The OECD and the Spanish Welfare State: rise and stagnation

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Abstract:
Despite the OECD being one of the world’s pre-eminent organizations, little is known about how it influences its members. Moreover, of the existing literature on the OECD, scant attention has been paid to Spain. This paper provides fresh research, by analyzing the example of the establishment of the Spanish Welfare State in the context of the OECD policies. It finds that, whilst the OECD can be credited for reshaping economic policy in Spain, it was less effective in influencing social developments.

Keywords: Welfare State, Spain, OECD.

LA OCDE Y EL ESTADO DE BIENESTAR EN ESPAÑA: AUGE Y ESTANCAMIENTO

Resumen:
Aunque la OCDE es una organización de incuestionable importancia mundial, se conoce muy poco sobre la influencia que ejerce en sus países miembros. Además, en la bibliografía existente sobre la OCDE se ha prestado muy poca atención a España. Este trabajo plantea un análisis actualizado de ambas cuestiones, mediante el estudio del establecimiento del Estado de Bienestar en España, en el contexto de la influencia ejercida por las políticas de la OCDE. Como resumen, se constata una influencia importante de la OCDE en el diseño de las políticas españolas de carácter económico, mientras que esa influencia es mucho menos evidente en el desarrollo de las políticas sociales.

Palabras clave: Estado del Bienestar, España, OCDE.

Materia: Estado del Bienestar

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1. Introduction

Although it brings together the world’s most important countries and plays a prominent role internationally, we still do not know much about the Organization for Economic Co-operation and Development (OECD) as an organization. Despite its reports and statistics being well known, it is not easy to assess its influence over its member countries. Spain is a good case study for this, having joined the OECD while under a dictatorial regime and experiencing almost chronic economic backwardness. Despite this, very little has been written about the role of the OECD in Spain’s economic, political and social development.

This article provides new data on the influence of the OECD in Spain, basing its findings on an analysis of how welfare state policies have been shaped. The conclusion seems clear: the OECD has exercised significant influence over the Spanish economy, although it has not paid particular attention to citizens’ fundamental rights unless they are linked to welfare policies. In general, the OECD has focused on economic issues and left social and political matters to be addressed by other organizations, but exceptionally it has become involved in the development of the Welfare State. Nevertheless, the analysis of these issues seems to show a change in this pattern over the last few years, inasmuch as the active role played by the OECD for decades in the defense of the Welfare State has diminished, no longer forming one of its main objectives and inducing greater market share in the supply of services to ensure social welfare. Nowadays, the main priority lies in the search for financial and fiscal stability. As a matter of fact, policies supporting development and welfare have become less important for most governments and international organizations.

OECD is, essentially, an international cooperation organization producing non-binding recommendations, although its influence over its member states is more unique and complex than might initially be thought. That complexity is the result of the way it operates, which involves three inter-related elements:

1) Its multilateral structure that stimulates the creation of proposals and recommendations (think tank).
2) The use of an evaluation methodology that allows practices, behavior and results to be assessed and compared (peer review).

3) The search for the consensus that gives legitimacy to the influence it exerts over the member states and minimizes potential conflicts (soft governance), even though this aspect has been helped by the OECD’s gradual shift towards neo-liberalism and market fundamentalism.

Given that these three elements cannot be examined in the same way, any analysis of the OECD’s role among its partners and in the world economy should include both objective and subjective evaluations, and must combine the results from specific and comparative studies with the conclusions reached by more general and broader works. For examples of relevant studies, see: Armingeon and Beyeler (2004), Mahon and McBride (2008), and Woodward (2009).

Studies on the OECD have been even less common in Spain than in other countries, although several journals have specialized in monitoring its reports and statistical publications (such as the Reviews and Bulletins from Información Comercial Española). These works have ensured the continuity of pioneering studies such as: Granell (1985), Varela (1991), and Varela and Varela (2003). Other recent works have also contributed to the debate on the different areas addressed by the OECD (Clifton and Díaz-Fuentes 2011a).

Spain joined the OEEC (now known as the OECD) in 1959, coinciding with the Economic Stability Plan that formed the starting point for opening up and liberalizing the Spanish economy, although that did not imply the introduction of a democratic regime. The first reports from international organizations (Varela and Varela 2003: 85) emphasized the need to strengthen markets to introduce competition, improve efficiency and become more competitive. One might think that greater economic openness would lead to progress towards democracy, but the truth of the matter is that Spain joined the

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1 When referring to neoliberalism, we adopt Stiglitz’s synthetic description (2012:13): neoliberal ideology and market fundamentalist policies are not based on an “in-depth understanding of modern economic theory”, but on a “naive interpretation of the economy”, based on the assumptions of perfect competition, perfect markets and perfect information.

2 The key element in the Plan was to establish a single and realistic exchange rate, one that was sustainable and that would also comply with the requirements imposed by the international organizations Spain was gradually joining.
main international organizations without its dictatorial regime being questioned. This situation continued until Franco’s death (1975), after which rapid political, social and economic changes culminated in the country joining the European Community, now the European Union (EU) in 1986.

Over the last few decades, the OECD’s influence on Spain can be perceived, above all, from the number of reports that have repeatedly stressed the need to improve competitiveness, and have highlighted different areas where there is a need to improve the levels of social benefits. EU membership has played a crucial role in improving living standards, along with the desire of Spaniards to have a modern State, capable of offering welfare levels comparable to those of the developed countries. This combination of circumstances, along with the fact that Spain’s economic development began under Franco’s dictatorship, makes it difficult to identify the role of the OECD in the development of economic reforms, democracy and the Welfare State in Spain. Nonetheless, its recommendations have been useful in guiding social reforms, just as nowadays they are a necessary reference to macroeconomic stability.

In contrast to its close monitoring of economic issues, the OECD has never directly involved itself in the politics of Spain, either before its accession or afterwards. This is despite the significant risks to democracy, particularly between 1975 and 1981. Subsequently, largely due to its entry into the EU and NATO (1986), Spanish society has evolved toward democracy in an exemplary manner. From the very start the OECD has focused on safeguarding Western values, and it therefore seems paradoxical that its recommendations did not underline the need to strengthen democracy as the foundation for welfare and development, either in Spain or in other member countries.

Nonetheless, the issue of democratic guarantees and real democracy is once again a topic for discussion following the economic bailouts in the periphery of Europe. The external imposition of programs of cuts seriously limits the ability of governments to take action. As a result, the public perceives a loss of sovereignty that affects the relationship between their countries and the international bodies and also has

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3 The armed storming of the Parliament by Colonel Tejero in 1981, put an end to attempted military coups.

4 Spain approved its entry into NATO after holding a national referendum, in March 1986.
repercussions on living standards. Although this issue is nothing new, given that several developing countries, and their citizens, have experienced the negative effects of the IMF’s economic programs over the last few decades (Stiglitz 2002), some analysts have drawn attention to the impact of current austerity policies on declining living standards and democratic values (Stiglitz 2012, Taibo 2012). It seems that the priority is no longer economic and social development, but instead mainly solving the financial sector’s problems.

2. The OECD and other international organizations: analytical remarks

From the very start the OECD was created as a club for rich countries, which is different to the position in the United Nations’ agencies, where the poorest nations have always held a clear numerical majority. The lower income countries also form the majority in organizations such as the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO), although these organizations have always been clearly dominated by the developed countries. The OECD is a more restricted multilateral organization, but its membership includes all the most developed economies in the World. This is despite the fact that, to a large degree, its creation was the result of the USA’s desire to help European development, by channeling resources to help reconstruct the Old Continent and to provide stability to the geostrategic framework after the Second World War (Woodward 2009, Clifton and Diaz-Fuentes 2011b).

Perhaps due to the desire to distribute tasks among international organizations, relying on an ideological position which gave the main international political and strategic issues to NATO, the remaining agencies focused more on economic aspects, with the important exception of the United Nations, which was given responsibility for controlling different aspects relating to democracy and social rights. However, since they do not have mechanisms to enforce their decisions, except for some issues dealt with by the Security Council, the UN’s agencies have been relatively weak when carrying out their tasks. In this context of the global distribution of responsibilities, one can possibly understand, but not justify, the OECD’s view that democracy is not
important as an essential foundation for development. This attitude is in spite of the attention that it has traditionally paid to social policies.

Moreover, from the very start the OECD was structured as a forum designed to create ideas, identify problems and offer solutions compatible with its status as a multilateral organization. This status has always given it a less confrontational and belligerent role compared to other organisms, both for the non-binding nature of its decisions and for the voluntary and consensual involvement of the member states in internal debates and in the running of the Organization itself.

That does not mean that one should underestimate the OECD’s influence on its partners and the global economy. On the contrary, slowly but steadily it has encouraged practices that have been included in the design and implementation of its member countries’ policies, both general and sector-related, and that have also helped to reinforce the approaches advocated by other international organizations. In other words, over time the OECD has evolved from its initial liberalizing approach, compatible with Keynesianism, towards more markedly neo-liberal positions (Mahon and McBride 2008: 15-17). These are based on the need to improve competitiveness (and welfare) by reducing the size of the State and limiting its involvement in social policies, which means adopting measures for privatization, deregulation and the liberalization of economic activity.

Although those measures are associated with market fundamentalism, in reality they are nothing new since policies of a similar nature have been implemented in developing countries over the last few decades. However, they have now become more widespread, gaining in depth and intensity. It seems that all the criticism about the impact of the IMF’s economic programs has been for nothing: the current crisis has increased acceptance of the idea that adjustments and cutbacks are needed to help the financial sector, even if this damages the rest of society. The EU itself has become imbued with this philosophy and the OECD, although with its characteristic caution, is not immune from the standard responses to current globalization.
Nonetheless, a more detailed analysis of the OECD’s development over time (Woodward 2009, Clifton and Díaz-Fuentes 2011b) reveals an appreciable difference between it and other international organizations. The best example of this can be seen from Welfare State policies, to which, at least until the beginning of the 21st century, the OECD used to pay more attention. It is in this context, one of greater attention to social policies, where the OECD’s progressive conceptual and formal influence on the Spanish Welfare State should be analyzed.

In this regard, Armingeon and Beyeler (2004: 9, 228) suggest that the OECD’s traditional influence on its member countries is based more on the consistency of its recommendations than on their effectiveness. Furthermore, the coherence of its thinking seems to have been more decisive for the OECD’s institutional role than the degree of compliance with its proposals. However, this coherence has not been unaffected by the passing of time. On the contrary, over the last few years the OECD has shifted towards market fundamentalism, disregarding its own experience in defending the public spending required for economic and social development.

To understand the changes in the OECD we can look at the way in which one of its most characteristic instruments works: the practice of peer review (the examination and assessment of a State by other States)6. Despite its marked theoretical objectivity, this assessment methodology tends to analyze behavior in the context of the practices with the most legitimacy at that time, either because of the pressure and hegemony of a particular group or doctrine, or because the selected evaluators seek consensus, minimizing conflicts and adapting their work to the intergovernmental nature of the Organization (Wolfe 2008: 41, Pal 2008: 72).

In spite of its undoubted advantages, peer review practices tend to unify behavioral patterns through procedures initially based on monitoring and supervision tasks, but finally designed to make member countries conform as closely as possible to the

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5 These authors also refer to the OECD’s role as NATO’s “economic arm”. It is also remarkable the difference between Spanish and other OCDE and NATO countries in terms of transition to democracy and welfare state policies for the bulk of the population.

6 “The practice of peer review can be described as the systematic examination and assessment of the performance of a State by other States, with the ultimate goal of helping the reviewed State improve its policy making, adopt best practices, and comply with established standards and principles. The examination is conducted on a non-adversarial basis, and it relies heavily on mutual trust among the States involved in the review, as well as their shared confidence in the process” (Pagani 2002: 4).
established operational rules (peer pressure). These rules have evolved over time, reinforcing the institutional stability of the OECD and marginalizing, directly or indirectly, more heterodox approaches. In short, the OECD seems to have grown increasingly concerned about the homogenization of behavior and results instead of the harmonization or convergence of operating practices and methods, and this has resulted in less variety in terms of criteria, analytical lexicon and ideological flexibility (intellectual orthodoxy).

Some authors have argued (Pagani 2002: 10, Woodward 2009: 57-58) that peer review is assumed to be independent from ideological approaches, from pressure exerted by member states and from the inner workings of the OECD itself. It is understood that the evaluations are above ethical and moral questions, not least because the final guidelines and recommendations are non-binding. They cannot be forced a priori on any of the parties involved and there are no mechanisms to sanction those who fail to comply with the regulations. In fact, the evaluations used as the basis for preparing the OECD’s reports are not published without the prior agreement of all the parties involved to their content. It is precisely in this context of internal debate, non-binding voting and peer pressure that it becomes even more complex to assess both the OECD’s impact on its partners and the influence of certain parties –such as representatives, experts or officials– on the functioning of the Organization.

The system means that the dominant approaches and ideas tend to be gradually adopted by all members, through a kind of socialization or homogenization process where the most powerful members are inevitably the most influential ones as well. Thus, Mahon and McBride (2008: 9, 278) do not hesitate to describe the OECD’s evaluation methods as inquisitorial, given that they are based, among other things, on the requirement to respond to pre-determined questionnaires, to discuss in a multilateral setting the nature of the policies applied, to justify why the established recommendations were not adopted and, often, to assume that countries can be ranked according to their success in following the agreed rules. Therefore, by minimizing conflict in the performance of its duty and by not questioning the pressure exerted by the most powerful member states in favor of homogenization, the OECD’s behavior has become increasingly similar to that of the main international organizations.
While not denying the undoubted advantages of its assessment and evaluation processes, the OECD could bring greater flexibility to its operating methods, which would be more in keeping with the heterogeneity of its members. For example, its mode of operating could be based more on coordination than on homogenization. As a result, its modus operandi would be more open to variety, flexibility and willingness, instead of resorting mainly to comparing best practices as leverage to promote convergence between countries. This greater flexibility would also help to increase the OECD’s influence on international relations.

Before returning to this topic, it is helpful to analyze some aspects relating to Spain, since these offer interesting insights into the evolution of the OECD’s approach to social policies and the Welfare State. The example of Spain serves as a guide, showing the different ways in which the OECD has exerted influence over the last few decades.

3. The OECD and the Spanish Welfare State: notes for a case study

We can divide the Welfare State into four pillars (unemployment, pensions, dependency and health), and also add education policies (Mulas-Granados 2010: 55), to reflect the metaphorical idea of a building on which welfare rests, conditioned by the nature of the economic, tax and budgetary policies, and by the international context. Each of these aspects has been treated differently by the OECD. The following is a brief look at the situation in Spain, where we can see that the priority has been to address: first economic openness, followed by the social aspects, and more recently macroeconomic issues.

3.1. Labor market and unemployment

The OECD's reports on Spain have for years included many recommendations on how to improve the labor market by increasing deregulation, mobility and training programs, and reducing unit costs, subsidies and the duality of the Spanish labor market. However, while in the 1970s the OECD focused on reducing the working day and increasing unemployment benefits (Álvarez and Guillén 2004: 185), in the 1980s the fight against the rigidity of the labor market and salary increases took over and dominated the agenda.
Over the last two decades, the change in the focus of the OECD's recommendations has become clear: the advice has been on how to reduce the protection for those with permanent contracts and the subsidies for the unemployed, to boost job creation (OECD Economic Surveys Spain 2000: 54). In addition to insisting on a reduction in the rigidity and duality of the Spanish labor market\(^7\), the most recent OECD reports again repeat the need to establish active policies to boost employment, with special reference to improving the training of employees and professional training for the long-term unemployed (OECD Economic Surveys Spain 2008: 53).

Without going into a more detailed analysis of the topic, these recommendations are in keeping with changes in the OECD itself, where one can see a gradual shift from the defense of social policies (in their broadest and most traditional sense) toward open support for liberalization and deregulation in the labor markets and a reduction in union rights (OECD 2011: 3-5, 15). Although with the normal prudence shown in its recommendations, its reports include recommendations about employment and social policies, based on identifying best practices and comparing the achievements of each member state.

In summary: the OECD's analyses and recommendations on the Spanish labor market have insisted, first, that there are shortfalls in employee training, then that the unemployment rate is too high, and finally that salary costs are too high, which has consequences for macroeconomic equilibria. All of this hints at the development of the Organization itself and how it makes its recommendations, purposely not touching on the issues that are more difficult, due either to their political nature or involving structural aspects. Nonetheless, at least in the case of Spain, references to the need for structural reforms in the labor market are normally supported by international comparisons, although the situations may not always be perfectly comparable. For example, the differences between the German and Spanish labor markets can be explained more by the different historical, political and social traditions than by the economic policies applied, although the OECD only emphasizes this last aspect.

\(^7\) Paramio and Zofío (2008: 687). See the complete article for an interesting analysis of the labor market duality, unemployment and working conditions (using Spain as a main reference).
3.2. Social security and pensions

In terms of pensions, one can more clearly see the strategy defended by the OECD, with successive reports since the mid-1980s noting the progressive deterioration of the financial position of the Social Security systems. As a result, experts are increasingly clear in their recommendation that public pension systems be combined with private systems. In fact, by 1986 the OECD was already supporting the increase in the minimum contribution period in Spain (Álvarez and Guillén 2004: 189), and ten years later it also welcomed the effort made by the Government and other stakeholders to reform the pension system (Toledo Pact).

This reflected the intention to combine the necessary fiscal discipline with maintaining the purchasing power of an increasingly elderly population. It also reflected the OECD's strategy of preserving the basic aspects of the Welfare State, although over the previous few years Keynesian thinking was gradually being replaced by support for supply-side policies. This change coincided with the international popularity of the most conservative Anglo-Saxon ideas, which led to privatization and deregulation playing a central role in macroeconomic policy.

In addition, the OECD has repeatedly defended the need for consistency between the pension systems of its member countries, given that there are significant differences between one country and another. As in other areas, Spain initially benefited from the effort to make the different pension systems converge. However, over the last few years the situation has been more difficult to assess, given that the viability of the Social Security system and the lengthening of the working life are conditioning the socio-economic debate and the OECD's recommendations (OECD Economic Survey Spain 2005: 143-156).

In this context, it can be concluded that the cooperative framework of the OECD offers significant advantages for Spain, given that it can help to channel the necessary reforms of the pension system, retaining the achievements made and the viability of the system. That is, of course, assuming that this viability has a role to play in the future, given the inexorable focus on reducing public spending. In fact, despite promises from the Government it seems to have been forced to recognize that the pension system in Spain
will also be negatively affected over the next few years, which leads to questions about the ethical and democratic values on which the intergenerational solidarity of a society are based. However, at the moment neither the OECD nor the main international bodies are focusing on reinforcing the principles of equality and solidarity on which the Welfare State is based (in the countries where it has been more developed and even in those, such as Spain, where less progress has been made).

### 3.3. Social exclusion and dependency

In contrast to the areas discussed in the previous sections, regulatory developments on dependency and social exclusion are fewer and more recent. The OECD has only started to adopt positions on these issues relatively recently, once again preferring to support social policies tending to encourage equality of opportunity, without that creating a threat to macroeconomic stability. Equality of opportunity, as a general rule, is an easy principle to defend, although the current crisis is demonstrating the difficulty of putting it into practice, given that various reports show the gap between the rich and the poor widening, both within countries and in the global economy (OECD 2008: 4, IMF 2012: 3).

Like the EU, the OECD defends social integration policies and sees in them a potential source of growth for employment and welfare in developed countries. However, there are considerable differences between members, largely derived from the historic role played by the family in the different societies. As is well known, there is a significant difference between northern and southern Europe (to give only the most obvious examples, without mentioning the OECD's non-European countries): in countries in the south of Europe the family provides the nucleus of support, which offsets deficiencies in other social networks.

Spurred on by the consequences of the current crisis, in its latest reports the OECD has come out in favor of encouraging convergence in the different legislations on dependency and social exclusion, at the same time as supporting pioneering initiatives in this area, such as the Dependency Law introduced in Spain (Mulas-Granados 2010: 262-264). However, here it is important to note the minimal implementation of this law, and underline the more than noticeable reverse in the areas of dependency and exclusion.
in Spain. This affects the groups hardest hit by the crisis and the immigrants, and shows clearly the difficulties of putting into practice the principle of equality of access to the benefits of development. One example that illustrates the dismantling of the Welfare State and the widespread rise of misguided austerity policies is that in 2012 the Spanish Government has made drastic cuts to subsidized school meals.

3.4. Public health

As for other issues, the OECD has repeatedly recommended that Spain strengthen its health policies. At least this was the position until the 1990s, when over that decade Spanish spending on health grew significantly to reach levels that were close to the OECD average\(^8\). The expansion and modernization of the Spanish health system coincided with a significant process of administrative and regional decentralization, based on handing over responsibilities to the Autonomous Regions. Nonetheless, in Spain the central government retains significant control over most of the regulatory aspects and the distribution of budgetary resources. At the moment the health system is being significantly affected by the cutbacks made to reduce the public deficit. This threatens the quality achieved in the health system and could lead to significant social divisions and changes in the framework of democratic coexistence, although these topics are not included in the analyses by the international bodies.

Loyal to its tradition of improving the Welfare State, over the last few years the OECD’s reports on Spain have emphasized the need to improve care for the elderly (OECD Spain Economic Survey 2007: 100). These proposals are conditioned by the need to balance the public finances, in accordance with the current EU requirements and with the increasingly widespread view that State action in the provision of basic services must be compatible with the presence of private companies. The normal way of making the public and private sectors compatible is, as is the case for Spain, to privatize the management systems in healthcare, nursing homes and other activities related to social and cultural services. This private management allows the costs and the

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\(^8\) As a percentage of GDP, healthcare spending in Spain increased from 6.5 in 1990 to 8.2 in 2007, (Mulas-Granados 2010: 164). By contrast, healthcare, education, dependency and other welfare public expenditures are deeply decreasing at present (2013), as a result of the application of austerity measures.
consequences of the policies to tackle the crisis to be transferred more easily to the least protected sectors.

Health, however, is one of the least addressed areas in OECD reports, so it is therefore difficult to come to specific conclusions in this respect, except for the already mentioned tendency to constrain the framework for action on health through the fundamental requirement to keep the public finances sound. All of that takes place in a context of the gradual ageing of the population, of migratory movements that affect the provision of health services, and of successive budgetary cuts, as is happening in Spain. Although there does not seem to be much room for maneuver, the specialist bodies could focus on the macroeconomic advantages of a modern and efficient health system (productive investments) and not just emphasize their financial costs and their social aspects (expenditure and benefits).

### 3.5. Education and training

The OECD's recommendations on education and training provide a fairly clear example of its normal operating mode. The cooperative nature of the OECD does not allow it any legislative, executive or budgetary powers. Its recommendations are not binding, but then in this area nor are those from the EU. However, the capacity to write and publish the results of its assessments and reports exerts pressure on national governments, since they could face embarrassment, inside and outside the country, on seeing their survey results or rankings (when the conclusions are not sufficiently favorable).

Through its actions, the OECD slowly but surely carries out its role of monitoring and controlling, a role which may be less obvious than that of other international bodies, but is no less effective for that (Marcussen 2004: 30). It is a type of power behind the scenes, based on its capacity, rigor and prestige, allowing it to propose, assess and disseminate opinions, assessments and information (reports and statistics). This power to influence is based on the three elements set out at the start of this Paper: 1) its institutional structure; 2) its evaluation method; 3) its use of consensus as a working method.
A clear example of how the OECD works is provided by its actions in the area of education, and specifically the results of the PISA reports\(^9\), both for the methodology based on establishing a system of indicators (goals or benchmarking), and on the diffusion of the results in the media and specialist forums. So the area of education is a very good example of the OECD’s modus operandi and can act as a guide when assessing its influence on its members, in this case Spain.

The Spanish education system does not receive good marks in international reports, which testifies to the significant shortcomings that exist, despite the progress of recent years\(^10\). In this area, paradigmatically, the OECD's recommendations are very useful for Spain, given that they can guide its convergence with other nations whose education policies provide better results. It is a question of taking advantage of favorable experiences and trying to slot them into the national legislation, although these ideas may clash with the historical reality and with the rigidities of the systems already in place. In contrast to the OECD's recommendations on economic matters, the *guidelines* on education issues come essentially from international comparisons and are often limited to noting that successive educational reforms in Spain have been improving the situation, although not as quickly or profoundly as hoped.

In short, in the education area the OECD's actions encourage convergence through highlighting best practices and looking for the benefits of the *demonstration effect* which is the basis for the publication of its reports and statistics. As a result, an assessment of this way of behaving has to be positive, although it is difficult to identify its real influence on the recipients. Given that it encourages equality of opportunity and is configured as an engine for growth, most of the education system is an essential requirement for the development and consolidation of the Welfare State, of which education is a basic pillar. This conclusion, despite its obviousness, provides a fundamental common *thread* for assessing the influence of the OECD on Spanish social and welfare policies, given that it faithfully adapts to the historical development of Spain. In other words, the development of a country that has moved from an

\(^{9}\) The number of countries included in the Programme for International Student Assessment (PISA) has grown gradually, despite which Spain does not make a great showing in the rankings. Ministerio de Educación 2009.

\(^{10}\) OECD 2012. The introduction of economic principles into education reduces the room for manoeuvre when managing it.
intermediate to a high level of development and, therefore, has benefited more in the past than currently from the recommendations and peer review practices of a body such as the OECD.

3.6. General framework of economic policy

Economic policy constitutes the backbone of the OECD's actions and to a significant extent determines the room for maneuver when it comes to other policies, which can have a greater or lesser effect on the central issue: the structure of the Welfare State. As a result, its reports contain an assessment of the general economic policies of the countries, but also of the fiscal, budgetary and sectoral policies.

In contrast to the position on education policies, where the aim is approximation or convergence between the member countries, when it comes to economic policy the OECD seems to be more in favor of homogeneity or uniformity in the behavior of its members. The procedure for writing and approving its Economic Surveys provides a very good example of the OECD's way of working. The initial work is carried out by the selected assessors, who cooperate with the Organization’s officials. Next, all the member States can interrogate the country or countries assessed, as a step before the unanimous approval of the results to be published. The fact that countries can be assessed by other members creates a mechanism that encourages convergence in objectives, behavior, means of action and criteria for assessing results. Although in theory all members are equal, the greater economic importance of some countries leads to them being more capable of controlling key issues. The budget is a magnificent example of this, given that the Organization survives largely through contributions from the countries, calculated according to the size of their economies, which makes the USA and Japan the largest individual contributors, although the EU as a whole is the largest financier. This circumstance, and the fact that the OECD's headquarters are in Paris, help to explain the historical strength of the Keynesian tradition in its approaches, although over the last two decades that tradition has been replaced by neoliberalism as the dominant approach internationally.

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11 In 2009 the OECD's budget was €303 million. The budgetary breakdown for 2008 is: the USA provided 25 per cent of the resources and Japan 16 per cent. However, the EU countries taken as a whole have a greater weight (44.6 per cent). Woodward (2009: 45).
This change in approach began in the United Kingdom and the USA (at the start of the 1980s), continued in the EU (with the Maastricht Treaty in the 1990s) and culminated in the international bodies (led by the IMF and by the influence of the Washington Consensus). Although the OECD’s shift toward the neoliberal approach occurred later (to coincide with the start of the current crisis and with the emphasis on cutting back on public spending), other initiatives have also influenced its development. One example is the Multilateral Agreement on Investment (MAI), a failed attempt to control certain investment flows in the context of increasing globalization, which helped to limit the Organization’s credibility and capacity for action. It has not recovered its credibility and room for maneuver in this area, as can be seen from the minimal compliance with the OECD’s recommendations on the regulation of international finances and the fight against tax havens.

In relation to Spain, the analysis in successive Economic Surveys\textsuperscript{12} seems to confirm the double trend highlighted in this paper. Firstly, the shift in the OECD’s approach toward positions increasingly against State intervention in the economy. Secondly, the fact that as Spain has become more developed the OECD’s recommendations on social, fiscal and budgetary policies have become more restrictive and orthodox. This may be why some recent opinions on the low tax burden in Spain\textsuperscript{13} have attracted more attention, although these opinions seem to be based on a simple international comparison and on the generalized concern for governments to balance their public finances. Over the last few years the OECD's macroeconomic assessments of Spain have also included different sectoral topics of particular interest and importance. For example, we can mention the reports on the duality of the labor market (OECD Economic Surveys Spain, 2008), innovation (2007), pensions (2005), migration (2003), tax (2000), the Public Sector (1998), and the challenges and weaknesses of the economic and social development of Spain (OECD 2011).

In general, in terms of economic policy, the OECD tends to focus more on the limits than on the options for action that remain in the hands of governments. This seems to be

\textsuperscript{12}OECE 2009. OECD Economic Surveys Spain (various years). See also the articles about Spain and the OECD published regularly in the \textit{Bulletin} and in \textit{Revista de Información Comercial Española}.

\textsuperscript{13}In the presentation of its reports (www.oecd.org) the OECD mentions the low tax burden (24-11-2009) and coincides with other opinions (IMF, EU) in the advisability of raising the tax level (26-5-2010). However, it also refers to the increasing tax burden on employment income in Spain and to the larger tax reductions applied in other countries (21-8-2010).
particularly true in the case of the less influential countries, which are also those that have fewer officials working in the Organization and who are less involved in its working mechanisms. In this case, the reduced presence of Spanish officials\textsuperscript{14} (accounting for little more than 2 per cent of the staff) does not help to strengthen Spain's role in the OECD.

3.7. Final considerations

The duration and intensity of the current crisis does not paint an encouraging picture when it comes to tackling the challenge of globalization, namely making the reinforcement of the Welfare State in developed countries compatible with improving living standards in less developed countries. Given this panorama, the OECD seems destined to remain in the background as an international body, instead of more actively contributing to improving global governance. Its multilateral nature will be reinforced by the addition of new countries, but its ability to act in the international arena will scarcely advance until we redefine global governance and the role of major international organizations and fora using more flexible and open criteria.

From the internal point of view, the OECD's working method seems to be focused on two areas. Firstly, the central role of its assessment mechanism, with the advantages and disadvantages already discussed. Second, the weight of neoliberalism and the fact that public policies have been relegated in importance. Despite the movement toward \textit{intellectual orthodoxy}, the way the OECD operates seems to offer initial advantages for less developed countries, although these advantages diminish as member countries improve their level of development. This evolution in influence can be explained by the method based on promoting convergence in behavior and adopting best practices, which provide greater benefits for the less developed countries. In other words, these positively influence the nations furthest from the average OECD levels, given that the \textit{demonstration effects} initially contribute to greater improvements in the effectiveness of the sectoral and general economic policies.

\textsuperscript{14} This minimal presence is repeated in other international organisations and it also affects to other OECD policies referred to Spain, i.e.: aid policy for development countries (Nieto 2011: 58-61).
However, when a country advances and its income levels rise, the OECD’s influence is more focused on *homogenization* than on the convergence of economic policies. This, instead of being a stimulus, can become a hindrance to the development of the country, although it may help to achieve macroeconomic stability and the soundness of the financial sector. The Spanish experience over the last few decades allows us to conclude that belonging to the OECD has been beneficial thanks to the convergence processes in the different social and economic areas, but could become damaging if the final objective is to homogenize economic policy on the basis of the dominant orthodoxy, or in other words, insisting on budget cuts rather than on stimulating growth.

In summary, we can highlight two issues. Firstly, while Spain lacked a democratic regime the OECD focused on the need to advance in terms of social and economic policies, which was in keeping with its Keynesian ideals. Secondly, as Spain strengthened its incipient Welfare State, the OECD began to focus more on the search for balanced budgets, albeit at the cost of undermining the scope for action on social policies, which is also in keeping with its current thinking. As a result, from this historical perspective, we can talk about a double trend: firstly, the influence of the OECD changes as the member countries advance in their development levels; secondly, the influence of the OECD on its members is conditioned by the hegemonic ideological approaches (Armingeon and Beyeler 2004, Mahon and McBride 2008). Undoubtedly, this last aspect is closely linked to the *people*, specifically the national experts and officials, working in international bodies.

Although not conclusive on its own (OECD 2010: 16), it is interesting to note that in 2009, 21.7 per cent of the level A officials in the Organization were French, while 38.1 per cent were from the USA, United Kingdom, Canada, Japan and Australia. Analyzing the nationality of the chairs and vice chairs of the OECD's committees, the concentration by country is again very high, although slightly different: 40 per cent of the chairs or vice chairs are from the USA, Japan, United Kingdom, Canada and Australia, while less than 7 per cent are French. In this regard, the scant presence of Spanish officials does not help to strengthen Spain’s position in the OECD.

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15 In 2009, 40.3 per cent of all the chairs and vice chairs in the OECD were held by the USA, Japan, United Kingdom, Canada and Australia, and 6.9 per cent were held by France (OECE: On-Line Guide to OECD Intergovernmental Activity). In 2008 the figures were 39.6 per cent and 6.8 per cent respectively.
4. Conclusions

A) *Hit and miss*. This could be the overall final assessment of the OECD's influence on Spain and its Welfare State. A hit at the start, when Spain was not very developed and the external recommendations and peer review practices were, a priori, more useful; and a miss more recently, coinciding with higher living standards in Spain and with the OECD's move away from the Keynesian vision (toward social democracy) that characterized its first few decades of existence. In addition, the OECD has not become involved in fundamental rights and democracy, either in Spain or in other member countries, which is doubly interesting: firstly, because until the mid-1970s Spain was a dictatorship; secondly, because the OECD was founded with a commitment to defend western values, although in practice until recently it has been more involved in economic, and exceptionnally welfare state, issues.

B) *Convergence versus homogenization*. Subtly but continuously, the OECD encourages convergence and homogenization in the approaches and behavior of its member countries. Over the last few years the desire to homogenize has been gaining force compared to the convergence strategies. As a result, comparisons based on adopting best practices justify the current policies for tackling the crisis and support the aim of reducing public spending. Using Spain as a case study is illustrative in this respect, given that it is experiencing sharp cutbacks in social policies without having consolidated its Welfare State. The international bodies and most influential countries in the EU are insisting that austerity policies be adopted. Perhaps they do not sufficiently value the social, economic and political consequences, in a context of increasing globalization.

C) *Institutional consolidation*. Despite not having its own powers, the OECD works through three complementary functions: 1) its role as a multilateral forum capable of making important proposals (think tank); 2) the evaluation mechanism (peer review); 3) the search for consensus (soft governance) necessary to give legitimacy to its non-binding regulations and to minimize conflicts (although conflicts have reduced as the Anglo-Saxon community has increased its influence and the neoliberal approach has

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(Woodward 2009: 47). In both years, Spain had a representation of 2.3 per cent (2 chairs and 16 vice chairs); for the G7 countries the figure was 47.3 per cent. See Clifton and Díaz-Fuentes 2011a.
taken a firmer hold). As a corollary, the OECD has consolidated its institutional position, but if it wants to increase its influence on global governance it will have to offer greater flexibility in its analyses and proposals.

D) *Spain: positive demonstration effects.* The impact of the OECD's recommendations on Spain varies over time and with the sector in question. During its early years as a member, Spain benefited from a context that allowed it, with more chance of success, to channel the economic policy recommendations and peer review practices (positive demonstration effect). Over the last few years, the need to balance public finances has overshadowed attempts to encourage convergence in social policies. Therefore, the overall assessment of the OECD's influence on Spain is complex. It has been much less visible in the political sphere than in the economic sphere. In terms of the economy, and until recently on social issues, the discipline imposed by the OECD's working methods and the coherence introduced by it being a multilateral organization have had a positive influence.

E) *Spain: different effects depending on the sector (more beneficial in the early years).* In the areas of education, unemployment and pensions, the OECD's recommendations have helped Spain to understand the challenges and how to address them. In the other areas analyzed (health, dependency, exclusion), the OECD's involvement has been less visible. In terms of economic policy, it is difficult to discern to what extent Spain's achievements and deficiencies have been affected by the OECD, but it is again worth noting that its recommendations are more beneficial and efficient the less developed the economy. Specifically, it needed to insist on the opening up of the Spanish economy in the 1960s and on the creation of the Welfare State in the 1980s, although at the moment it may be more debatable whether it should be obsessively emphasizing fiscal stability even at the cost of limiting growth.

F) *Homogenization and neoliberalism.* Education policies are a very good example illustrating the normal way in which the OECD works. This, as can be seen in the case of Spain, involves looking for convergence in results. In terms of economic policy, what prevails is the homogenization of behavior and peer pressure, which brings with it less variety in terms of principles, analytical lexicon and ideological flexibility (intellectual orthodoxy). In this way, market fundamentalism seems to leave no fertile space for the
debate about the alternatives to the current globalization model. This is more important given the current crisis, since several European countries, particularly those in the south of the continent, are implementing externally driven programs of cuts, which implies a formal breakdown of some of the basic democratic principles, such as the ability to decide on economic policy. Although national sovereignty in the economic area is increasingly weak (due to European integration and globalization), the responses from Europe to the crisis demonstrate the inability of governments (and of the EU and the OECD) to improve welfare and actively take part in the creation of more efficient, stable and equitable international relations.

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