

*Opportunity  
for powers  
to explain  
concerns  
and priorities*

see a reversion to attitudes that prevailed in multilateral talks before the Second World War. To what degree have attitudes changed? One cannot be definitive but a brief examination of recent events in the Economic Policy and Trade Committees of the OECD will give some indication of one of the most significant trends of our times.

The Economic Policy Committee is where senior national officials review broad economic problems of growth and stability. Its discussions have generally centred on what the Big Five intended to do in order to stimulate economic growth, to combat inflation and unemployment, and to maintain a reasonably healthy balance of trade and payments. It should be noted, however, that the EPC has performed different roles for different members. It has provided the major powers with an opportunity to explain to one another their current concerns and priorities in a frank and friendly way. For the middle and smaller powers it provided an opportunity to learn the short-term plans of the major powers, and, on occasion, a chance to attempt to influence those plans. It should be noted, however, that whether large or small countries were concerned, attempts to influence others were always characterized by nuances and subtleties of language calculated not to give offence. As one national delegate put it, persuasion was always as subdued as the gentle dripping of water upon stone. Effectiveness was invariably sought through persistence rather than pressure.

The whole picture changed during the November 1977 meetings. Several national delegations, most notably that of the United States, came prepared to urge the West German Government, in unequivocal terms, to take immediate measures to reinflate its economy both rapidly and significantly. Their arguments were based, it seems, on what is termed "the locomotive theory" of economic growth. Roughly, this theory holds that the U.S., German and Japanese economies are the "locomotives" of the international market-economy system, and that their growth-levels either accelerate or retard those of all other economies. In particular, it was argued that faster growth in the German economy was the prerequisite to pulling the weaker economies of Italy, Britain and France out of their economic doldrums. Some senior economists present went so far as to suggest that, unless the German authorities were prepared to accept a current-account deficit in 1978, the general balance-of-payments disequilibrium within the OECD group would persist.

The exact details of what occurred at these meetings are not known, but it was common knowledge in Paris that, by OECD standards, the proceedings were unusually heated. It seems that the German delegation came under strong pressure from numerous delegates — though not, it should be noted, from the Japanese, who also expressed grave misgivings about the validity of the "locomotive" theory. What is known for a fact is that the German delegation did not react favourably to all the unsolicited advice about how to run its economy. In an unprecedented step, a senior West German official called a press conference immediately after the conclusion of the EPC meetings at which he categorically rejected the locomotive theory as oversimplified. He then emphasized that the primary concern of his Government was the reduction of domestic inflation, and expressed resentment that others should seek to determine Germany's domestic economic priorities.

What generated the intensity of response that resulted in this breach of the traditional confidentiality of OECD affairs? The immediate cause, it appears, was the operation of the new economic-forecasting exercise that had been devised at the Downing Street "summit" in May. At that time, a decision had been made that the major economic states should submit their national growth-forecasts for the following year to the OECD Secretariat. This decision was endorsed by the OECD Council in June and national forecasts were received in due course. The West German Government submitted a projected growth-rate of 4 to 4.5 per cent, which was just short of the 5 percent target recently endorsed at ministerial level. Subsequently, at the November meetings of the EPC, the German delegates outlined national measures to attain this rate. Other delegates, and many members of the Secretariat, were greatly disturbed by this presentation because, by their calculations, the measures outlined would result in a German growth-rate of barely 3 per cent. While it was understood that the German Government, for domestic political reasons, had to consider inflation as its principal economic problem, the attempt to disguise a significant shift in the policy priorities of that Government was considered by some as an outright act of deception. Resentment of this manoeuvre undoubtedly strengthened adherence to the tradition of candour in EPC talks, and the German position was strongly challenged. Unfortunately, it was difficult to question the German economic projections without bringing into question the integri-