. But this was quickly perceived as not going far enough: OECD work for nonmembers was still perceived as being too patronising and 'missionary' by internal critics. A more 'aggressive' strategy which ensured that other countries deemed vital for the organisation's future were brought on board was required (OECD, 2004). This required that key countries be treated as equals or 'peers' (OECD, 2010b, p. 5). So, work on nonmembers was reformed: in 2001, the nearly 120 staff working at the 'Centre for Cooperation with Non-Members' was transferred directly into standard OECD Directorates. Henceforth, OECD work on nonmembers would be mainstreamed; a publication on agricultural reform in Africa would henceforth be published by the Directorate on Agriculture, as part of core OECD work. By mainstreaming work on nonmembers, it was hoped that the OECD's former emphasis on training and assistance could be replaced by policy dialogue, and promotion of 'good international practice' (which sometimes replaced the notion of 'best practice'), standards and instruments (OECD, 2005a). The reform also meant that work on nonmembers would be financed by the core budget, not by voluntary contributions.

Finally, OECD reform has attempted to render the distribution of the goods and services it provides more inclusive. This has taken two major forms: the establishment of 'network' governance across all continents, and accelerated collaboration with other organisations, including at international, national and local levels. Network governance is organised on a regional basis, and targets Europe, Caucasus and Central Asia, Latin America, the Middle East and North Africa, Africa and other Asian nonmembers. OECD staff attempt to identify areas of existing work that are of interest to the region. Incentives are offered to staff to establish relations with governments or institutions such as development banks and other organisations, and then to identify common projects. Countries from these regions are also invited to participate in various OECD committees and working parties at different levels (ad hoc, regular or equivalent to a member). Second, significant steps have been taken, particularly since 2005, to increase sharply the OECD's collaboration with other international, regional and local organisations in the production of joint reports, or the holding of jointly organised conferences or training sessions. This is justified by the need to legitimise OECD output around the world, especially in those areas where it has not traditionally worked, as well as to avoid duplication. A comprehensive inventory of these activities outlining the nature of the activities, expected outcomes and division of labour has been published by the OECD and reveals a clear change in strategy (OECD, 2007).

Discussion

Established in 1961, the OECD, inheriting much from its predecessor, the OEEC, functioned as a club model of multilateralism par excellence for much of its history. By restricting membership to certain western capitalist economies, it was deemed by some to be an optimum place for discussion by the powerful countries as, following club theory, negotiations among a few, homogeneous members were easier to execute than those at universal forums such as the UN (Fratiani and Pattison, 1976). When the cold war ended in 1989, the OECD lost much of its original political rationale, and yet its economic rationale, as a champion of western-style capitalism, seemed to have been legitimised by the fall of communism. But the loss of its political rationale – coinciding with the hostile decade of the 1980s for international organisations – meant it came under increased pressure by members to cut costs. The next challenge was more critical: the recognition that OECD members were increasingly vulnerable to the economies of nonmembers, which were, in addition, becoming increasingly important in the world economy. If it was no longer a club of western allies fighting communism and only a declining club of the rich, industrialised nations, what did its future hold?

Real reform accelerated from the turn of the 21st century. At its heart was the recognition that the OECD club needed to address its place in the changing global economy by becoming more inclusive. For members, it was vital that key economic players were brought in if economic governance was to be meaningful. For staff, enlargement became one of the main keys to organisational survival. Inclusion did not amount to a strategy to transform itself from a club to a fully inclusive or global organisation, however. The new logic of inclusion follows a more limited strategy of incremental enlargement: going global 'à la carte'. Even if the Russian Federation joins, OECD members' share in the global economy will not increase. The so-called 'enhanced engagement' programme reveals the OECD's interest in the 'big players', especially China and India, but also Brazil, South Africa and Indonesia. The OECD could be criticised on the grounds that its inclusive approach is so limited: it merely wishes to extend the club to a few other rich or semi-rich countries. But its reform is not superficial. Change is palpable in a change of attitude; pride has been swallowed and staff and members are determined to engage with nonmember countries as 'partners'. For decades, the goods and services provided by the OECD were nearly exclusively for western developed economies. The OECD is trying to change this – gradually – recognising that the 'OECD way' is not the only way, because diverse legitimate approaches to development exist. The OECD is attempting to move away from unidirectional 'policy advice' and 'best practice' and instead encourage 'policy dialogue'. Mainstreaming its work on nonmembers across all Directorates is one important example of this change. But changing path dependency is not simple, and it is possible that this reform has come too late to position the OECD as a key player in the architecture of global governance. In its favour, the OECD has earned a solid reputation for producing data and analysis; indeed, this is its chief asset in its search for a role in global governance. New structures, such as the G20, lack a secretariat, so there are avenues for synergy here. Its main disadvantages continue to be its legacy as a transatlantic organisation, with the bulk of jobs still staffed by Western Europeans and Americans, and a bias towards neoliberal economic solutions. This will limit its capacity to communicate with and understand non-western potential members, particularly Asian ones. So, if the OECD does not reform substantially, it faces a decisive challenge: the organisation needs the emerging economies, but do they need the OECD?

Notes

1. In order to enjoy frank discussion with OECD high officials, interviews have been anonymised.
2. Interview with OECD officials, July 2010.
3. Interview with OECD officials, July 2010.
4. A comprehensive list of the participants in OECD subsidiary bodies is at 'On-line Guide to Intergovernmental Activity', http://webnet3.oecd.org/OECDgroups/
5. Interviews with OECD officials, July 2010.
6. Data on five decades of OECD staff were provided by the OECD's Human Resources Department.
7. The death of the international civil servant in the OECD was lamented by Stephen Marris, Economic Adviser to Secretary General Emile Van Lennep, who left the Organisation in 1984 after 27 years due to the rise of national politics. See Marris, 1983.
8. Interviews with OECD officials, July 2009 and July 2010.
9. Interviews with OECD officials, July 2010.
10. OECD History website, http://www.oecd.org/document/48/0,3343,en_2649_201185_1876912_1_1_1_1,00.html
11. Interviews with OECD officials, July 2010.
12. Interviews with OECD officials, July 2010.
13. Interviews with OECD officials, July 2009.
14. Interviews with OECD officials, July 2010.
15. Interviews with OECD officials, July 2010.

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Author Information

Judith Clifton is Senior Lecturer in Political Economy, Faculty of Economic and Business Sciences, Universidad de Cantabria, Spain. She works on economic and public policy, especially in Europe and Latin America.

Daniel Díaz-Fuentes is Professor of Economics, Faculty of Economic and Business Sciences, Universidad de Cantabria, Spain. His interests include economic growth, development and policy.