ECONOMIC CONSULTATIVE BODIES: THEIR ORIGINS AND INSTITUTIONAL CHARACTERISTICS

LURARY

by PAUL MALLES

ECONOMIC COUNCIL OF CANADA

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by Paul Malles

With a Preface by Arthur J. R. Smith, Chairman, Economic Council of Canada

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PREFACE

This study is intended to describe the nature and institutional characteristics of economic consultative bodies in other countries, including some which have functions broadly similar to the Economic Council of Canada.

Over the years there has emerged a fairly large body of literature dealing with the substantive issues of economic policy-making and planning. However, such studies have usually dealt only incidentally with the institutional machinery established for this purpose and rarely, if at all, with the consultative functions of various institutions designed to play some part in the policy advisory process.

Moreover, most descriptive studies that exist have concentrated on individual countries and on consultative bodies within the setting of each country, thus seldom permitting systematic comparison of the institutions involved. Undoubtedly -- as this study will show -each of these bodies is unique in its way. The ideas and motivations which led to their creation differ widely and are reflected in their varying terms of reference, composition, procedures and roles. Yet, by focusing attention on these differences as well as similarities, certain common features become apparent, stemming essentially from their broadly common purposes, as well as from the consultative functions which they were designed to perform.

The study examines a large number of consultative and advisory bodies under the following broad headings:

- -- The historical origins of such bodies.
- -- The socio-economic environmental and motivational factors involved in their creation and evolution.
- -- The statutory basis for their consultative functions.
- -- The composition of membership.
- -- Internal structures and procedures.

-- Their relationships with other bodies, including agencies of government.

-- Financing and staffing.

This study does not attempt to assess the effectiveness of these bodies or their actual influence in shaping public and private decision-making. Nor has the author undertaken an assessment of their substantive work. The emphasis is intentionally on the "how" rather than on the "what" of their operations and activities.

The study's narrative of the evolution of various consultative bodies over time provides occasional glimpses of the fact that each of these bodies has had its ups and downs, and that its influence on the decision-making processes, both in government and in the private sector, has waxed and waned under changing circumstances. As the author states, "Concerned with change and being instruments of change, the institutions described here are by no means immune to change themselves." Indeed, some of the most effective and influential of these bodies appear to have been institutions that have undergone significant changes either through internal processes of self-renewal or through externally imposed changes in membership, direction and activities. At the same time, it should be emphasized that although the personalities involved may, in many cases, have had a decisive influence on the work and effectiveness of these bodies, it is extremely difficult to appraise the role of changing personal and organizational attitudes and capacities on the status of such bodies. In fact there are no quantitative or qualitative measures against which changes in the effectiveness and influence of these bodies can be objectively assessed. Where such assessment has been attempted in available literature, it is clear that even the most conscientious researcher has had to fall back on subjective information leading to subjective judgments. The present study has tried to avoid such judgments as much as possible.

Moreover, one of the most important considerations to keep in mind in any assessment of these bodies is the extraordinary complexity of decision-making processes, and the fundamental difference between the advisory functions of consultative bodies and actual decision-making, either by governments or by private organizations. Moreover, although specifically created as focal points for consultation and advice on economic and social policies, the bodies under review in this study were not intended, in any of the countries included, to have a monopoly on consultation. In all cases, there are various other important sources of advice. Effective utilization of the advisory capacities of such bodies has therefore invariably involved some appropriate processes of reconciliation of their conclusions and advice with those emanating from other sources.

A certain arbitrary judgment had to be made in regard to selection of countries as well as of the various bodies described in this study. The very universality of the phenomenon of institutionalized consultation imposes certain constraints. As to the choice of bodies within the various countries, the author has largely relied on the advice of leading authorities in each country.

In the main, the study focuses on the central economic bodies of a more general kind, but gives consideration also to some of the more specialized bodies in the field of economic and social affairs, especially in situations in which there is a structural or functional relationship between them and the main bodies. It also focuses attention on the kinds of relationships that have developed between consultative economic bodies and planning agencies.

The following institutions have been specifically selected for inclusion in this study:

France

Economic and Social Council General Planning Commissariat (with particular reference to its relationship with the Economic and Social Council) National Accounts Commission National Credit Council

Netherlands

Social and Economic Council Central Planning Bureau and Central Planning Commission Foundation of Labour Banking Council

Belgium

Central Economic Council Office for Economic Programming and National Committee for Economic Growth Commission for Price Regulation

Britain

National Economic Development Council and Office Economic Development Committees National Board for Prices and Incomes Commission on Industrial Relations

Sweden

Council for Economic Planning Economic Research Council Industrial Policy Council Regional Planning Secretariat Regional Development Council Regional Research Council

Germany

Scientific Advisory Councils Council of Experts on Economic Development Concerted Action

United States

Council of Economic Advisers to the President Joint Economic Committee of Congress Bodies of interest group representation under various Presidents

This selection of countries and institutions is intended to be broadly representative of the main types of consultative bodies now in existence in the industrially advanced countries of the Western world.

> Arthur J. R. Smith Chairman Economic Council of Canada

ACKNOWLEDGMENTS

The study and comparison of institutions of the kind described in this paper encompassing a relatively large number of countries -- France, the Netherlands, Belgium, Britain, Sweden, the Federal Republic of Germany and the United States -- require a knowledge and perception of national histories, laws and ideas far beyond the capacity of a single writer. Moreover, there is not a great deal of up-to-date literature in existence which lends itself easily to comparison of the origins and characteristics of the economic consultative bodies under review. For both these reasons this study has been based mainly on interviews with members and officers of these bodies and with personalities who have been their close observers over the years. To all of them must go the thanks of the writer. A list of these informants, the documentation received from them, and published sources referred to, will be found in the Appendix.

The interviews were conducted during the last half of September and early part of October 1969. Concerned with change and being instruments of change, the institutions described here are by no means immune to change themselves, as their history will show. However, as every study must reach a terminal point, this had to be July 1970. In so far as impending changes were already known but not yet realized, they have been indicated in notes to the individual chapters.

Among the large number of persons to whom the writer is indebted, particular thanks must go to M. Charles Roger, Secretary of the Belgian Central Economic Council, for having drawn attention to Dr. Jean Leclercq's very early study of the origin and legislative history of the French, Netherlands and Belgian councils; to M. Jean Mamert, General Secretary of the French Economic and Social Council, for putting at the disposal of the writer that Council's report on planning experiences in a number of countries, containing valuable information on the institutional links between planning agencies and consultative bodies; to Dr. A. Okun for referring the author to his recent book *The Political Economy of Prosperity* which contains an invaluable assessment of his experiences as Chairman of the U.S. Council of Economic Advisers, and to Professor H. C. Wallich for his discerning comparative essay on that body and the German Council of Experts on Economic Development. Special thanks is due to Mr. D. W. Burke (Washington) for permission to use an unpublished document on the history of labour-management advisory bodies in the United States. Gratitude must also be expressed to Professor Jan Tinbergen (Rotterdam School of Economics), Professor Dr. W. Bauer (Chairman, German Council of Experts), Professor Dr. F. Neumark (University of Frankfurt), Professor Dr. Hans Willgerodt (University of Cologne), and Professor Gunnar Myrdal (University of Stockholm) for a good deal of background information.

Once again, the writer has to be grateful to the Department of External Affairs for assistance in the technical preparations for this study, as well as to the officers of the Canadian missions abroad who not only rendered a great deal of assistance in the interview arrangements, but were most helpful in the preparation of briefing memoranda, conducting follow-up correspondence, and who, in general, showed unfailing willingness to share their knowledge of local situations.

The author acknowledges furthermore the help received from Mr. R. Lepin (France), Professor Jan Tinbergen (Netherlands), Messrs. C. Roger, G. De Broeck and R. Maldague (Belgium), Mr. Jim Nash (Britain), Dr. Erik Höök (Sweden), Dr. H. Tomann (Germany), and Dr. A. Okun and Professor H. C. Wallich (United States) by taking upon themselves the reading of individual country chapters at the drafting stage and giving the benefit of their comments and criticisms. Needless to say, this assistance does not necessarily constitute an endorsation of the final product. It should also be pointed out that quotations from sources not in the English language are translations, and in some instances interpretative summaries, by the author, for which he has to take the responsibility.

Finally, the author feels greatly indebted to the Chairman of the Economic Council of Canada, Dr. Arthur J. R. Smith, not only for having made this study possible, but also for his interest and counsel while the work was in progress. However, the facts as presented and the views as expressed, directly or indirectly, in this study are the sole responsibility of the writer and should in no way be regarded as the considered opinion of the Economic Council of Canada.

Chapter I INTRODUCTION AND SUMMARY

THE ORIGINS

The economic consultative bodies described in this study are essentially a post-Second World War phenomenon; most were created within the decade after the end of hostilities. This does not imply that they sprung up suddenly and fully armed like Minerva out of the head of Jupiter. Many of the ideas from which they evolved had grown out of the social ferment caused by the First World War, others date from the Great Depression. In some instances the antecedents of these institutions go back even further to the last decades of the nineteenth century or the beginnings of the present one, especially those whose precursors were originally dedicated to lessening the tensions and conflicts in industrial relations.

In recalling, however briefly, the origins of these institutions, outlining their legislative history, describing their institutional characteristics, and in following their development over time, this study seeks the answer to three questions:

- -- What made their flourishing in the post-Second World War period an almost universal phenomenon of the industrialized West?
- -- What ideas and motivational factors entered into their creation?
- -- What needs does the consultative function try to fulfil, and what is its nature and purpose?

Undoubtedly, the major influence in making these economic consultative bodies a realistic proposition and vastly different from their precursors, was the revolution in economic thinking that occurred in the middle thirties, affecting in particular the role of government in the economy. Usually associated with the publication of Keynes' *General Theory* and, not less important, the almost simultaneous development of new analytical tools such as Tinbergen's *Econometric Approach* to Business Cycle Problems, this new economic thinking did not and could not become, as Keynes himself had

predicted, the standard equipment of "men of affairs" -be it government, management, labour or even the professional economist -- until a change in the political and social climate had taken place, a climate greatly different from that which had prevailed in the period between the two World Wars. This new thinking evolved as a result of the sequence of events leading from the Great Depression, the rise of the totalitarian regimes, to the war itself, and then to the need for repairing the physical and human destruction which was its consequence.

Thus, although the basic ideas which went into the making of economic consultative bodies as public institutions had been developed long before, it was only this new climate favourable to social cooperation and economic experimentation that made them flourish. This contrasts with the climate that followed the First World War, when the desire of governments and "men of affairs" alike had been to return as quickly as possible to the presumed "normalcy" of the pre-1914 period.

Yet, it is still legitimate to ask why at this particular point in time the need to create this type of institution was felt so strongly in virtually every country of the industrialized West. Various observers have given different reasons. Although a common trend of thought can be discerned in their reasoning, it is quite obvious that the different degrees of emphasis on the motivational factors as stated reflect the different weight given them in each country. It should be stressed at the outset, however, that while the varying motivational factors undoubtedly contributed to the variations in institutional characteristics, their evolution over time, corresponding to changing needs and power relationships, may have carried them well beyond, and even away from, those which influenced them in their formative stages.

In a very early comparative study of the central economic consultative councils of France, Belgium and the Netherlands, $\frac{1}{2}$ Dr. Jean Leclercq, then a member of the secretariat of the Belgian Economic Council, argued on these lines:

Jean Leclercq, Les Conseils économiques nationaux en Belgique, en France et aux Pays-Bas, Brussels: Conseil central de l'économie, 1954.

Introduction and Summary

One of the most outstanding characteristics of contemporary economic development is increasing intervention of the state in economic and social life. This development created the need for an adaptation of the institutions of the state because its institutional framework had not been conceived for the purpose of fulfilling the tasks which now had become incumbent on government.

Another not less important factor was the rebirth of interest group organization; in France, Belgium and the Netherlands, a rebirth in so far as the French Revolution of 1789 had swept away the earlier "corporatist" forms of economic life. Only towards the end of the nineteenth century did new industrial organizations begin to gather strength, first in the labour unions, but then spreading to other social groups. The growth in number and power of these new organizations had a profound effect on economic, social and political life. Thus, side by side with the emerging political groupings there also constituted themselves economic and social groupings which, with increasing insistence, imposed their demands on the executive and legislative branches of government.

Generally speaking, these demands stemmed from the fact that political equality did not result in economic equality. Those groups which had the greatest economic power did not hesitate to use it also in the political arena. From this inequality in power relationships stemmed the efforts to complement political democracy by instruments of economic and social democracy.

To reconcile these efforts with the needs of government for advisory bodies in the economic and social field, posed major institutional problems. The solution found in a number of countries was to create institutions based in public law in which the various interest groups -- or at least their representatives -- could meet and co-operate while at the same time assisting government in the fulfilment of the economic and social tasks of the modern state.

J.E.S. Hayward in the introduction to his study of the French Economic and Social Council¹/ observes in this process a tug-of-war between the "state idealists" as "advocates of public monopoly ... to restore competitive constraints on private economic power" and the "group realists" who are "champions of the countervailing powers of veto groups to curb oppression by oligopoly -- the economic equivalent of oligarchy in politics". Both are repudiated by those who "seek to institutionalise the dialogue between interest groups and the government". Hayward quotes, with approval, Professor Leiserson:²/

... the significance of the representative advisory committee lies in the functional cooperation of the government with its component groups, an interaction in which the state relinquishes its order-giving, superior-inferior relationship to its citizens, in return for an assumption of public responsibility and service on the part of the group interest.

The groups consulted generally endeavour to pursue the satisfaction of their members' interests in the context of a consideration of the consequences of their actions for the whole community.

A British study published by Political and Economic Planning $(PEP) \underline{3}/$ also saw the extension of government functions and responsibilities as the main cause of the growth of advisory committees. "It is mainly, though not entirely, in connection with these new functions that advisory committees flourish." In this context, it added, "the general responsibility for economic prosperity which government has undertaken brings with it the need for mutual understanding between industry, trade unions and government, and consultative committees are a means to that end".

- 1/ J.E.S. Hayward, Private Interest and Public Policy: The Experience of the French Economic and Social Council, London: Longmans, Green & Co., 1966, pp. 2 ff.
- 2/ J.E.S. Hayward, op. cit., p. 5. (Quoted by A. Leiserson, "Administrative Regulation. A Study in the Representation of Interests", 1942, pp. 161-162.)

3/ Advisory Committees in British Government, Political and Economic Planning, London: Allen & Unwin, 1960, p. 10.

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Dr. Olaf Sievert, $\frac{1}{}$ formerly General Secretary of the *German* Council of Experts on Economic Development, suggests the following reasons why the need for economic consultative bodies arises:

- -- because government may feel occasionally that greater expertise may be found outside the government machinery;
- -- because government desires to establish greater credibility for its policies if the public can be convinced that these policies are based on objective scientific analysis free from specific interest influences;
- -- because the public demands from government that their decisions be brought into confrontation with such analysis; and
- -- because large social groups demand from government that its decisions be arrived at on the basis of analysis in institutions in which they are represented.

The evolution of the consultative bodies described in this study suggests, in addition, two further considerations which may not have been present, or not present in equal measure among the motivational factors for their creation. Both arise from the fact that what has become important is not simply the extent of government intervention in the economy and the growth of the public sector, but its assumed or real goaldirected character usually illustrated by the five "performance goals" of sustained and stable growth, full employment, reasonable price stability, a viable balance of payments, and an equitable participation of all social groups in rising standards of living.

^{1/} Dr. Olaf Sievert, "Die wirtschaftspolitische Beratung in der Bundesrepublik Deutschland", in Grundsatzprobleme wirtschaftspolitischer Beratung, Dr. Hans K. Schneider (ed.); Berlin: Dunkers & Humblot, 1968, p. 27.

Two points follow from this. First, since a consensus on such a set of goals does not automatically entail a consensus on the priorities of achieving them, since the structure of relationships within and an economic system often makes movement towards a specific goal impossible without a corresponding movement away from others (thus imposing choices among alternative programs for goal achievement), consultative bodies almost invariably have had to become involved in the evaluation of stabilization policies either in their short-run or longer-run aspects, or both -- indeed increasingly so as governments began to realize that what essentially are conflicts of interest or appear as such could not be resolved by government alone and needed the co-operation of the large interest groups. \perp

Second, the concept of economic "planning" has become more prominent. Here, one has to deal with the phenomenon of reaction and counter-reaction. In the European countries in particular, reaction against the laissez-faire policies for which the Great Depression and its disastrous political consequences were held responsible, firmly implanted the idea of centralized economic planning as a government function. However, a second reaction, this time against the war economies -associated in the occupied countries with foreign domination -- and the stringencies of the early postwar reconstruction period, led to a resurgence of "mixed economies", but with a greatly enlarged public sector. The concept of "dirigist" centralized planning was thus softened into the concept of "frame planning".

In this regard the choice of terminology to describe the product as "Plans" in France and the Netherlands, as "Programs" and "Economic Budgets" in Belgium, as "National Budgets" and "Longer-Term Surveys" in Sweden, or as "Orientation Data" in Germany, has become relevant mainly as the expression of ideological

^{1/} This inevitable involvement of economic consultative bodies was clearly established by the international conference held under the auspices of the German Association for Economic and Social Policies in April 1967 under the title "Basic Problems of Economic Consultation: The Example of Stabilization Policy". Cf. Grundsatzprobleme wirtschaftspolitischer Beratung, op. cit.

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preferences or hesitations. Indeed the similarities in methods and aims have in recent years become so strongly pronounced that, for example, a study team of the French Economic and Social Council could state that Germany (where in contrast to France the concept of "planning" long appeared politically unacceptable) has now arrived at "a system of comprehensive and concerted orientation which, seen as a whole, resembles very closely French planification".

The common feature of such frame planning, for which progressively special agencies of government were created, is its division into two elements: planning for the sector under direct control and management of government whereby the "plan" for this sector after acceptance by the political authorities assumes a mandatory character, and the "plan" for the private sector which is "indicative-projective" and for which, in terms of both formulation and realization, the cooperation of the private decision-makers is required. This in turn created the need to associate the private interest organizations with the planning process. In consequence, in a number of countries an institutional arrangement emerged which could be called the "pairing" of consultative bodies with governmental planning agencies for the purpose of harmonizing public and private decision-making, or "concerted politics".

Originating in France, the term "concerted politics" has been defined as:

... a situation in which the state is not idealised as the benevolently despotic defence of the public against private interests. Nor is its authority dissolved into a *laissez-faire* group process in which the public interest is optimistically assumed to emerge from a realistic struggle between the interest groups, the government in part or as a whole supporting one or more of these interests. In other words, it refuses to superimpose a transcendental and absolute state authority representing the public over the groups or to reduce the public to a sum of sectional interests, which exaggerates the cohesion and consensus within the group and

1/ J.E.S. Hayward, op. cit. pp. 3-4.

usually denies it to the community. The concept of "concerted politics" stresses the interdependence of the government and the interest groups and the interpenetration of "public" and "private" decisionmaking characteristic of a mixed economy in which an increasing measure of state intervention has to be reconciled with an increasing measure of interest group intervention in all spheres of social activity. (Italics mine.)

Thus a new element, that of *commitment*, has been added to the purely advisory function of some of the institutions under discussion.

It is usual to consider the terms "advisory" and "consultative" as synonymous. Yet, as an institutional function, "advisory" conveys the idea of render-ing advice which then may be accepted, modified or rejected without further reference to the body giving the advice, while "consultation" carried much more the notion of a two-way relationship -- in other words, presumes a "dialogue". However, in practice this distinction is by no means always clear-cut, and the various bodies may well act in a dual capacity under varying circumstances. In any case the added element of commitment has then tended to lead "concerted politics" towards a broader consultative process involving negotiations between government and the organized interest groups of the private sector. In that context one can observe the emergence of truly tripartite bodies side by side with the consultative bodies proper, such as the National Committee for Economic Growth in Belgium and the Central Planning Commission in the Netherlands. A similar experiment was made in France in the form of a High Council of Planning which was abandoned, however, in favour of the Modernisation Commissions of the Commissariat général du Plan which is linked to the Economic and Social Council through the latter's Planning Section as well as through a common membership element. Something of a similar nature is also apparently now emerging in Germany although not as yet formally institutionalized under the 1967 Act for the Promotion of Economic Growth and Stability. The "negotiating" aspect of consultation has perhaps evolved most clearly in institutions such as the Belgian Commission for Price Regulation, a body of mixed interest and government representatives that actually

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negotiates permissible price increases for the purpose of formal "contracts" 1/ between the government and industries or even individual enterprises.

This evolution has given rise to a host of questions in the countries which have accepted "concerted politics" as a guiding principle: the relationship between the various bodies and the executive and legislative branches of government; the question of representativeness in their composition and the process to be used for selecting members; but above all, how far in fact the representatives of the various interest groups can commit their constituents and members and thus can expect adherence to the policies in the formulation of which they have participated.

While the needs of broadly similar goaldirected policies in countries of mixed economies have created functionally comparable consultative institutions, the different mix of political ideologies, motivational factors, constitutional requirements, administrative practices, and prevailing organizational patterns, have given each of these bodies its unique institutional character.

Yet a certain general pattern, as well as various subpatterns have emerged as is indicated by a comparison of these various bodies. There are, broadly speaking, two groups. One group, described in Chapters 2 to 6, encompasses a wide range of countries -- France, Netherlands, Belgium, Britain and Sweden (to which similar institutions in Austria, Denmark, Italy, Luxembourg, Norway and Switzerland could be added) --

1/ The idea of such contractual agreements (contrats de programme) was developed in France in 1965 as a more flexible instrument of a prices policy within the framework of the "Stabilization Plan" of 1963 to replace more rigid price controls. However, these agreements were apparently to be concluded between the government (Direction des prix) without the intermediary of a consultative body such as the Belgian Commission for Price Regulation.

Cf. John H. McArthur and Bruce A. Scott, Industrial Planning in France, Boston: Harvard University Press, 1969, pp. 299-300.

where the inclusion of interest groups with an admixture of professional economic expertise has been found both desirable and feasible, and where in fact such a composition is the very raison d'être of their existence. The other group (Chapters 7 and 8) includes only two countries among those under review, Germany and the United States, where institutionalized statutory economic consultation for various reasons was entrusted to purely professional expert bodies.

However, even within the first group, certain affinities are much stronger between some countries than others. Not surprisingly, given the cultural and linguistic links between France and Belgium and between Belgium and the Netherlands, such affinities are strongest between these countries, both as to their consultation systems and planning systems, and the relations between the two systems. The concept of the French "Plan" which exerted a strong influence all over Europe was obviously highly influential in the two neighbouring countries, although the original Dutch contribution should not be underestimated. Clearly also, the fact that the French Economic Council, and later the Economic and Social Council, is the oldest of these consultative bodies -- indeed the oldest in Europe -- and was preceded by a long period of public discussion, found a strong echo in other European countries (including Germany), inviting imitation but also rejection of certain of its features. It is significant that in all three cases the original initiative for the creation of these bodies came from the labour movement and its demand for a "restructuring" of industrial society under the concept of "economic democracy" as complementary to political democracy. However ill-defined, this concept proved to be highly evocative and, in all three countries, showed the impact of a confluence of neocorporatist and socialist ideas which then had to be reconciled with the institutions of parliamentary democracy. In France, with its almost infinite variety of organizational and ideological differentiations, this led to a body of assembly size and characteristics. In the Netherlands and Belgium, a much simpler and more compact organizational pattern of interest groups, as well as less-extreme ideological differences, permitted very much smaller and more simply structured central bodies. It is typical of these two countries, however, that such bodies were originally

thought to form the apex of a structure of "industrial organization" reaching from the enterprise level to the national level. In the later development of these bodies, however, the "industrial organization" aspect receded into the background, bringing the function of general consultation with governments very much more into its own.

These considerations -- of decisive importance for the origin of the French, Belgian and Dutch consultative bodies -- are almost, if not totally, absent in the British and Swedish consultation systems. Ideas such as C. D. Cole's Guild Socialism which, in the twenties, caught for a while the imagination of the British and Swedish labour movements, never really took hold. It might be noted that in the above quotation from the British PEP study, the emphasis is strongly on government needs as the cause of the growth of consultative institutions in Britain rather than any pressure on the part of interest organizations. In Britain, the initiative for the creation of these bodies appears to have come invariably from government, with the interest organizations not always enthusiastic and entirely willing partners in the enterprise. This may be partly explained by the fact that British central organizations, be they on the industry side or on the labour side, are much more of a loosely co-ordinating and exhortative nature than their Continental counterparts. It is perhaps not without significance that the Confederation of British Industry is a relatively recent creation, following rather than preceding the growth of the consultation system -- quite in contrast to the rest of Europe where equivalent management bodies emerged almost simultaneously with central trade union federations. Changing policies of government and changing governments, therefore, have always put their stamp on the evolution and relationships of the British consultative bodies -much more than is the case in the Continental countries -- and show little of the institutional rigidities built into their Continental counterparts.

There are certain similarities between the British and Swedish consultation systems, among others the extensive use of ad hoc commissions of inquiry and task forces. Moreover, the British tradition of "White Papers", which precede major legislative initiative and are followed by public discussion and comment, is not dissimilar to the Swedish "remiss" procedure which,

however, is much more systematic. This peculiar Swedish procedure, as will be explained in Chapter 6, is related to Sweden's unique system of public administration and legislation, and may well be the reason why Sweden has long dispensed with statutory central consultation bodies. However, recent developments in Sweden point to experimentation with more-permanent consultative bodies, at least in certain more specialized areas.

Stabilization policy was the original motivational factor involved in the creation of the German and U.S. economic consultative bodies -- in the German case, the question of price stability; in the United States, employment policy.

As already indicated, these economic consultation bodies differ fundamentally from those of the first group discussed above, in that they are entirely composed of professional economic experts. For various reasons -- an attempt at explanation will be found in Chapter 7 -- the German political authorities felt compelled (at least initially) to exclude the very powerful interest organizations from statutory economic consultation. In fact, it set up its Council of Experts as the permanent professional "critic", or -- to use a perhaps more apt expression -- "mentor" of government. However, more recent legislation introduced in Germany for the sake of "concerted politics" reintroduced the organized interest groups more directly into the consultation process. Unlike the German Council of Experts, the Council of Economic Advisers in the United States (Chapter 8) is not an independent body but closely linked to the presidency, while the role of "mentor" of economic policy under the American system of strict division between the executive and legislative branches of government has been assigned by statute to a parliamentary body, the Joint Economic Committee of Congress. Experiments to institutionalize consultation with interest groups have hitherto had no permanent results. 1/

A new attempt in this direction is, however, now under way in the form of a "National Commission on Productivity" created in June 1970.

THE INSTITUTIONAL CHARACTERISTICS

In the following, an attempt is made to group under appropriate headings the main characteristics of the central consultative bodies discussed in the country chapters, so that their institutional characteristics can be more readily compared. $\underline{1}$

The Statutory Character of the Consultative Function

Almost all the consultative bodies observed in this study have been created or reconstituted by special legislation as institutions in public law. In the large group of countries where these bodies include private interest representation, this involved a fundamental issue, namely how to relate the consultative function to, and at the same time divide it from, the political decision-making process within the traditional framework of constitutions that only recognize the division between legislative, executive-administrative and judicial powers, but do not recognize the existence of the much later developed private interest organizations (except in so far as these constitutions guarantee explicitly or implicitly the right of free association). In practical terms, this has meant a preference on the part of the constitutional powers for channelling the consultative activities of these private interest organizations or socio-economic groups into public institutions rather than having them operate purely as private pressure groups -- at the same time also reserving for government the sole right of final decision as to the acceptance, rejection or modification of the advice rendered.

Similarly, in the case of bodies composed solely of experts, the legislation insists on strict distinction between the consultation function and final decision-making powers of the constituted authorities. Therefore, the various statutes carefully prescribe:

^{1/} The following comparisons concern essentially only the main national bodies. Details concerning morespecialized bodies will be found in the country chapters.

a) to which of the constituted authorities the advice is to be rendered; b) whether or not there is an obligation on the part of these authorities to seek advice and under what circumstances; and c) whether the consultative body has the right of initiative or can act only upon the specific request of the constituted authority designated in law, that is, on a government or ministerial reference.

The French Economic and Social Council is defined in the constitution and by the "Loi organique" of 1958 as an "assembly consultative to the public authorities ... to safequard the participation of the interest organizations in the economic and social policies of the government". Given the centralized character of French political institutions, the expres-"public authorities" refers clearly to the central sion Government and its agencies. A direct relationship to Parliament is established by the provisions of the same Act in so far as "a member of the Council may be designated by the Council" to present the views of the Council before the parliamentary assemblies. The Act obligates government to consult the Council on "programs and plans of an economic and social character", such as for example the "Plan", but not on the Budget. In practice the discretion of the Government in consulting the Council is very wide, but is counterbalanced by a provision in the Act which gives the French Council the right of initiative "in drawing the attention of the Government to needed reforms" for the purposes outlined the Act. Furthermore, the Government is to report in back annually to the Council what actions it has taken in response to the recommendations of the Council. However, hitherto, this provision has been "more honour'd in the breach than the observance".

Of the two main consultative bodies in the Netherlands, the Social and Economic Council is a statutory body established under the Industrial Organization Act of 1950, while the Foundation of Labour as a pure labour-management body did not receive statutory character, but is referred to as the appropriate consultative body in various other laws affecting labour-management relations. The Council itself is consultative only to Government and not to Parliament and is to "serve the ministers" with advice on all "important measures" in the area of economic and social affairs. This provision is generally interpreted as placing an obligation on Government to consult the Council, but in fact leaves to Government decision a good deal of discretion as to whether such consultation is in the public interest or "important" in the meaning of the Act. The Council has the right to initiate consultation with the Government, but for reasons of its own has only rarely made use of this right.

The Belgian Act of 1948 instituting the Central Economic Council defines it as "a public body ... to render advice or make suggestions to a Minister or the Houses of Parliament be it on its own initiative or upon the request of these authorities". In principle the Council is, therefore, consultative to both the executive and legislative branches of Government. In Tn practice, however, references from Parliament to the Council and initiatives of the Council vis-à-vis Parliament have been very rare. The same principle applies to the National Council of Labour established by Act of Parliament in 1952. Neither Act places an obligation on the Government to consult the Councils, but Government references have been frequent, just as the Councils have made frequent use of their right of initiative. There has been a trend, however, especially in the increasing number of laws referring to social issues, to place an obligation on Government to consult the National Council of Labour.

Of the three consultative bodies in *Britain*^{1/} described in this study, only the National Board for Prices and Incomes was given statutory character, while, at the time of writing, the Commission on Industrial Relations was still based upon a Royal Warrant but was to become a statutory body after passage of the Industrial Relations Bill 1970. In contrast, the tripartite National Economic Development Council was

^{1/} As already indicated, changing policies of government and changing governments have led to frequent shifts in the structures and relationships of the British consultative institutions. In the months before the June 1970 elections, a Bill was before Parliament to create a Commission on Industry and Manpower. This new body was to absorb or replace among others the National Board for Prices and Incomes. The Bill died with the dissolution of Parliament. The same is the case with the Industrial Relations Bill 1970. In both instances, new legislation is expected to be brought before Parliament.

created by an invitation of the Government to management and labour and was never given a statutory basis. During various phases and shifts in function, the Board was under the chairmanship of the Chancellor of the Exchequer, the Secretary of State for Economic Affairs and after the Government reorganization of 1969, the Prime Minister.

The institutional aspects of the National Board for Prices and Incomes were defined by the Prices and Incomes Act of 1966, which made the Board advisory to the Secretary of State for Employment and Productivity. However, as the Board has no right of initiative and can act on Government reference only (and such references may involve more than one minister), the Board acts as consultant to one or more ministers according to the areas of departmental jurisdiction.

The Commission on Industrial Relations was also established as an agency advisory to the Secretary of State for Employment and Productivity. Here too the principle was followed of having a consultative body acting solely on Government reference without a right of initiative.

None of the *Swedish* consultative bodies appears to be based on special legislation; these bodies operate rather informally within the competence of individual ministries.

Germany has two types of permanent consul-tative bodies, of which the older one, the so-called Scientific Advisory Councils are consultative to individual ministries and operate, but with a great deal of independence, within the regulations confirmed by the minister concerned. In contrast, the Council of Experts on Economic Development (usually referred to briefly as the Council of Experts) was established by a special Act of Parliament passed in 1963. This Act is unique since it does not specify to whom the Council is to be advisory, and in fact avoids the very words "consultative" or "advisory". It states that the Council was to be established "for the purpose of periodically assessing economic development ... to facilitate the judgment of all authorities responsible for economic policy as well as the general public". This is in line with the idea expressed above that "the public demands from government that their decisions be brought into confrontation ... with objective scientific analysis free from specific

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interest influences". Although the German Act thus shies away from any direct relationship between the Council and Government or Parliament, this "confrontation" is brought about by obligating the federal Government to declare its position on the reports issued by the Council and to submit them to Parliament for debate. The German Council Act appears to be the only one in our survey which specifically refers to the "general public" as a group to which a consultative body's work and conclusions should be directed.

The two permanent economic consultative institutions of the United States, the Council of Economic Advisers to the President and the Joint Economic Committee of Congress, have both been established by the same legislation known under its abbreviated name of "Employment Act of 1946". Unlike the German Expert Council, the American Council is not an independent body, but forms part of the presidential establishment with the function "to advise and assist the President in the preparation of the Economic Report" -- a duty placed upon the President by the same legislation -- as well as to make "recommendations to the President concerning ... the various programs and activities of the government".

Under the usual circumstances of parliamentary procedures, to consider a committee of a legislative body as consultative would stretch this concept rather far. However, unlike all other committees of the United States Congress, the Joint Economic Committee has no legislative function whatsoever but is enjoined by the Employment Act to "file a report with the Senate and House of Representatives" with respect to each of the main recommendations contained in the President's Economic Report, as well as "to make a continuing study of matters relating to the Economic Report". Thus the function of the Joint Economic Committee is in fact to be consultative to Congress as a whole.

Representativeness and the Problem of Composition

One of the basic questions which legislators had to resolve in conferring statutory status on consultative bodies with interest representation was the extent to which their composition should or could reflect the complexity of an advanced industrial society; in other words, to reconcile size and internal balance with representativeness.

Given the extreme fragmentation, functionally and ideologically, of the French body politic, for the *French* Economic and Social Council the answer was sought by creating a very large body that in fact includes every conceivable socio-economic interest, sectoral function and even territorial representation. This mixture was then given a political flavour by reserving 60 out of a total of 200 seats for Government appointees. The outcome has been an extremely heterogeneous body, based upon no discernible principle of choice and with little regard for numerical equity. This is to some extent counteracted by a structure made up of "groups" as combinations of related interests. If representativeness was bought at the price of arbitrariness, the French Council nevertheless has shown a remarkable degree of cohesion and internal stability throughout its long history under varying regimes.

A much simpler and more compact organizational pattern of economic life, combined with less extreme ideological differences, permitted much smaller bodies in the Netherlands and Belgium. Here great emphasis was laid on a strict numerical balance between the main interest groups according to the so-called "parity" principle of equal representation. This is especially characteristic of Belgium, not only as far as the central consultative bodies are concerned, but extending to all institutions with labour and management representation. A further characteristic of the economic councils of the Netherlands and Belgium is strong emphasis on professional expertise as a balancing factor to pure interest representation.

Thus the Netherlands legislation prescribes a maximum of 45 members for the Social and Economic Council, but any number must be divisible by three so as to permit labour and management each one third of the membership, while the last third is reserved for the so-called "crown" members, these being independent and mainly academic experts. The aim is not only to combine practical experience and theoretical knowledge, but also to avoid any danger that advice given to government would reflect *quid pro quo* agreements between labour and management to the possible detriment of the public interest. Equally strong has been the desire of the legislator to safeguard the independence of the Council by making certain positions and functions incompatible with Council membership.

The Belgian Central Economic Council has a prescribed membership of 50 persons, with an equal number of personal substitutes. The expert group is much smaller, though, consisting of six members who, to preserve the "parity" principle, are in fact co-opted by the combined interest group element. The National Council of Labour, on the other hand, has a prescribed maximum of 24 members, divided equally between labour and management with no expert element. In matters of social policy, such as social insurance and welfare, the desire is obviously for a consensus between labour and management without the same fear of possible "collusion" as in matters of economic policy. In fact, in contrast with France and the Netherlands, Belgium's system of two councils, one concerned with economic and the other with social affairs, has hitherto been maintained because of labour's concern that a preoccupation with economic problems in a unitary body may overshadow the social and humanitarian issues involved.

Because of the high degree of organization in the Netherlands and Belgium, the question of representativeness appears to have caused little concern, although a complicating factor in making appointments has been -- as in most European countries -- the relationship between various social groups and political parties. (In Belgium, the linguistic factor has to be added.) While the laws are *silent* on this point, in practice a certain balance is being sought in that regard affecting not only the interest groups but also the expert element.

Few of these concerns could be found either in Britain or in Sweden. In these countries the emphasis appears to be more on the functional-operational aspects than on the representational one. In the British (nonstatutory) National Economic Development Council, there is, however, equal division among three groups: six members from industry; six from labour; and another six, including the responsible minister as chairman and two independent experts, who could be called a "public interest" group. For the statutory National Board for Prices and Incomes, the legislation prescribes even greater flexibility in providing for a minimum of nine and a maximum of 15 members with experience "in law, accounting, economics, industrial relations and other relevant fields". Although the composition of the PIB implies attention to the representation of the main

interest groups, the emphasis is on the functional aspects of the Board. There is no obvious objective of equal representation or direct delegation, the members concerned representing "interests" rather than their organizations.

The Swedish consultation bodies, in so far as they exist at all, appear highly informal and entirely functional. The co-operating labour and business interest organizations are extremely powerful in their own right and hardly seek or need to seek specific statutory recognition. A characteristic feature of the Swedish bodies which play a consultative role to planning agencies, is their division between the more policy-oriented groups with interest representation and technical groups in which the interest organizations are represented by expert staff members.

In Germany, the membership of the two types of consultation bodies is essentially professional in nature. The legislation prescribes for the Council of Experts a membership of five personalities of "high scientific standing as well as experience in economic affairs". In fact, the German law not only seeks to preserve the independence of the Council from specific interests, but elevates the academic economist to the main guardian of the consultation process. Even so, the tradition seems to have been established that two of the five personalities have a personal background linking them to political parties which in turn contain a considerable element of interest representation.

The American "Employment Act" states that the Council of Economic Advisers "shall be composed of three members ... each of whom shall be a person who, as a result of his training, experience, and attainments is exceptionally qualified to analyze and interpret economic developments...". In practice the choice has been from among personalities in the academic and private research field.

Internal Structures

One of the facts that greatly influences European institutions, and which is so obvious that it is frequently overlooked, is the degree of concentration of public life in metropolitan areas as seats of government and legislatures, as well as the headquarters of private interest organizations and top decision-makers. Moreover, some of these countries are sufficiently small in area and their institutions so highly centralized, that the number of top decision-makers is often rather limited. The consequence is that, as one person interviewed put it, "anybody who is somebody knows everybody". Geography is hardly a hindrance to quick and easy personal communications as well as frequent meetings. In fact, in most instances the number of Council meetings usually surpasses the prescribed frequency.

Typical of the general economic consultative bodies of *France*, the *Netherlands* and *Belgium* is an internal structure consisting of a presidency; a bureau which functions as an executive committee; a plenum which may be subdivided into functional sections and/or committees and subcommittees; and a secretariat in charge of and comprising the professional and auxiliary staff. In many cases, the main elements of this internal structure is prescribed by law. Since the other countries show more individual features, these three countries are considered as a group here.

The Presidency -- The presidency of the French Economic and Social Council consists of a president elected by the full Council by secret vote, and four vice-presidents who are also elected, but "en bloc". The period of the mandate for all Council members is five years. (It is interesting to note that since its establishment almost half a century ago, the French Council has had only two presidents.)

The Netherlands Social and Economic Council has a president and two vice-presidents. There, however, the president is appointed by the Crown after consultation with the Council. It has become traditional that the president is chosen from among the expert group, while the two vice-presidents are, respectively, from management and labour. The president serves parttime, and the term of office for all members is two years.

In Belgium, the president of the Central Economic Council is an independent personality appointed by the Crown and serves full-time although this is not a legal requirement. His term is for six years. There are four vice-presidents designated from within the membership according to the "parity" principle.

The Bureau or Executive Board -- In all three countries (France, Netherlands and Belgium), the "bureaux" (in the Netherlands, called the Executive Board), are the governing bodies of the Councils with considerable decision-making power regarding operations.

In France, the Bureau is comprised of the president, the four vice-presidents, the general secretary and nine council members. As already indicated, the Council structure is based upon "groups" of related interests, and all these groups must be represented in the Bureau. It is the actual clearing house of that large body, and its most important function relates to the procedures by which matters are raised for consideration by the Council itself.

In the Netherlands, the Executive Board of the Council is elected in such a way that the three groups which are represented in the Council are also represented in the membership of the Board.

In the Belgian Central Economic Council the Bureau consists of 12 members with the four vicepresidents as ex officio members. It determines the agenda for the Council, reports to the Council on the activities of the secretariat, and provides liaison between the Council and its commissions (see below).

Sections and Committees -- the French Council is by law subdivided into functional "sections" which perform the preparatory work for the Council plenum. Each section has a chairman and rapporteur and the assistance of a senior staff member, as permanent secretary, and may number up to 32 members.

The section or committee system in all three countries is designed in such a way as to increase the role and influence of professional expertise. In France, ten of the members of each section are nominated by the government ostensibly for this purpose, although they still constitute a minority of the total number of appointees.

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The Netherlands committee system is more flexible. Nonmembers of the Council may be appointed to increase the expert element, and committees may be set up on the Council's initiative or established by government request. In the latter case, the membership is determined in consultation with the Government. In both cases the committees can be authorized by the Council to report directly to the Government, and in the case of committees established by Government request, they can be authorized to report directly to the minister concerned.

In Belgium, too, the preparatory work for the Council's reports and recommendations is done in committees, but these committees are constituted on the basis of the subject matter on hand. (There is only one standing committee -- a committee related to the institution of *Trade Councils* as described in Chapter 4.) The committees may vary in size, but must conform to the "parity" principle. Here the expert element is enhanced by the provision that the members can be accompanied by experts of their own choice.

The Secretariat -- In all three countries, the general secretary or secretary is a key officer in charge of the professional and auxiliary staff. However, his actual position naturally varies, depending especially on whether the president is a full-time officer of the Council.

In France, the general secretary of the Economic and Social Council is elected by the Bureau of which he becomes an ex officio member. Under his responsibility are the permanent secretaries of the sections. These secretaries then link the work of the sections through the general secretary to the Bureau and thus to the Council as a whole. This system gives the French general secretary a very strong position and, next to the presidency, his is the key office of the Council.

The general secretary of the Netherlands Council is appointed by the Council, but subject to the Crown's approval. He is entitled to be present at Council meetings but only with voice and not vote. Several more secretaries are appointed by the Council, while the other staff members are appointed by the general secretary subject to approval by the Council.

In Belgium, the secretary and assistant secretary are appointed by the Crown after consultation with the Council. The legislation assures the secretariat a certain independence not only from government, but also from the Council itself.

Moving beyond the French-Netherlands-Belgian group to the consultative bodies of the other countries under review, quite different arrangements may be observed.

In the case of the National Economic Development Council of Britain, one can speak of two separate entities, the tripartite Council itself, and the National Economic Development Office which is, in fact, a government agency. The link between the Council and the Office is established by the Director-General who is both an independent member of the Council and the chief executive of the National Development Office. At the same time the Economic Development Committees (the "little Neddies"), although creations of the Council, are quite autonomous bodies in their own right, but are served by the Office and thus linked through the Director-General back to the Council. In the other two statutory bodies (the National Board for Prices and Incomes and the Commission on Industrial Relations) there is a combination of both full-time and part-time members. In the PIB, the full-time members guide the work of the Board, while the secretary heads the research and auxiliary services. At the time of writing, the CIR had developed a procedure whereby the Chairman would designate one of the full-time members to deal with a particular issue. The members of both bodies are appointed by the Secretary of State for Employment and Productivity and, as already indicated, do not serve as representatives of their organizations but as guardians of "interests" which have to be reconciled if these bodies are to operate successfully.

The German Council of Experts is appointed by the President of the Republic upon recommendation of the federal Government, and elects its chairman from among its members for a period of three years; the personal term of the members runs five years. The Council's secretariat is to be provided by the federal Bureau of Statistics. On its own initiative, however, the Council created a group of professionals headed by a general secretary. Although this group is recruited by the Council, it is not part of the secretariat. The original Employment Act of the United States provided that the President would designate one of the three members as chairman and a second as vicechairman to act in the chairman's absence. This was changed in 1953 by abolishing the function of vicechairman and strengthening the position of the chairman as the official spokesman of the Council vis-à-vis the President and as the chief executive of the Council.

Reporting Activities

With the exception of the more-specialized consultative agencies and those which, by statute, are restricted to government references, the terms of reference of the majority of the bodies under review are formulated very broadly and allow a great deal of freedom to deal with any issue in the area of economic and social affairs. None of the legislations studied appear to make any distinction between short-term and longer-term issues and policies. This may well be explained by their involvement in the day-to-day concerns of the early postwar period and, in particular, stabilization policy. On the other hand, their involvement in "planning" and in legislative projects (largely due to government references) has tended to lengthen their time horizon.

A characteristic of the reporting activities of the Continental bodies is that either law or custom requires their reports and recommendations to record not only consensus, but also minority, views. Given the fact that in most instances interest representation is *de facto* or *de jure* by delegation from organizations, the underlying idea seems to be that it is equally important for government to know the extent and nature of possible opposition to certain measures and policies under consideration as the extent and nature of possible agreement.

The wide-ranging nature of the *French* Economic and Social Council reports is reflected in the terms of reference of its seven sections (see Chapter 2). The section reports and draft recommendations are submitted to the Bureau. Only majority recommendations are presented by the Bureau to the Council plenum, although in the latter, the minority positions can be stated.

The reports are then gazetted in the official journal of the Government. The short-term semi-annual forecasts are the work of the Directorate of Forecasts within the Department of Finance. This has its own consultative body (the National Accounts Commission) which is linked to the Council through members designated by the Council. The Council's involvement in the Plan is partly through the simultaneous membership of Council members in the Modernisation Commissions of the Commissariat général du Plan, and partly through its own planning commission which has as one of its main functions the appraisal of the Plan. However, the Council acts only as a critic, while the Plan itself remains a Government document.

The reports of the Netherlands Social and Economic Council deal, as indicated earlier, almost exclusively with government references which, either by their nature or because they refer to areas in which legislative action or reform is deemed desirable, are of a longer-term character. However, since 1963 a very important aspect of the Council's activities has been the preparation of semi-annual reports on the state of the economy, elaborated in conjunction with the Central Planning Bureau (see Chapter 3). In matters of Government references, the publication of the Council's reports and recommendations depends on the decision of the minister concerned. Permission to publish has, however, virtually always been granted.

The Belgian Council Acts prescribe that cases of lack of unanimity and reservations about reports and recommendations must be stated. With the exception of the activities reports, there is no legal obligation on the part of the Council to publish and report regularly. It is customary, however, for the Central Economic Council to be invited to participate in the elaboration of the Government's Economic Budget, and for the Council to state its position on that budget following its final formulation. All Council reports contain specific recommendations, but not about timing and methods of implementation. Reports on specific issues are submitted to the appropriate minister, but both Belgian Councils do not accept changes, and as a rule all reports are published by the Councils.

With the shift in the tasks of the British National Economic Development Council from a long-range planning function to reviewing "general movements of productivity, prices and money incomes ... at regular intervals", the annual reports have become general reviews of developments during the preceding year. Most other reports are those of the Economic Development Committees although the Council publishes special studies at irregular intervals. Because of the Council's tripartite character, the Government is a priori involved in the Council's reports. The examination of special cases in the areas of productivity and incomes has been entrusted to the National Board for Prices and Incomes; its reports, although formally addressed to the minister, are usually published and designed to contain recommendations that will be "of general as well as particular interest".

The German Council of Experts is required by law to submit annually at a specific date "assessments of the given economic situation and its foreseeable [usually two years] developments". The federal Government by the same legislation must submit the Council's reviews to both Houses of Parliament and state its own reaction to them. A unique feature of the German legislation is the provision that prohibits the Council from making specific recommendations, although it is instructed to discern "undesirable developments" and to point out "possibilities for their avoidance". In the case of other position documents that the Council may either initiate or be requested by the federal Government to prepare, these are submitted to the Government and published by Council, the publication date to be agreed upon with the Minister for Economic Affairs.

It is the legally prescribed function of the U.S. Council of Economic Advisers to assist and advise the President in matters of his annual Economic Report. The Council's report is in fact the President's report. In recent years, however, this report has consisted of two parts, the President's personal report and the Council's report addressed to the President. The latter has shown an increasing interest in longer-term issues.

Financing

Almost all the consultative bodies under review are financed by government under special titles in the estimates of an appropriate department. They usually have a fair latitude in establishing their own budgets, and in the recruitment and salary ranges of their professional staff although these will in most instances relate to those for equivalent positions in the public service. The exception is the Netherlands Social and Economic Council whose financing is unique among the bodies under review. It is based on compulsory levies -- one a surcharge on fees required from all enterprises listed in the commercial register; the other direct contributions from the "industrial organizations under public law", including enterprises not liable to registration. These financing arrangements emerged from the original provisions of the Industrial Organization Act (giving the Council regulatory powers over the so-called Industry and Commodity Boards which were to reflect the structure of industrial organization in the Netherlands, but which in fact never grew beyond a relatively small section of the economy). The Council has the right to fix the amount of these compulsory levies and to establish its own budget, subject to government approval.

A comparison of the budgets of the various bodies is not very meaningful, in the light of the different patterns of their expenditures under varying administrative practices. In some cases, the expenditures mainly comprise compensation for the members and staff; in others, they cover a wide variety of items, including rent, furnishings and equipment, various service charges, publication costs, etc.

Staff

With the exception of the two British institutions whose operational duties have to be taken into consideration, all the consultative bodies treated here have relatively small staff establishments, including the French Economic and Social Council (in spite of the large size of this body and the servicing of its sections by its secretariat). However, in the case of the France-Netherlands-Belgium group (in particular the two Benelux countries), their close working relationship

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with planning agencies has to be stressed. For the Netherlands Council especially, it should be pointed out that this Council regards the Central Planning Bureau as its "scientific arm". All councils have considerable latitude in contracting out special research projects; and in a number of instances rely heavily not only on government services and statistical offices, but also on private research organizations and even the research facilities of the organizations represented in the councils. For all the councils, and even the planning agencies, the staff is intentionally kept relatively small to make for easy internal communication and cooperation. Moreover, there has typically been little change in the size of staffs over the years.

The recruitment base for the professional staff appears to vary a great deal. In the Continental countries it is primarily the career civil service and the universities -- the latter particularly for part-time staff. In Britain, there appears to be a broader base, including a significant proportion of staff drawn from business and the trade union organizations. Obviously, in the planning bodies professional economists and statisticians dominate, while in the secretariats of the consultative bodies there is frequently a wider range of sciences (lawyers, social scientists, technologists) represented. However, these are merely general impressions and a good deal depends on the prevailing concept of the function of the secretariat in relation to the council membership and whether it tends more to the secretarial and editorial side, for example assistance in commissions and committees, or more to the research side. The turnover of staff has generally been described in all countries as "normal", i.e. that the top secretarial posts are usually held for quite long periods, while the turnover of professional staff proper is relatively more rapid (average appointments appear to be in the range of two to five years).

A rough idea of the approximate numbers involved is provided below (the close liaison between the consultative bodies and planning agencies should be kept in mind).

	Professional	Auxiliary	Total
France			
Economic and Social Council Commissariat général du Plan	60-65 50-75	60-65 ?	120-130 ?
Netherlands			
Social and Economic Council Central Planning Bureau	15 65	65 50	80 115
Belgium			
Central Economic Council National Council of	10	50	60
Labour	5	25	30
Office for Economic Programming	17-20	25	40
Britain			
National Economic Development Council National Board for	100	100	200
Prices and Incomes	160	90	250
Germany			
Council of Experts	6-10*		
United States			
Council of Economic Advisers	25*	15	40
* The German figures do not include the professional and auxiliary staff serving the Council and supplied by			

auxiliary staff serving the Council and supplied by the federal Bureau of Statistics. As professional bodies, the members of both the German and United States Councils are themselves directly and heavily involved in the day-to-day work.

Sources of Information and Research

The statutory character of most consultative bodies normally assures them of access to, and assistance by, various government services, the most basic ones being statistical services. In some cases, the statutes contain specific provisions in regard to these matters. For the use of confidential material, there are usually general legal provisions that safeguard confidentiality not only as to material from government sources but also in respect to the privacy of persons and institutions. In general, there is also access to a wide range of private information, especially by and through the organizations represented in the councils. In fact such information is basic for most planning and programming agencies.

Most of the bodies are empowered to hold "hearings" of various kinds and may request the presence of departmental officials and, in some cases, even of members of the government. Departmental officials will frequently attend the "section" meetings of the French Council and those of the committees of the Belgian Councils, and their attendance is a regular procedure in the meetings of the committees of the Netherlands Council. Ministers may participate in France in the plenary sessions or even section meetings. Also the German Council legislation prescribes that ministers may be heard, and must be heard if they so request.

With regard to research, most of the councils appear to be more in the nature of research "consumers" than "producers" -- that is, in the sense of carrying out original research with their own professional staff. This is also, of course, implied by the relatively small professional staffs of nearly all of these bodies. On the other hand, there is no doubt that they stimulate a considerable amount of research in other institutions. However, the available research "stock" varies greatly from country to country, and therefore conclusions drawn from a comparison of the size of staff directly employed by these bodies can easily be misleading. Given the very broad application of the term "research", and the difficulty in drawing a line between applied and basic research, it may perhaps be more to the point to say that research undertaken by the consultative bodies under review is, in general, heavily problem-oriented and policy-oriented.

THE CONSULTATIVE FUNCTION

The material presented in this study illustrates the many-sided aspects of the consultative function. In the discussion of the individual institutions in the chapters under the country headings, some of these aspects will undoubtedly emerge more clearly than others. Nevertheless the following functions appear common to almost all the bodies discussed:

1. To provide government with knowledge and experience not available within its own services and with independent sources of advice.

This is a point that was quite heavily stressed by the authorities quoted at the beginning of this introductory chapter. However, while such a need may have played an important role in the earlier history of consultative institutions, coinciding with the expansion of government services and interventions in new and unfamiliar areas, it is less likely to be as important now, especially in the light of the growth of the public sector over the years and the much wider basis of the public service than previously. Indeed, much knowledge and experience, particularly in specialized areas of government activities, may now be available almost solely in the public service. More and more, therefore, the consultative process has become a two-way street. Present-day needs of government for permanent consultative bodies, appear to be shaped far less by any real absence of knowledge and experience within government administration, and increasingly by the desire for advice which is both independent and con-tinual. This need for independent advice is underlined by the fact that even the planning agencies of government described in this study are linked to consultative bodies and are structured in such a way that they serve government as a whole and thus overcome the traditional self-contained departmental organization. The independence of professional consultative bodies, too, is an important consideration as exemplified in the German consultation system. Similarly it is not without significance that although the U.S. Council of Economic Advisers is part of the presidential establishment, it still enjoys independent status in its function of advising the President in regard to departmental programs and policies.

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Obviously, advice to government on the basis of experience and knowledge can be secured by ad hoc commissions of inquiry, task forces, etc., and this has remained a favourite device, particularly in Britain and Sweden. Their disadvantage in the area of economic and social policy lies in their discontinuity. This underlines the advantages of permanent consultative institutions, and therefore also their emergence in this field.

2. To establish a consensus between broad groups of decision-makers.

There are two aspects of this task of economic consultative bodies which come under this heading. One refers to bridging the gap between private and public decision-making.

This aspect of the consultative process is most heavily stressed in the countries which aspire to the "harmonization" of the activities in the public and private sectors, or "concerted politics". This idea is not only embodied in the system of "pairing" consultative bodies with planning agencies, but also in the evolution of a number of more-specialized bodies and agencies with interest representation. Essentially it is also the underlying principle of the three British consultative bodies and the Swedish administrative agencies under review. One of the implications is the tendency to lead to a real or quasi-negotiating relationship between private and public decision-makers.

The second aspect concerns the desire to bring about a consensus between ostensibly conflicting interest groups.

This tends to be emphasized strongly in those institutions whose origin and antecedents go back to joint labour-management bodies. However, basic to all is the concept that if elements of common interest among various economic sectors and social groups can be defined and a consensus reached, this could isolate and soften the effects in those fields in which opposition of interest is inevitable. It has been confirmed by observation that even in bodies where, either by statute or practice, the expression of minority views in reports and recommendations is accepted and even invited, this has seldom diminished the desire to seek common ground

or the discussion failed to blunt the extremes of ini-tial positions. Moreover, such differences that come to the fore, do not necessarily reflect the views of global interest groups, but often merely the ideological and political shadings within such groups. In other cases -and they may be the most important -- such differences arise from the difficulties expected in mobilizing the support of the membership of the represented interest organizations behind the policies to be advocated by the consultative body. Finally, there is the tendency to hold matters in abeyance or remain silent when the clash of opinions is so strong that such policies would become impossible to put into practice. This in no way contradicts the basic proposition that a broad consensus among private, or among public and private interests in bodies encompassing both, could provide a firmer and better base for many public policy decisions. In other words, if political decision-making is the art of the possible, consultation is the art of making the possible acceptable.

It is for this reason also that in the area of economic and social policies consultative bodies with interest representation, albeit with an admixture of professional expertise, have become the rule, and purely professional advisory bodies the exception. In fact, even where, for one reason or another, the latter prevailed, some form of institutionalized consultation through interest representation had to be attempted sooner or later (see Chapters 7 and 8). Nevertheless, also in the countries where the consultative function is mainly entrusted to expert bodies, the emphasis on a consensus cannot be overlooked. It is quite clearly presumed that professional economists, although free from direct links with interest groups, would reflect differences in social philosophy and technical judgments, with the consequence that even a consensus reached within such a body would be an important factor in the evaluation of their advice by private and public decision-makers.

3. To undertake independent research on economic and social policies.

As indicated earlier, the research undertaken by consultative bodies appears generally to be essentially policy-oriented, although fundamental research also tends to be stimulated by the activities of these bodies. This policy-oriented approach of research is

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undoubtedly related to the advisory functions which such bodies are required to perform -- the setting out of conclusions and recommendations -- both in complying with their general terms of reference and in response to particular government references. In this context, it is of interest to note that the Belgian Central Economic Council has made a sharp distinction between the function of "scientific analysis" and "opinion forming"; it has, in fact, been described as a forum in which, from the confrontation between observation. analysis and prognosis on the one side and the positions taken by the economic and social interests on the other, conclusions can be drawn as to the most appropriate directions for economic policy. While this has perhaps been more succinctly stated for the Belgian Council than for other similar bodies, it has clearly evolved as an important guiding principle of all the bodies under review containing interest elements.

4. To raise the level of economic discussion by the general public.

The educational-informative aspect of the consultative process has invariably been stated as its most important by-product, although only one of the statutes establishing such bodies specifically mentions "general public". It is also the most intangible the effect of the activities of the bodies concerned. Nevertheless, it is one which has been stressed by nearly all those interviewed as a background to this study, both those inside and those outside the bodies under discussion. In fact, it appears to have generally advanced from being a by-product of the councilgovernment relationships which are usually the sole concerns of the statutes, to one of the primary functions of consultative bodies. There are two sides to this. First, the continuing discussion and consultation among the parties represented in these permanent bodies, based on facts and measurements acceptable to all parties, opens the way not only to the dissemination of acquired knowledge to many parts of the public and private organization structures, but also to the influence of such knowledge on decision-making activities. Second, there is the impact of the reporting function on the general public. Not all the bodies concerned have by law the right of independent publication. Yet, it is clear that even in the situations where this right does not exist, the occasions on which

a government refused permission to publish the reports and recommendations of a permanent consultative body have been very rare indeed. In all countries covered in this study, there is a firm and widespread belief that the permanent consultative bodies have raised the level of economic discussion and have broadened the basis of understanding about economic developments, problems and policies.

Chapter 2 FRANCE

Among the French consultative bodies in the field of economic affairs, the Economic and Social Council (Conseil économique et social) has long overshadowed other more-specialized consultative agencies, such as the National Accounts Commission (Commission des comptes de la nation) and the National Credit Council (Conseil national du crédit), although these share certain characteristics with the Economic and Social Council.

THE ECONOMIC AND SOCIAL COUNCIL

France's Economic and Social Council has been studied extensively, at home and abroad, partly because it is the oldest of such bodies in existence, and partly because it epitomizes certain traits and ideas which, while deeply embedded in French history and society, are shared to some extent by other European countries and thus invites similar experimentation.

However, what must particularly impress the student of the French Council is the degree to which specifically French ideas concerning the structuring of society have in fact shaped the Council as a unique institution; this quite apart from its more pragmatic function as a consultative body resting on the more universal recognition of the importance of organized interest groups in decision-making concurrent with the needs of modern government for independent advice beyond that available through its own services.

What is involved here above all is the idea of an "industrial democracy", complementary to, if not actually replacing, parliamentary democracy. This idea has old roots in France, and the historian may wish to trace it back to the fact that throughout centuries preceding the French Revolution, "guilds" and "corporations" dominated French urban economic life without much interference from government. The French Revolution swept these institutions away, but the Industrial Revolution resurrected them in a new form. The idea of an industrial society based upon "syndicats", i.e. self-governing

bodies of those engaged in the production of goods and services which would see the "state" wither away, has always been kept alive in France, in particular in the trade union movement. \underline{l} / It is, therefore, not surprising to find the French trade unions as the chief protagonists of an institution embodying at least some elements of this idea. It is equally not surprising that the Third Republic, with its strong emphasis on the superiority and exclusive powers of political assemblies, long remained hostile to the creation of such an institution.

Nevertheless, when in 1925 a centre-left government came to power, very largely due to the efforts of the unions, the pressure of the trade union movement was sufficiently effective to persuade that government to permit the creation of a National Economic Council in a form that corresponded to some extent to syndicalist This original Council differed, however, from ideas. the present one in a number of respects. It was formally set up under the chairmanship of the Prime Minister, although in practice the proceedings were chaired by elected vice-presidents. This Council led a somewhat shadowy and uncertain existence until the advent of the "Popular Front" government in 1936 when, under union pressure, the Council received statutory character and its presidency became an elected office. The functions of the Council were broadened by making it consultative not only to government but also to parliament, and it was given the task of acting as arbitrator in industrial disputes. At the same time its membership was automatically tripled from 45 to 135 by making all substitute members full members. The investigating work of the Council was then broken down into 20 functional "sections" under an enlarged steering committee of 40 members, making the general meeting purely formal.

In this form the Council continued in existence until after the outbreak of the Second World War, when it was first reduced to a permanent "Economic Committee" of 21 members and then suppressed by the Vichy regime which attempted to introduce the Italian form of fascist corporatism with the "corporations" acting as agencies of the state.

It is significant that the French language makes no distinction between "trade unionism" and "syndicalism".

The Council Under the Fourth Republic

The experience of co-operation between previously highly antagonistic elements in the Resistance during the German occupation and the Vichy regime, created in the early postwar years in France -- as also in other formerly occupied countries -- an atmosphere highly conducive to the re-establishment of a council as an instrument for co-operation between "social partners". Nevertheless two contradictory concepts began to vie with each other -- on the one side, an autonomous "economic parliament" to represent directly, both nationally and regionally, economic and social interests; on the other, a primarily consultative body to government and the political assemblies, this latter concept strengthened by the "dirigism" of the early postwar period which regarded economic policy and "planning" as the sole prerogative of government.

The subsequent new Council Act sought somehow to fuse all these ideas. The Council was confirmed as a statutory body based in constitutional law to be consultative to government in regard to all social and economic legislation, but obligatory only in relation to the "Plan" which had then made its first appearance, and advisory to parliament prior to the debates on economic projects and programs. It also received the power of initiative by making recommendations in its own right on all economic matters except the budget. It retained for a while its role as arbitrator in industrial disputes, but this was clearly so impractical that it was removed in 1951.

The Council nevertheless insisted on equipping itself with many of the trappings of a parliamentary assembly, thereby arousing the suspicion of the parliamentary assemblies and the political parties. Neither ministers nor parliamentarians made use of their right to attend the Council functions except in rare circumstances.

The Council in the Fifth Republic

With the advent of the Fifth Republic, a new chapter opened for the Council. The original idea of the new regime, which sought to downgrade the parliamentary assemblies, appears to have been to replace the Senate --

as the most recalcitrant body -- by a tripartite assembly with representation from local authorities, social and economic interest groups, and overseas territories. This would have meant the absorption of the Council into a reorganized Senate, or vice versa -- but in any case its as an autonomous and distinct body. This was end strongly resisted by the Council leadership as well as by important elements in the Gaullist party itself, and then the pendulum swung in the other direction. The parliamentary assemblies having fallen into disrepute, the Council was not only to continue as an autonomous body, but to be built up in competition with parliament. J.E.S. Hayward, in his study of the Council and its history, 17 points out that in the initial years of the Fifth Republic a great show was made of the Council, and its members were flattered as the representatives of "the dynamic new social and economic forces that were not tainted with the discredit from which the sclerotic and spent political forces of the past suffered". Moreover, "sensitive on the score of appearing socially reactionary, the Government also hoped to win the neutrality [not least of the trade unions] by promoting them and the assembly in which they were directly represented at the expense of the traditional parliamentary assemblies". Specifically also the Council was then made adviser to Government rather than to Parliament.

Thus the Fifth Republic made a number of commitments concerning the Council. Its area of activities was widened and it became the Economic and Social Council. Three articles in the 1958 Constitution (Articles 69-71) dealt with the Council. Article 69 attempted to define the relationship between the Council, Government and parliament. The Council was to advise the Government on bills and decrees when instructed (saisi) by the Government, but a member of the Council could also be designated by the Council to state before the parliamentary assemblies the recommendations of the Council on questions referred to it. Article 70 stated that the Council could be consulted by the Government on all problems in the economic and social field concerning France herself and also the French "Communauté" (grouping of former French colonies) but established an obligation on the part of the Government only to consult the Council on "all plans of an economic and social character". Article 71 then provided for special legislation to fix the composition of and the rules for the functioning of the Council.

 $\frac{1}{J.E.S.}$ Hayward, op. cit., p. 60.

Such a law (loi organique) was in fact passed at the end of 1958. It confirmed the character of the Council as a consultative assembly in relation to the public authorities, while at the same time promoting co-operation between the different occupational categories and assuring their "participation in the economic and social policies of the Government". Requests for advice from the Council were to be received from the Prime Minister. The obligation on the part of the Government to consult the Council on economic plans or "programmatic legislative projects" -- with the exception of the budget -- was again confirmed. The new Council Act, however, also gave the Council powers of initiative in calling the attention of the Government to needed reforms deemed by the Council of a nature "to promote the objectives of the Act". In addition, the Council was to make known to the Government its position on the execution of "plans or programs of action".

The Government undertook under the Act to "abolish by decree" other consultative bodies the functions of which paralleled those of the Council and, more importantly, to report back through the Prime Minister every year what the Government had done in response to the recommendations of the Council. However, this early enthusiasm of the Fifth Republic for the Council was not followed by an equally enthusiastic performance on the part of governments who so strongly underlined the powers of the executive. In fact, it may well be said that this contradiction has been inherent in the position of the Council whether the power lay in the hands of the legislature or the executive. Thus, to give one example, the Government soon forgot its "feedback obligation" under the Council Act which the Government itself had initiated.

Organization of the Council

The organization of the Council is laid down partly in the Council Act, partly in a number of government decrees, and more specifically in a set of regulations adopted by the Council and approved by government decree.

Presidency

The President of the Council is elected by the Council in secret vote. There are four Vice-Presidents who are also elected, but "en bloc". The President and the Vice-Presidents, together with nine Council members and the General Secretary, form the "Bureau".

Bureau

The Bureau is the governing body of the Council in which all the major Council groups are represented. Its most important task relates to the procedure by which matters are raised for consideration by the Council, whereby the initiative may come from government, from one or more of the Council groups, from within the Bureau itself, or from one of the functional "sections" which do the actual investigating work of the Council. Formally, the Bureau has no right to reject a government reference but, in practice, a government reference would be the subject of consultations with the Prime Minister.

Secretariat

The General Secretary is elected by the Bureau and confirmed in his position by the Government. He is an ex officio member of the Bureau and heads the professional and administrative services. Under him, and forming the Secretariat, are the permanent secretaries of the "sections" who link the work of the "sections" to the General Secretary and thus to the Bureau. The number of staff members is between 120-130, about half of which are professionals (economists, lawyers, technologists). The budget of the Council is included as a special allocation in the budget of the Prime Minister's office. The members of the Council receive a remuneration equal to one-third of the parliamentary indemnities. This remuneration is complemented by payment for expenses which may not be higher than the monthly remuneration; the indemnity emoluments are subject to variations in accordance with the presence of the members at the Council meetings or other participation in the work of the Council.

Council

Composition -- The desire to make the Council representative of all the components of economic and social interests undoubtedly had a decisive influence on

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making it as large a body (200 persons) as it is at present. Nevertheless, excessive organizational fragmentation, the tendency to ideological factionalism and the complexities of the French economic and social structure have, throughout the history of the Council, led to a conflict between goals of all-embracing representative-ness and numerical equity in the distribution of seats among the members. This conflict was intensified by the keen desire of many of the organizations, themselves weak at the membership level and constituting in many instances only a fractional minority of the interests they profess to represent, to receive through membership on the Council that kind of governmental recognition as a legitimate pressure group that is inherent in a statutory membership. Moreover, a government striving for authority and permanency (in contrast to those of the Third and Fourth Republics) had obviously no intention of being bound to a body of purely interest representation, and so diluted its representativeness by a large segment of government nominees (approximately one-third). As a consequence, the most striking feature of the Council composition is, as Professor Hayward points out, "the heterogeneous nature of the representation as between socio-economic interest group representatives and government nominees and in the variety of representatives of each of the major categories. There are both public and private representatives, occupational and non-occupational representatives, territorial as well as as functional representatives. The choice clearly proceeds from no principle."1

The numerical distribution of Council seats among the various categories appears to be equally arbitrary. According to the membership list of March 1969, the Council seats are distributed as follows:

Various activities	
and middle classes ² /	11
Agriculture	32
Artisans	10
Co-operatives	11
Nationalized enterprises	7
Private enterprises	30
Trade unions	49
Family associations	8

1/ J.E.S. Hayward, op. cit., p. 22.

^{2/} In France, Netherlands and Belgium, the term "middle class" refers more strictly to independent artisans, small shopkeepers and other self-employed persons, including professionals.43

To these interest groups are added government nominees, divided into:

reisonalities chosen because	
of their competence in econo-	
mic, social, scientific or	
cultural fields	15
"Personalities" from overseas	
communities and the Franc	
zone	20
Territories and overseas	
departments	6

As to the allocation of Council seats within the various categories of interest representation in recent years, certain shifts appear to have taken place as well as some organizational consolidation. The Fédération nationale des syndicats d'exploitants agricoles (FNSEA), with 12 representatives, is the largest organizational entity within the 32-member agricultural group, followed by the "agricultural chambers" with eight members. The "private enterprise" group is clearly dominated now by the Conseil national du patronat fran-çais (CNPF) with 25 out of the 30 members in this group. Most perplexing is the composition of the trade union representation. In 1964, the three "major" trade union centres, the Confédération générale du travail (CGT-communist oriented), the "free" trade union centre (CGT-Force ouvrière (FO)) and the Confédération française des travailleurs chrétiens (CFTC) had equal representation with 13 members each. The present list credits the CGT and FO with 14 members each, but the successor organization to the former Christian trade unions, now the Confédération française démocratique du travail (CFDT), with 17 members. In addition, the Government put at the disposal of the trade union group, which split with the CFDT and retained the name CFTC, three of its "personality" seats. The Confédération générale des cadres (CGC), which groups professional and managerial personnel, has retained four members, and the independent Federation of Teachers and a small group of independent trade unions, one member each. Trade union membership figures in France are highly unreliable and the claims to membership often spurious, yet it is highly unlikely that the distribution of Council seats among the trade unions reflects realistically their relative positions of strength.

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Each category forms one "group" with a Chairman and sometimes Vice-Chairman. The exception is the trade union category where each of the trade union centres forms its own group.

Sections -- The investigating and preliminary work of the Council is done in permanent "sections", but the Council may also establish ad hoc committees as required from time to time. Until September 1969, there were 11 permanent sections, which now have been reduced to seven by government decree. According to function, they are divided as follows:

Social questions: labour and employment; manpower policies including education, training and counselling of youth; adult education and training; adjustment and employment of foreign workers; cultural and leisure activities; medical research; social security.

Regional questions: regional economic development; urbanization and housing; public works, communications and transport; tourism.

<u>Agriculture</u>: production and marketing; research, organization and modernization of production methods; equipment of rural collectives; forests and national parks.

Finance: national and international monetary policies; financing methods of enterprises; credit policies; fiscal policies and their effect on economic and social development.

Planning and economic performance: short-, mediumand long-term forecasting; public and private investment; production and consumption equilibrium; income distribution trends in economic and social development. (This section prepares the very important half-yearly report on the economic situation submitted to the Council.)

Technological research and economic information: application of technology in industry and trade; energy policies; scientific research.

External expansion: application of international treaties, in particular the European Economic Community; economic, technical and cultural co-operation with developing countries.

Each section consists of up to 32 members, of which a maximum of 10 are specially nominated by the government. This addition of nominated members from outside the Council is an innovation of the Fifth Republic and dilutes further the representational composition of the Council, since it increases the ratio of the non-representational vs. representational groups involved in the work of the Council. The ostensible purpose of this addition was to raise the level of expertise in the sections, but only about one-third of the nominees are regarded as experts, while the other two-thirds appear to be mainly "political" appointments (defeated candidates, etc.).

As the main work of the Council is performed in these sections, the positions of their chairmen and rapporteurs are regarded as key functions in the Council. These positions are very unevenly divided among the various groups -- the trade unions are rather underrepresented -- and what has come to be regarded as the "centre bloc" of the Council (see below) has come to occupy quite a disproportionate share. This may partly reflect the difficulties encountered by certain groups, among them the trade unions, to put recognized specialists at the disposal of the sections, but also -- as Hayward remarks -- the ability of a "middle of the road" group to take a relatively impartial stance between the big battalions of labour, business, and agriculture.

The elaboration of the section report, and of the draft recommendations (projets d'avis) which are submitted to the vote of Council, is the task of the rapporteur with the assistance of the permanent secretary to the section. It is usually also the permanent secretary who is responsible for the basic information material. In questions of lesser importance or urgency the sections may undertake special studies which do not necessarily reach the floor of the Council. Among the principal sources of information are: government departments, specialized agencies such as the National Institute for Statistics (INSEE), and institutions with which there is an interrelationship, such as the General Planning Commission (Commissariat général du Plan) or the National Accounts Commission (Commission des comptes de la nation). The sections may also arrange for hearings to obtain outside opinion, often those of senior civil servants from the various departments, and sometimes ministers.

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The task of "politically" guiding the section reports through the Council falls upon the section chairmen. Voting within the sections is by simple majority, whereby it is noteworthy that the ten nominated section members may vote in the "sections" but not in the Council. This can lead to discrepancies between the approaches taken in the sections and those which come to the fore in the Council. However, the sections do not report back directly to the Council, but to the Bureau which has the power to send a report back to the section before agreeing to put it on the agenda of the Council. Only the majority recommendations are presented to the Council for adoption, although minority positions can be stated there.

<u>Council procedures</u> -- Given the number of members and the diverse sets of organizations which they represent, the seating arrangements in the Council chamber are of some significance. The Council chamber is in fact patterned on that of the parliamentary assemblies; that is, the benches are arranged in a halfcircle facing an orator's rostrum and a president's dais. However, to disguise somewhat the political colouring of the groups, the trade unions are placed in the centre while the business groups sit left of the President and the farmers on the right.

Ministers may attend Council and even section meetings and do so more or less frequently, but usually upon invitation by the President. There is a centre front row reserved for ministers.

The Council's deliberations are confidential. The attention of the communications media to the Council's work is drawn formally by press releases following the adoption of reports. Members, however, occasionally break confidentiality by having their speeches printed in their organizational journals or through other means that may make their positions on issues known to the press.

As already indicated, the Bureau establishes the agenda for the deliberations of the Council. The reports and draft recommendations of the sections are then debated by the Council and amendments may be, and frequently are, proposed. Such amendments are then referred back to the sections, which may accept or reject them. After that they come before the Council again to

be voted on. Following the vote on the amendments, the reports and recommendations are voted on as a whole. If adopted, they are gazetted in the *Journal Officiel* -- the collection of legislative texts and decrees -- rather than by the Council itself. Publicity is left to the communications media, but much of the publicity is through the journals of the various interest organizations.

The Council Act prescribes that the Council should meet every three months, but in fact the Council meets much more often -- at least once a month (for two or three afternoons) -- and section meetings are even more frequent.

There is no prescribed quorum. If requested by at least five members, voting will take place and is then open and by show of hands. This happens frequently when important issues are at stake. (Voting for officers is, however, by secret ballot.) Professor Hayward and others before him have attempted to analyse the voting behaviour of the Council. An exact analysis has been difficult because of limitations on the statistical data, but generally speaking it appears that there is a good deal of "bloc voting" and that there exist certain affinities between various groups. Thus the trade unions, despite their strong political divisions, show a substantial measure of cohesion and, on occasion, find support among the "personalities" or expert groups, the family associations, and the nationalized industries' representatives. (It may be noted that there is work force representation in the governing bodies of the nationalized industries.) On the other end of the voting spectrum there is the "private business" bloc --almost twice the size of the trade union bloc -comprising employers, artisans, and farmers. There is then a "centre bloc", nearly as strong as the "business bloc", which essentially represents the floating vote and appears ideologically less bound, but on the whole tends to support the "business bloc".

The Council and the "Plan"

In 1946, almost simultaneously with the reconstitution of the Economic and Social Council, the government of the day set up the General Planning Commission (Commissariat général du Plan). Thus a pattern was established which exerted considerable

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influence over the rest of Europe. It is a pattern according to which "planning" is essentially entrusted to a department of government or a government agency, but complemented and supported by organs of mixed interest representation. Their function then is to strive for a consensus among the "social partners" for the purpose of relating this consensus to the economic policies of government and vice versa. The French gave it the name of "concertation économique".

It is obvious that this "concertation" goes beyond the concept of pure and simple consultation in that it contains an element of commitment and depends for its ultimate success on the degree of willingness and ability of the private decision-makers as represented by their organizations to enter into such commitments and translate them into action.

The 1948 Constitution of the Fourth Republic assigned the Economic Council a role in the preparation of the Plan -- in fact made it obligatory -- and the 1951 Council Act required the Council expressly to make annual progress reports and recommendations in regard to the Plan. However, for various reasons, the Council's role in the preparation of the Plan developed very slowly. Instead, the Council tended to make use of its powers mainly for examining the way in which the Plan was working. For this purpose it developed the tradition of inviting "explanations" from the Commissaire général du Plan. In this way regular collaboration between the Council and the Commissairiat général du Plan was built up.

Actually, a specialized consultative agency directly related to the Plan, called the High Council of Planning (Conseil supérieur du Plan) has existed since the early 1950's. Originally it was a cabinet committee chaired by the Prime Minister, then a mixed body of ministers and representatives of various interests, but its involvement in the planning procedure remained unclear and sporadic. In 1961, coinciding with the "Fourth Plan", it was reorganized by government decree. Its composition (in drawing together ministers, the Governor of the Banque de France, the President of the Economic and Social Council and the Chairman of the Council's Planning Section, members of other consultative bodies such as the National Accounts Commission, interest organizations, Members of Parliament) seems to

indicate that it was primarily thought of as a policyco-ordinating body. The experiment must have been less than successful, because little was heard of the High Council, while the Modernisation Commissions (see below) and the Economic and Social Council appear to have succeeded in ascending as the consultative organs to the Plan.

The body primarily concerned with the Plan within the Council is the Planning Section. However, the actual relationship is more complex than that. Here the procedures in establishing the Plan have to be considered. The preparations for the Plan proceed in two main stages. At the first stage the Plan is the work of the Commissariat général du Plan. In this form it contains broad options for economic policy for the next five years. Following the acceptance by the competent public authorities of a set of options, the Plan returns to the "Modernisation Commissions" of the Commissariat. These Commissions, the number of which has been variable but grew, until recently, quite steadily over time, are themselves largely representational bodies whose function it is to elaborate the Plan within the priorities established at the political level. For this purpose most of the Commissions have a number of "working committees" which then report back to the Commissions.

In a publication outlining certain procedural reforms relating to the work on the "Sixth Plan" (1971-75), the Commissariat général du Plan defined the role of the Modernisation Commissions and Committees in the elaboration of the Plan (and incidentally the Plan itself) in this way: 1/

For the *public authorities* the Plan is to serve in the first place as a means to clarify and guide their decisions in matters of general as well as sectorial and specific economic policy measures. To be useful in that regard it is necessary that the Plan be elaborated after consultation in depth with the community of citizens or their representatives (industry organizations, trade unions, social and cultural organizations, local communities, regional authorities) as well as experts.

^{1/} Commissariat général du Plan, Programme de travail des commissions de modernisation du 6^e Plan, Préparation du rapport sur les options, p. 4.

For the private economic decision-makers it is to permit a better knowledge of their mutual intentions and to know those of the public authorities as well as the kind of economic and social development these envisage.

For both, finally, the elaboration of the Plan is the opportunity

- -- to bring to the attention of their partners their problems and preoccupations, and
- -- to open the road to agreements that can be realised immediately or in the course of the Plan.

The Commissions and Committees constitute the principal forum for this purpose.

For the "Fourth Plan" the number of people ostensibly involved in this process reached the startling number of over 3,000. John and Ann-Marie Hackett in their analysis of French planning procedures 1/ gave a breakdown of the composition of the membership of the Modernisation Commissions and their working parties: 41 per cent were employers and representatives of employers' associations (including nationalized industries); 25 per cent, civil servants; 22 per cent, academics and other independent experts; while farmers and trade unionists were 3 and 9 per cent, respectively. In contrast with the large number of members, the professional staff of the Commissariat général du Plan is very small indeed -- approximately 50 full-time and 25 part-time. This professional staff has been purposely kept small from the very inception of the Commissariat and has shown little, if any, growth over the years.

For the "Sixth Plan", the number of the Modernisation Commissions was substantially reduced and the number of members in each Commission limited. Nevertheless the number of persons involved aiming at "concertation" still remains very high. The interrelationship between the Commissariat général du Plan and the Council is already established at the level of the Modernisation Commissions, since a sizable number of Council members are also members of the Commissions. Formally the Commissions are advisory to the Commissaire général du Plan in the sense that their opinions will be considered before the Plan is submitted to government and parliament. However, the Commissions may also insist

^{1/} Economic Planning in France, London: Allen & Unwin, 1963.

that these opinions form an annex to the submission of the Commissaire général du Plan even including minority views. Within the Council it is through its Planning Section that the Plan reaches the floor of the Council.

This intricate involvement of the Council membership, and ultimately of the Council itself, however, in no way guarantees that their opinion or opinions will finally prevail. Indeed in regard to the "Fifth Plan", the Council remained highly and vocally critical to the point where -- as Hayward remarks -- the Council became more of an adviser to the parliamentary opposition than to the government. Equally problematic has been the Council's role in the actual implementation of the Plan.

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The history of the last decade has shown considerable swings in the attitudes of succeeding governments towards the Council: from an inclination to make it a "favourite child of the Fifth Republic", to an implicit abandonment of the legal obligations entered into by the 1958 Council Act. How much this was due to the personal opinions and concepts of the various prime ministers as to how economic policy should be arrived at, or how much may be ascribed to the need or lack of need felt at various periods for mobilizing the support of the Council behind government policies, must remain a matter of speculation for any outside observer. As far as the post-de Gaulle government is concerned, it is tempting to conclude that the events since the storms of May 1968 had a strong influence on its intentions in regard to the Council. Optimistic expectations within the Council were based on the speech made by Prime Minister Chaban-Delmas to the Council in July 1969. In this speech M. Chaban-Delmas spoke of the difficulties of government to foresee "the nuances of actual developments" unless it can benefit from the advice of those "who in one form or another are the actual decisionmakers within the universe which is the industrial society". He promised a review of the consultation procedures and stated that the intention of his government would be to consult the Economic and Social Council within the shortest possible time so that "government programs may be filtered through a process of joint thinking". He stated "in precise terms" that the Council would henceforth be consulted on the legislative proposals in the economic and social field and that his

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ministers would participate, if necessary, in the Council's work. He referred to Article 4 of the 1958 Act, which obligates the Prime Minister to report every year to the Council the actions taken on the recommendations of the Council, in a terse sentence: "This will be implemented". He returned to the older concept of the Council as adviser to parliament and government stating that the links between the two houses of parliament and the Council should be strengthened and that "every recommendation of the Council in regard to government bills will be communicated to the National Assembly and the Senate in the form of an annex to the bill". He finally promised to develop the closest personal contact between himself and the President, the General Secretary, and the Bureau of the Council.

It is indeed a remarkable fact that the Council in its forty years of existence as a statutory body -not including the Vichy period -- has survived every change in government and regime despite sometimes open hostility on the part of the political assemblies, and long stretches of neglect by government. Not least noteworthy is the fact that in this long history the Council has had only two presidents and three general secretaries, all outstanding personalities in their own right. They are people who have provided strong leadership despite their contrasting political backgrounds.

Yet this alone may not be sufficient to explain the stability of the Council, nor can the answer be found solely in the institutional characteristics and the powers conferred upon the Council by the various Council Acts. It would be equally difficult to explain the phenomenon of the Council by the composition of its membership, which as pointed out above follows no clear principle either in regard to the organizations and interests represented or the distribution of seats among Other factors must be involved, especially if it them. is considered that such a large number of people -almost all of them fully employed otherwise, and many of them important decision-makers in their own right -- are prepared to spend several days per month (and in the functional sections even more) on Council business. It must fulfil very special needs. Two of these have been pointed out by officials of the Council. One is that the Council constitutes a convenient and, above all, a confidential "meeting ground", as much for ministers and

their representatives in their relations with the interest organizations, as between these factions among themselves. The necessity for the ritual posturings of publicized meetings and conferences is thus avoided. If at times the Council appears to lead a somewhat shadowy existence, "this public semblance of inconspicuous impotence may be the price that has to be paid for exerting influence on decision-makers who are reluctant to accept the 'loss of face' consequent upon openly yielding ... " (Hayward). The second need, very strongly underlined by the Council's General Secretary, is the educationinformation function of the Council which it fulfils for the many organizations which neither have nor can afford specialized research of their own, but for which the Council, and especially its functional sections, provides both opportunities and facilities. The delicate symbiosis of bureaucratic expertise (élite technocratique) and the "syndicalist" elements in French society (the statutorily recognized interest groups), of which the observers of the French scene have often spoken, finds its most interesting and perhaps most practical expression in the Economic and Social Council of France.

THE NATIONAL ACCOUNTS COMMISSION AND THE NATIONAL CREDIT COUNCIL

There exist in France two other bodies of a more specialized nature than the Economic and Social Council which, either through statutory requirement or de facto through the interest organizations, are interrelated with the Economic and Social Council. These are the National Accounts Commission (Commission des comptes de la nation) and the National Credit Council (Conseil national du crédit).

The National Accounts Commission

Created in 1952, the National Accounts Commission has its origin, too, in the acceptance of the concept of "planification" by "concertation".

Originally the Commission contained, besides expert nominees, civil service representatives of different economic departments and interest organization representations, as well as parliamentarians. By excluding the political element, the Fifth Republic made it, in 1958, primarily a technically oriented body.

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The Commission consists of three elements: high officials, among them the Governor of the Banque de France, the Commissaire général du Plan, independent experts and eight members designated by the Economic and Social Council (four from the employer, artisan and agriculture groups, and four from the major trade union centres).

The Commission is consultative to the Directorate of Forecasting (Direction de la prévision) which forms part of the Department of Finance and Economic Affairs. Its function is essentially to receive the short-term forecasts elaborated each year in May and September by the Directorate. According to a decree of 1966, it is the task of that Directorate "to establish the 'economic budgets', to participate in the elaboration of the national accounts and to provide a secretariat to the National Accounts Commission". Within this broad framework, the Directorate is also called upon by the Minister of Finance and Economic Affairs to make recommendations on stabilization policy.

There is a difference in the way the spring and autumn reports of the Directorate are dealt with. The spring report is provisional and its outside distribution is limited to the members of the Commission. The members of the Commission are obligated not to divulge the precise quantitative information contained in this report. The broad outlines of the report are made known, however, and are widely discussed in the press. In addition there is appended to the May report a note setting out policy recommendations which does not go before the Commission, receives no distribution, is fully confidential, and is submitted by the Directorate directly to the Minister of Finance and Economic Affairs.

In contrast, the autumn report is made fully public. It contains the "economic budget" for the current year, and the provisional national accounts. It is distributed not only to the members of the Commission for study and comment (and, in this way, is available to the Economic and Social Council), but also to members of parliament and specifically the committees of parliament concerned with economic policy.

The purpose of these arrangements is described as a means of obliging the administration to elaborate reports and forecasts at fixed times of the year, and

within the Commission to stimulate discussion on questions of methodology, as well as to acquaint the Minister with the reaction of the "social partners".

The National Credit Council

The National Credit Council (Conseil national du crédit) has its institutional origin in the Permanent Committee for Banking Organization (Comité permanent d'organisation bancaire), created in 1941 by the Vichy regime as one of its statutory professional "corporations".

Following the Second World War, the governments were caught up by two sets of powerful forces: the tremendous financial needs of postwar reconstruction, and at the same time the pressures for a radical reform of France's banking system, including the nationalization of the Banque de France and other major banking and credit institutions. This resulted in the attempt to steer a middle course between the laissez-faire of the prewar period and the corporatism of the Vichy regime. A change in the organization and operations of the National Credit Council was one of the results.

One of the major questions involved, and one which was hotly debated at that time, was the position of the Banque de France. According to one view, the government alone should determine financial policy and the Banque de France should be essentially an instrument to facilitate implementation of policy. Against this stood the more orthodox approach of giving the Banque de France an autonomous position, at least within the broad framework of government policy, and equipping it with strong regulatory powers over the total banking system. Under the former approach, the concept was that the National Council would be purely consultative to government; under the latter, it would be primarily consultative to the Banque.

The 1945 legislation which made the National Credit Council a statutory body did not draw these sharp distinctions. The Banque was established as an autonomous body but did not receive regulatory powers per se. These regulatory powers were vested in the National Credit Council, of which the Governor of the Banque became de facto the permanent chairman. The 1945 Act did prescribe that a minister designated by the Prime Minister should be the chairman of the Credit Council,

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and the Governor of the Banque de France ex officio Vice-Chairman. For various reasons, including the frequent changes in the portfolios concerned, ministers have only rarely chaired the Council, and the Governor of the Banque has provided continuity, as well as essential technical and personnel services, to the Council. Therefore, it is the Governor, in the name of the Council, who actually exercises the regulatory powers vested in the Council. This, in addition to the traditional role of the Banque de France assigned to it by statute in setting discount rates as the bank of issue, and its other possibilities for global intervention in the money market, gives the Governor of the Banque de France a dominant position.

In addition to the Chairman (who, as indicated, rarely exercises this function), and the Governor of the Banque as the ex officio Vice-Chairman, the Council has 43 members, some appointed by the Minister of Finance and Economic Affairs and some by the Minister of Labour. The membership comprises five groups:

Industry and commerce: 12 members (appointed by the Minister of Finance) representing employers, farmers and farm co-operatives, other economic associations, consumer co-operatives, artisans, mutual savings and co-operative credit associations.

<u>Trade unions</u>: eight members, two for each of the major national centres. One of each two represents workers' interests in general (appointed by the Minister of Finance), and the second represents the bank employees in particular (appointed by the Minister of Labour).

<u>Civil servants</u>: eight members, representing various economic departments of government.

Experts: eight members; in fact professional bankers chosen from the management of the banks, nationalized and non-nationalized, and other financial institutions.

Public and semi-public credit institutions: seven members, who form a second professional group.

The Council meets four to five times a year and decides by simple majority. Its technical work is performed by five permanent functional committees.

Four of these fulfil the primarily consultative functions of the Council. These are the Committee on Bank Deposits which deals with the basic rules governing the function of the nationalized and non-nationalized banking institutions, deposit protection, and control of credits; the Committee on External Trade; and two Committees charged with more general problems -- the Committee for Short-Term Credit and the Committee for Long-Term Credit. All these report to the Council.

A fifth Committee on Banks and Financial Establishments fulfils regulatory functions, i.e. the registration, classification and localization of banks, the registration and deregistration of financial institutions, etc. These are functions which the Council inherited from the 1941 Permanent Committee on Banking Organization. If the vote in this Committee is unanimous, the decision takes immediate effect. If no unanimity is reached, cases are submitted to the full Council. In each case the decision is signed by the Governor of the Banque de France in the name of the Council.

The Council, specifically the Banque de France for the Council, publishes quarterly reports. In accordance with the 1945 Act, the Council further publishes an Annual Report which deals partly with the activities of the Council, and partly with a detailed analysis of developments in the field of money, credit and savings.

The Council has no independent budget; all expenses are borne and all services provided by the Banque de France.

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All the institutions discussed above -- the Economic and Social Council, the National Accounts Commission and the National Credit Council, and the Commissariat général du Plan and its functional Commissions -appear to have two characteristics in common:

 a direct relationship between the government bureaucracy (the "élite technocratique") and representatives of the interest organizations, illustrating what above was called the "symbiosis" between these two prominent elements in the structure of French society; and (ii) institutional structures designed to achieve "economic concertation".

Any assessment about how consistently and effectively these institutions have actually realized this goal of "concertation" would go beyond the purpose of this study. It would in any case have to rest largely on suppositions and subjective judgments. However, one aspect of the problem of concertation emerges quite clearly from a statement by the Commissariat général du Plan concerning the Modernisation Commissions in the "Work Program for the Sixth Plan":

The forms and the results of concertation depend strongly on the degree of the consensus which exists between the partners: it signifies, above all, the educational action which the participants can exercise upon each other in becoming aware of each other's preoccupations which certain among them tend to neglect. It is fully realized if the interest groups modify their plans in relation to those of their partners, thus seeking to resolve a priori their conflicts. This can then lead to contractual agreements or quasi agreements. One is forced to state that the Commissions have rarely obtained such an ambitious objective and that very often concertation has not gone beyond the stage of simple consultation. Whatever the degree of concertation which they may attain in their work, the Commissions must make an effort to be explicit in that regard if all ambiguity is to be avoided. 1/ (Italics mine.)

What the Commissaire général du Plan in this exhortation did not, and possibly could not, say is that the degree of "concertation" which can be obtained may well depend not solely on the willingness of the "partners" as represented by their organizations, but also on the ability and the powers of these organizations to commit their constituents. Yet this may well be the crux of the matter.

Programme de travail des commissions de modernisation du 6^e Plan, op. cit., p. 19.

Chapter 3 NETHERLANDS

Although the three main consultative bodies in the field of economic and social affairs now in existence in the Netherlands -- the Social and Economic Council, the Foundation of Labour, and the Central Planning Bureau and its Commission -- are all creations of the early post-Second World War period, institutionalized economic counselling in that country has a much longer history. Its history stretches, in fact, over half a century.

Among the precursors of the present consultative bodies was a Superior Council of Labour, created in October 1919 by Royal Decree, which was "to advise the ministries on legislative projects and other matters related to labour within the competence of these ministries". In 1927, an Act of Parliament made the Superior Council of Labour a statutory body and gave it certain characteristics both similar and dissimilar to the present Social and Economic Council. As to composition, the 1927 Act prescribed that the Council of Labour consist of 30 to 60 members, of which about one-third were to be appointed by the Crown in consultation with the "most important" employers' organizations, and an equal number in consultation with those of the workers. The rest was to be shared between independent experts and senior civil servants. Shortly before the Second World War the Council was composed of 16 employers' and 16 union representatives, 14 independent experts and six civil servants. Significantly, in the light of later developments, there was also a move towards greater independence from government in the 1930's when the presidency of the Council became elective from within the Council; previously, the Council had been chaired by The tradition then developed the Minister of Labour. that the chairman was chosen from among the expert group. A distinctive feature of this Council was that it acted as an advisory body not only to government but also to parliament, through attendance of Council members at meetings of parliamentary committees and participation of members of such committees in those of the Council.

Foreshadowing later developments in "industrial organization" were attempts to create from within the framework of the Council separate commissions for each industry, though this proved to be impractical. However, a permanent commission was established in the field of collective agreements; this also anticipated later developments.

In the same year in which the Superior Council of Labour was created, an Industry Council and a "middle class" Council were also established.1/ These, however, never achieved practical importance.

In 1932, at the height of the economic depression, Parliament passed an Act to establish side by side with the Superior Council of Labour an Economic Council. This body was to operate in the general economic field in much the same way in which the Council of Labour was to operate in the social field. There was a distinct difference, however, in that the composition of the Economic Council was given more of a technical than representative character. It consisted of 10 to 15 members drawn from various sectors of the economy and from the academic world, none of them to be regarded as representing specific interest groups. However, in 1938, a representational element was introduced into the Economic Council, adding six members -- three each to reflect the interests of the employers' organizations and the trade unions.

In the wake of the Second World War, major institutional changes were introduced that fundamentally affected the organization, function and purpose of the Dutch consultation system. All these were deeply influenced by the experience of the Depression, the war itself and the needs of postwar reconstruction in a country that had not only suffered interruption of its normal economic life but also large-scale physical destruction. The political climate favoured the convergence of a number of ideas which, while not new in themselves, had had little chance of being generally acceptable in the political climate existing during the interwar period. The first concerned a more harmonious and rational relationship between management and labour.

As in France and Belgium, the term "middle class" refers more strictly to independent artisans, small shopkeepers and other self-employed persons, including professionals.

Even before the end of the war, representatives of the employer and union organizations, who had been driven underground during the occupation and had joined in the Resistance movement, had agreed to create a permanent organ for consultation and negotiation, not only to avoid unnecessary conflict but also to combine forces for postwar economic reconstruction. From this there emerged immediately after the war the Foundation of Labour which was destined to play an important role in wage policy. Second, there emerged the concept that a new national, statutory organization should be created, designed to "organize" the economic life of the country, but also to serve in a consultative role to government in all economic and social matters. This led to the creation of the Social and Economic Council. The third idea was that of economic planning. In the mid-1930's, just about the time of publication of Keynes' General Theory, Professor Jan Tinbergen of the Rotterdam School of Economics developed his econometric model of the Netherlands economy, thus giving what hitherto had been only a vague ideological concept its first scientific exposition. This new concept of planning had to await acceptance by government and parliament until the postwar period to bring about the creation of the Central Planning Bureau with its own consultative organ, the Central Planning Commission. It is these three bodies with their interrelationships that then emerged as the focal points of the economic consultation system of the Netherlands after the Second World War.

THE SOCIAL AND ECONOMIC COUNCIL

The Social and Economic Council of the Netherlands has certain unique institutional characteristics; it is distinguished from similar bodies in other countries by the fact that one of its original purposes was not to be primarily a body consultative to government, but was intended to form the apex of an industrial organization system under public law, equipped with regulatory powers extending over the widest possible range of economic sectors. Thus the Industrial Organization Act of 1950 establishing the Social and Economic Council foresaw a network of Boards, composed of labour and management, divided horizontally and vertically between Industry Boards and Commodity Boards -- the former to be combinations of enterprises serving similar or related

economic functions; the latter to comprise groupings of Industry Boards, relating to the same final product or groups of final products. As bodies under public law they were to have certain powers of decision, as well as powers of enforcement. They were to be financed by levies imposed by them upon enterprises within their jurisdiction. The establishment of such Boards by voluntary agreement between labour and management was to be followed by a Royal Decree making them institutions in public law. The function of the Social and Economic Council was to encourage such agreements, submit recommendations to government prior to sanctioning them in law, and to advise on the extent of regulatory powers to be given to the Boards. The Council was furthermore to act as a kind of supervisory organ for the Boards and to represent the whole system vis-à-vis government, since the Boards as such were not to have the status of being consultative to government.

What appears to have been intended at that time was the introduction into the economy, then affected by strongly "dirigist" tendencies, of elements of functional decentralization that would relieve the central authority of the need to intervene into the daily affairs of the different economic sectors but permit the delegation of authority to voluntarily established selfregulatory bodies comprising both labour and management, while at the same time maintaining overall authority by making them bodies subject to public law.

The legislators, however, had difficulty reconciling the different functions entrusted to the Council, as shown by Article 2 of the Industrial Organization Act:

> The Council, undiminished by the consultative function entrusted to it ... has the task to promote economic activity in the interest of the Netherlands nation while at the same time taking into account the interests of the persons engaged in the economy.

Actual developments did not conform to the expectations of the Act. Significantly, Industry and Commodity Boards emerged quickly in agriculture, food processing, clothing, retail trade, etc. -- in other words, in sections of great importance during the period of food and commodity shortages with their distribution problems following the war. They did not emerge in the major manufacturing industries, possibly because the gradual weakening of government intervention in the economy following postwar reconstruction made a system of countervailing powers embodied in the industrial organizations under public law less necessary and less desirable than originally thought. Consequently, while the Council was not legislated as a consultative body *per se* but as part of the industrial organization scheme, it retained to some extent its double function as a regulatory as well as a consultative body. In practice, however, the consultation function soon began to overshadow the regulatory function both in extent and importance.

Composition

The Industrial Organization Act of 1950 sets the limits of Council membership to a minimum of 30 and a maximum of 45. From its inception, however, it has tended towards the maximum figure. The law further stipulates that Council membership is to consist of: a representational element, divided equally between management and labour; and an "expert" element. Thus 15 of the present Council members are appointed by the "recognized" organizations of employers; 15 by those of labour; while the remaining third, the expert group, is appointed by the Crown.

One of the notable aspects of public life in the Netherlands is its division into denominational (mainly Catholic and Protestant) and nondenominational groups -- a division that is also reflected in economic interest organizations. In consequence there are three main employer and three main trade union bodies. While the interest representatives of the Council are appointed by these organizations, the multiplicity of organizations requires a procedure to decide the organizations that are sufficiently representative to delegate members to the Council. The actual decision is left to the Council although it must be approved by government. Moreover, the employer group not only has to reflect the religiousideological-political divisions, but also the various economic sectors. Thus the manufacturing industries have four members; agriculture and small business, three each; commerce, two; and banking, insurance and transport, one each. It is therefore obvious that the numerical representation in the Council on the employers' side reflects not so much the actual economic importance of

the various sectors as a delicate balance between economic importance and organizational structure. On the labour side, the matter is less complex. Here the distribution of seats on the Council is between three national trade union organizations. The nondenominational Federation of Trade Unions (NVV), which tends politically to the socialist party, has seven seats; the Catholic Federation (NKV), five; and Christian (or Protestant) Federation (NCV), three. This distribution seems to reflect approximately the actual membership strength.1/ Although it has been maintained that the present "recognition" system greatly favours the existing and already very powerful interest organizations, there can be little doubt that the membership of the Council is as representative of management and labour as is practically possible.

Unlike the two representational groups, the members of the expert group (mainly university professors) are directly appointed by the Crown and therefore often referred to as "Crown members". They do not represent government, however, and are in no way accountable to government for the positions they take in the Council. In practice, this group, too, reflects the existing denominational and political divisions. The main reason given for the inclusion of these expert members in the Council has been stated as to enhance the value of the Council's recommendations. The aim is to achieve a combination of practical experience with theoretical knowledge, and to avoid any impression or danger that the Council's recommendations may solely reflect group interests, particularly quid pro quo agreements between organized management and organized labour. Indeed the legislation prescribes that the vote of all members must "without instruction or prior consultation". In be actual fact, members are not prevented from consulting their organizations on a matter before the Council, provided that they do not violate the confidentiality of specific information obtained through Council membership. What appears to be aimed at here stems logically from

1/ There are signs that the influence of denominational divisions on public life in the Netherlands is progressively weakening. For example, an inquiry held in 1968 into the opinions of various categories of employees as to their opinions on merging the three trade union federations into one trade union body, established majorities in all of them for such an organization. the concern of the legislation, as expressed in the above-quoted Article 2 of the Industrial Organization Act, namely that national interests have to be balanced against group interests.

To safeguard the independence of the Council members vis-à-vis their delegating organizations, it is also understood that the organizations are not necessarily bound by the positions taken by their representatives within the Council (although in practice they will usually coincide). In this way the Dutch legislation is both flexible and realistic in its approach to the problem of "concertation" which has in fact constituted its principal working objective. Equally strong is the concern of the legislator to safeguard the independence of the Council from government by making certain positions and functions incompatible with Council membership. Excluded from membership are all ministers and deputy ministers, certain judicial functionaries, and members of the Council of State. 1/ Also excluded are the chairand executive committee members of industrial men organization bodies over which the Council exercises its regulatory and supervisory powers. On the other hand, members of parliament are apparently not excluded per se, although their membership is exceptional.

Financing

In contrast to similar consultative bodies in other countries, the Netherlands Council derives its financial resources (largely as a result of the fact that the Council was set up as a regulatory body under the Industrial Organization Act) from a levy on all enterprises. This levy is of two kinds and is compulsory. One is a surcharge on the fees that must be paid by all commercially registered enterprises; the other is

^{1/} The Council of State is an advisory body to the Crown, whose history goes back to the early sixteenth century. It is chaired by the Queen and has, besides the Prince-Consort and the Heir to the Throne, 20 members. Its function is to advise the Crown on all legislation, as well as agreements with other states that require approval by Parliament. It also advises the Crown on matters of administrative disputes that require the decision of the Crown.

direct contributions from the industrial organizations under public law, including enterprises that are not liable to registration. The Council itself is empowered to fix the actual amounts of the surcharge and the direct contributions. It establishes its own annual budget. The adoption of all financial regulations and of the budget has to be in a public meeting of the Council; similarly, all financial accounting has to be rendered in public meetings. However, all rules concerning financing, as well as the budget and auditing of accounts, are subject to government approval.

Internal Organization

The Council has a President, two Vice-Presidents, a General Secretary and an Executive Board.

The President of the Council is appointed by the Crown from among the members after consultation with the Council. He could be from any of the three groups that compose the Council, but traditionally he is chosen from among the expert group. His appointment is for two years but he may be reappointed.

The Vice-Presidents are appointees of the Council, with the understanding that they come from the two groups of which the President is not a member.

The Executive Board of the Council is elected by the Council from among its members and is constituted in such a way that the three groups, as well as the various denominational and ideological tendencies underlying the organizations, are reflected in its membership.

The term of all Council members is for two years, but they are eligible for reappointment. Each member is allowed to have a personal substitute whose rights and obligations are the same as that of ordinary members.

The office of President is regarded as parttime, and salaried accordingly. All other members receive indemnities under rules established by the Council and, like all other financial arrangements, are approved by the Government.

The General Secretary is appointed by the Council, subject to the Crown's approval. He serves on a full-time basis and is entitled to be present at the meetings of the Council and the Executive Board, with the right to speak but not to vote. He is the head of the Council's secretariat which is composed of several secretaries who are also appointed by the Council. Other staff members are appointed by the General Secretary with the approval of the Executive Board.

The staff of the Council has remained rather small and consists of not more than 14 professional workers, including the General Secretary and the secretaries, and about 65 administrative and clerical personnel. The Council sets its own salary scales and these as well as other working conditions are subject to a collective agreement between the Council and its employees.

The Consultative Function

The consultative function of the Council (referred to in Article 2 of the Industrial Organization Act quoted above) is derived from a provision of the Industrial Organization Act (Article 41) which stipulates that the Council is to serve the ministers with advice and can on its own initiative give advice with regard to "all important measures in the economic and social field".

This provision of the Act is usually interpreted as putting an obligation, in fact a "must", on the ministers concerned to place legislative projects in the field of economic and social affairs before the Council. However, the Act contains an escape clause in that the minister may refrain from doing so if he deems it to be "contrary to the national interest". Of more practical importance may well be the wording that the Council should be consulted on "important" matters. This does give the Government a certain latitude, and there have been occasional criticisms that the Government in its references to the Council did not proceed very systematically. On the other hand, the Council has made use only in a few isolated instances of its own powers of initiative. One Council document indicated that this is due to a conscious Council policy "not to give the impression of aspiring to a predominant position in public affairs". In other words, the Council

does not wish to raise the spectre of interference with ministerial responsibility and the prerogatives of Parliament, a problem which may well be inherent in a consultation system that establishes a *legal obligation* on the government to seek the advice in legislative matters of a non-elective body with powerful interest group representation.

Procedures

Meetings of the Council are called whenever the President deems it necessary, or if at least five members request it, but usually meets once a month. Council meetings are partly public, partly closed. They are public in regard to its external regulatory function -- for example, when it deals with questions con-cerning the Industry and Commodity Boards. Meetings which deal with government references and matters deriving from its consultative function are, as a rule, private and confidential. The decision as to whether meetings that decide on recommendations to government should be public is made by the minister who made the reference. Such action has rarely been taken. In line with this approach, the publication of reports and recommendations in matters of government references also depends on the decision of the minister concerned. In theory, therefore, if the Government were to refuse permission to publish, the Council could not act on its own. However, up to now, permission to publish has almost never been refused.

In all matters of government references, the Council's reports and recommendations are dealt with on the basis of simple majority vote. Minority views may be stated in the reports.

Although ministers cannot be members of the Council, they may attend meetings of the Council or its Committees. In practice, this seldom happens. On the other hand, representatives of government departments attend meetings fairly regularly in a consultative capacity, in order to facilitate "a continuing contact between the Government on one side and the Council and its committees on the other".

The preparatory work for the Council's reports and recommendations is done in committees. The committee system of the Council was foreseen in the Industrial Organization Act. There are various types of committees:

- -- Committees on which only members and their substitutes may sit. Only such committees may deal with matters emanating from the regulatory function of the Council.
- -- Committees to which nonmembers of the Council may be appointed. These operate only in the case of matters arising from the Council's consultative function. Such committees may be set up on the Council's initiative and may be authorized by the Council to report directly back to government. Or such committees may be established (indeed, must be established) upon the request of the Government. In the case of committees created by government request, their membership is determined in consultation with the Government. They, too, may report directly to the Government either by Council authorization or upon the request of the minister concerned.

Any committee may invite individual persons to state their views. The primary purpose of this is to bring to bear on the reports and recommendations expertise not available within the Council. A quasi-hearing procedure also exists whereby interested persons may appear before the Council or a committee or submit written briefs.

Reports and Recommendations

Given the statutory obligation on government to seek the advice of the Council in matters of major changes in policy, including new legislation, the range of issues on which the Council reports and recommends has been very wide. Since 1963, the Council's semiannual reports on the state of the economy, which include an indication of the basic scope of wage increases (and which hitherto had served as the basis of the wage determination and collective bargaining system in the Netherlands), have been among its most important reports. The main collaborator with the

Council in these reports is the Central Planning Bureau (CPB) which may well be regarded as the scientific arm of the Council.

When dealing with government references, the statutory position of the Council as the Government's chief adviser in the social and economic field, allows access to confidential government information and this is further enhanced by the regular presence of departofficials at the committee meetings. Other mental important sources of information are found within the Council membership itself -- particularly access to the research branches of the organizations represented and to university research via the expert members. Research projects are from time to time contracted out and then usually published as appendices to the Council's reports. These relationships with the Central Planning Bureau, government departments, and private organizations and institutions, also explains the very small size of the Council's own professional staff, which appears to be engaged only to a very small extent in original research and much more in the secretarial and editorial aspects of the Council's work.

THE CENTRAL PLANNING BUREAU AND THE CENTRAL PLANNING COMMISSION

As indicated earlier, the concept of economic planning had to await the postwar period and its changed political climate to find general acceptance and institutional expression. Thus the Central Planning Bureau was established in September 1945 -- only a few months after liberation -- and was subsequently provided with a statutory basis in an Act of Parliament adopted by unanimous vote in April 1947. The Central Planning Commission was set up under the same legislation to act as a consultative body to the Bureau.

Institutionally as well as conceptually, the Central Planning Bureau has remained very much in line with the direction given it by its first Director, Professor Tinbergen, who stated: "The problem of economic policy consists in the fact that its goals are given but its means unknown or partially unknown". According to this concept, "planning" is not a dictate of the government over the economy but an aid

to determine and guide economic policy in clarifying the choice of objectives and the possible effects of measures to be taken.

The Central Planning Bureau is therefore not an organ of policy decision-making, but solely one of forecasting economic developments on the basis of known government policy (such as a given level of taxation and monetary policy) and certain external data (such as expected import price developments). In its annual "plans" prescribed by law, the Central Planning Bureau refrains from making judgments on performance, and concentrates on stating what may happen if given trends continue or if they are changed deliberately. Its whole purpose is that of providing the decision-makers with the possibility of informed choices.

Administratively and in relation to Parliament, the CPB reports under the Minister of Economic Affairs and its budget must be approved as part of the budget of that department. However, the actual position of the CPB is much more like that of an autonomous government agency than that of a division or section of a government department. Indeed the way in which the Bureau operates, with its involvement in extra-departmental consultative processes, indicates that it is designed to play a role extending far beyond the department's specific responsibilities -- in fact, to provide a general basis for a broad co-ordination of policy-making.

The Bureau is headed by a Director appointed by the Crown and has at present a staff of about 115 persons, of which 65 are professional staff, 35 auxiliary and 15 administrative. It works in close liaison with the Central Bureau of Statistics, the Central Bank and the various economic departments of government.

The consultation process for which the Central Planning Bureau provides a focal point is rather intricate, and involves a number of institutions -- some governmental, some private, and some mixed. One of these is the Central Planning Commission.

The Central Planning Commission contains government representatives as well as private decisionmakers and independent experts. Each ministry concerned with economic affairs is represented in this body by a senior official designated by the relevant minister. In addition, the law prescribes that its membership consist

of a minimum of 15 and a maximum of 30 persons, divided equally between representatives of management and labour organizations and professional experts. (In recent years the Commission's membership has been at the legal maximum.) The Director of the Central Planning Bureau is an ex officio member of this body. The Commission can only advise the Bureau, not give it any directives. It is clear, however, that a body so composed will strongly influence the Bureau's activities and attitudes. 1/

It has already been noted that the Central Planning Bureau provides the necessary data for the Social and Economic Council's semi-annual reports which play an important role in wage and salary determination. This is also relevant to the work of the Foundation of Labour whose function will be discussed in more detail later. While these three institutions involve private interest representation, the Central Planning Bureau also has consultative relations with the following governmental bodies:

The Council for Economic Affairs, which is a cabinet subcommittee comprising all ministers concerned with economic affairs. But its membership also includes the Director of the Central Planning Bureau and the President of the Central Bank.

Professor Dr. Pieter de Wolff noted in his paper "Counselling on Stabilization Policy in the Netherlands", submitted to the Conference on Stabilization Policies at Baden-Baden (1967) ("Die Beratung der Stabilisierungspolitik in den Niederlanden", in Grundsatzprobleme, op. cit., p. 154):

For some years there has been a decline of interest especially on the part of the private sector, in the work of the Commission. The reason for this may be that largely the same organizations and even the same persons are present as in the Social and Economic Council and that the problems related to the annual plans will already have been discussed in connection with the preliminary reports of the C.P.B. there. More recently there has been a certain change because of the development towards medium-term planning which has become the task of the C.P.B.

The Central Economic Committee, which is a somewhat more technical body, consisting of senior civil servants. It, too, includes the Director of the Central Planning Bureau as well as one of the Directors of the Central Bank.

The Central Bank, which is involved in the consultation process by its representation on the other two bodies, the purpose being the co-ordination of monetary policy with other economic policies.

The Act prescribes that the Bureau is to "engage in all necessary activities for the preparation of a central economic plan" -- the "Plan" is interpreted as "an equilibrated system of forecasts and directives", and is to be developed annually.

The annual Plans are designed, in part, to provide the Government and Parliament with relevant background information for budget preparation and approval (a "Budget Memorandum" must be approved by Parliament). These Plans are also intended to be relevant for many of the information needs of the decision-makers in the private sector.

Essentially, these Plans are intended to provide the basis for consistent public and private policies to assure:

- -- a high degree of employment (with unemployment not to exceed 2 per cent);
- -- a sustained and satisfactory growth rate (4 to 5 per cent per annum);
- -- long-term external equilibrium (surplus on current account of about 1 per cent of Gross National Product);
- -- reasonable stability of prices; and
- -- an acceptable distribution of income, aimed at the maintenance of (and if possible some increase in) the share of income going to labour.

From its inception, the Planning Bureau has also undertaken long-term surveys primarily aimed at examining structural changes under conditions of rapid

population growth, a high degree of population concentration in a very small territory, and a very rapid shift of workers out of agriculture. The first of these long-term surveys or programs was called the "Frame Plan 1946-1952", reformulated after some refinements as the "Memorandum concerning structural developments 1948-1952/53". A further such document was entitled "Long-Term Survey of Economic Growth" and covered the period 1950-70. This is to be extended to 1980.1/ More recently the CPB has been engaged in more detailed medium-term forecasting. Disaggregated surveys for individual industries and regions may be undertaken every two to three years.

Procedures

In April of each year, the Central Planning Bureau prepares a paper containing an analysis of actual economic performance in relation to the current Plan as well as a first forecast of what the next Plan may con-This "Spring Report" is a confidential document tain. which is presented to, and discussed only by, the governmental bodies on which the Planning Bureau is represented -- the Central Economic Committee and the Council for Economic Affairs. On the basis of this discussion, conclusions and recommendations may be reached by the Council for Economic Affairs and forwarded for final decision to the full cabinet. In some cases, however, the Planning Bureau may be asked to study these recommendations and their possible effects, and to formulate a new report.

In accordance with a procedure established at the request of Parliament in 1961, a "Preliminary Plan" is then completed and published by the fall, taking into account the policies and measures that will be submitted by Government to Parliament. This permits Parliament to be better informed on the economic perspectives at the start of the budget debate (in the Netherlands, the fiscal year coincides with the calendar year). It further serves the Social and Economic Council as a basis for its autumn report on wage and salary increases, and thus helps to set the scene for possible wage and salary negotiations.

^{1/} The CPB uses for its forecasts the econometric models developed by Tinbergen and Theil, but recently extended and refined. These are of the same type for the annual and the long-term plans, thus fitting the more detailed and more precise annual plans into the framework of the longer-term perspectives.

Although the "Preliminary Report" is still that of the Central Planning Bureau (and not that of the government), political considerations -- political in the broadest sense -- tend to be involved in these earlier phases of the development of the Plan. Thus, the wage figures may be hypothetical rather than a real forecast, so as to avoid the danger that the figures could become the "floor" for inflationary wage demands. Similarly, the Central Planning Bureau may agree or disagree with government departments on government expenditure estimates. If there are disagreements, these are not stated publicly, but formulations have to be found to justify the figures used.

Soon after publication of the "Preliminary Report", usually in October, the Central Planning Bureau submits the first draft of the actual "Central Economic Plan" which further elaborates and brings up to date the "Preliminary Report". It is then discussed in the Central Planning Commission, as well as with the other bodies which have been mentioned above, and involves the first consultation with private decision-makers. At that stage, one could speak of an attempt to achieve "concertation", at least in the sense that there is some testing as to how far the various parties will be prepared to accept the basic premises and configurations of the Plan. Subsequently, perhaps with some revisions, the Plan goes to the Council for Economic Affairs before being submitted by this Council to the full cabinet. Legally, of course, it is the cabinet and not the Central Planning Bureau that takes the responsibility for the final version of the Plan.

Parliament neither approves nor rejects the Plan which, as far as Parliament is concerned, is primarily a background paper to the government budget. However, the Minister of Economic Affairs may be questioned about the Plan in the standing economic committee of Parliament. It is also theoretically possible for this parliamentary committee to ask the Central Planning Bureau directly to study and report on certain questions raised by the committee, both on the Plan as well as on other matters. Usually, however, the committee requests the Minister for Economic Affairs to instruct the Planning Bureau accordingly.

1/ Such requests are made frequently, and have covered such diverse subjects as the Kennedy Round, international aid, government expenditures, and the effects of the introduction of a value-added tax.

THE FOUNDATION OF LABOUR

The third body that constitutes one of the focal points in the economic consultation system in the Netherlands is the Foundation of Labour. Unlike the Economic and Social Council, it has remained an entirely private organization. Containing labour and management representation, it embodies the principle of "parity", i.e. an equal number of members from both sides. Although the Foundation is not a statutory body itself, there are numerous laws that refer to the Foundation. It has remained one of the most important institutions in the Netherlands, frequently called upon by government for advice. Also, as the top organization of private decision-makers in the field of industrial relations, it exercises decision-making powers in its own right.

The idea of a permanent joint institution of labour and management actually dates back to the period between the two wars. There were numerous factors involved. One was a common desire on the part of labour and management to place the administration of a widening system of social insurance in the hands of institutions under labour-management control, with the state exercising supervisory powers only. Another was the spread of collective bargaining over whole branches of industry, creating the need for co-ordination at a higher level. Also there was a growing view that continuous consultation and discussion, going beyond periodic bargaining, could help to prevent industrial conflict. But the 1930's, with their economic and social tensions which both fed and were fed by ideological antagonisms, were not conducive to easy realization of this idea. Nevertheless, preparations were well advanced before being interrupted by the war. Subsequently, the co-operation between labour and management in the Resistance movement during the German occupation led to an understanding that made the creation of the Foundation of Labour possible on the morning of liberation.

Thus the Foundation of Labour, which preceded the setting-up of the Economic and Social Council by several years, can be regarded as a precursor of the Council. Indeed some of the early functions of the Foundation were taken over by that body. However, expectations that the Council would cause the Foundation to wither away were not fulfilled. Actually, a division

of functions developed between the two bodies: the Council became more concerned with general economic and social problems, while the Foundation began to play its role more directly in the field of incomes and, particularly, wage policy. In practice, this division of functions has not always been a very clear one, and institutionally the two bodies also remain closely linked, partly by common membership and partly by interlocking at the secretarial level. The varying functions of the Social and Economic Council and of the Foundation of Labour can perhaps best be illustrated by a description of the changes that took place over time in the instrumentation of incomes policy, or more precisely of wage policy, in the Netherlands.

Until-the Second World War, wage determination in the Netherlands was typical of a free market economy, i.e. within a given framework of law, employers and unions were generally free to settle wages and working conditions between themselves. However, the Government began to encroach on the private determination of wages and working conditions in 1937 when an Act of Parliament empowered the Government to apply an "extension" to collective agreements. This meant that the Minister for Social Affairs could order, upon the request of both the parties to a collective agreement, that such an agreement should be binding for the whole country, or at least for certain branches of industries or regions. Conversely he could also refuse to do so -- in fact, he could declare an agreement "non-binding" if he felt that the extension of an agreement was not in the public interest.

The postwar reconstruction period witnessed a radical break with free collective bargaining, and the Government received vast powers of intervention in advance of the conclusion of collective agreements. By an "Extraordinary Decree", published as one of the earliest legislative acts following liberation, a socalled "Collegium" or Board of Mediators was established, whose members were appointed by the Government. This body was authorized to approve all new collective agreements, as well as changes in existing collective agreements, or to refuse such approval in accordance with directives established by the Minister. Another of its powers was to declare contracts "binding" or "non-binding". However, before this Board could take any decisions, it had to consult the Foundation of Labour.

This system of *a priori* intervention into collective bargaining remained in force until 1963, although a number of changes took place in the criteria used as a basis for approving wage agreements. Up to 1954, during a period of heavy and sustained inflationary pressures, the principal criterion for wage determination was the increase in the cost of living. From then, however, the main criterion became the general develop-ment of national income. The procedure was that the parties of the Foundation of Labour would reach general agreement on the basis of data provided by the Central Planning Bureau as to the total resources available for wage increases, after consultation with the Social and Economic Council. This was then used as the basis for the directives to the mediators who not only had the power to approve or disapprove individual agreements concluded at the industry level, but who could also impose terms if the parties failed to reach agreement. In 1959, under strong pressures to adjust wages to levels upward so that they would be more in line with those of neighbouring countries (especially Germany), this procedure was somewhat liberalized under an approach permitting various rates of productivity advance to be taken into consideration in different sectors of the economy, or even in particular enterprises.

In 1963 a more fundamental change took place, following recommendations made by the Social and Economic Council, which became known as the "co-ordinated negotiation system". Under this new system, the Social and Economic Council would make periodic reports based upon Central Planning Bureau data as to the resources available for wage increases in the economy as a whole. The Council would then consult with the Government. In case of differences, the Council's view was to prevail over the Government's view. Employer organizations and trade unions would then negotiate, sector for sector, but with the understanding that the total would not exceed the agreed-upon margin of expected additional resources available.

At the same time, the powers previously vested in the Board of Mediators were transferred to the Foundation of Labour which in its internal negotiations between management and labour also accepted as a framework for its decisions the reports of the Social and Economic Council. The Board of Mediators retained its regulatory powers only if no majority could be reached within the Foundation of Labour to approve or reject a

specific collective agreement, or if the parties involved refused to amend an agreement rejected by the Foundation. By implication, the 1963 change meant that the Government lost its previous capacity for direct and *a priori* intervention.

Throughout most of the postwar period, there were active pressures for a freer collective bargaining system. Despite the fact that decision-making powers were largely shifted in 1963 from the Government -- and its dependent agency, the Board of Mediators -- to the two consultative bodies with labour and management representation, growing dissatisfaction (particularly on the part of the individual trade unions and their membership) led to a further reform. During 1965 and 1966 the Social and Economic Council twice attempted, and twice failed, to reach agreement on what this reform should be. Finally, in 1967, agreement was reached within the Foundation of Labour. Starting in 1968, the Board of Mediators lost its power altogether. The centre of gravity shifted even more to the Social and Economic Council which, through its semi-annual reports, came to play a still larger role -- especially through its second semi-annual report, which provided projections as a point of departure for negotiations at the industry level (the first semi-annual report dealt with the general economic situation). This shift was intended to lessen the weight of the central management and labour organizations on the negotiating parties at the industry level.

The Government nevertheless retained certain powers of intervention in the wage field. It still possessed the power to declare an agreement "non-binding". It could impose a wage "freeze" for a specific period. It could, after consultation with the Social and Economic Council, impose a ceiling on salary increases. However, in cases in which a contract was declared "non-binding", the Minister had to seek in advance the

advice of a specially created Commission on Wage Questions composed of experts in the socio-economic field and industrial relations. $\underline{1}/$

The focus of attention in the above discussion on the involvement of the Social and Economic Council and the Foundation of Labour in matters relating to wage determination should not be interpreted to mean that the consultative function of these bodies has been restricted to this field. In fact, government references to the Council and subsequent recommendations of the Council have been numerous and have ranged far and wide -- the extension and reform of the social insurance and pension systems; labour standards legislation and working hours; the question of equal pay for equal work; the revision of company law and competition policy; income redistribution; and, not least, agricultural policy. Nevertheless, the heavy engagement of these two bodies in the wage determination side of incomes policy encourages some accompanying reference to the consultation process on the price determination side, in which they appear much less directly involved. Obviously, the greater complexity of price determination does not lend itself as readily to institutionalized consultation as wage determination in which only two easily recognizable parties are involved.

CONSULTATION IN PRICE AND CREDIT POLICIES

The instruments at the disposal of the Netherlands authorities for intervention in the price field are twofold: directly by price controls and indirectly by credit controls.

^{1/} In February 1970, the Senate approved a new Wages Act which was to give the government larger powers for a priori intervention in wage determination and collective bargaining. This Act came under heavy attack in Parliament, as well as by the three trade union organizations. Already when the Act was passed in the Lower House, the two largest trade union bodies had decided to boycott all meetings of the Social and Economic Council dealing with the semi-annual reports, and of the Foundation of Labour concerned with wage determination. At the time of completing this study, this dispute was not yet resolved.

As regards price controls, the Minister of Economic Affairs has extensive powers over all enterprises. The principal basis for this lies in the fact that price increases must be made known to the Minister in advance, although there are certain exceptions. The underlying concept is that wage increases should not result in price increases, but should be associated with productivity increases. Thus, profit margins should be constant, so that price increases should occur only when "external costs" rise.

Although the powers of the Government for direct intervention in pricing policies are very great, and although it has strong instruments of enforcement at its disposal, credit controls are an important indirect tool available to serve this purpose. Moreover, in the field of credit control, there is also an extensive operating consultation process.

The Central Bank Act of 1948 and the credit control legislation of 1948 provided powers to the Central Bank to regulate the credit market. The Bank has the right to issue, after consultation with representatives of the various credit institutions, directives to regulate credit qualitatively, and to allocate credit to various types of credit quantitatively. Not only does the Central Bank have the power to influence the quantitative level of commercial bank reserves; it also has the power to place a ceiling on credit. But the directives of the Central Bank must be approved by the Government -- which, in turn, consults commissions established in the various banking sectors. If these commissions are not in agreement, the Minister is free to enact special legislation. But so far this has not been necessary; "moral suasion" by the Central Bank has usually secured the co-operation of banking institutions.

The participation of the Central Bank in consultations on the economic plans through membership in the Council for Economic Affairs and the Central Economic Committee has already been mentioned. The Bank has, however, a consultative body of its own, the so-called Banking Council. This consists, apart from a Royal Commissioner, of four members of the Central Bank's Control Commission, four members of industry, commerce and agriculture, three representatives of the trade unions, and three banking experts. The President of the Bank has to keep this Council informed of the Bank's policies. The Minister of Finance may also seek the advice of the

Council as to the appropriateness of these policies in regard to the Government's financial policies, but he must under all circumstances hear the advice of the Council before issuing directives to the Bank. The Bank can then raise objections to these directives within three days of being informed of any such directives.

* * * * *

Among the countries with a parliamentary regime, the Netherlands is somewhat unusual in that the Constitution insists on a strict division between the executive and the legislative and, therefore, forbids the combination of membership in Parliament and the Cabinet. Although ministers attend Parliament and take part in its debates, they may not vote. In short, constitutional doctrine makes a strict distinction between the responsibility of the Cabinet to govern and introduce legislation, and the responsibility of Parliament to decide on legislation and watch over the activities of the Cabinet. It is, therefore, not surprising that the question has been raised about how the emergence of a statutory body such as the Social and Economic Council could fit into such a system, considering that its membership is comprised of representatives of the most powerful groups of organized private decision-makers, and that the Council has a quasi-obligatory status as an advisory organ to government. Underlying this question is a further complication arising from the fact that the political parties that make up Parliament still show pronounced class bias, and that, therefore, there is a strong affinity and personal interrelationship between various organized interest groups and the main political parties. The ensuing problem has been described in a document of the Social and Economic Council:

It is obvious that governmental policy based upon a recommendation of the Council will be supported by influential groups in society, the more so if the recommendation is unanimous. Consequently, the ministers may assume that if they wish to deviate from the Council's point of view they will meet with opposition from those groups in parliament which are in one way or another linked to the sectors represented in the Council. In this way, it has been argued that the Council, which is not accountable for its recommendations, might obtain undue influence on governmental decisions.

It is obvious that the legislator in setting up the Council was quite aware of this dilemma when instructing the Council to promote high standards of national economic performance while keeping in mind the main sectional interests of the country (interests explicitly recognized in the membership of the Council). However, the "national interest" is a very elusive concept and it is quite clear that, in a parliamentary democracy, decisions about what constitutes the national interest at any given time must ultimately rest with the government and the parliamentary majority. Therefore, as the above-quoted Council document states:

This line of reasoning, i.e. that the Council may unduly influence governmental decisions, has been countered with the assertion, both from government and from several political groups, that the government ... must be free to reject a recommendation of the Council which it considers not to be in line with this interest.

Logically this also means that the Government is equally free to accept the Council's recommendations if it sees fit to do so.

In a study comparing a set of Council recommendations on important policy matters with subsequent governmental and parliamentary behaviour, Dr. G. H. Scholten, a Dutch social scientist, notes: $\frac{1}{2}$

The discussions in the Social and Economic Council differ markedly from the discussions in Parliament. They are much more informal and to the point. Most recommendations are discussed in closed sessions. Thus there is no temptation to speak to "the gallery" and no need to make technical points clear to the uninitiated. No prestige is lost when a member lets himself be convinced by reasonable arguments from other groups in the Council. In general, a genuine effort is made to reach conclusions acceptable to all. This can be done in two ways. Sometimes bargaining takes place and the result is a compromise in which the advantages and

G. H. Scholten, De Sociaal-Economische Raad en de Ministeriële Verantwoordelijkheid, Meppel: J. A. Boom en Zoon, 1968 (English Summary, pp. 540-545).

disadvantages to the different groups are balanced. In such a case it becomes very difficult for the Government or Parliament to deviate from such a set of recommendations. Any deviation will upset the compromise achieved within the Council and strong resistance from major pressure groups may be expected. Sometimes the Council reaches unanimity by formulating its recommendations in general terms or by leaving open certain painful questions. In such cases, and of course when no unanimity has been reached, it is easier for the Cabinet and Parliament to take their own decisions.

Actually, according to Dr. Scholten, in the majority of the cases, the ministers as well as the members of parliament regard the Council's recommendations "as important recommendations by distinguished experts and representatives of major pressure groups" but remain free -- both in fact and in their own mind -to refrain from implementing them. $\frac{1}{2}$ Dr. Scholten found only one case which he could classify as "a serious inroad on the responsibility of ministers vis-à-vis parliament". Hence, he came to the conclusions that: "it is unlikely that ministerial responsibility to parliament will be seriously undermined" by the reports of the Social and Economic Council; and that limitations on the freedom of choice by Cabinet and Parliament are not caused by the Council but "are connected with the growth of industrial society and the growing dependence of the Netherlands on other countries". He, therefore, holds that "a solution will not be found by weakening the Council but by strengthening both the cabinet and parliament".

Dr. Scholten sums up:

The Social and Economic Council fulfils an important function in the political system of the Netherlands. ... it contributes in important ways in the pre-processing of the demands of the main economic pressure groups. In this way it reduces the stress on the authorities.... In five of the nine cases discussed, the advice was unanimous or

It may be recalled that the Netherlands Council as a matter of policy has only rarely made use of its right of initiative and that, therefore, practically all its recommendations are due to a government reference.

nearly unanimous. But even when the Council remained divided, the issues were clearly formulated and a reduction of demands resulted.

The discussion within the Council encourages a spirit of compromise and discourages the organizations represented in the Council from propagating extreme points of view. However, this may lead to situations where the rank and file of these organizations lose confidence in their leaders.

It seems indeed unlikely that it is the constitutional aspect of the relationship between the Social and Economic Council and Government which is its main problem at the present time. Rather this may be seen in the progressive weakening of the motivational factors which led to its creation during the early postwar period and to its eminence in the public life of the Netherlands. Based mainly on the organization-to-organization relationship between the two main interest groups in industrial society -- labour and management -- the an Council's work rests on the assumption that the compromises and agreements reached within the Council will be respected or at least tolerated by the constituents of these organizations. This appears to be an assumption that is coming under increasing strain as the memory of the depression years, of war, and the resulting economic and physical destruction of the country, recede and a new generation enters the labour force.

Significant in this context are the continuing changes in the wage determination procedures over the past decade and a half, first in the direction of progressive liberalization of the bargaining process and most recently in the attempt to reverse this process. Developments on the political scene have contributed as well to a decline in "trust" -- the expression is Professor Tinbergen's -- in government as well as in the central organizations (especially on the labour side) on which a highly centralized relations system must depend when many vital decisions are virtually invisible, if not inscrutable, to the membership. Under these circumstances, the need to regain and retain this trust has led inevitably to an increase in efforts to achieve more decentralization, as well as to greater union militancy, with the consequence that a consensus which is the mainstay of the Social and Economic Council's moral status in the politico-economic system of the Netherlands appears to be attainable only with increasing difficulty.

Chapter 4 BELGIUM

Among the countries under review, Belgium is undoubtedly one in which economic consultation has reached an exceptionally high degree of institutionalization. Although the following discussion focuses attention mainly on the two consultative bodies that form the apex of this consultation system -- the Central Economic Council (Conseil central de l'économie) and the National Council of Labour (Conseil national du travail) -- these are by no means the only ones involved in what is referred to as "concertation entre milieux économiques et sociaux"; this is a process which involves not only numerous specialized agencies, but also a remarkable downward extension into industrial sectors.

A recent document issued jointly by the two Councils claimed that:

since the war Belgium has progressively . . . realised a veritable climate of concertation and co-operation between the social partners on the one side and between them and the public authorities on the other. The representative character of the interest organizations and their degree of organization has made it possible to develop between them a continuing dialogue of multiple facets, while also acting in relation to the public authorities as valid spokesmen for their interests, conscious of their responsibilities and willing to contribute to constructive co-operation. It is, therefore, not astonishing that they are called upon to play an important role in numerous bodies entrusted with the most varied tasks. It is also quite natural that under such circumstances the public authorities, confronted as they are with grave structural problems, should associate the social partners in the search for solutions by instituting official bodies within which the interest groups -- employees as well as employers --

may study given situations, recommend desirable measures and exercise a control over the sectors concerned. $\frac{1}{2}$

Although this statement appears rather sanguine, it does reflect reality to some extent. There can be little doubt that the Belgian consultation system has greatly contributed over the last quarter of a century to the relative stability of a country which, as tiny and densely settled as it is, has yet to grapple with grave problems of regional disparities exacerbated by the antagonisms of linguistic and cultural communities which it shares with its neighbours, and whose economy is poor in natural resources and one of the most open in Europe.

It may well be that it is these very facts which have made Belgium a country with one of the oldest histories of institutional experimentation aimed at encouraging a consensus between opposing political, economic and social forces, while also heightening the need of government to anticipate and, if possible, to prevent open conflict through organized consultation.

It was indeed a near disastrous conflict in some of the then main industrial sectors -- glass and coal mining -- that in 1886 led to the appointment of a Royal Commission whose reports induced Parliament to pass legislation in the following year aimed at instituting locally based "industry and labour councils" which were to have the double function of consultation and of conciliation in industrial disputes. This was followed in 1892 by a decree creating at the national level a

^{1/} The degree of organizational participation is indeed very high and among the highest in Europe. The two employers' organizations, the Fédération des industries belges (FIB) and the Fédération des entreprises non industrielles de Belgique (FENIB) employ about 70 per cent of the labour force in the private sector. The three principal trade union centres, the Fédération générale du travail de Belgique (FGTB), the Confédération des syndicats chrétiens (CSC) and the very much smaller Centrale générale des syndicats libéraux (CSSL), group more than 65 per cent of the labour force in public and private employment and represent about 95 per cent of all organized wage and salary earners.

Superior Council of Labour whose function was purely consultative. It is interesting to note that the contribution of the local councils to the solution of industrial conflicts remained minimal; but they, and above all the Superior Council of Labour, were highly effective as consultative bodies and played an important role in the preparation of labour standards and social security legislation, fields in which Belgium became one of the pioneers.

With interruption during the First World War, the Superior Council of Labour remained in existence almost unchanged until 1935. It was a somewhat unwieldy body of 60 members, and the more it entered into specialized fields, the more difficult it became to deal merely with issues concerning individual industries or regions or with problems requiring a high degree of expertise. This was particularly true in the social welfare field. Consequently in 1935, the Superior Council of Labour was reconstituted as the Superior Council of Labour and Social Insurance. It was structured in two sections, one continuing with the more general economic and social problems which had occupied the previous Council to some extent, while the other section specialized in the social welfare field. Each section then had 24 members comprising equal numbers of management and labour, as well as experts in the economic and social sciences. Each section could be subdivided into subsections for specialized studies. The 1935 law further provided for the appointment of nonvoting law members, usually senior officials of the Department of Labour and Social Insurance whose responsibilities included the administration of laws and regulations introduced as a result of the Council's recommendations.

Also in the 1930's, certain other institutions emerged, including the so-called "Mixed" or "Parity" Commissions (Commissions paritaires), involving equal labour and management representation. These bodies assumed functions similar to the older "industry and labour councils" (which had largely disappeared), but organized on an industry rather than a locality basis. As will be seen, they were destined to play a particularly important role following the Second World War.

These were some of the historical antecedents of the much more complex and sophisticated consultation system developed since 1945. Yet, for this, a new impetus was needed. Just as in France and, even more especially in the Netherlands, it was provided by the Resistance movement during the German occupation. It was during that period that management and labour representatives, meeting secretly, concluded the "Pact of Social Solidarity" which, in the words of the abovequoted Council document, became "a veritable turning point in the history of economic and social policy of Belgium". It added a new dimension to the consultation system as developed during the prewar years by "promoting the search for new ways towards an economic democracy" and sought to cause "profound transformations in the economic and social structure of the country", by posing as their essential preconditions:

- -- restoration of organized relationships between labour and management representatives;
- -- association of the workers in economic and social decision-making at three levels: the nation, the trade and the enterprise;
- -- participation of the economic and social forces through adequate institutional channels in the elaboration of economic policy decisions.

Following the Second World War, these elements were enshrined in the terms of reference of two new statutory bodies -- the Central Economic Council created in 1948, and the National Council of Labour in 1952 -each designed to constitute the highest level of a three-tiered system of institutions, as follows:

Level	Economic Policy	Social Policy
National	Central Economic Council	National Council of Labour
Trade or		"Mixed
Industry	Trade Councils	Commissions"

Enterprise

Works Councils

Belgium

This schema should not imply, however, that the structures are pyramidal in the sense of an upward delegation of members from the enterprise through the intermediary to the national level. The delegation system corresponds rather to the internal structure of the delegating organizations. In that sense the various statutory bodies are self-contained without necessarily any direct institutional links between the various levels.

OBJECTIVES OF THE COUNCIL LEGISLATION

The objectives of the legislation establishing these two Councils have been described as twofold:

The first objective is essentially institutional. The constitutional principle governing the political life of the country recognizes only the traditional division of powers between the executive, the legislative and the judicial. There is no specific place reserved for the economic and social. By establishing consultative bodies in public law the gap is being closed in that the interest groups can pursue their objectives through statutory bodies rather than as private pressure groups.

The second intention is to contribute to social peace by drawing the representatives of labour into the study of the economic problems of the country, traditionally the preserve of the employers only, and thus to associate them through the intermediary of consultative bodies with economic policy.

THE CENTRAL ECONOMIC COUNCIL

Article 1 of the 1948 Central Economic Council Act states:

Herewith is instituted a public body called the Central Economic Council whose task it is to render advice or make propositions to a Minister or the House of Parliament, be it on its own initiative or upon the request of these authorities, on all

problems relating to the national economy in the form of reports expressing the different points of view which come to the fore during its deliberations.

In a published document the Council itself has defined its status and function as follows:

At the moment when the complexity of economic policy decisions -- which in fact are nothing but choices -- demands the largest possible consensus in the nation, there imposes itself more and more the need to insert between the stage of technical and scientific preparation and that of decisionmaking and the decision itself, a stage of consultation through appropriate organs so as to assure the active consent of the centres of economic and social life. By its very nature, its characteristics and specific requirements, the consultative function must in no way infringe on the traditional powers of the state. Rather, though remaining independent, it has to find its place alongside legislative and executive. Also it must not the be confused with the function of analysis and economic forecasting which by its nature is scientific, focusing on facts and not on opinions.

From this concept of the consultative function as seen by the legislation and the Council itself, there derive a number of institutional characteristics not only of the Central Economic Council but also the other bodies which are involved in the Belgian consultation process, including those that are occupied with economic analysis and forecasting.

1. The function of the Council is purely consultative and has no regulatory or decision-making aspects. The intention of the legislation in that regard was made explicit in the declaration of intent prefacing the Council Bill:

... it is to be understood that the authority of the Council must not infringe on the constitutional organs that safeguard the full powers of the legislative, executive and judiciary. It must be understood that it is incompatible with the principles of our public law to grant regulatory or judicial powers to inflict punishment on institutions which are not provided for in the constitution. \underline{l}

There is no obligation placed upon the Govern-2. ment to consult the Council in matters of general economic policy, or, having requested the advice of the Council, to follow that advice. On the other hand, the Government is obligated to consult the Council on matters concerning institutional aspects of the Council and of the Trade Councils. An extension of this principle emerges from powers conferred on the Council by a number of special Acts of Parliament to make recommendations regarding the appointment of persons for membership in various international consultative bodies (such as the Economic and Social Committee of the European Economic Community, the Consultative Committee of the European Coal and Steel Community, and the Consultative Council "Benelux"). The Government is further obligated to consult the Council in a few special cases where the law specifically prescribes the intervention of the Council in the modalities of applying specific laws. However, the area in which the Council must automatically be consulted is very much restricted.

3. The Council is consultative to Government and Parliament. It may be requested to give advice by either of these bodies, but it also has the right of initiative in making "proposals" to Government and Parliament. $\frac{2}{}$

- Quoted by Dr. Jean Lecleroq in Les Conseils économiques nationaux en Belgique, en France et aux Pays-Bas, op. cit., p. 104.
- 2/ Figures given by the Council for the period 1949-68 show that the Council has stated its views on 162 questions. Of these, 51 per cent arose from government references and 31 per cent from the Council's own initiative; 13 per cent were based upon legislation requiring consultation and 5 per cent followed requests of the Trade Councils. No request was received directly from Parliament.

Composition

The Central Economic Council consists of 50 titular members, and an equal number of substitute members who, in the absence of the titular members, have full status of voice and vote. Fourty-four of the titular members (and correspondingly of the substitute members) are divided into two groups of 22 members each. One group is nominated by the "most representative organizations" of industry, agriculture, commerce and small business (artisans), and the other is comprised of persons from the "most representative" national trade union centres.

The concept of the "most representative organizations" is by no means clearly defined and the designation is entrusted exclusively to the Department of Economic Affairs. In any event, a certain element of arbitrariness is always present in the appointment of members to the Central Economic Council -- both as regards the definition of the "most representative organizations" and as regards the distribution of seats among these.

Organizational multiplicity in Belgium, as in the Netherlands, is influenced by religious criterion. These divisions are of no particular importance on the management side, but are more pronounced on the labour side. Yet, political considerations are perhaps even more important than religious affiliation in the pattern of membership -- especially since each of the three major labour union organizations (the Confederation of Christian Trade Unions, the General Federation of Belgian Trade Unions, and the General Centre of Liberal Unions) have direct links to the three main political parties in Parliament.

The two largest national trade union federations have eight members each; the third, one member. To these 17 trade union members are added five members representing consumer co-operatives who are appointed after consultation with the two major trade union centres. (Experience has shown, however, that these five members do not always take positions identical with those of the trade unions.)

Belgium

There remain six members to complete the full Council membership. To conform to the "parity" principle of equal representation of labour and management, these six members (who form an expert group) are, like all other members, appointed by the Government, but in fact accepted on the recommendation of the main body of the Council.

As in the case of all institutions in Belgium, the membership seeks also to reflect a balance between the two main linguistic communities. In the case of the consultative bodies under review, this problem is mitigated by the fact that most delegating organizations at the national level contain both linguistic groups, although with differing relative strengths, and thus in their nominations attempt to provide some degree of linguistic balance.

Internal Organization

The main organizational features of the Council are: the Presidency, the Bureau or Executive Board, the Council itself, a number of commissions, and the Secretariat.

Presidency -- The President of the Council is an independent personality appointed by the Crown after consulting the Council. The position of Council President is full-time and salaried (although this is not a legal requirement). There are four Vice-Presidents designated in accordance with the "parity" principle. The appointment of the President is for six years. This mandate, as well as that of all Council members, may be renewed except when the person concerned is no longer held representative by the originally delegating organization. In consequence, membership in the Council has remained relatively stable over the years.

Bureau -- The Bureau consists of 12 members and is chaired by the President. The four Vice-Presidents are ex officio members. It decides on the issues to be brought before the Council, reports on the activities of the Secretariat, and assures liaison between the Council Commissions and the Council. Membership in the Bureau is held by top leaders of the participatory organizations and is, through them, closely associated with the main industrial and financial institutions as well as with public authorities and political parties.

Commissions and working groups -- The committee system of the Council is highly flexible, and the Council commissions which do the preparatory work for the Council are created according to the subject at hand. They may vary in size of membership but must conform to the "parity" principle. The members may be accompanied by experts of their choice, and may also establish working parties for specialized study. They may arrange for "hearings", invite Government officials to their meetings, and direct the Secretariat to gather information or to undertake special studies.

One commission, the Commission on Distribution, is permanent and has specific status (see below, under *Trade Councils*). It is composed of 22 members of which eight may be chosen from outside the Council. While all other commissions must report back to the Council, which alone has the right to formulate recommendations, this Commission has powers to advise the relevant minister directly.

Secretariat -- The Secretary and the Assistant Secretary are appointed by the Crown after consultation with the Council. The law secures for the Secretariat a certain independence not only from the Government but also from the Council itself. Thus, for example, the annual report is the work of the Secretary, although traditionally prefaced by the President.

The Secretariat also prepares on its own authority a monthly bulletin on the economic situation in Belgium and the main industrial countries including, among other things, the principal economic indicators.

The professional staff of the Council is small and consists, apart from the Secretary and Assistant Secretary, of ten persons -- in the majority professional economists. This professional staff is supported by about 50 auxiliary administrative and clerical personnel whom the Council shares with the Trade Councils (translation, library, administrative services, printing, etc.).

Financing

The activities of the Council are financed by the state. However, Parliament has laid down that the Council should have "maximum autonomy compatible with the exigencies of public law and financial control".

In consequence, the Act allows the Council to establish its own budget which, prepared by the Secretariat and examined by the Bureau, is then adopted in plenary session. It must be approved by the responsible minister who includes it -- if necessary with modification -- in the estimates of his department under a special title for parliamentary approval. Financial control and auditing procedures are subject to the rules applicable to all departmental expenditures.

The remuneration for the President and the indemnities of the members form part of the Council's budget. Salaries of the staff conform to those for corresponding categories in the civil service.

The Trade Councils and the Commission on Distribution

The same legislation that instituted the Central Economic Council also provided for the creation of corresponding bodies for broad sectors of the economy. They, too, were to be purely consultative bodies intended to formulate the views of the labour market parties on the economic problems of their particular industries. Their competence and composition were in principle to be analogous to those of the Central Economic Council.

Over the years such bodies have been established under the name of Trade Councils (Conseils professionnels) for the metal, textile and clothing, leather, and construction industries, as well as fisheries. A Trade Council for the chemical industry began to operate in February 1970 after several years of negotiations. It is quite obvious that the institutionalization of economic consultation at the sector level has run into far greater difficulties than at the macro-economic level.

The permanent Commission on Distribution of the Central Economic Council is to some extent designed to fill existing gaps in the Trade Councils. This also explains its status as a semi-autonomous body within the Council corresponding to that of the Trade Councils.

Although the Trade Councils have remained limited in scope, some of them deal with sufficiently important segments of the economy to be important sources of information to the Central Economic Council, and they have enabled the central body to deal with a number of questions of major general importance -- for example, external trade problems.

Procedures

Meetings of the Central Economic Council must be held at least once every trimester. In practice, the number of meetings is four to six per year.

The development of a Council report proceeds in three stages. Any project, whether arising from government reference or Council initiative, is first discussed in the Council Bureau which then creates an ad hoc commission or refers it to one of the existing commissions. The commission instructs the Secretariat to assemble the basic information. The commission may then arrange for hearings, which usually include senior government officials, and then for working parties.

On the basis of the discussions in the commission and the results of the hearings, the Secretariat prepares a first draft document which, after further commission discussion and amendments, is submitted to the Bureau. The Bureau decides whether to refer this document back to the commission or to submit it to the full Council, which usually meets twice a year. The Council takes final positions and votes on transmittal to the appropriate authority. The Council Act prescribes that, in case of lack of unanimity, the diverse opinions which emerge in the discussion and any reservations in regard to the report must be stated.

Council Reports

With the exception of the Council's formal annual report on its activities, prepared by the Secretary, there is no legal obligation placed upon the Council to prepare specific reports. It has, however, become customary for the Minister for Economic Affairs to request the Council to participate in the elaboration of the Government's Economic Budget, published annually since 1963. There are actually two occasions on which the Council is involved -- in the preparatory stage at the end of the first half year, and in giving its opinions following the final formulation of the Economic Budget.

Reports on specific questions, whether arising from government reference or the Council's initiative, are submitted to the relevant minister. The Council, however, does not accept changes in its reports before publication, and as a general rule all reports are published by the Council.

A rather unusual feature of the Council's operations is the publication (on the sole responsibility of the Secretariat) of monthly Notes on business conditions, not only with reference to Belgium but about many other important industrial countries. These are, however, purely technical publications.

All Council reports contain specific recommendations, though the Council avoids going into any details concerning the timing or method of implementation. In the process of developing recommendations, the Council's approach has careful regard to the distinction between "scientific analysis" and "opinionforming". The Council regards itself exclusively as "a forum in which from the confrontation between observation, analysis and prognosis on the one side, and impressions, views and positions of the economic and social interests on the other, a conclusion can be drawn as to the direction of economic policy".

^{1/} E. S. Kirschen and L. Morissens, "Die wirtschaftspolitische Beratung in Belgien", in Grundsatzprobleme, op. cit., p. 22.

For its statistical information the Council relies heavily on published sources or data, especially those available from such institutions as the National Statistical Institute, the Central Bank, the Social Insurance Boards, and university institutes and individual interest organizations. The Trade Councils and the commissions occasionally also constitute important sources of information on particular matters. The Council may also ask individual Council members to prepare written statements in areas in which they have special knowledge and expertise.

The Council Secretariat has developed a "questionnaire" which is sent regularly to the Trade Councils and the interest organizations. In the view of the Council, this facilitates analysis of economic developments on the basis of uniformly developed data.

THE NATIONAL COUNCIL OF LABOUR

Belgium -- unlike virtually all other countries in which consultation on economic and social issues is explicitly or implicitly entrusted to a single body -has established two separate bodies, the second being the National Council of Labour whose particular function is to deal with social goals.

The difficulty in drawing a practical demarcation line between such obviously interrelated areas as economic and social questions, and the consequent overlapping and duplication of functions, has inevitably led to the question of why these two bodies should not be merged into one. In fact, in 1963 the Government of the day did submit to Parliament a proposal to that effect.

There are a number of reasons why the "double system" was nevertheless maintained, as explained by Professor G. De Broeck of the University of Louvain:

A major reason has been the fear -- particularly acute in the period immediately following the Second World War -- that a too powerful Economic and Social Council would lead to a "corporatist" organization of the economy. Such an organization was imposed upon Belgium during the occupation, and political as well as socio-economic groups wanted to avoid the repetition of this experience at any price.

Belgium

A second reason was that during the 1945-50 period the system of joint examination of social issues had already been well established, while the joint examination of economic problems was still something new and had been adopted only with some hesitation.

Moreover union leaders in particular held that negotiations between employers and unions would be much easier within the framework of a specifically socially oriented organization than in one where social problems would be considered within a vast economic context. $\underline{l}/$

If in the meantime the historical reasons may have lost some of their cogency, labour's fear that in a merged body considerations of "economic efficiency" would take priority over social goals, is still being given as the main justification for the separate existence of the two Councils.

Legal Status

As already indicated, there had emerged during the 1930's in a small number of industries joint labourmanagement bodies called "Mixed" or "Parity" Commissions (Commissions paritaires). Their purpose was to establish a continuing dialogue between management and labour at the industry level, including collective bargaining and conciliation in industrial conflict. This idea was taken up by the Pact of Social Solidarity, which provided for an extension of the commission system through the creation of a national body to conciliate disputes that could not be resolved at the industry level, and to advise on sanctions against those who violated the decisions of the Commissions. A General Commission was in fact established as a non-statutory body in 1945. Filling the gap left by the old Superior Council of Labour and Social Insurance, the General Commission soon began to act as a consultative body to government, and assumed therefore the name General Council as more appropriate to this function. In the meantime, the discussions leading to the creation of the Central

^{1/} G. De Broeck, La coopération entre les pouvoirs publics et les organisations d'employeurs et des travailleurs en Belgique, Brussels: Communauté économique européenne, 1964.

Economic Council had established the basic principles for fitting the consultation function into public law, with the consequence that, in replacing the General Council by a statutory body, the legislation passed in 1952 closely paralleled that of the Central Economic Council. In other words, the new National Council of Labour received purely consultative status without any regulatory or judicial powers; consultation became in the main optional, and the same pattern was followed in regard to internal organization, financing, etc. However, there are certain differences which stem partly from the legislation itself, and partly from developments over time to adjust to specific needs.

Composition

The National Council of Labour has a smaller number of members than the Central Economic Council and moreover lacks the "co-opted" element of expertise. The Act prescribes a maximum of 24 titular and an equal number of substitute members. The present number of 22 is divided equally between representatives of management and labour. Thus the principle of "parity" is even more clearly realized in this body than in the Central Economic Council. Moreover, the number of organizations represented in the Economic Council is lower, underlining more strongly the industrial relations aspect. Thus the Federation of Belgian Industries, as the largest employer of labour, has in the Labour Council five of the 11 management seats, while in the Economic Council it has only eight out of 22. On the labour side, the representation of the Consumer Co-operatives is missing and the membership is divided among the three trade union organizations at the ratio of 5:5:1.

Internal Organization

The internal organization of the National Council is the same as the Economic Council, comprising Presidency, Bureau, Commissions, Secretariat. However, the Secretariat serves only the Council itself and not the "Mixed Commissions" which, structurally, are the equivalent of the Trade Councils, but which play a far more important and independent role (see below). The Secretariat is small and consists of one General Secretary, two Assistant Secretaries and six professional workers, with an auxiliary staff of approximately 25 persons.

Consultative Function

Article 1 of the National Council of Labour Act defines the consultative function of this body as "to address to a Minister or the Houses of Parliament on its own initiative or at the request of these authorities all advice or suggestions that concern general social problems affecting employers and workers". The Council is also competent to rule on jurisdictional conflicts between "Mixed Commissions", but even in that respect its role is purely consultative and not regulatory.

Furthermore, a more recent Act of Parliament (1968) enlarged the powers of the Council to conclude "collective agreements which extend over the total of the economy or various combinations of sectors".

Also the optional character of consultation has been somewhat eroded, in that consultation of the Council of Labour by Government has been made obligatory by Parliament in a relatively large number of cases through provisions in various special Acts concerning labour contracts, labour standards and social security.

Partly because of these legal requirements, and partly because the issues with which the Council of Labour has to deal are more liable to lead to legislation than general economic policy, the number of reports and "propositions" of the National Council of Labour has been almost twice as large as that of the Central Economic Council, despite its shorter existence. Furthermore, the increase in the number of cases in which consultation has become a legal requirement has progressively reduced the number of cases in which the Council has had to make use of its right of initiative.

^{1/} Council figures for the period 1952 to August 1969 indicate that reports and "propositions" have been submitted to the relevant authorities in 308 cases of which 67 per cent were on the demand of one or more ministers, 31 per cent were initiated by the Council and submitted to ministers, while 1 per cent arose from references by Parliament and another 1 per cent was directed to Parliament on the Council's initiative.

Although it was not until 1968 that the National Council of Labour received legal powers to conclude collective agreements, in fact the Council had negotiated numerous joint recommendations, resolutions and agreements of a quasi-contractual type long before that date. Agreements have generally represented recommendations to the contracting parties rather than contracts proper. Yet, because of the high degree of power of the signatories in the central organizations, such recommendations have proved to be a strong, morally binding force. The essential aim of such recommendations has usually been to set standards for working conditions and fringe benefits, and to assure the greatest possible equality in the treatment of the labour force.

Reporting

The Council receives its information both from private and public sources, the former being essentially the organizations represented in the Council; in regard to the latter, the law requires all public officials to provide the Council with appropriate information and documentation needed for its work.

When submitting its reports and recommendations, the Council usually issues a press release. Since many of the Council's reports refer to legislative projects, the texts themselves frequently form annexes to legislative bills.

A voting procedure is set out in the internal regulations of the Council but is of little practical importance. Formal voting rarely takes place. If the discussion does not lead to a consensus, the diverse opinions are recorded -- usually as statements of the "groups" (employers, labour) or more frequently by organizations. In the majority of cases, such dissenting

1/ The legal status of collective agreements in Belgium has long been a matter of uncertainty. In contrast to the abundance of labour standards and social security legislation, the Belgian legislator has been rather reluctant to intervene in the industrial relations process as such. Thus there is no strike legislation, although various Acts indirectly affect the right to strike. Only in 1969 did the Belgian Parliament come around to passing a special Collective Agreements Act. opinions concern details of recommendations rather than reports as a whole. Only in the case of collective agreements is unanimity a requirement.

THE "MIXED COMMISSIONS"

The "Mixed Commissions", which received statutory character by Order-in-Council in 1945, are a uniquely Belgian phenomenon. According to this Order, the Crown may appoint such Commissions for each branch of industry, commerce or agriculture, as well as for professional categories, at the request of the competent organizations of employers and employees; in other words, they cannot be established before an agreement to that effect is reached between the employers and the unions concerned.

Each "Mixed Commission" must have a minimum of four employer and four union representatives. They are under the chairmanship of a neutral personality, frequently a conciliation officer.

Following the Second World War there occurred a rapid expansion of the "Mixed Commission" system over many industrial sectors, and at present there are approximately 80. Only a small number of these Commissions are competent to deal with matters relating to workers as well as salaried employees. About 50 of the Commissions concern workers only, and 15 salaried employees only.

Their consultative functions complement that of the National Council of Labour for the branch of industry under their jurisdiction, but their powers go further, since they may:

- -- establish general rates of remuneration;
- -- discuss working conditions, especially as they enter into work rules for the various enterprises;
- -- prevent or conciliate industrial conflicts;
- -- regulate conditions of training and apprenticeship.

It is no exaggeration to say that the "Mixed Commissions" have become the backbone of the industrial relations system in Belgium. Although there is apparently no institutional link between the "Mixed Commissions" and the National Council of Labour (the Council is directly concerned with them only in cases of jurisdictional disputes between them), the Commissions and the Council can be regarded as complementary. Coordination of policies appears to be facilitated by the fact that the members of both the Commissions and the Council are designated by the same business and labour organizations.

Co-Operation Between the Central Economic Council and the National Council of Labour

For reasons already discussed, the plans to merge the two Councils have been discarded although the issue is by no means dead. Thus the two Councils have had to find various forms of co-operation and consulta-For this there are no formally prescribed procetion. dures; rather, the Councils decide on the particular form according to the matter on hand. At the Secretariat level, the contacts are greatly facilitated by the fact that the two Councils occupy the same building and share a number of facilities. At the Council level, the most suitable form has generally been the creation of joint commissions to which both Councils delegate members. Most of these are ad hoc commissions, but there is one permanent joint body whose task it is to prepare the recommendations and observations of the Economic Council in regard to the semi-annual reports on the economic situation and the Economic Budget of the Department for Economic Affairs.

Sometimes it happens that requests for reports and recommendations are directed to both Councils simultaneously, in which case the Councils may decide to issue a report jointly, or to divide the work between them and issue separate reports in accordance with this division.

In short, the absence of formal institutional links between the two Councils is not felt to be a major obstacle to policy co-ordination, especially because the interest organizations from whom their respective memberships are drawn are identical.

Belgium

THE OFFICE FOR ECONOMIC PROGRAMMING

One of the most important issues for which the recommendations of the Central Economic Council played a decisive role, concerned the creation of a central planning agency. Unlike France and the Netherlands, in which such agencies were introduced almost simultaneously with the institution or reinstitution of economic consultative bodies immediately after the Second World War, the idea of "planning" had initially met in Belgium with greater ideological resistance. Thus the Belgian much Office for Economic Programming (Bureau de programmation économique) was not established until the conclusion of a prolonged national debate about the role of "planning" in a market economy. Two factors ultimately contributed in important ways to the decision to create this new institution for economic planning. One was the fact of a relatively low economic growth rate in Belgium, at least as compared with the other countries in the European Economic Community in the 1950's. The second was the crisis in the coal mining industry which, because of its geographic location, had particularly strong adverse regional effects in the economy (along with severe political problems).

Responding to a government reference, the Central Economic Council agreed in May 1959 unanimously on "the utility of indicative planning for the private sector so as to give Government greater possibilities for co-ordinating its economic and social policies" and recommended the creation of an independent institution to carry out the necessary work.

The Office for Economic Programming was accordingly created towards the end of 1959 by Order-in-Council as a public service agency. Administratively it reports to the Minister for Economic Affairs, but functionally it depends on the Prime Minister in that it reports directly to a ministerial Committee for Economic and Social Co-ordination comprised of the ministers primarily responsible for economic policy decisions under the chairmanship of the Prime Minister. Once again, it is interesting to note that such a body was deliberately designed to fall outside the traditional vertical structure of government -- that is, to form an agency, having a semi-autonomous character, which does

not constitute part of one department but serves a group of departments representing government interests generally in the field of economics.

The organization of the Office occurred in several stages. The first Order-in-Council stipulated that it should be composed of five members. This number was increased to eight the following year to make it more "national in scope". A further Order-in-Council reorganized it in 1962 completely by giving it something of a hierarchical structure. According to the most recent Order-in-Council (1967) it consists of ten heads of sections (chargés de mission) and four assistants (attachés). To this core was added part-time professional staff. With auxiliary personnel, the Office now employs about 40 persons. With the exception of civil servants seconded to the Office, the professional staff is recruited by contract and all members of the Office are therefore exempted from the various statutes that regulate the civil service. Appointments to the Office are made jointly by the Prime Minister and the Minister for Economic Affairs, on the advice of the abovementioned ministerial Committee.

Terms of Reference

The terms of reference of the Office are laid down in the Orders-in-Council:

The Office for Economic Programming shall study and propose to the Committee for Economic and Social Co-ordination

- (i) the general goals of economic policy, notably in matters of investment, employment, prices and salaries;
- (ii) a program of economic and social development for one or several years with a view to realizing these goals; this program is to contain budgetary forecasts relevant to the program. Transport, energy and employment policies are to be integrated;
- (iii) a plan for public investment to group the principal projects of the various administrations, services and public authorities;

- (iv) forecasts of private investment and indicators of the outlook for the various sectors of the economy;
 - (v) programs for regional development and proposals suitable to contribute to this objective.

A document of the Office for Economic Programming comments:

The text of these terms of reference ... seems to indicate -- and the preceding discussions tend to confirm -- that the task of the Office is less that of undertaking purely scientific research than of making proposals which can serve as the basis for a coherent economic policy. Much of the debate about the role of programming has turned and still turns around this point....

A study of the content of the programs will reveal three aspects: one part of their realization depends entirely on the public authorities, in other words on government decision. A second part depends on the voluntary co-operation of the private sector; but, a third and very important part depends on the effective application of all the instruments of policy at the disposal of the public authorities to influence the private decision-makers.

In short, what the programs are concerned with are the actions of the public authorities in their relations with the private sector. This implies "concerted action" notably in industry, agriculture and trade policies, regional and employment policies, fiscal policies, external trade and science research.1/

^{1/ &}quot;La programmation belge", Préparation de la rencontre entre techniciens européens de la planification, Brussels: Communauté économique européenne, November 1967.

Methods and Techniques

Although the legislation speaks of "programs for one or more years", in practice it appears that there has been a division of labour between the Research Section of the Minister of Economic Affairs, which prepares the annual Economic Budget, and the Office for Economic Programming, which is essentially concerned with the elaboration of medium-term programs.

This proceeds in two stages. The first stage consists of the determination of macro-economic quantities for the period in question, the second of the disaggregation for the various sectors. The final program is obtained by iterative approximation so as to achieve a balance between the supply of, and the demand for, various factor inputs and components of the national product. The basic concept is, therefore, that of the Gross National Product, which measures for each year the total flow of final goods and services produced.

A macro-economic model was constructed by the Office at the start of its work and communicated to Parliament at its 1960-61 session. This model serves to study several growth alternatives and provides an idea of the global equilibrium that each implies. Its principal aim is the determination of the level of the national product corresponding to full employment of the active population; but the model also permits a first calculation of the levels of investment and exports necessary for its attainment. In each case, private and public consumption is arrived at as the residual. (What is to go into private and public consumption is obviously ultimately a political decision.)

Once the global growth rate as well as the projections to which it is linked have been accepted by the ministerial committee, there follows an evaluation of final demand and of the production necessary in a certain number (21) of industrial sectors. To arrive at final demand, past trends are extrapolated. However, equally taken into account are foreseeable changes based in particular on detailed studies of the competitive positions of the various industries and their possible outlets within the Common Market. This exercise depends to a considerable degree not only on information published by other countries and international organizations, but also on information received from the interest organizations and the various bodies in which they are represented.

To go from final demand in each sector to production necessary in each sector, the Office uses an input-output matrix. Such a matrix was originally established by the University of Brussels in 1953, followed by other more recent ones designed by the National Statistical Institute.

THE NATIONAL COMMITTEE FOR ECONOMIC GROWTH

Among the recommendations of the Central Economic Council which led to the establishment of the Office for Economic Programming, there was also included one which expressed the wish to see the economic and social interest organizations closely associated with the programming process. The purpose was "to permit a better harmonization of the attitudes and decisions of these groups with the objectives of government and to contribute to a better understanding of economic policy measures".

Accordingly, a National Committee for Economic Growth was created to link government to the economic and social interest organizations. Its duties, as its terms of reference in an Order-in-Council stipulated, are to:

- -- indicate the general direction of economic policy, notably in the areas of investment, employment, prices and salaries;
- -- indicate the outlook for the various industrial sectors;
- -- advise on investment plans of the various Government departments, services and other public authorities;
- -- formulate recommendations concerning private investment.

The Committee is chaired by the Minister for Economic Affairs, and has three Vice-Chairmen: the Ministers for Labour, Employment, and the "Middle Classes" (small business and self-employed). It has ten members -- five representing the "most representative" organizations of industry, the large nonindustrial enterprises, agriculture and the middle classes; and five representing the three trade union centres.

The Committee provides a direct point of contact between the government and the private decisionmakers and is thus distinct from the Central Economic Council. The Committee receives and discusses the reports of the Office for Economic Programming at various stages in the development of the program. The timing of these submissions appears to be highly flexible; in some cases the documents reach the Committee even before they are approved by Government, in others after they have passed the ministerial Coordination Committee.

In certain respects, therefore, the Committee on Economic Growth is not merely a consultative body -in a way it is also a decision-making body, since it lays down the overall orientation of policies on the basis of the choices submitted to it by the Office for Economic Programming, and at least morally commits its Government members to present to, and defend in, Parliament the understandings reached with the interest parties. In fact no decision can be taken by the Government in regard to a "program" without prior "concertation" with the Committee on Economic Growth.

Programming and the Consultation Process 1/

The Central Economic Council is consulted by the Office for Economic Programming "at the time of the program preparation". A number of problems appear to have arisen, however, partly as a result of the programming methods, partly arising from the co-existence of

^{1/} At the time the discussions for this chapter were held in Brussels (end of September 1969) a Bill (125) had been introduced in Parliament by the Government which may considerably alter the consultation process in regard to economic programming as described under this heading. For further details see summary of the Bill's main provisions at the end of this chapter.

the Central Economic Council and the Committee for Economic Growth, and partly as a consequence of the relationships and attitudes of the interest organizations represented in both.

Thus the Office for Economic Programming in the above-quoted document for the 1967 meeting of European "planification" technicians had certain criticisms to make:

It would appear advisable that "advance" consultation [i.e. of the Economic Council] be complemented by a follow-up procedure so that the contents of the programs could be compared with actual economic performance. This would also avoid a break in liaison during the periods of program preparation.

In that respect also, the different roles of the Central Economic Council and of the Committee for Economic Growth must be considered:

The latter being composed solely of ministers and leaders of organizations -- the so-called "social partners" -- does not constitute an appropriate body for the detailed study of technical documents. Normally therefore the Committee has to call on the technical advisers of the various organizations for that purpose. Such discussions held within the framework of the Central Economic Council and the recommendations following from them, should serve to probe more deeply into the problems of economic programming and thus prepare for the discussions in the National Committee for Economic Growth.

The consultation process usually leads to a number of changes in the initial model. In the course of the various discussions, the principal options, the implications for Government policy and for the policies of the interest organizations, are considered. Another important aspect of consultation is that it reveals certain information gaps and deficiencies which then become topics of special studies.

After these consultations and discussions, and consequent revisions, the programs are submitted to the ministerial Co-ordination Committee. They are then returned to the National Committee for Economic Growth, in effect for final approval by the principal government

and private decision-makers. On the basis of such approval, legislation is prepared for Parliament in the form of a "Loi de cadre" (enabling Act). Such legislation, however, establishes obligations which vary according to their application in the public or private sector. As far as the Government is concerned, there is a legal obligation which is twofold -- the implementation of those parts of the programs which depend solely on Government action (e.g. public investments), and the pursuit of "the most appropriate policies to support and facilitate the realization of the program by the other economic agents and to co-ordinate Government actions to that end".

No such formal obligation rests on the private sector. The reasons are simple. The programs may be elaborated by sector or even subsector, but they establish no objectives for individual enterprises. Consequently, they are not susceptible to verification at that level. Equally important is the fact that the various management organizations have no power to commit their constituents. Obviously, for that reason also, the union representatives cannot enter into formal commitments for their membership.

Nevertheless, and in theory at least, the fact that the programs in the end take the form of law does establish the obligation of the organizations participating in the National Committee for Economic Growth:

- -- to support the Government in executing the program and to collaborate in the preparations of economic policy measures to that effect; and
- -- to defend the objectives of the programs vis-à-vis their constituents, as well as to attempt to direct the actions of their organizations in conformity with these objectives.

However, even as far as the public sector is concerned, the "lack of operational precision in the programs themselves, as well as the conditions under which administrative and political action has to be taken, leave numerous problems to be solved".

OTHER INSTITUTIONS WITH CONSULTATIVE FUNCTIONS

Apart from these central institutions with consultative status of a more general character (Central Economic Council, National Council of Labour, Committee for Economic Growth), a whole series of bodies of a more specialized nature exist in Belgium. These bodies exert a strong influence on overall economic policy, having elements of interest group participation in their management. Some of them are in fact autonomous or quasi-autonomous (parastatutaires) administrative agencies.

The Superior Council of Finance

The Superior Council of Finance (Conseil supérieur des finances) is charged with the task of preparing, in close collaboration with the Office for Economic Programming, the financial programs complementary to the economic programs. It is chaired by the Minister of Finance and composed of representatives of various public and private financial institutions, various departments and agencies, among them the Office for Economic Programming. Although ostensibly a purely consultative body, it plays a considerable role in the decision-making on fiscal and monetary policy because of its high-powered composition.

The National Bank of Belgium

The National Bank of Belgium has an extremely strong influence on the credit market. It has a Council of Regents, composed of the Governor and Directors and ten members, of which three are designated by the Minister of Finance, two chosen from private banking institutions, three designated by industry, trade and agricultural organizations, and two by the main trade union centres.

The National Industrial Credit Corporation

The Administrative Council of the National Industrial Credit Corporation consists, in addition to the Crown-appointed President, of 16 members elected by the shareholders -- four members designated by the Minister of Finance, six by management organizations in industry, trade, agriculture and the "middle classes", and six by the trade union centres.

The National Investment Corporation

The Administrative Council of the National Investment Corporation also consists of a President and 16 members, four of which are representatives of labour and management organizations, with the others representing government and shareholders.

The National Housing Corporation

Representatives of labour and management are included in the management body of the National Housing Corporation, although -- unlike the above-mentioned cases -- this is not a legal requirement.

Other Organizations

In passing, it should be mentioned that all social security institutions (pensions, health, etc.) are jointly managed by labour and management representatives under the chairmanship of an independent officer of the Crown. In accordance with a recommendation of the National Council of Labour of 1963, they reflect the "parity" principle in the majority of cases; however, in some cases other interest groups (family organizations, medical associations, etc.) are represented in their management.

THE COMMISSION FOR PRICE REGULATION

Special attention is also warranted in this discussion of Belgian institutions to the Commission for Price Regulation, established in June 1969 as a quite original approach to the mechanics of price and, indirectly, wage determination through the medium of a consultative body.

Unlike the Netherlands, Belgium did not develop, at an early stage, a formalized and institutionalized incomes policy as a means of influencing specific wage and price decisions. In fact, both labour and management have remained strongly opposed to any intervention in the wage and price field that would amount to an incomes policy. The Belgian price control laws of 1945, modified in 1946 and 1948, are generally regarded as emergency legislation, although they have remained on the statute books and have been confirmed in their validity by the highest courts of the land. Apart from the immediate postwar period with its scarcities and shortages, the concern about prices has essentially been to remain competitive with the main trading partners, while wage decisions have ostensibly been left to consultation and negotiation in the "Mixed Commissions".

In 1951, however, the **G**overnment inaugurated a system of consultation on price developments in the "Prices Commission" which was given very broad terms of reference -- "to formulate recommendations concerning all problems related to the cost of living and to price policies". This body, consisting of 30 members, appears to have had, at least at times, considerable influence on prices and, indirectly, wages. The 30 members were composed of 18 representing various economic sectors (industry, agriculture, imports, wholesale and retail trade, transport, credit, etc.), while five members represented the trade unions, and seven government departments (including the Prime Minister's office).

As pointed out in the "exposé des motifs" intended to support the establishment of the new Commission for Price Regulation -- prefacing a Bill which, in effect, gives the Minister for Economic Affairs new powers under the 1945-48 legislation -two main reasons were set forth for a new approach.

One was the old one concerning Belgium's competitive position; the second concerned the possible priceincreasing effects of the introduction of the Value Added Tax -- effective January 1, 1970 -- to conform with the other Common Market and European countries, but introduced with a great deal of misgiving as to its possible effects on the price level.

Although there are no constitutional or other legal impediments to direct price controls, and the powers of the Government remain extensive in that regard, it was felt -- as stated in the "exposé des motifs" --"useful to complement them by a system which makes possible a much more subtle and flexible system based above all on concertation and negotiation, since experience has shown that a confrontation of points of view in the spirit of mutual understanding often leads to practical solutions in the general interest".

To this effect, the Order-in-Council establishing the new Commission for Price Regulation introduced the concept of "program contracts" negotiated within the Commission, but concluded between Government and groups of industries, or industries or individual enterprises. The unions do not enter into such contracts, although it is obviously expected that the contracts will have an indirect effect on wage agreements.

The composition of the Commission was fundamentally changed from that of the former Prices Commission.

Thus the new Commission embodies the "parity" principle of equal representation of labour and management, although this is somewhat hidden in the following list of delegating organizations:

Industry (including small and medium-sized	
enterprises)	4
Agriculture	3
Professional and Self-Employed Workers	2
Import Trade	1
Wholesale Trade	2
Retail Trade	2
Large Distributive Enterprises	2
Consumer Co-operatives	2
Transport	1
Credit Institutions	1
Family Associations	4
Trade Unions	9
	33

Belgium

The Commission has a President and Vice-President, two Rapporteurs, two Secretaries and a Legal Counsellor, while 11 members in addition to the abovementioned 33 are representatives of various Government departments including the Prime Minister's office. The Commission has also a corresponding number of substitute members.

The costs of the Commission's operations form part of the budget of the Department for Economic Affairs. However, the Secretariat is purely administrative and editorial. The Commission has no research staff of its own; this is done by the Prices Section of the Department of Economic Affairs.

Terms of Reference

The terms of reference of the new Commission are much more specific than those of the old Prices Commission, especially in regard to points (iii) and (iv) as outlined below:

- to advise the Minister for Economic Affairs on all questions relating to prices and the cost of living;
- (ii) to follow the price situation and make suggestions to the Minister on policy;
- (iii) to study and negotiate program contracts between the private sector and the Government and to propose to the Minister on the contents of these contracts; and
 - (iv) to supervise the execution of these contracts and to suggest to the Minister such measures and possible sanctions as to assure their observance.

Procedures

The Commission operates in two sections. The first section deals with terms of reference (i) to (iii). It establishes from among its members, a Permanent Committee comprising -- apart from the President, Vice-President, Secretaries and Rapporteurs -- the delegates

of the various departments and ten of the members. This Committee studies price movements, brings to the attention of the Minister issues that the Committee feels should be researched, assembles documentation, and advises the Minister in the name of the Commission how to deal with individual enterprises.

The second section of the Commission deals with point (iv) of the terms of reference and may also choose a committee, which must include the President or Vice-President, the legal Counsellor, one trade union or family association member, and one industry or distributive trade representative.

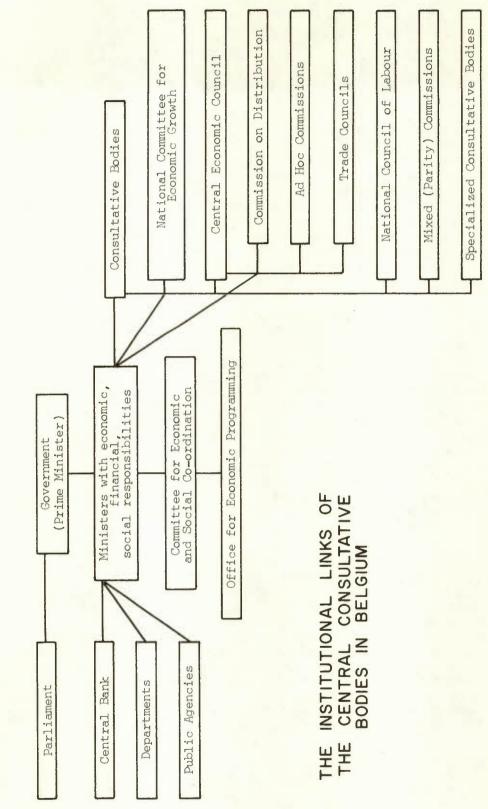
All meetings of the Commission are confidential, and violations of secrecy are punishable under the Official Secrets Act.

Under a revised Prices Act, the Minister is empowered to conclude the "program contracts", but also retains the power to set maximum prices or maximum profit margins. However, industries or enterprises which conclude such contracts are not subject to such price or profit fixing. The principle of price competition must be safeguarded.

* * * * *

The following organization chart attempts to illustrate graphically the institutional relationships within the present Belgian consultation system.

What strikes the observer is clearly the multiplicity, even profusion, of the various bodies and agencies. In fact, as Professor De Broeck remarked in the above-quoted study, with the exception of the bodies which were created after the Second World War in the attempt for "structural reform" -- in other words the three institutions described at the beginning of this chapter -- no methodical link exists within the totality of councils and commissions which form the system. They have been created at different times, and more often than not have simply been created in an ad hoc manner to cope with specific problems as these have arisen. Thus, in their history, the Belgian consultation institutions have waxed and waned, new ones being created without old ones necessarily being abolished. Undoubtedly, this has created duplication of effort and occasional competition, and placed considerable strain on the personnel and resources of the participating organizations.



The brief introductory discussion of the historical background and antecedents of the Belgian consultation system shows that it had its origin primarily in attempts to mitigate the antagonism of management and labour based on the experience of the grave social conflicts which preceded the Second World War. This was to be achieved by bringing the parties into constructive co-operation with each other and with government. The "Pact of Social Solidarity" concluded during the war was the clearest expression of this aim. However, as everywhere else, the idealism of this epoch has tended to be eroded in the confrontation with economic realities and in inevitable conflicts of interest.

Although both employer and union organizations have maintained their positive attitude towards consultation with government, certain limits have been set. The employer organizations, defending the principle of free enterprise associated with only a limited intervention of the state in the economy, have generally been opposed to all consultation that would imply concrete commitments and compromise this principle. The union organizations have sought to avoid consultation which could prevent their presenting economic and social demands in what they regard as the most propitious ways and at the most opportune times. More broadly, the unions are suspicious of any attempts to push too far their "integration" into the official machinery of the state.

In general it seems that, within the consultative bodies, management and labour have more easily reached agreement, and consequently more readily made unanimous recommendations to government, on concrete questions of social legislation than on the less clearcut issues of economic policy. Undoubtedly this has led to the impression that the National Council of Labour has been more active and more instrumental in promoting government action than the Central Economic Council. Obviously also, by its very nature, the work of the Council of Labour could have more tangible results than that of the Economic Council.

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Since the late 1950's, and increasingly in the 1960's, public concern in Belgium has shifted away from the issue of lessening social tensions -- which was prime motivational factor in setting up the two the Councils -- and more towards the issues arising from the antagonisms of the two main linguistic and cultural communities which form the Belgian state. However, these issues are inextricably interwoven with economic and social problems, especially as the old industrializing French-speaking South (which for so long had dominated the economic, social and cultural life of the country) declined in importance in relation to the industrialized Flemish-speaking North. Although the principal interest organizations of labour and management have hitherto been able to maintain their national, bilingual character, they are nevertheless affected. In the solution of these issues, government will undoubtedly have to rely very greatly on assistance from the interest organizations. The consultation process as such is, therefore, not only being maintained, but in many quarters is being regarded as even more essential than before. However, there are clear indications that the institutional forms and procedures described in this paper may well undergo quite radical changes to adjust them to the changing character of the country.

Thus Bill 125 for "the organization of planning economic decentralization" introduced in Parliament and in June 1969 is the continuation of a process which found its expression in the division of the country into one bilingual and two unilingual regions. At the same time, it corresponds to pressures to move from mere indicative programming to a partially obligatory planning system. To this end, the Bureau for Economic Programming would become a "Planning Bureau" (Bureau de Plan) not only to develop annually adjustable five-year plans but also to recommend policies for reaching approved objectives with a certain policing authority to ensure that such policies are also applied at all levels. These plans would be obligatory not only in regard to the government sector, but would carry contractual obligations for all areas of the private sector receiving financial support from the government. They would remain indicative for those that receive no support. The Planning Bureau would have a "General", a "Secretarial" and a "Regional" Directorate. The Regional Directorate would be linked to three consul-"Regional Economic Councils" for both tative the

elaboration and implementation of the regional aspects of the plans. In the composition of the Regional Economic Councils a new political element would be added by the inclusion of Members of Parliament from the regions concerned, as well as members of the "Provincial Councils" which are elective but not legislative bodies. A further provision of the Bill foresees the creation of an "Office for Industrial Promotion" that would be responsible for the achievement of specific planning objectives in industrial sectors selected for their growth possibilities. The Regional Economic Councils would then also be consultative to the Regional Planning Directorate. At the time of concluding this study, there was no indication if, when, and in what form, this Bill would be adopted by Parliament.

Chapter 5 BRITAIN

In the late fifties, a question in the British House of Commons about the number of advisory committees in existence produced the astonishing figure of about 850. In an attempt to establish which of these committees had more or less permanent character and which were in fact subcommittees, the number of permanent bodies could only be reduced to approximately 480.¹/

The existence of advisory bodies to government has a long history in Britain, although there is very little written record of that history prior to the twentieth century. There is no doubt, however, that the almost explosive development of advisory bodies began with the approach of the present century, in response to the ever-greater demands on government and the growing intervention of government in a great variety of social and economic matters.

The large majority of these advisory committees are either expert bodies which formulate recommendations for government action in a specialized field, or committees for independent administration with a certain consultative function whereby their ultimate control rests with the responsible minister. There are finally those consultative bodies whose essential function consists of being a meeting place between representatives of government and persons outside the government machinery proper, usually nominees of interest groups.

Among such bodies in the economic field, there are two which during the last decade emerged as of surpassing prominence -- each on the basis of certain institutional antecedents: the National Economic Development Council and its Office (NEDC/NEDO) and the National Board for Prices and Incomes (PIB). A third body, recently established in a near-economic field, the Commission on Industrial Relations, should also be

Advisory Committees in British Government, Political and Economic Planning, London: Allen & Unwin, 1960.

mentioned here, because although completely independent from the other two bodies it could well be regarded as supplementary to their activities. $\frac{1}{2}$

THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL (NEDC/NEDO)

Despite the changes that have taken place during the period since the end of the Second World War, and which at the political level are expressed in the alternation between governments formed by the Labour and Conservative parties respectively, a certain institutional continuity can be discerned. Thus, although it was a decision by a Conservative government in 1961 that created the NEDC, the history of this body can be traced back to the Economic Planning Board established by the Labour government in 1947, as well as to the industrial "Working Parties" also instituted during that period under the Board of Trade "to study and suggest measures to strengthen industry, promote stability and enhance competitiveness".

Although the advent of a Conservative government, plus the end of direct government controls over the economy, saw a reversal in economic planning procedures, the consultative institutions created by the Labour government were not only retained but even to a certain extent augmented. This was the case with the Economic Planning Board which, under the chairmanship of the Secretary of the Treasury, was composed of 14 members, seven of whom were senior civil servants, and the other seven comprising three members representing industry (management), three representing unions, and one independent member, all appointed by government. They were to meet about ten times a year to give advice to the Secretary of the Treasury upon his invitation, their advice to be on economic problems, either general or specific. Both deliberations and reports remained confidential. In addition, the same government created the National Production Advisory Council under the chairmanship of the Chancellor of the Exchequer, but

^{1/} The following describes the evolution of these bodies up to the dissolution of Parliament and the fall of the Labour government in June 1970.

with a secretariat provided by the Board of Trade. This Council was to have 31 members -- nine representing employers (including the Federation of Agriculture); representing trade unions delegated by their nine organizations and not appointed as in the case of the Planning Board; two representing the nationalized industries; the remaining 11 members would be the chairmen of the regional industrial committees which had been in existence since 1941. Its function was to advise on economic problems in matters referred to it by the Chancellor of the Exchequer. Finally added during that period was a Council on Prices, Productivity and Incomes, the so-called "Three Wise Men", to watch over price levels, production and incomes, and report to the government on these matters.

Slow economic growth, price increases somewhat stronger than in the countries of the European Economic Community, and balance-of-payment difficulties then combined to prevail on the government in 1961 to invite employer and union representatives to a joint examination of the economic prospects for the five coming years, to look into the possibility of establishing an and institutional framework for co-operation between government, management and unions related to an economic "plan". The response of management was positive in general, but it insisted that any "plan" should be prepared and published "not by, but for government", and should be as much a quide for the government as for the private sector. The Trades Union Congress (TUC) although ideologically somewhat more committed to The Trades Union Congress (TUC), government economic planning than the employers, responded in similar terms perhaps because of the possible implications of a government-developed and imposed plan on the bargaining process.

Thus, the NEDC was established as a tripartite planning body whose tasks in the first instance were:

- (a) to examine the economic performance of the nation with particular concern for plans for the future in both the public and private sectors of industry;
- (b) to consider the obstacles to quicker growth, how to improve efficiency, and if the best use was being made of available resources; and

(c) to seek agreement upon ways of improving economic performance, competitive power and efficiency -- in other words to increase the rate of growth.

During the first phase of the existence of NEDC, the Council produced two major publications: the so-called "Green Book" or *Plan for the Growth of the U.K. Economy to 1966*, and the accompanying "Orange Book" entitled *Conditions Favourable to Faster Growth* which outlined the policies the Council deemed necessary to obtain the goals established and quantified in the "Green Book".

The Council's role was, however, not only to consider a "national plan", but also to obtain the agreement of government, management and unions on the main economic dimensions and social options involved. The recognition that projections would carry greater conviction if they were based upon consultation with those immediately concerned at the industry level led to setting up the Economic Development Committees (or the "little Neddies"), by the NEDC.

The second phase in the development of the NEDC came with the change in government in 1964 and especially the creation by the Labour government of a Department of Economic Affairs. Essentially this meant that, in line with Continental (France, Scandinavian countries) thinking on "planning", the main responsibility for planning reverted to the government. Institutionally this meant primarily that the new Secretary of State for Economic Affairs, who was to have the main co-ordinating function of economic policies, replaced the Chancellor of the Exchequer as the Chairman of the NEDC. Apart from the shift in the composition of the government members, membership of the NEDC remained at six members, representative of industry nominated by government but serving in a personal capacity; six trade union representatives designated by the General Council of the TUC; two chairmen of the nationalized enterprises; two independent experts; and the Director General of the National Development Office.

Deprived of its original planning function which also meant the transfer of its planning section (about half of the professional staff) to the Department of Economic Affairs, the NEDC/NEDO developed now in two First, it was given the responsibility for directions. reviewing "general movements of productivity, prices and money incomes of all kinds at regular intervals" on the basis of reports prepared by the NEDO "after consultation with government departments". This function the NEDC/NEDO fulfils through the publication of its annual "General Reviews" on "Productivity, Prices and Incomes", which is an analysis of the developments in these fields during the preceding year. The examination of particular cases was entrusted to the National Board for Prices and Incomes specifically created for that purpose. In this respect the NEDC and the PIB became institutions complementary to each other in the analysis and implementations of the Government's "Incomes Policy". It is noteworthy, however, that, apart from the fact that the Minister responsible for the PIB became a member of the NEDC, the only functional link between the two bodies fell to the Chairman of the PIB who was added to the list of members of the NEDC.

The Economic Development Committees

The second direction the activities of the NEDC/NEDO took was the continued creation of the Economic Development Committees (EDC's or "little Neddies"). Having defined its own task as seeking agreement on national policies for improving economic performance, the Council gave the EDC's the same purpose-function in relation to their own industries; that is,

Within the context of the work of the NEDC and in accordance with such working arrangements as may be determined from time to time between Council and Committees, each Committee will:

(a) examine the economic performance, prospects and plans of the industry's progress in relation to the national growth objective and provide information and forecasts for the Council on these matters; and

(b) consider ways of improving the industry's economic performance, competitive power and efficiency and formulate reports and recommendations on these matters as appropriate.

Formally the EDC's are set up by the Council, report to the Council and mirror the tripartite character of the Council itself. However, as the aim is the actual voluntary involvement of the parties in the work, the process of the formation of an EDC by NEDO as the secretarial instrument of the Council is usually that of bringing together all management organizations (i.e. trade associations and employer organizations); and separately, through the Trades Union Congress, all the trade unions concerned with a particular industry, thereby enlisting them as consenting parties in the process of formation. To keep the Committees reasonably small for the practical work to be done, an agreed list of six or seven names may finally be put forward by anywhere from 8-50 management organizations. The same selection procedure is followed on the trade union side. Government representation will then also be functional, involving the departments and ministries responsible for the particular industry or branch. Experience has further shown that the key to the success or failure of the EDC's is the selection of the chairman, usually a person with experience in management but with no direct connection or interest in the industry concerned. Consent on the chairman is pointed out "as important as the consent of all parties to establish the Committee itself".

Provision is further made for the appointment of up to three independent members, in particular a personal deputy of the Director General, the Director General enjoying the position of being at one and the same time an independent member of the Council and the chief executive of the Council staff. Thus a senior member of his staff sits as an independent member in each EDC while at the same time being responsible to the Committee for its servicing by the NEDO. Despite the fact that formally the EDC's are creations of the tripartite Council and report to the Council, the process of formation by consent of the parties, as well as the institution of an independent chairman, gives the Committees a certain independent character. Since the transfer of the original macroeconomic planning function to government and of the micro-economic activities to the EDC's, the NEDC appears to have become primarily a forum of discussion and mutual consultation of the represented parties. Apart from the annual surveys on general movements of productivity, prices and incomes, its publications have been relatively few. However, the Council has the **power** to conduct inquiries into subjects of its own choice and receives suggestions for the work to be done. Moreover, individual Council members may feel called upon to undertake projects of their own within the framework of the Council procedures.

The Council meets every month. There is a "co-ordinating" or management committee whose main function is to program the work. This committee consists of the Director General, the Secretary to the Council and some members.

A third phase in the life of the NEDC/NEDO seems to have been entered with the decline and final abolition of the Ministry of Economic Affairs in 1969. Economic "planning" had now completed a full circle: originally with the Treasury, then with NEDC/NEDO, then with the Department of Economic Affairs, it was now largely returned to the Treasury. However, the fact that the Department of Technology had become, in the words of the *Financial Times*, "a giant ministry of industry", responsible for both the private sector as well as the nationalized industries and absorbing the Ministry of Power, while the Board of Trade was left only with the services proper (domestic and external trade), and given the role of the NEDC/NEDO in the industrial field through the EDC's, it was expected that there would develop now a closer relationship between the Ministry of Technology and the NEDC/NEDO.

The changes in the chairmanship of the NEDC reflect the various government reorganizations as well as the shift in the functions of the Council. During the final stage of the Labour government, the Chairman of the NEDC was the Prime Minister, and the financing of the Council came from appropriations for the Cabinet Office. However, this was not regarded necessarily as a permanent arrangement.

The Director General is the only full-time member of the Council, and the NEDO works under his guidance and supervision. NEDO has about 200 employees, of which about half are professionals. The office is divided into three "divisions" (see Appendix A), of which the Economics Division employ about a dozen economists and statisticians. About half of all NEDO staff are contract employees. Most are drawn from industry, trade unions and the universities. The turnover in the staff is regarded as normal for an institution of this kind.

THE NATIONAL BOARD FOR PRICES AND INCOMES (PIB) $\frac{1}{}$

Growing out of the experience of mass unemployment and its disastrous political consequences, Britain adopted the goal of full employment as an almost overriding aim of economic policy during and following the Second World War. In consequence, to find appropriate policies for regulating and stabilizing the rate of increase in incomes has preoccupied successive British governments since 1945. A whole range of "antiinflationary" policies have been tried. However, all these attempts were relatively short-lived, as none of the institutional devices -- be it the "Three Wise Men", or the National Incomes Commission -- could secure the support of organized industry and labour.

It could be argued that it was not so much incomes policy as such that was newly introduced by the Labour government -- incomes policies of sorts have always been present since the end of the Second World War -- but a new institutional approach to incomes policy. This new approach was based upon the experience of nonsupport by private decision-makers, and therefore sought, first, to evolve a policy which in advance could receive the support of the organized interest groups primarily involved; and, secondly, to make the new policy as comprehensive as possible, i.e. to cover

As already indicated, following plans of the Labour government to create a new Commission for Manpower and Industry, and the subsequent fall of that Government, the future of the PIB is now uncertain.

Britain

productivity as well as prices and incomes in a more coherent and interrelated fashion. In that respect the National Production Advisory Council of 1945 -- itself a continuation of the Central Advisory Committee of 1941 for the support of the industrial war effort -- could be regarded as one of the institutional precursors not only of the NEDC/NEDO but also of the PIB, although the terms of reference of the National Production Advisory Council covered advice to ministers on industrial conditions and general production questions but excluded "matters which are normally handled by the joint organizations of trade unions and employers in connection with wages and conditions of employment...."

This attempt to correlate productivity promotion policies with prices and incomes policies is indeed a noteworthy feature of the PIB, and it is characteristic that the PIB's official literature almost defensively tended to stress this aspect of its work against a popular image of being primarily concerned with wages or price restraints.

The PIB began its work in 1965 as a Royal Commission. However, the Board's creation occurred in certain stages. In December 1964, in pursuit of the policy of seeking in advance the consent -- or at least acceptance -- of an incomes policy, the three parties (government, industry and the trade unions) issued what has become known as the "Statement of Intent"; that is, an agreement on general aims, by which the parties pledged themselves "to raise productivity ...; to keep increases in total money incomes in line with increases in national output; [as well as] to maintain a stable general price level". A second step followed in February 1965, in the form of a government White Paper setting out the agreement of the parties on the type of administrative machinery for incomes policy implementation, and another White Paper spelling out the rules that all parties were to observe in determining movements on prices and money incomes. A further agreement was then reached concerning an "early warning system" for proposed pay and price increases on a voluntary basis which was to enable government to examine pay and price increase proposals before their actual implementation.

The policies agreed upon were adjusted after April 1965, forming the subject of three Acts of Parliament, namely the Prices and Incomes Acts of 1966, 1967, and 1968, whereby parts of the early legislation were carried over into the later Acts. Thus Part I of the 1966 Act dealt with the institutional aspects of an incomes policy and established the PIB as a statutory body. Other parts reserved powers for the Government to restrict movements in prices and incomes which had to be reviewed from time to time, and thus altered as circumstances required.

Unlike the NEDC, which has no statutory character, the 1966 Act set up the PIB as an independent statutory body whose tripartite character only emerged from its *de facto* composition of interest representatives, plus an independent chairman and independent members -- independent, that is, either of government or sectional interests. The White Paper on machinery for prices and incomes policy set out proposals for the Board's membership and functions. These were modified by Part I and Schedule I of the 1966 Act to provide for a Board "of not less than nine and not more than fifteen members appointed by the Secretary of State". Collectively the Board was intended to include members, fulltime and part-time, with "expertise in law, accountancy, economics, industrial relations and other relevant fields".

In practice the Board became composed of five full-time members (including the chairman and two deputy chairmen), and ten part-time members chosen from both sides of industry as well as from professional and scientific life, the appointments to be made by the Secretary of State for Employment and Productivity "after consultation with interested parties". Although there was an obvious intention to have the main organized interest groups represented on the Board, the members were not to be regarded as representing the particular organizations to which they belonged -- in other words no direct delegation as in the case of the trade union members of the NEDC -- nor was there an apparent objective of ensuring equal (parity) representation of interests. The terms of reference of the Board are contained in Part I, sections 2 to 5 of the Prices and Incomes Act of 1966. In accordance with the "Statement of Intent" and the corresponding sections of the White Paper, it was to be the duty of the PIB:

to examine *particular* cases in order to advise whether or not the behaviour of prices and of wages, salaries and other money incomes is in the national interest as defined by government after consultation with management and unions. (The emphasis is clearly on the word "particular".)

Under the 1966 Act this meant "any questions relating to wages, salaries or other forms of incomes, or to prices, charges or other sums payable under transactions of any description relating to any form of property rights or to services of any description or to returns on capital invested in any form of property including company dividends". An important addition to the function of the PIB was the 1967 undertaking by the Prime Minister that the Board should also investigate all major price increases proposed in future by publicly owned industries and in doing so carry out efficiency studies of these industries, rather than leaving this to the ministries concerned as previously.

In its own interpretation of the terms of reference, as expressed in the introduction to its first report in June 1965, the Board maintained that it regarded its task as long-term rather than short-term, and defined it as "to treat the inflationary pressure arising from the existence of old habits and inherited attitudes and institutional arrangements". The Board remarked further that such attitudes are not changed by a use of the fiscal and monetary weapons at the disposal of government and that they are not susceptible to legislation. It added: "We see ourselves as promoting change by conducting a continuing dialogue with management, unions and indeed government".

The literature of the PIB then also described its actual functions under three headings:

(i) *Educative*, in so far as the Board's reports are designed as far as possible to include judgment, and recommendations which will be of general as well as of particular value.

(ii) Consultative, a function inherent in the government decision to call in an independent outsider to examine particular problems of an industry, company or plant, whereby "the Board is in a position to encourage change because of its status as a disinterested, independent body without bias towards particular interests" (both these categories could include the "guidelines" for an encouragement of "productivity agreements", first published in a Board report and subsequently incorporated in a government White Paper);

(iii) Judicial, following from the fact that the Board is required by law to form its own judgments in relation to the criteria for price and wage behaviour.

Although formally the Board was established as an organ of inquiry consultative to government, nevertheless, partly through the process of inquiry as such and partly through publication of its reports, the Board also acted as a consultative organ to private interest groups with an indirect effect on the public at large.

There was, however, an important restriction on the independence of the Board. Independent as to its research and conclusions, the Board became nevertheless dependent on the Minister (or groups of Ministers) as to the subject matter of its inquiries. Although in practice the Board, through its Chairman, would well make suggestions to the Minister(s), such suggestions required, as all references to the Board, the formal collective approval of Ministers.

Moreover, the Board received no powers to refuse a government reference, and no power to enforce its findings and recommendations -- merely to report these to the Minister(s) concerned. On the other hand also, the powers of the Minister(s) were somewhat restricted since, under the 1966 Act, there was an obligation to "consult such organizations or bodies as he thinks fit, being organizations or bodies which appear ... to represent to a substantial extent the interest of those particularly concerned". In practice this covered not only the inquiry as such, but also the terms of reference for the inquiry.

The Board reported to the Minister(s) before publication. However, the Minister(s) had no power of intervention once the report has been submitted, although a further inquiry on the same subject may be requested. The Minister did, however, have the power to vary or even revoke a reference order. Moreover the Minister(s) could excise from a Board report before submission to Parliament and publication "any matter the publication of which would be against the national interest".

The Board had access to confidential government as well as private information, but the Act stipulated that in framing any report "the Board shall have regard to the need for excluding, so far as practicable, matters which relate to the private affairs of any person and the publication of which would or might in the opinion of the Board prejudicially affect the interests of that person". However, for the purpose of the Law of Defamation, the Board enjoys absolute privilege.

The Board received under the Act powers to call evidence and summon witnesses. During four years of existence -- April 1965 to April 1969 -- the Board had issued 110 reports, but did not have to make use of these powers as it was able to obtain the voluntary cooperation of the parties concerned.

Internal Procedures

The internal workings of the Board can be briefly summarized as follows: for each reference received, the Chairman appointed a small committee of Board members to guide the inquiry and supervise the work of the staff. At the same time, the Secretary selected a staff working party under the chairmanship of an Assistant Secretary. This staff nucleus drew on the services of the specialist staff, while the Board's own "Enquiry Team" does, wherever possible, the detailed field work. Once all the facts and opinions had been gathered, the working party prepared a "findings" paper

which served as the basis for internal discussions between the staff and the Board committee and for subsequent consideration by the full Board. Following these discussions, a draft report was prepared for the approval of that committee, and then the draft placed before a full Board meeting for endorsement and possible amendment. The report was then submitted to the Minister(s) and published under the procedure as outlined above.

The PIB developed three divisions, two consisting each of five "reference branches"; and a third to include the "specialist" and "general" branches, the "Enquiry Team", as well as the supporting services.

Financing and Staffing

The Board's activities were financed by an allocation forming an item under the budget of the Department of Employment and Productivity, for which the Secretary of State reported to Parliament.

The regular staff of the PIB consisted of about 250 persons. It is a mixture of people drawn from government departments (about 60) and directly recruited specialists (about 70) drawn from industry, unions and universities. About 30 persons formed the PIB's own field staff, and about 90 encompassed the supporting and clerical staff. Those not drawn from government departments were contract employees. Because of the variations in the workload of the Board due to the reference mechanism, the Board could also call on outside consultants although there was a growing tendency to depend as much as possible on the Board staff. Because of the nature of the mix of employees, there was an inevitable staff turnover which, however, was neither deemed excessive nor abnormal for operations of this kind.

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It is quite obvious from its statements and literature that the Board was anxious to be regarded more as a "catalyst of change" than simply as an instrument for temporary wage and price restraints.

It could be claimed that a legislation, which denied the Board the right of initiative and left this initiative entirely in the hands of the Minister(s), made the Board a less effective instrument for change than it otherwise could have been.

The Board came under the Secretary of State for Employment and Productivity. This meant in practice that in matters of wages and in matters directly related labour, the initiative for references was within the to competence of the Secretary of State for Employment and Productivity alone, although formally the collective approval of Ministers was needed. On price matters, the Minister had to act "in association with the Ministers of State or other government departments" -- this could be the Minister of Technology, and the President of the Board of Trade (who was until recently responsible also for the "Monopolies Commission"). In other words, the decision as to the tasks to be given to the PIB depended on what combination of ministers could be involved. As a logical step, it was finally announced that the PIB and the Monopolies Commission would be merged. This in itself would not solve the basic problem, unless the combined body received the right of initiative.

A second difficulty appeared to arise for the PIB from the fact that any minister in using his right of initiative had to act in consultation with the interested parties which in practice usually include formulation of the terms of reference of the investigation. This involved the Confederation of British Industry (CBI) and the Trades Union Congress (TUC). Officially at least the PIB had no influence on the formulation of such terms of reference, although unofficially it could make its influence felt. Practice has shown that the discussions on the terms of reference could be drawn out for a considerable length of time. Since in many instances the time element was of importance, the time spent in establishing the terms of reference meant less time for the PIB to do the job.

A possible weakness in the operations of the PIB was that it had no responsibility for the implementation of its recommendations. It is only if, and when, as sometimes happened, a subject was referred to the Board a second time that the Board could itself enquire what progress had been made in implementing its previous recommendations. In practice, however, the Board received informal progress reports from the government departments concerned and this arrangement worked effectively.

Other criticism heard from time to time concerned the fact that the PIB was often called upon to deal with subject matters of insignificant importance to the economy -- either because the parties concerned were unable or unwilling to resolve their difficulties, or for the convenience of the Minister, or a combination of both. There has also been a lack of effective liaison and co-ordination with other government bodies, such as the NEDC/NEDO, particularly the "little Neddies", and more recently the newly created Commission on Industrial Relations, despite their quite considerable overlapping of functions.

THE COMMISSION ON INDUSTRIAL RELATIONS (CIR)

The Commission on Industrial Relations (CIR) was set up in March 1969 to satisfy the need for a consultative body concerned with the reform of the collective bargaining system and to fill an institutional gap, the existence of which was pointed out in the 1968 Royal Commission Report on Labour Relations (Donovan Report) and the subsequent White Paper, In Place of Strife.

Originally constituted by Royal Warrant as a Royal Commission, the CIR was to become, according to the Industrial Relations Bill 1970, a statutory body.1/

^{1/} This Bill too was among those that died with the dissolution of Parliament before the June 1970 elections.

The Commission was set up to comprise six members, four of which, including the chairman, as fulltime members, and the remaining two, as part-time members. The initial composition showed again that blend of expertise, academic background, and interest representation which is characteristic of a certain category of consultative bodies in Britain, whereby the members who can be regarded as representing specific interests nevertheless are not regarded as representing their respective organizations.

The terms of reference of the Commission are set out in the Royal Warrant as follows:

To examine such matters as may be referred to from time to time by one of our Secretaries of State concerning the functioning and development of institutions and procedures for the conduct of industrial relations between employers and their representatives on the one hand and employees and their representatives on the other hand; to promote improvements in such institutions, procedures and relations; and to report.

The Commission itself has interpreted these terms of reference to mean:

(a) A primary concern of the CIR in inquiring into the cases referred to will be the improvement of procedures for collective bargaining at all levels. For example, it will encourage the adoption of suitable company-wide negotiating and disputes procedures, the development of acceptable rules for dismissals and disciplinary practices, the establishment of fair and rational redundancy arrangements, the introduction of agreed rules and facilities for shop stewards.... Its Royal Warrant authorizes it to obtain the necessary information for carrying out its work.

(b) The CIR deals with references concerning trade union claims for recognition.... Other responsibilities of the CIR include the encouragement of reforms in trade union structure and services, and the examination of cases where companies or trade unions report failure to negotiate satisfactory agreements.

(c) The Commission may be asked to give general advice to the Secretary of State from time to time on the reform of industrial relations, and will report periodically to Parliament.

It may be noted that the CIR, the same as the PIB, has no right of independent initiative and will only be able to act on a government reference.

It may well be for this reason and on the basis of the experience gained by the PIB that the Commission has felt the need to make certain suggestions to the Secretary of State for Employment and Productivity, who undoubtedly will be the main source of any government reference to the Commission. In a paper submitted to the Minister, the CIR has pointed out "the usefulness of having a 'pool' of cases which have been agreed upon between the two bodies [the Department and CIR] as being prima facie suitable for reference". By agreement between the Department and the CIR, cases would then be chosen from this pool and consent obtained from the Confederation of British Industries and the Trades Union Congress. They would then be referred to the CIR, "as soon as its commitments allow it to take on new jobs". There is a further suggestion that the CIR would offer the Department a set of criteria as a source of guidance in selecting suitable references.

Quite obviously the Commission, although constituted formally as an advisory body to the Minister, assumes that the investigating process as such, as well as its recommendations, would be of an advisory nature to private parties as well with indirect effect on public opinion.

For its work the Commission was to have its own investigating and research staff, whereby the Secretary of the Board will also act as head of the staff. There were to be four operational branches as to function and industries, and two branches, one concerned with general policy, planning and background studies, and the other with administration and common services. Thirty-five staff positions were foreseen, excluding administrative, clerical and other auxiliary services.

Commission Procedures

Under the setup developed by the Commission before the fall of the Labour government, the procedure was that when receiving a reference from the Secretary of State for Employment and Productivity, the Chairman of the CIR would designate one of the three other fulltime members to deal with it. The enterprise whose industrial relation problems caused the reference to the CIR would then be approached by the designated commissioner. Meanwhile the Department for Employment and Productivity was to have furnished the Commission with Generally within a relevant background information. fortnight the commissioner was expected to have acquired sufficient background knowledge of the case so as to hold a first meeting with the parties, to explain to them how the Commission proposed to conduct the inquiry and to ask the parties' views on these proposals.

After investigation, the CIR would arrive at its preliminary views. Both sides were then heard, and the Commission sought to reach agreement with the parties on the factual accuracy of the findings and the recommendations that it would like to make. The preliminary report was then revised in the light of these consultations before being submitted to the Secretary of State for Employment and Productivity.

Thus between findings and recommendations and publication of a report, there was an intermediary state of consultation during which the Commission sought to obtain a commitment of the parties to the implementation of the report. Only after such an effort was made will the Commission publish its report. The form of the report to be published would depend on the circumstances, but the Commission's recommendations would always be published as would information of general use and interest.

According to the government White Paper, it was the task of the Department "to follow up the CIR recommendations as to their implementation". However, the Commission document containing the Commission's suggestions to the Minister also stated that "notwithstanding this provision the CIR will probably wish to

check on the progress made in cases in which it has reported after a suitable interval and the Commission has further declared its willingness to assist the parties in the implementation of its recommendations".

* * * * *

Up to the early part of 1970 only a relatively small number of even possible references proposed by the Department for Employment and Productivity to the Confederation of British Industry and the Trades Union Congress had actually gone to the Commission. This has been ascribed to the fact that each potential reference was itself subject to a consultation process which amounted to the approval of the parties concerned before it could become an actual reference. The main consideration in that regard has been that the CIR's success depended upon the co-operation and goodwill of the employers and unions, and that consequently it was held essential to win the consent of both sides to the sort of references that should be sent to the Commission. Experience has shown that in the majority of cases objections of either one or of both parties -- but apparently more often on the employers' than on the union side -- have effectively prevented potential references from becoming actual references to the Commission.

The Industrial Relations Bill 1970 intended to make the Commission an important, if not the main, vehicle of the reform of the British industrial relations system. What effect the provisions of the Bill and the conversion of the Commission into a statutory body would have had on the activities of the Commission if actually enacted, remains naturally an open question.

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Unlike the consultative bodies of the Continental countries described in earlier chapters, those of Britain have been much less influenced by ideological motivations. Indeed, it will have been observed that the initiative for their creation has come mainly from government, with the consequence that changing governments and changing needs and policies of government have invariably led to changing institutional arrangements and relationships, notwithstanding their basic continuity.

Chapter 6 SWEDEN

Any description of the economic consultation system in Sweden has to start from an apparent paradox: there appears to be in that country none of the statutory advisory bodies or planning bodies easily comparable to those that developed over the postwar period in other European countries. However, the paradox is more in the eyes of the beholder than in Swedish reality. What is easily overlooked is that Sweden has one of the most developed consultation systems in the Western world, in which the interest organizations have been reaching towards the potentials of their organizational systems, but in unusual institutional forms rooted in a unique but centuries-old system of public administration. \underline{L}

Similarly, because Sweden has been governed for nearly four decades by a party whose political philosophy is usually associated with that of a "planned economy", there is always some astonishment that there is not greater emphasis on "central planning" and direct government intervention in the economy. Yet, whether Swedish "planning" is essentially different from that developed in other European countries seems to be more a question of semantics than of actual methods, aims and purposes.

THE SWEDISH CONSULTATION SYSTEM

The particular character of the Swedish consultative concept will be more readily appreciated if seen within the context of the administrative system of which it is an integral part. Politically, Sweden is a highly centralized country in which parliamentary

Actually, this system was not unique at the time of its introduction in Sweden, but could also be found in other Continental countries. What is unique is its survival and adjustment to the constitutional change into modern parliamentary and responsible government.

government has inherited strong executive powers from the Crown. This is largely due to the fact that, in the long see-saw battle between the Crown and the landed nobility, accidents of history and geography combined to prevent the development of regional autonomies, but never rendered the Crown sufficiently victorious to make it absolute for any prolonged period of time. The Swedish Constitution of 1809 -- still in force in most essentials -- is a compromise which has proved to be sufficiently flexible to permit a gradual development into modern parliamentarianism without destroying its centralizing character. When responsible government came to Sweden (the process was not completed until the 1920's), it simply took over the extensive powers that the Constitution had reserved for the King-in-Council.

At the same time, modern government in Sweden inherited an administrative system dating back to the administrative reforms of the early seventeenth century -- then also constituting a compromise between the Crown and the nobility -- its main characteristic being *functional decentralization*. In the present-day setting this means that Sweden does not have government departments in the usual sense; rather the laws passed by Parliament and the regulations emanating from the King-in-Council are to a large extent administered by *agencies* (ämbetsverk). Some of these agencies (there are about 175 at the present time) are very small and highly specialized; others have developed to the equivalent of large government departments.

Characteristically, by the nineteenth century such agencies had become largely bureaucratic institutions, and it was for this reason that the 1809 Constitution -- which for its time displayed an astonishing concern for civil liberties -- instituted the now-famous "ombudsman" system and other appeal procedures to counterbalance bureaucratic power.

Today these agencies can be divided into two broad categories: 1/ those headed by a Director General only, and those headed by a "Board" (styrelse), of which a Director General is usually the Chairman. "No clear principle governs the choice between the two types of institutions; the matter is approached pragmatically."

^{1/} Cf. Pierre Vinde, The Swedish Civil Service, Stockholm: Ministry of Finance, 1967.

All Director Generals are appointed by the government, but for specified periods only.

What now appears to have happened is that, for the last half century, the Government, especially since the advent of social-democratic rule, has used its powers of appointment to "de-bureaucratize" the Boards by an infusion of interest and outside expert representation. This appointment pattern does not conform to any uniform or specific rule, but depends entirely on the task the agency has to perform. Thus, in some cases, it has been found appropriate for laymen with general experience to run the agency. For example, the Telecommunications Board includes leading industrialists. In other cases, such as the National Police Board, the direct participation of Parliament was found desirable, and thus parliamentarians are heavily represented. In still other cases, it was felt that related government activities should be co-ordinated and, therefore, there is cross-representation between various agencies themselves -- for example, the Labour Market Board is represented on the National Education Board. In particular areas of economic and social importance, it has frequently been concluded that there should be participation from "outside" people -- in many cases including those from interest groups to which the agency activities are directed. This is the case for the Labour Market Board and National Industrial Safety Board, which have strong employer and union representation. Similarly, the National Education Board, which now encompasses the education system proper, as well as vocational training, has a broad spectrum of membership including not only educationalists and culturalists, but also representation from the "consumer" side of education, namely industry and labour.

Given the semi-autonomous character of the agencies and the typical very strong personalities of the Director Generals, it has sometimes been said that Sweden is run by Director Generals -- especially since they receive their directives in rather general terms and have a good deal of freedom in the day-to-day application of the laws and regulations they administer.

Relieved of the details of administration, the actual ministries are very small bodies -- between 50 and 100 persons in most instances -- and their functions are essentially policy planning, drafting of directives (and of supplementary regulations) to agencies, and issuing of instructions on appropriate expenditure of the budget appropriations established by Parliament. In short, the ministries are largely liaison bodies which link the administrative agencies to Government and Parliament.

Two aspects of this system are of particular interest in the context of this study. First, since the line between the interpretation of laws and of policymaking is often rather fine, the agencies and boards play a considerable role in the development of policy. Secondly, the agencies and their boards have an important consultative function under the typically Swedish procedure for developing legislation.

In Sweden, whenever major (and often minor) legislation is being planned or is to be amended, or even when a major change in government policy is to take place, it is normal procedure to appoint an ad hoc commission of inquiry. Here again the appointment policy of the Government is highly versatile and not bound to any specific rule. If the matter implies major political and financial decisions, the commission will usually include members of the major political parties represented in Parliament. In more technical commissions, the membership may be reserved for senior civil servants and experts. In matters of economic and social reforms especially, the commission will often include all three elements: parliamentarians, senior civil servants, and interest representatives. As a rule, the ministry concerned is represented on the commission or in its secretariat.

This commission system implies that most of the basic studies, which in other countries are performed within government departments, are carried out in Sweden by autonomous investigating bodies. Once the commissions have completed their reports and made their recommendations, they are published under the imprint of the ministry concerned (Statens Offentliga Utredningar). However, the ministry does not yet proceed directly to the framing of legislation. There is a highly important

intermediary step of a consultative character called "remiss". After receipt of a commission report, the minister distributes the report to elicit a broad range of opinions -- private organizations and interest groups, local and regional authorities and, not least, the agencies and their boards whose activities may be affected by the planned legislation or policy change and whose opinions and practical experience have particular relevance to the matter at hand. The comments received, which often take the form of detailed briefs on the basis of independent research by the organizations and agencies concerned, are then used as a basis for further consideration of the merits and demerits of the commission report and recommendations, from a technical as well as a general policy point of view. Usually these comments are also published, and generally play an important role in the final drafting of the Government's legislative and regulatory proposals. A largely negative reaction can well lead to abandonment of the previous commission's work and conclusions, and the appointment of a new commission to work out some modified solution. 1/

This "remiss" system is not limited to commission reports. Almost any government project can be subjected to this formal consultation procedure. Indeed, the Constitution makes it mandatory as far as the

^{1/} An example of this was the Commission on Constitutional Reform. However, instead of appointing a new Commission, the matter was referred to an interparty leadership committee which agreed on partial reform in that for the time being it only affects Parliament which now will have one House instead of a First and Second Chamber.

affected agencies are concerned. It is an essential feature of Swedish administrative practice before final government decision and parliamentary vote. 1/

Given the fact that interest and expert opinion is automatically included in the "remiss" system, and in addition the fact that the agencies and their boards -including those with interest representation -- must be consulted in all matters affecting them, it becomes perhaps more clear why Sweden could dispense with specially instituted statutory consultative bodies. The commission and the related "remiss" system has long been found sufficient to fulfil the basic purpose of such institutions, namely to assure government a priori of the extent of consensus and dissent that could be expected. There are, nevertheless, incipient institutions of central -- and regional -- character in the way of development when it comes to the question of economic planning.

 $\frac{1}{An}$ An important feature of policy formulation by the Swedish government is the absence of administrative secrecy. According to the Constitution, the general public, including the press, has free access to official documents. All documents received by an agency, ministry or other public institution, become open to public inspection immediately upon receipt. Similarly, any decision taken becomes public once it has been filed. No civil servant may be punished for giving information to the press. On the contrary it is a criminal offence to try to discover the source from which a newspaper or other communication medium has obtained its information. There are certain exceptions to the principle of public access to government information, primarily for the protection of the private circumstances of individual citizens and in the area of national security and international diplomacy.

Sweden

ECONOMIC PLANNING

As already indicated, the fact that Sweden even under social-democratic rule continues to adhere to the principle of a free market economy by no means signifies the absence of important elements of government intervention and of "planning" very similar to those developed under somewhat different institutional forms in almost all other European countries.

A document $\frac{1}{}$ of the Swedish Department of Finance describes the Swedish approach to economic planning in the following terms:

Under the circumstances [i.e. a market economy], planning clearly cannot involve the determination of specific targets for the major part of production and the utilization of productive resources.

Instead the main approach is to employ general policy measures in the field of fiscal, monetary, trade and industrial policies to create or modify external conditions as a means of promoting desired developments. The aims of economic policy are bound up, however, with the measures available at any given time and here, of course, there is a marked distinction between the public and private sector... Thus, in the case of the private sector, "planning" is essentially a matter of forecasting. The market forces are primarily relied upon as effective instruments for the allocation of resources. This neutral attitude of policy is justified by the fact that Swedish production is not directly related to domestic consumption as exports account for nearly one half of industrial output.

Swedish economic policy, therefore, conforms to the familiar pattern of aiming at creating a favourable environment for economic growth by encouraging competition, adjusting the use of productive resources to technological, structural and other change, and applying a policy that promotes "a balanced expansion of research and technology".

1/ A Paper on Swedish Long-Term Planning, Stockholm: Ministry of Finance, June 1967 (mimeographed).

This general description must be modified, however, in three areas in which the central government, while not directly or only partially engaged, exerts strong influence: agriculture, housing (for which there is heavy subsidization and extensive regulatory measures), and local government (through joint responsibilities and grants-in-aid).

Institutional Aspects of Planning

The principle that economic planning (or at least economic policy planning) is a function of government, is widely accepted in Sweden, and the planning machinery is therefore entrusted to a significant extent to the Ministry of Finance. $\underline{l}/$

The central document prepared by the Ministry is the Budget Statement which appears twice a year, once in January in connection with the government budget, and a second time in April when supplementary estimates are included. The Budget Statements are essentially concerned with short-term economic developments, but more recently have begun to contain medium-term assessments especially for the public sector and the longer-range aspects of current policy measures.

The Budget Statement is discussed in Parliament, but is not subject to the "remiss" consultation procedure. It is essentially a guide to government thinking on the state of the economy and the reasoning behind the proposed budget.

The budget proper, or Finance Bill, and the measures that go with it, aim to regulate the development in the sectors for which the Government is directly responsible. For this purpose there are two "planning" instruments: the Annual Estimates of Government Revenue and Expenditure, and a Medium-Term Budget projected for a period of four years. (In Swedish terminology it is called a "long-term budget".)

1/ There appears to have been some experimentation with a semi-autonomous institution responsible to the Minister of Finance. However, differences between professional expertise and policy decision-making led to the incorporation of the planning function directly into the Ministry.

Sweden

Such a four-year budget has been in use in Sweden for little more than a decade and is still in the stage of elaboration and refinement. In a very broad sense it can be termed a "plan" for the central government sector, though it is really a projection of the economic consequences of decisions already reached. Not the least of its functions is that it helps to quantify the medium-term economic consequences of known government policies in relation to assumed government revenues. The Medium-Term Budget is then revised every year with one year added, so that it becomes automatically a "rolling budget".

The harmonization of the government's fiscal policies with economic developments in general is the subject of two further planning documents, the so-called National Budget or Economic Survey, and the Long-Term Survey.

The National Budget contains forecasts for the total Swedish economy covering the next $1 \text{ or } l_2^1$ years. It is worked out twice a year to coincide with the Budget Statements. Its main function is to assist government in the budget preparation, but also to guide decision-making in the private sector. It has thus played a certain role in wage and salary negotiations, although as a rule the government has refrained from stating explicitly the margins for increases in this field.

The Long-Term Survey is a further general document dealing with the economy and presents an analysis of development trends, usually over a five-year period. To an increasing extent, however, the horizon is being extended to a 15-20-year period, essentially in areas related to demographic change. The projections also include the government sector. The analysis covers, in a fairly traditional way, the broad aspects of economic performance with regard to investment, production, consumption, employment, foreign trade, etc. One of the chief aims is to provide background information for the ensuing debate in the political arena.

While the Budget Statements and the "rolling budgets" are prepared by the Ministry of Finance, the National Budgets and the Long-Term Surveys depend a good deal on outside assistance and sources of information. Special consultative bodies are also involved: the Council for Economic Planning (Planeringsrådet) and the Economic Research Council (Utredningsrådet). The difference between these two bodies is that the Council for Economic Planning comprises representatives of ministries, private industry, labour and management organizations, etc., and is essentially a lay body. It has no other function except as a discussion forum and testing ground for the Economic Surveys and has no permanent machinery of its own.

. The Economic Research Council, on the other hand, includes professional economists -- some nominated by the interest organizations and private research institutions -- as well as civil servants, central bank staff, the Bureau of Statistics, etc. This expert group discusses drafts of chapters, later presented in the National Budget and the Long-Term Survey and is also occupied with technical and methodological problems. Procedures of appointment as well as meetings are largely informal, and there are no minutes of discussions or decisions. 1/

Unlike the Budget Statement and the longerterm "rolling budget", the Long-Term Survey is subject to a "remiss" procedure. It is distributed to the various economic and social interest organizations, agencies, local authorities, etc., for their comments. The comments are then collected and published.

^{1/} The foreign observer may well receive the impression that as far as the Council for Economic Planning is concerned there is a reverse side to the principle of public access to government information, namely to commit as little as possible to paper.

Organization and Methods of the Long-Term Survey

The Long-Term Survey for 1966-70 was the first one presented by a specially created section of the Ministry of Finance.1/ However, there were some previous surveys, such as a survey undertaken in 1948 for the then OEEC; and similar ones covering the periods 1950-55, 1955-60 and 1960-65 have been presented. These surveys were, however, the work of independent ad hoc expert committees which disbanded after the completion of each report. It was towards the end of 1962 that the work on the Long-Term Surveys as a continuing project was entrusted to the above-mentioned section of the Ministry of Finance, later named Secretariat for Economic Planning.

According to the already quoted document received from this Secretariat, in the work on the Long-Term Surveys a conscious effort is being made to:

... decentralize activities and to make use of as much primary data and experience as possible that is available from the authorities and agencies, as well as private firms, interest organizations, etc. This material when collected is then compared with other data and analysed in relation to the past. In this way an attempt is made to arrive at consistency. Econometric methods are employed to some extent in tests for consistency, but a detailed model does not yet exist. A medium-term model is being worked out at present for use as a complement to assessments and the assumptions concerning economic relationships.

However, the document adds on this point:

So great are the advantages of the present method of working with detailed knowledge from different sectors that it probably will continue to be used.

^{1/} The Swedish Economy 1966-1970 and the General Outlook for the Seventies, Stockholm: Ministry of Finance, 1966. In 1968 this Long-Term Survey, and the figures in it, were reconsidered, and a special report written.

For individual studies, the Long-Term Surveys depend very largely on the agencies and various other authorities, as well as on numerous private research institutions, such as the National Institute for Economic Research, which incidentally also publishes an annual review under the title The Swedish Economy, and the Institute for Industrial Research, which is a highly productive source of special studies on industry problems. Some of the studies underlying the Long-Term Survey are published as annexes to the report; others appear as publications of the institutions from which they have been commissioned. For the Long-Term Surveys there are specialized consultative bodies such as a Regional Research Committee. Moreover, once again attention has to be drawn to the work of various ad hoc commissions which under their terms of reference frequently have to deal with the longer-term aspects of policy questions.

In 1968, a Ministry of Industry was created, partially by combining sections of the Ministry of Trade and the Ministry of Finance. This, too, was provided with a consultative body called the Industrial Policy Council (Näringspolitiska Rådet) as a mixed body of experts and lay members delegated by interest organizations. This Council undertakes studies and reaches conclusions on structural changes in industry in order to advise the Minister on appropriate industrial policies.

While the longer-term planning concept for the total economy is still in its infancy, an attempt is already being made to use such a concept to apply planning procedures to an area of hoary traditions and antiquated structures, namely local and regional government. There, too, one finds Swedish experimentation in planning linked to consultation procedures.

AN EXPERIMENT IN REGIONAL PLANNING AND CONSULTATION

Sweden, like most countries, has significant regional disparity problems -- the growing density settlement in metropolitan areas in contrast to the progressive depopulation of the countryside, and in particular the problems of the North. At the same time Sweden has a long history of local autonomy under which important powers and duties accrue to and are in the hands of local authorities. The municipalities have the right to level income taxes and receive only modest revenues from property taxation. They provide services for which various service fees are charged at their own discretion. At the same time they are bound by law and regulations to provide certain basic services for which considerable grants from the central government are received. In consequence, heavy pressures are made on the central government, and it has sometimes been said that the most demanding political "party" in Sweden is the municipal lobby -- which crosses all party lines.

A reform movement is now under way which aims to reduce about 900 municipalities to 280 by 1973. During the period of transition these are being called "municipal blocs".

While Sweden has an advanced system of local self-government, it does not have political "regions". However, for administrative purposes, the country is divided into 24 historical counties (län) each headed divided into 24 historical counties by a representative of the central government, the "Landshövding" or "Governor", with its own Office (länsstyrelse). Each county has a County Council (landsting) which is a local administrative body, popularly elected and responsible for the health services and secondary education for which it, too, raises taxes on income. Along with this, there are the agencies and boards as already noted, which constitute the main administrative machinery of the central government. The most important of these have also developed subagencies at the county level, in the form of county labour boards, county housing boards, county agricultural boards, etc. Membership in these boards is usually similar to that of the parent agency. The operations of these county boards fall under the The responsibility of their respective central offices.

In turn, the position of the governors is somewhat anomalous in that they are directly responsible to the central government, and according to the Constitution, are its eyes and ears in the counties; yet they have no jurisdiction over the county agencies, although their offices are involved in many functions at the county level that are performed by the central agencies

at the national level. (In practice, however, the county boards do fulfil a similar consultative role in regard to the governors as the central agencies to the central government.)

This system, which has evolved over centuries, worked well enough as long as Sweden was primarily an agricultural country. But services once regarded as of relatively minor importance -- and hence, safely relegated to lower administrative levels -- have become more and more important: health care, hospitals, welfare, primary and secondary education, industrial location. In the context of regional disparities, therefore, a need has emerged to adjust the older structures to overall planning and priorities. Industrial location and manpower policies play a vital role in this scheme of things. The basic principles involved were decided by Parliament in 1964 in such a way that the planning process should start simultaneously from two levels -the central government downward and the county administration upward. In consequence, the Ministry of the Interior (responsible for labour and housing) was extended to include a special Regional Planning Secretariat. To advise the Ministry, two consultative bodies have been created, a Regional Development Council consisting of representatives of industry, management and labour unions, associations of municipalities, and certain of the central boards; and a Regional Research Committee to take the initiative and co-ordinate research in regional growth problems and related subjects. Thus the pattern established for the Long-Term Survey to pair an independent lay body with an independent expert body -- the one to deal with policy questions and the other with technical and methodological problems -- has now been applied in the case of regional planning. It may be premature to conclude that the Swedish planning process will invariably develop in the future according to this pattern, but the parallels which are evolving are nevertheless striking.

In any case, in regional matters the pattern is being developed downward and repeated at the county level. Thus to the Planning Secretariat at the Ministry level corresponds a Planning Director attached to the governor's office, and a County Planning Council corresponding to the national Regional Development Council.

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The first concrete evidence of this new approach to regional planning was the so-called "Regional Planning Program 1967" which, although primarily given to focusing its attention on the question of industrial location, is being regarded as "the first step towards continuous long-range regional development planning". $\underline{1}/$

Furthermore, it is intended to extend the system of consultation to the counties to allow the municipal blocs, the county assemblies, the county agency boards and the regional interest groups, to become involved at the preliminary stages of program planning, and to ascertain the extent of the existing consensus as well as dissent at the earliest possible moment before final decisions are made.

The whole scheme, which seeks to reduce the excessively high number of autonomous municipalities while introducing a decentralized but co-ordinated planning system in regional development, is still very much in an experimental stage. Not the least of the difficulties encountered are data problems. Even at this embryonic stage, however, the scheme does permit a glance at how the institutionalization of "planning with consultation" may develop in Sweden in the foreseeable future.

* * * * *

In summary, the absence of a central economic consultative body in the Swedish scheme of things comparable to the institutions to be found in other European countries, not only does not signify the absence of consultative machinery either of expert or lay character, but rather constitutes a system of consultation which, while undoubtedly complex and tending to much duplication, is highly flexible and practically all-embracing. There is no emphasis on formalized representativeness and procedures. Above all, it has grown out of the particular nature of Swedish public administration and is continually adjusted to its working methods and constitutional requirements.

Experiment in Provincial Planning in Sweden, Stockholm: Ministry of the Interior, July 1969 (mimeographed).

Chapter 7 GERMANY

Since the establishment of the Federal Republic of Germany after the Second World War and allied occupation, three principal forms of economic consultation have been developed. In chronological order of their appearances they are:

- (i) the Scientific Advisory Councils (Wissenschaftliche Beiraete) to various government departments;
- (ii) the Council of Experts on Economic Development (Sachverstaendigenrat) established as a result of the "Act for General Economic Development" of 1963; and
- (iii) the consultative procedures and bodies resulting from the 1967 "Act for the Promotion of Economic Stability and Growth", sometimes also referred to as the "Concertation Act".

In addition, there are numerous academic research bodies federated in the Association of German Economic Research Institutes. These serve government frequently but informally as consultants on special projects.

The most striking feature of the German consultative system is the outstanding role assigned to scientific expertise which under German conditions means above all the academic economist. Whatever else may have contributed to this -- the high esteem in which the academic is held by all social classes, the near unquestioning belief in his ability to render objective valuefree judgments -- the explanation for this phenomenon which so sharply distinguishes the German consultation system from those developed in the other countries of the European Economic Community, may well have to be found in the entirely different psychological and political climate that existed in West Germany during the first two decades of the postwar period and which only in very recent years has begun to change.

SCIENTIFIC ADVISORY COUNCILS

Scientific Advisory Councils to the various federal ministries began to make their appearance in 1948 and 1949, mostly on the initiative and under the jurisdiction of individual ministers. They were thus among the first to be established. However, since then, advisory councils have spread to encompass almost every aspect of government and are associated with a large number of government departments: economic affairs, finance, transport, agriculture, family affairs, education and scientific research, foreign aid, etc. While all these bodies have similar institutional characteristics and have become subject to more or less identical statutes (Satzungen), those that are of special interest in this study are the advisory councils to the Departments of Economic Affairs and Finance.

That the need for expert advice beyond that available within the civil service proper should have been strongly viewed as desirable by the ministers entrusted with the task of reconstructing the German economy is hardly surprising in view of conditions in Germany then existing. The German civil service had traditionally been regarded as the interpreter and administrator of legislation. Its senior ranks were therefore primarily recruited from the law faculties. In a country of notoriously low occupational mobility, the institution of a "statutory" civil service with life tenure of office was hardly conducive to encouraging the flow of personnel between civil service and other institutions, both private and public.

The emergence of special expert advisory bodies followed fifteen years of war-oriented totalitarian rule which had, in turn, been preceded by fifteen years of shaky parliamentary government, itself founded on the ruins of another authoritarian and war-oriented regime. Most of the civil service had, therefore, little experience in serving a democratic government and a peacetime economy. Moreover, private interest organizations themselves were in the initial phase of re-establishment. Under these circumstances, the academic community was not only the most readily available group, but in many respects also the most reliable one to which the new government could turn for assistance and advice.

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As Professor Hans Willgerodt (Institute for Economic Policy, University of Cologne) pointed out, a number of the economists and political scientists who became most influential during this period had suffered from the national-socialist regime. Some of them had been in exile; others had been deprived of their teaching posts and condemned to silence. Those who had found a way to publish had taken refuge behind conscious obscurity in their writings to escape official harassment, if not worse.

Composition and Terms of Reference

The present Scientific Advisory Councils to the Departments of Economic Affairs and Finance consist of 15-20 members. According to their "statutes" they are to be "scientists of repute", and most of them are university teachers and researchers. Only about onefifth are economic practitioners, and even they must have high academic standing (they include, for example, representatives of the Federal Bank). Nominally, members are appointed by the Minister; however, to be appointed, a member must obtain a two-thirds majority in a secret vote of the Councils and thus is, in practice, co-opted. The chairmen are elected by the Council members. The term of office is three years, but in fact members serve as long as willing and able. Thus the influence of the Minister on composition of the Councils which are to advise him is minimal, and since their inception the have jealously guarded their independence. Councils (Reportedly, one or the other Minister tries occasionally to present his own candidates for membership, but without success.)

The terms of reference of the Councils are very broad. The Councils have full freedom of choice in the subject matter with which they wish to deal, as long as the matter is within the jurisdiction of the department concerned. They may refuse, in fact have refused, sometimes for "tactical reasons", to deal with some subjects referred to them by a Minister.

The Councils meet regularly for about two days each month -- usually the third weekend -- but can establish ad hoc subcommittees to deal with special issues. Deliberations are confidential, but senior civil servants of the departments may attend Council meetings, although

only as observers or to answer questions. The Councils have full access to government information and can request data from the departmental research staffs.

Being advisory to a Minister, the Councils report to the Minister, but the reports are made public within two to three weeks. Parliamentary committees may invite members of the Councils to appear before them but only in their personal capacity. Thus the Council chairmen as a rule do not act as spokesmen for the Councils as a whole when appearing before such committees.

Membership is honorary and unpaid, except for out-of-pocket expenses. Even research work undertaken by the members confers no financial benefits because, as university teachers or in other capacities, they are already paid from public funds. There is considerable co-operation between the departmental Councils and the university research institutes, due to the fact that members as academics are usually also active in these institutes.

The departmental Councils also co-operate with each other, but there is no direct institutional relationship between them and the Council of Experts on Economic Development. Differences of opinion between them and the latter Council are therefore quite possible.

THE COUNCIL OF EXPERTS ON ECONOMIC DEVELOPMENT

It would be very tempting to regard the Council of Experts on Economic Development (usually referred to briefly as Council of Experts) as nothing more than the consultative organ to government as a whole, in the same way as the Scientific Advisory Councils are consultative to individual departments. This would overlook, however, a number of specific features of the Council Act. Equally tempting is a comparison with the Council of Economic Advisers to the President in the United States. However, apart from a certain similarity in the composition of membership, such a comparison would become a study in contrasts rather than similarities.

^{1/} Cf. Henry C. Wallich in a highly discerning article in the *Quarterly Journal of Economics*, vol. 82, August 1968, "The American Council of Economic Advisers and the German Sachverstaendigenrat, A Study in the Economics of Advice".

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The German Council Act stipulates that the Council is to consist of five personalities having "high scientific standing as well as experience in economic affairs". It is to be fully independent in its activities for the purpose of the Act which is "to periodically assess the general economic situation so as to facilitate judgments by all authorities [Instanzen] responsible for economic policy as well as the general public".

In the pursuit of the Council's complete independence and to safeguard its expert character, the Act provides a list of specific incompatibilities. These include: membership in any government, whether federal or provincial, or any of the legislative bodies, or any corporate body under public law -- except university teachers and members of economic research institutes -or representatives of any trade association, or representatives or staff members of any employer or employee organization. Indeed, the Act even forbids membership to any persons employed in any of the above-proscribed capacities during the last year before appointment to the Council.

In short, the German Council Act elevated the academic element, which in all other European consultation systems serves at best as a complementary and balancing factor to group interest representation, to the guardianship of the consultation process. Further, group interest representation, which in all these other systems is in fact the very raison d'être of institutionalized consultation, was to be pointedly excluded.

The legislative history of the Council of Experts shows that the immediate concern which led to its creation was fear of inflation.1/ Undoubtedly, the rampant inflation followed by the collapse of the German currency in the early twenties had catastrophic consequences, not only economically but also politically, by making large parts of the "middle classes" the implacable enemies of the Weimar Republic. At the same time, the mass unemployment of the late twenties and early thirties led to a similar "traumatic experience" on the part of labour (proven by the swiftly rising sensitivity even to the relatively minor increase in unemployment played

↓ Inflation has sometimes been called the "traumatic experience" of the German people. Henry C. Wallich, op. cit., p. 350.

no part in the events leading to the establishment of the Council of Experts -- quite the contrary. By the early 1960's, the German economy, in spite of absorbing several million refugees from formerly German-held territories, experienced labour shortages that required the import of over a million foreign workers. Upward pressure in wages appeared to the government to be the most important contributing factor to rising prices. As the former General Secretary of the Council of Experts, Dr. Olaf Sievert, stated:

The chief expectation of the most influential proponents of the Council was that it would be instrumental for a slower wage rise than hitherto. This fits in any case the institutional structure given to the Council, especially its high degree of independence. Today there is no question that the government and the government parties were fully convinced that an expert body of any kind would have to support the efforts of the authorities in that respect. 1/

The subsequent history of the Council showed that there were more deep-seated reasons why the German consultation system did not develop the pattern which had been established and accepted by government, management and labour in the neighbouring countries. It was not that similar ideas and concepts lacked historic roots in Germany or forceful exponents; for example, the German trade unions which, following the Second World War, had merged their confessional and socialist elements into one powerful organization, the Federation of German Trade Unions (Deutscher Gewerkschaftsbund).

If this was the expectation of the government in creating an expert council, it suffered a very great disappointment. As Dr. Sievert further points out:

> The Council of Experts did not play the role assigned to it. Its analysis led it to the conclusion that the cause of the "creeping inflation" ... was not the struggle for the income shares of the large social groups, but the economic policy of the government.

Dr. Olaf Sievert, "Die wirtschaftspolitische Beratung in der Bundesrepublik Deutschland", in *Grundsatz*probleme, op. cit., p. 37.

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It is indeed noteworthy that the German Constitution of 1919 contained an article which, if it actually had been effectively implemented, would have created an Economic Council similar to the one brought into being in France under the impetus of the French unions, combined with a system of "industrial organization" not unlike that later attempted in the Netherlands.

Article 165 of the 1919 Constitution read in part:

The social and economic interests of the workers and salaried employees will be represented by organizations in public law, i.e. workers' councils as well as regional workers' councils established for the various sectors of the economy and a national [Reichs] workers' council.

The regional workers' councils and the national [Reichs] workers' council will combine with the employers' representatives and [those] of other national groups ... into district economic councils and a national [Reichs] economic council....

The only effective institutions established under this provision were the workers' councils at the enterprise level; these received reinforced legal status in 1920, and again after the Second World War in the Works Constitution Act of 1952. A Provisional Economic Council, joining labour and management representatives, was in fact created. However, it remained provisional, and the regional councils never took shape. The whole scheme petered out in uncertain and ineffective experimentation and was not heard of again after 1923.

Following the Second World War, the theme was taken up by the newly created Federation of German Trade Unions and incorporated in the "Basic Program" of 1949. Then in 1950, the Federation decided to submit to the general public a "draft bill" for the "restructuring of the economy" which, while dropping the idea of regional and national workers' councils, now sought to establish "economic chambers" for industry, commerce, trade and agriculture to be composed equally of management and labour representatives according to the strict "parity" principle which we already encountered in Belgium. These "chambers" were to form at the national level a "Federal Economic Council" to "advise the federal authorities at their request, and on its own initiative, on

all economic and social questions". In particular, this Council was to prepare formal statements (Gutachten) on bills and legislative projects and in general be "responsible for the promotion of economic and social development..." For this purpose the Council was to have certain legal rights in the gathering of information and economic data ("right of inquiry"). It was to consist of 150 members, partly composed of an equal number of management and labour representatives, and partly representatives of "science" and persons "who had rendered outstanding service in economic and social policy".1/ In short, if actually created, this Council would have in some respects resembled the French Economic and Social Council, and in others the Netherlands Social and Economic Council.

Furthermore, the German trade unions, in their revised "Basic Program" of 1963, advocated "planning within a competition-oriented economy". Such planning was to be -- as one labour theoretician put it2/ -- a "framework of planning rooted in economic democracy" justified by the need to find "forms of reconciling [Mediatisierung] present-day social problems". For this the political-parliamentary process alone was held to be no longer sufficient:

Industrial civilization ... developing in global interrelationships, is of such complexity that political representation based simply on universal suffrage cannot produce the necessary qualifications for anticipating the various and highly consequential problems of such a society; it cannot sufficiently analyse them and cannot make the required choices between possible alternatives. Research in depth and the verification of choices become indispensable. This requires new institutions to intervene between the organized social interests on the one side, and between them and the legislatures, government and administration on the other. Such a system would mediate in the search

Summarized from Ludwig Rosenberg (then President of the German Trade Union Federation), The Co-Determination Rights of Workers in Germany, Duesseldorf-Cologne: Bundverlag, 1964, pp. 19-20.

^{2/} Eugen Kogon, Die Gesellschaftlichspolitische Bedeutung der Mitbestimmung, Duesseldorf: DGB, 1966, pp. 6, 16-17.

for solutions as far as they must be subject to legislation. This would be in the nature of freedom and partnership, rather than a from-aboveenforced "dirigism".

From this it is fairly obvious that the concepts for which the German trade union movement made itself the main, but by no means the exclusive, spokesman, were basically not different from those that had prevailed in the other countries of the Common Market and in their realization would have corresponded to the pattern of institutionally "pairing" economic councils and "planning" or "programming" agencies established among Germany's western neighbours.

The question may well be asked why such a system, which had found acceptance by government, management and labour in these other countries, was not, and could not, be realized in Germany. As far as government was concerned, outwardly at least, the re-emerging parliamentary system closely resembled those of the Netherlands, Belgium, Austria and in certain respects even France: large blocks of confessionally ("Christian") oriented groups in the centre, social-democratic parties towards the left, and "liberal-conservative" groups on the right. However, while in all the other countries the reconstruction period saw coalitions of most of these elements, which had to seek compromises that made the consultation-planning systems possible, a different mix of voting strength was established in Germany -- a mix which made possible the emergence of a strong majority government based largely on the centre party and with compromises, when these had to be made, required between the centre and the "liberal-conservative" right. This political pattern prevailed until the elections of 1969.

The theoretical basis for economic policy thus became the concept of the "Soziale Marktwirtschaft" (social market economy) originally developed by a group of academic economists during the 1930's which satisfied this particular political combination and was in fact in 1949 accepted as the official doctrine (Charter of Duesseldorf). As interpreted from a statement of one of its chief proponents, Professor Alfred Müller-Armack, this concept was based -- to give it a rather simplified form -- on the following precepts:

- -- The idea of a social market economy has its roots in neo-liberal economics -- that is, an economic theory which emphasizes the important function of competition. However, the idea of neo-liberalism, which conceives competition policy as public policy in the technical sense, does not fully embody the principles of a social market policy.
- -- These principles recognize that society and state are realities existing beside the market, and acknowledges therefore that, apart from the need to secure the free play of the market forces, there is also the need for social safeguards. It is the state which through its economic policies causes social change, but according to social market economics in such a way that the function of the market remains not only as undisturbed as possible, but also improved.1/

In terms of practical policy implications, the result was resistance to institutionalized "planning" by government in so far as this might encourage "dirigist" tendencies; a certain aversion to quantitative analysis as an instrument of economic policy decision-making;2/

1/ Cf. Alfred Müller-Armack, "Die Soziale Marktwirtschaft nach einem Jahrzehnt ihrer Erprobung", Untersuchungen 12, Institut für Wirtschaftspolitik an der Universität Köln, 1960.

To the North American observer this may appear as hardly a novel approach, and indeed American influence, especially strong during the occupation period, is unmistakable. However, in Germany it constituted a radical break with traditional economic and social policies that had acted largely against rather than with the market. In this country of deeply ingrained restrictive trade practices, relatively mild legislation was passed and a Federal Combines Office (Bundeskartellamt) established only in 1957 -- and then only after five years of heated debate.

2/ Dr. Ludwig Ehrhard, then Minister of Economic Affairs, is quoted by a French source as having stated in November 1962 before the European Assembly in Strasbourg: "Economic and budgetary forecasts, even if they are conceived only as simple points of reference, remain by necessity behind real life or do violence to it. Therefore, this has to be opposed from the outset."

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encouragement of competition; emphasis on the protection of the individual rather than of social groups; and emphasis on the role of the state representing in its democratic institutions all citizens as the countervailing power against the power of organized special group interests. There can be little doubt that this last point had a decisive influence on the preference of the German government in 1964 to establish a body of experts as the chief consultative organism in economic matters rather than an institution embracing interest group representation -- although it is certainly a moot point as to whether the latter type of organization might not, in the course of time and as happened in other contexts, have become an instrument supporting the effective operation of market mechanisms.

When, after the creation of the Council of Experts on Economic Development, the demand for an economic council with interest representation continued, the chairman of the Council stated in June 1964 that if a body with interest representation were to be established "the interest organizations would constitute themselves as political 'estates' [Staende] and replace the political parties. The party-state would become a corporate state [Staendestaat] It would deprive the state of its function as the guardian of the common interest and deliver the citizenry as a whole into the hands of corporate bodies of special interests established as political forces." If this statement appears somewhat dogmatic, it must not be forgotten that only a short while before, the "corporate state" had been widely acclaimed in Europe as the alternative to parliamentary democracy. It must also be remembered that there still existed in Germany a wide ideological gulf between organized labour and management, nourished by the controversy over "co-determination", i.e. the demand for equal representation by labour in the controlling organs as well as participation in executive management of corporate enterprise, and that this demand was based upon the historical experience of the role which certain

management groups had played in bringing the nationalsocialist regime to power.1/ It is quite clear that the psychological pre-conditions which led to the establishment of such bodies as the Economic and Social Council in France, and particularly the Councils in Belgium and the Netherlands, were totally lacking in Germany. In consequence, under the conditions then prevailing in Germany, any consultative body that was created had to be a body as equally independent of government as the interest organizations (the latter, incidentally were strongly represented in the political parties and, through them, in the legislative assemblies).

Composition

By its list of "incompatibilities", the Council Act has somewhat narrowly limited the choice of those eligible to membership in the Council. Three of the members are in fact academic economists. More recently two of the five positions have been filled by individuals whom the law has termed "personalities with economic experience". Quite obviously, political considerations exist despite strict adherence to the letter of the law -- the two positions are filled by persons who from their previous activities can be identified with "management" or "labour" respectively, as well as with the two main political parties. It is, therefore, even more remarkable that the Council in its reports and position papers has usually reached unanimity. It has indeed jealously guarded its independence.

Members of the Council are appointed by the President of the Republic upon recommendation by the federal government. The first group of members were appointed for a period of three years. Following this,

Cf. Ludwig Rosenberg, op. cit, , p. 6: "Nowhere is the memory of this period as much alive as in the German trade union movement. Nowhere is the resolution to prevent a repetition of this experience as strong as among the German working class. This experience has been the driving force behind the resolve never again to let the chiefs of the big industrial concerns, through whose political gambling our own people and the world has suffered untold pain and misfortune, play without control the part of captains of industry."

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one member is replaced or reappointed each year on March 1, all these appointments being for five years. The sequence had to be decided by lot in the first meeting following the establishment of the Council.

The Chairman is elected by the members from among their number for a period of three years. All members serve on a part-time basis, including the Chairman (full-time membership for the Chairman has been advocated on several occasions). All members of the Council receive an indemnity and travelling expenses. Remuneration is fixed by the Minister for Economic Affairs in agreement with the Minister of the Interior.

Secretariat

The Secretariat of the Council is constituted according to the Council Act as part of the federal Bureau of Statistics. The General Secretary and the full-time professional staff are not members of this Secretariat. The establishment of a separate professional staff (including the General Secretary) was initiated by the Council itself and consists of five or six persons to which three to four part-time staff are usually added during the preparations for the annual review.

The duties of this professional staff are to organize the source material for the Council's reports, the technical preparation of meetings, and printing, publication and other administrative services. Its recruitment is usually from the universities; the average length of service with the Council is two to three years.

Financing

The cost of the Council's operations is borne by the federal government. Its budget is included as a special item in that of the Bureau of Statistics which, in turn, forms part of the estimates of the Department of the Interior. Accounting and auditing is subject to the usual governmental practices.

Terms of Reference and Procedures

Having established the Council to "facilitate the judgment" of government and the general public, the Council Act not only lays down the Council's terms of reference in some detail, but is also quite specific as

to the procedures which the Council should use in fulfilling its many-sided consultative functions. Indeed, the Act outlines a number of reciprocal obligations placed on the Council and on the federal government.

(a) The Annual Reviews (Jahresgutachten)

The Council must prepare each year an "assessment of the given economic situation and its foreseeable development", to be submitted to the Government on or before November 15 (in practice the Council has interpreted "foreseeable" as a period of about two years).

For these annual reviews the Council has to consider "how within the general frame of a market economy there can be simultaneously achieved stability of the price level, a high degree of employment and external balance, at a sustained and appropriate rate of growth. The formation and distribution of income and property is to be considered."

The Council has given the listing of the "five goals" a twofold interpretation; first, it has interpreted the word "simultaneously" (gleichzeitig) to mean not only "at the same time", but also to mean that no priority should be given to any of the goals (gleichrangig); second, it has taken this listing to be "comprehensive" and "exclusive" -- i.e. that the Council is only concerned with issues specifically arising from these goals and no others. In this respect the Council is supported by the provision in the law that "the Council is bound only by the mandate as established in the Act".

In its annual reviews, the Council must "in particular point out the causes of actual and possible discrepancies between overall demand and supply". It must operate on the basis of various alternative assumptions and their varying effects must be described and assessed. It must also observe the actual performance of the economy, discern "faulty developments" and, in this connection, point out "possibilities for their avoidance or elimination".

However, Parliament in establishing these terms of reference was most intent that the Council should not infringe, or even appear to infringe, on the decisionmaking powers of the political authorities: "the Council must not make recommendations for specific economic and social policy measures". In turn, a twofold obligation rests on the government:

- (i) The Government must submit the reviews to both Houses of Parliament "without delay". Publication of the reviews by the Council is to coincide with the tabling of the document in Parliament.
- (ii) The Government must, within eight weeks of tabling and publishing the Council reviews, state its position and, in doing so, must explain what economic policy conclusions it wishes to draw from the reviews.

(b) Additional Reports and Position Papers

The Council is also under obligation "to bring forward additional reports" if the Council observes developments detrimental to the achievement of goals in specific areas, as enumerated in the Act. Thus the Council has not only a right of initiative, but even the duty to take the initiative under certain circumstances. On the other hand, the Government may ask the Council to prepare additional reports and position papers if it so desires. All such additional reports and position papers are submitted to the Government and published by the Council. The date of publication is fixed in agreement with the Minister for Economic Affairs.

Sources of Information

In the preparation of its reviews and other reports, the Council may call upon the federal Bureau of Statistics (to which it is institutionally related) for basic information (it is housed in the statistical offices). In addition, the Council Act prescribes that all authorities of the federal and provincial governments have a duty to assist the Council.

The Council may also invite to hearings "all ministers concerned", as well as the President of the Federal Bank. On the other hand, all ministers and the bank president must be heard by the Council upon request.

In addition, the Council may invite suitable persons of its choice, "especially representatives of economic and social organizations", to state their opinion on questions which the Council feels to be important in fulfilling its terms of reference.

All meetings of the Council are confidential, as well as all documentation so designated by the Council. The Council members as well as the Council staff are specifically charged with observing secrecy extending to "all information received by the Council and so designated by the informants".

The Council-Government Relationship

Almost since its inception, and certainly from its first annual review for 1964/65 up to and including the review for 1968/69, the Council has been the centre of considerable controversy. While the Council initially came under attack primarily for the manner in which it felt compelled to fulfil its mandate under the Council Act, it soon became apparent that the root of the problem was inherent in its institutionalized, independent and scientific reporting function, further aggravated by the constraints which the legislation had placed upon the Council on the one side, and the Government, on the other.

As Dr. Sievert explains, in assigning the reporting function to five experts the law has given:

... the specific interest of the public in economic consultation precedence over that which the Government may have. The public wishes to be made aware of the economic interrelationships and of what those responsible for economic policy -- including the representatives of group interests -- were doing or neglected to do, this to be analysed free from interest considerations. The Government which did not oppose the initiative of its parliamentary majority in designing the Council Act, was ob-viously confident that its own interest in a consultative body of this kind would largely coincide with that of the public. Viewed in this way it was clearly a declaration of faith in a scientifically based economic policy. The state seemed to find the pressure that could come from an independent public expert body acceptable, the better to ward off the growing pressures of group interests. 1/

1/ Olaf Sievert, op. cit., p. 29.

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At the same time, however, it appeared to the general public eminently plausible that the Council was in fact nothing more than an advisory body to government -- perhaps similar to the advisory councils at the individual ministries -- and it viewed with some surprise the almost immediately developing tensions between the Council and the federal government. Only a few months after the first annual review had reached the Government, Parliament and the public, the Council felt it necessary to state in a press release that following the submission of the review there had arisen from the application of the Act "misunderstandings" that threatened to place intolerable burdens on the work of To avoid such misunderstandings, an exthe Council. change of views took place between the federal government and the Council resulting in the understanding that the review was within the terms of reference of the law; that the contents of the review had been based solely on the goals specified in the law; that the Council had no possibility of deviating from these goals in favour of other goal concepts; but that the federal government in stating its position on the review had to take into consideration "national as well as international obligations, political realities and goal concepts".

The implication was that the Council recognized that political decision-making could not be based solely on the academic analysis, which the Council Act had specifically assigned to the Council, while the Government recognized that the conclusions reached by the Council on the basis of such analysis had to be arrived at without considering some of the factors which governments must take into account in formulating specific policies.

Nevertheless, the "misunderstandings" as to the role and function of the Council persisted -- at least up to and including 1969 -- and it is noteworthy that for three years in a row (1966, 1967 and 1968) the Council felt compelled to repeat in the introduction to its reviews that "contrary to widespread opinion, the Council was not an advisory organ of government", that it was not to give any advice at all, but in the words of the law was there "to facilitate the forming of judgments", not only by "all responsible authorities", but also by "the general public".

Essentially, however, the difficulties both for the Council of Experts and the federal government arose from much more deeply rooted issues than those emanating from the questions as to whether or not it was advisory, or to whom it was advisory. It will be recalled that the Council had been asked not only to undertake investigations based on various assumptions (the different effects of which it had to describe and analyse), but also to point out "undesirable developments" and possibilities for avoiding or counteracting such developments. Yet at the same time an injunction was placed on the Council to "refrain from recommending any specific measures" so as not to infringe on the decision-making powers of Government and Parliament.

It soon became obvious that these provisions and injunctions were in practice contradictory and irreconcilable. Having not only to develop alternative choices, but also in each case to point out their possible effects, the Council could scarcely avoid referring to the causes of the phenomena it was asked to study, or, in pointing out its effects for the future, to state its preferences even if only by implication. In other words, the Council inevitably became the advocate of specific policies.

At the same time, since the law obligated the federal government not only to bring the Council's report without delay to the attention of Parliament and thus into the political arena, but also to express its views formally about what conclusions it had drawn for policy, what inexorably emerged was an "adversary" rather than an "advisory" system of consultation. The ensuing situation has been described by Dr. Sievert in these words:

Consider the tensions which almost from the beginning -- and only temporarily hidden -- marked the relations between the Council and the authorities responsible for economic policy. If one disregards the immediate questions which concretely led to these tensions ... it becomes clear that a situation of permanent conflict between the Council and the authorities had been a priori established and that by the institutional regulations governing its reporting work. To be a pitiless judge of the past, and for the economic policies of the future a persistent "know-it-all-better", these were the roles the law has assigned to the Council.... It is this institutionalized permanency of criticism which in fact makes the Council of Experts something quite different from an ad hoc commission of inquiry:

The role of the Council is much more similar to that of a parliamentary opposition in continuously holding before the government what opportunities it had missed and what chances it had decided against taking. The edge of this opposition is not even blunted by the usual assumption that every opposition statement is after all part and parcel of the political power and interest struggle. 1/

On the contrary the opposition role is assigned to "five men surrounded by the awe in which their science is being held".

Given the role of the Council as an extraparliamentary opposition to the government, it is not surprising to find that an actual parliamentary opposition would identify itself under certain circumstances with the positions taken by the Council. This indeed seems to be almost inevitable when the controversy turned on fundamentals of economic policy -- in Germany under these circumstances especially of monetary policy -- and when, in a market economy, almost any economic policy measure will, at least in the short run, appear to favour certain interests over others. This was indeed the case during the years 1964-66 about which Dr. Sievert wrote:

In fact, while during recent years the activities of the Council were marked by an everdeepening controversy with government ... its relations with the parliamentary opposition were usually most harmonious -- although formally such relations did not exist at all.

Subsequently, the situation became even more paradoxical when, in 1966, the former main opposition party joined the government in the "Great Coalition" and

^{1/} Olaf Sievert, op. cit., p. 31.

the issues at stake become those of internal government dispute and within a short while election issues as well. $\frac{1}{2}$

With the change in government in October 1969 and the acceptance by that government of certain policies which, while not fully corresponding to the Council's views, appear to approximate them more closely than before, the question arises whether the "adversary" relationship that existed previously was due to particular circumstances and personalities, or whether -- as the thesis developed by the Council's former General Secretary implies -- it is inherent in the system established by the Council Act. Obviously, Dr. Sievert's thesis would not be disproved if the situation were -even temporarily -- reversed, and a coincidence of the Council's position and that of the federal government were to cast the Council in the public mind and that of the present parliamentary opposition in the role of an advocate rather than an "institutionalized critic" of government policy.

The bitterness which this engendered may be judged from the public statement of a member of the Council who resigned in protest against attacks on the Council by a prominent minister of the government accusing the Council of having been engaged in "opinion manipulation" and "terror tactics":

I do not wish to belong any longer to a body whose work presupposes a relationship based upon confidence between itself and the competent ministers but which is being disturbed and made more difficult in such intolerable ways. However, if the Council were to resign in a body this would only please those who regard as false the views which the Council has hitherto represented vis-à-vis the responsible authorities and the public. For that reason a Council which is independent and cannot be influenced remains more than ever necessary.

Jahresgutachten, 1969/70, Appendix VII, p. 127.

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THE ACT FOR THE PROMOTION OF ECONOMIC STABILITY AND GROWTH

In March 1969, a French observer team remarked in its report that the German Federal Republic had developed "a system of comprehensive and concerted orientation which, seen as a whole, resembles very closely French planification".1/

In view of what has been said above, this seems at first glance to be a rather surprising statement. Yet, coinciding with the years since the Council published its first annual review, an evolution of ideas has taken place -- very largely due to the Council itself -- which has led to a considerable blurring of the attitudes prevailing a decade ago. Significant changes in such attitudes have, in fact, appeared in two crucial areas -- that of economic "planning" or what the Germans now like to call "orientation", and that of the involvement of the interest organizations in the consultative process.

A great deal of printer's ink has been spilled in the controversy between the protagonists of "central planning" and those of the "social market". Yet, even the theoretical positions were originally less far apart than the clamour and noise of controversy indicated. It will have been noted that when the German trade unions proposed a "frame plan" in their "Basic Program" of 1963, they spoke of such a plan to be designed for a "competitive market economy". At the same time, the "social market" theoreticians found it necessary to defend themselves against the supposition that they were in principle opposed to state planning. On the contrary, wrote Professor Willgerodt, " ... a frame policy which does not aim at numerically exactly fixed goals, but nevertheless aims consciously at quantified effects or at least keeps them in mind, can serve also the concept of a social market economy". Indeed, "the question of whether economic planning is necessary, is not the real point in the discussion", but only "the question of who is to be empowered to develop the economic plans and to put them

Expériences de planification à l'étranger, Paris: Conseil économique et social, 1969.

into operation, and which are to be the areas and methods and how far-reaching are they to be." $\underline{1}/$

By the latter part of the 1960's, even the German Federation of Industries began to look at the question of planning in a new light:

We must stop seeing the devil of socialism behind every mentioning of planning, but on the contrary see here an opportunity for a more stable economic growth and less margins of error, while still preserving our liberal institutions.

Similarly the organ of the German Chamber of Industry and Commerce maintained:

The German industry does not want the economy centrally administered according to imperative plans, but it needs program indicators on which to orient itself.

The slogan for this approach became "planning without a planned economy".2/

A very strong impetus to the change of government attitudes was moreover provided by the need to conform to certain decisions of the Council of Ministers of the European Economic Community, decisions to which Germany had become a somewhat reluctant party; this was to institute within the Community a Committee for Medium-Term Policy. Contesting a draft document on "Projections for the German Economy to 1970", elaborated in Brussels by a group of independent experts, the German government had to work out such projections itself. These then played an important role in the discussions on "concerted action" which was obviously strongly influenced by the French example.

Cf. Professor Dr. Hans Willgerodt: "Warum Staatsplanung in der Marktwirtschaft?", in Wirtschaftspolitische Chronik, Institut für Wirtschaftspolitik an der Universität Köln, Heft 3, 1965, pp. 25 ff.

^{2/} Quoted in Expériences de planification à l'étranger, op. cit.

"Concerted action" was first suggested by the Council of Experts in its second annual review (1965/66). The immediate cause for the Council's suggestion was the problem of how to arrive at a systematic and coordinated stabilization policy in a country with a federal Constitution (and therefore three levels of government), as well as highly organized but still strongly antagonistic interest organizations.

In the press statement of February 1965 concerning the relations between the Council and the federal government, quoted previously, the final paragraph read:

The Council of Experts and the Federal Government ... express the conviction that price stability must receive absolute priority. This goal can only be achieved if all concerned -- the public authorities, the wage and salary earners and the employers -- co-operate, and if external price pressures can be eliminated.

The Council's second annual review -- pointedly entitled "Stabilization without Stagnation" -- came to the conclusion that there existed in Germany an "unstable [labiles] inflationary equilibrium".1/ In such a situation "distribution of incomes and of profits is approximately the same as in a situation of price stability". In other words (argued the Council):

... none of the great social groups can count in the long run on gaining from price increases anything but an illusory advantage. Therefore, each

The Council defined this as a situation in which there exists a relatively even balance between domestic and external price movements; a rate of investment that in real terms corresponds to the goal of sustained and appropriate growth; a spiralling costprice movement, which to the economic agents and groups appears -- according to their interest, viewpoints, the length of period under observation and to the degree to which the effects of time lags are taken into consideration -- either as a price-wage or a wage-price spiral, but which in reality has long become a combination of both. "Such an equilibrium is inflationary in so far as total demand reaches the point where price increases are permissible in most markets and the expectations of the increases are becoming self-evident." (Par. 183)

group can co-operate without real disadvantage in an action for price stabilization provided that most other important groups participate at the same time and in the same measure. Thus a concertation of change in attitudes is entirely within the reach of a government borne by a popular majority and supported by public opinion. Such a change in attitudes must be achieved in stages, whereby success in the first stage will create the expectation of price stability within all groups without fear of deflation. Simultaneous, uniform and gradual action are then sufficient conditions for stabilization without a recession or a pause in economic growth. $\underline{1}/$

Following the publication of the Council's 1965/66 review, there were clear indications that the employer and union organizations were in principle prepared to co-operate on the lines suggested by the Council. The Government, however, remained adamant in its refusal to participate in the suggested "concerted action". But when the main opposition party entered into the "Great Coalition" in December 1966, the debate was reopened. This led to the acceptance of the main lines of the Council's reasoning, and **Pa**rliament passed in June 1967 the Act for the Promotion of Economic Stability and Growth.

The principal provisions of this very lengthy and detailed piece of legislation may be summarized as follows:

 (i) The federal government and the states (Länder) must have regard in their policies to the requirements of an overall economic equilibrium. Economic and fiscal measures must be introduced in such a way that they contribute "within the framework of a market economy simultaneously to price stability, a high rate of employment, a satisfactory balance of payments, combined with an appropriate and sustained rate of growth". (Article 1)

- (ii) If one of these goals is in danger, the federal government will produce "orientation data" to guide simultaneous and internally consistent action ("concerted action") by the regional and local authorities, the trade unions and employer organizations. These data are to contain in particular "a presentation of the overall economic relationships with reference to the given situation". The Minister of Economic Affairs will "explain" these data upon the request of any of the parties concerned. (Article 3)
- (iii) In January of each year the federal government must present to Parliament an Annual Economic Survey outlining the economic and fiscal policy goals for the current year ("Annual Projections"). These Annual Projections will utilize the methods and concepts of national accounts. It will also present the response of the Government to the annual review of the Council of Experts. (Article 2)
 - (iv) The federal annual budget should be based on a five-year "fiscal plan". This fiscal plan is to forecast "the size and composition of foreseeable expenditures and of the revenues necessary to cover them in relation to the probable development of the economic potential". This plan may be presented in the form of alternative estimates. (Article 9)
 - (v) The municipalities and associations of municipalities must take into account the above-enumerated goals, and the states will have to take the appropriate measures to see that the fiscal policies of the local bodies correspond to the requirements of the Act. (Article 16) The federal government and the states must exchange all information required to harmonize their budgets. (Article 17)
 - (vi) There is to be a "Stabilization Council [Konjunkturrat] for the public sector at the federal level. This body is to be composed of the Ministers of Economic Affairs and Finance (the former acting as the chairman), one representative of each of the states and four

representatives of the municipalities and municipal associations. The latter are to be nominated by the main municipal organizations and appointed by the Federal Council."1/ The Stabilization Council is to meet at regular rules enunciated by the under intervals Minister of Economic Affairs. It is to discuss all matters which involve the three levels of government in the fulfilment of the purpose of the Act, and in particular to look after the credit needs of the public sector. The Central Bank, therefore, has the right to participate in the meetings. (Article 18)

The Act also creates an "anticyclical reserve fund" at the Central Bank, and changes the income and business tax laws so as to make the taxation and social security system more flexible for the purpose of stabilization policy.

With the exception of the obligation placed on the Minister of Economic Affairs to "explain" the orientation data to the interested parties, the Act makes no reference to any specific institutional arrangement for consultations between government and the interest organizations. It has become the rule, however, that the Minister calls a meeting every two to three months of the principal representatives of labour and management organizations, as well as representatives of the Department of Finance, the Central Bank and other experts, to discuss with them the economic situation. The purpose of these meetings is not to take any formal decisions, since the whole principle of "concertation" is based upon voluntary participation, but rather to give the Minister and the organizations the opportunity for an exchange of views. Following these meetings, which are confidential, the Ministry issues a press communiqué which may state that the meeting has reached "agreement in principle", but may also note dissenting opinions.

1/ The German Parliament consists of two chambers, the "Bundestag" (Federal Diet) and the "Bundesrat" (Federal Council). The Federal Council is composed of representatives of the state governments (three to five members according to population). As the German Constitution provides that federal law overrides state law, the Federal Council provides elements of state consent for federal legislation. The first goal projections to 1971 elaborated by the Ministry for Economic Affairs early in 1968, forecast the following goals:

- Employment -- the unemployment rate to be reduced to a 0.8 per cent average;
- <u>Prices</u> -- the Gross National Product deflator to be reduced to 1 per cent per annum;
- Balance of Payments -- an excess in the balance of payments of approximately 1 per cent of Gross National Product;
- Economic Growth -- 4 per cent per annum in constant prices. Given the lack of growth in the labour force, this rate to be obtained almost entirely by an increase in productivity.
- The 1968 orientation data further recommended:
 - -- wage and salary increases corresponding to the increase in nominal Gross National Product;
 - -- constraints upon consumer spending to be encouraged by special measures for personal savings;
 - -- maintenance of the existing social security system (containing escalator clauses);
 - -- increases in corporate retained earnings to help to ensure a large degree of self-financing of enterprises necessary for sustained growth.

* * * * *

In 1968, the German Minister for Economic Affairs, Professor Karl Schiller wrote in the preface to a French document dealing with the German economy:1/

Competition alone -- however well it may function -is insufficient to guarantee balanced economic development ... [A] synthesis of the neo-liberal concept of the market as the regulator of the microeconomics on the one hand, and of Keynesian policies

Quoted in Expériences de planification à l'étranger, op. cit.

for the orientation of the macro-economic aggregates on the other, this linked to a modern welfare policy, is the sole convincing response to the economic and social changes of our time."

Over the last fifteen years, the West German economy has become the strongest within the European Economic Community, and it could perhaps be said that the resistance to Professor Schiller's concept has been more that of theory than of practice. However, its belated official recognition has had the institutional consequences which were described in the foregoing pages. Thus it is only during the last three years or so that the Federal Republic has begun more and more to conform to the programming and consultation practices already developed during the preceding decade among the Common Market partners.

The Council of Experts on Economic Development in its 1969/70 annual review -- entitled "Im Sog des Booms" (In the Suction of the Boom) -- referred to initial difficulties in the change-over. Still, the Council was highly critical of the 1968-71 orientation data. Undoubtedly these data had been arrived at under the impact of the 1967 recession. The Council pointed out, nevertheless, that its own projections had forecast a growth rate of 6.4 per cent rather than the officially anticipated and accepted 4 per cent, while the actual rate turned out to be even higher, namely 7.6 per cent. This, according to the Council, has had "not unimportant" consequences for wage developments. The trade unions had in fact accepted the lowest projection as a guide for their wage policy and moreover bound themselves to longer-term collective agreements. This created an "unusually long wage lag" to which the Council did not hesitate to ascribe the widespread wildcat strikes in the autumn of 1969.

The Council drew from this two conclusions: first, that the "experience with the 1968 goal projections clearly demonstrates how such projections can be discredited if they are not aimed at the optimum"; and secondly, that "the greatest obstacle to multilateral harmonization of attitudes seems to lie in the fact that each group sees the overall problem only in its partial aspects, probably because their attitudes are more oriented towards the short term rather than the medium term.... To harmonize the decisions of individual

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groups with the overall economic potential and the goals, information on medium-term developments is needed which above all appears credible. The means for this are goal projections describing that aimed-at development which, with a rational policy mix, runs within the limits of the possible." (Jahresgutachten, 1969/70, par. 242)

Chapter 8 UNITED STATES

Conforming to the strict division of powers between the executive and the legislative which is the hallmark of the American system of government, there are two institutions that form focal points for the economic consultation process in the United States. These are the Council of Economic Advisers to the President and the Joint Economic Committee of Congress. Neither of these two bodies, however, can or was intended to claim a monopoly on economic consultation in their respective activities. Such a position would indeed be irreconcilable with the highly pluralistic character of American society. There are innumerable instances, institutions and organizations which, given the dichotomy of power concentration in the presidency on the one side and in Congress on the other, consistently and insistently seek the ears of the decision-makers in both branches of To this must be added the ever-growing government. professional economists in governmental numbers of machinery, not only at the departmental level but also at the sub-cabinet and, most recently, even the cabinet level. What makes the Council of Economic Advisers and the Joint Economic Committee of Congress exceptional and in certain respects unique within the U.S. setting is the fact that both bodies were specifically created by statute, having their origin in the same legislation -the "Act to Declare a National Policy on Employment, Production and Purchasing Power", or better known as as "The Employment Act of 1946".

THE EMPLOYMENT ACT OF 1946

The historical significance of the Employment Act of 1946 can scarcely be overestimated, even if seen apart from the creation of the President's Council and the Congress Joint Committee. In fact when, twenty years after the passing of the Act, the Joint Economic Committee celebrated its anniversary, it was still hailed as having opened "a new chapter in the nation's economic and political history". This was no festive hyperbole, considering that in the words of President Truman when

signing the Act, it was "a commitment by the Government to the people -- a commitment to take any and all of the measures necessary for a healthy economy...." This recognition of the role and responsibility of government in the economy -- now commonplace and taken for granted -was both the effect and still more the cause of what a former member of the Council of Economic Advisers has called an "intellectual revolution".1/

However, as another former member of the President's Council put it, "great changes in national policy are not made for minor reasons. There must first be a destruction of the faith in traditional principles and policies, and then the creation of at least hope, if not faith, in new principles and policies."2/

At the outbreak of the Second World War, the United States was still in the midst of depression and mass unemployment. True, the New Deal had since 1933 experimented with various plans for recovery, but without notable success. The government as well as the general public still remained wedded to the orthodox principles of "sound financing". Although the publication of Keynes' General Theory in 1936 had already had a profound effect on economic thinking, this was still restricted mainly to academic circles. It had yet to reach the actual decision-makers, recalling that "in the famous peroration of the General Theory, Keynes rightly stressed that the theorist wields influence only as his ideas are absorbed, vastly altered and simplified, into the standard intellectual equipment of men of affairs."3/

What produced this process was first of all the war itself and the role which government played during that national emergency, and secondly, the then widespread fear that the United States at the end of the war would return to a depression and to the mass unemployment which had followed the First World War.

- 2/ "An Economic Symposium", Joint Economic Committee of Congress, February 23, 1966, p. 6.
- James Tobin, op. cit., p. 2.

Cf. James Tobin, The Intellectual Revolution in U.S. Economic Policy Making, London: Longmans, for the University of Essex, 1966.

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These together destroyed in the United States the faith in the old principles and doctrines which had dominated the between-the-war period and made a return to the ineffective practices of the prewar years both intellectually intolerable and politically impossible. The "intellectual revolution" thus created was in large measure the triumph of Keynesian ideas in the United States and produced -- no doubt stimulated by professional economists 1/ -- "a much greater consensus than existed previously that a steadily growing, fully employed economy is both desirable and attainable; that governmental fiscal and monetary powers can contribute greatly to achieving full employment, steady growth and price stability; and that these powers should be dedicated to economic objectives rather than to other ends."2/

Although such a consensus may still have been on rather shaky grounds, it was sufficiently strong to lead to the passing of the Employment Act setting forth new objectives and concepts of public policy-making and administration: "In making explicit the federal government's responsibility for using its resources to help avoid recession and hence unemployment, the Employment Act acknowledged Keynesian compensatory fiscal and monetary principles and transformed the issue of conscious governmental intervention in the nation's economic welfare from 'whether' into 'how'."³/

This very real fear of the return to mass unemployment at the end of the war -- unjustified as it turned out to be, yet unjustified perhaps precisely because of the general preoccupation with the employment problem -- is clearly reflected not only in the title of the Act but above all in the wording of Section 2 entitled "Declaration of Policy":

2/ James Tobin, op. cit., p. 2.

For example, Leon H. Keyserling's -- later chairman of the Council of Economic Advisers -- prize-winning essay, A Plan for Postwar Employment, published in May 1946.

^{3/} Edward S. Flash, Jr., Economic Advice and Presidential Leadership, New York-London: Columbia University Press, 1965, p. 9.

The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practical means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and State and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including selfemployment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power.

It has been said that even in 1946 no academic economist would have formulated the ideas behind this preamble to the Employment Act in these terms. As the legislative history of the Act shows, it was the result of the meeting and the clash of many ideas, of strong fears and of strong convictions in the minds of the legislators. Undoubtedly its ambiguities, omissions, and contradictions reflected basic conflicts of social philosophies and interests. Indeed the chief historian of the Employment Act characterized it as a kaleidoscopic and largely irresponsible interplay of ideas, interests, institutions and individuals.¹ Yet, it is the very imprecision and ambiguity of the Declaration of Policy which, according to Professor Henry C. Wallich -- also a former member of the Council of Economic Advisers -- has made the Employment Act a highly flexible instrument and one of which the members of Congress and of successive administrations have taken advantage to adapt policies and programs to ever-changing conditions:

In 1946, fear of postwar depression was the dominant concern. This probably is the reason why price stability, which later became a serious problem, was not specifically mentioned among the objectives. As the avoidance of large-scale unemployment came to be taken for granted, national interest shifted to economic growth. This objective, too, was not mentioned in the act.

Cf. Stephen Kemp Bailey, Congress Makes a Law, New York-London: Columbia University Press, 1965.

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Nevertheless, it became customary to integrate the new concerns of price stability and growth into the Act by identifying "maximum production" with growth and "maximum purchasing power" with price stability.... When the economy developed a persistent large balance of payment deficit ... the policies appropriate for dealing with that problem, too, could be accommodated under "other essential considerations of national policy".1/

Thus, the specific content that experience has given to the aims of the Employment Act are the now classic four performance goals of full employment, sustained and stable growth, price stability and payments equilibrium; nor does imagination have to be stretched very far to relate the postwar development of American welfare policies, taxation reform and the "war on poverty" to the "fifth" goal of "equitable distribution of income" by the Act's reference to "promoting general welfare".

If the language of the "Declaration of Policy" left the definition of the goals imprecise, and experience had to teach something of their compatibility and of the need for shifting priorities, it is Section 3 of the Act which established (still in general terms but with more specific intent) what the present Chairman of the Council of Economic Advisers, Dr. Paul McCracken, has called "areas of responsibilities" as well as "areas of interest" for presidential action.

Entitled "Economic Report of the President", this section reads:

(a) The President shall transmit to the Congress not later than January 20 of each year an economic report ... setting forth (1) the levels of employment, production, and purchasing power obtaining in the United States and such levels needed to carry out the policy declared in section 2; (2) current and foreseeable trends in the levels of employment, production, and purchasing power; (3) a review of the economic program of the Federal Government and a review of economic conditions affecting employment in the United States or any considerable

^{1/ &}quot;An Economic Symposium", op. cit., pp. 12-13.

portion thereof during the preceding year and of their effect upon employment, production, and purchasing power; and (4) a program for carrying out the policy declared in section 2, together with such recommendations for legislation as he may deem necessary or desirable.

- (b) The President may transmit from time to time to the Congress reports supplementary to the Economic Report, each of which shall include such supplementary or revised recommendations as he may deem necessary or desirable to achieve the policy declared in section 2.
- (c) The Economic Report, and all supplementary reports transmitted under subsection (b) of this section shall, when transmitted to Congress, be referred to the joint committee created by section 5.

Those unfamiliar with the history of the Employment Act will undoubtedly be surprised to learn that the original draft of the Act (Bill S 380), when it came before the appropriate committees of the Senate and the House of Representatives, made no reference either to a President's Council of Economic Advisers or a Joint Economic Committee of Congress, although these two institutions came in the course of a quarter century to be regarded as the very purpose of the legislation.

The idea for these two bodies appears to have originated neither in the White House nor in Congress, but in the Committee for Economic Development (CED), a small but influential group of moderately conservative businessmen and industrialists.1/ Created in 1942 with the Government's blessing but entirely independent from Government, this group was as such not overly interested in the passage of Bill S 380, but from the very beginning had set out to formulate its own ideas "for an upto-date and economically sound program to maintain high employment in the postwar years through the proper use of fiscal and monetary policies...." In October 1945, while the Bill was still at the committee stage in both

For this and the role of the Committee on Economic Development (CED) in the history of the Employment Act, cf. Karl Schriftgiesser, "Keeping Watch on the Economy", in Saturday Review, January 8, 1966.

houses of Congress, the Research Committee of the CED published a paper entitled "Towards more Production, more Jobs and more Freedom". In this paper the CED suggested two things: first a "President's Commission on Full Employment", to be headed by a representative of the President. It was to be a small working body composed of "the ablest men to be found", chosen as representatives of the general public interest, while particular economic groups or viewpoints could be represented through advisory groups. This Commission was to be serviced by a staff of competent authorities in various fields. It would make policy recommendations to the President periodically and lay the groundwork for the development of a continuing and co-ordinated program of government action.

The second suggestion was for the creation of a Joint Congressional Committee on Full Employment, to be composed of "the ranking members of Senate and House committees which now deal with major problems affecting the economy". It would receive reports from the President with regard to such matters and should work towards "the development of a co-ordinated congressional policy". It, too, should have a competent staff.

This CED suggestion came to the attention of the Congressman who had been entrusted with the redrafting of Bill S 380 for the House of Representatives. Concerned lest a commitment on the part of the federal government to "full employment" was too ambitious and too dangerous in raising expectations which could not be fulfilled, the "full employment" reference of the CED proposal was dropped. Yet the fear of recurring depressions was sufficiently strong to strive for legislation which would provide "an economic planning mechanism in the executive and legislative branches of government". Thus this became the purpose of Sections 4 and 5 of the Act, creating the President's Council of Economic Advisers and the Joint Economic Committee of Congress.

However, while the Act retained the two basic ideas of the CED suggestion, namely a consultative body related to the Presidency and a Joint Committee of Congress specifically concerned with economic affairs, the Act itself, as well as subsequent developments, markedly changed their purpose and institutional characteristics from those foreseen by the CED. The Council, rather than becoming what could have been an independent

body "of able men" supported by an "authoritative" expert staff, became an expert body in itself; and, originally proposed as a body to make recommendations to the President, it became instead part of the presidential establishment. At the same time -- as will be seen later -- all attempts to institutionalize advisory bodies for the representation of "particular economic groups and viewpoints" were either stillborn or shortlived. The Joint Economic Committee of Congress, too, did not develop into a co-ordinating body of "ranking members" of Congress responsible for economic policy legislation, but rather a body for discussion, information and research without any particular powers of its own.

THE COUNCIL OF ECONOMIC ADVISERS TO THE PRESIDENT

Section 4(a) of the Employment Act established unequivocally the expert character of the Council which "shall be composed of three members ... each of whom shall be a person who, as a result of his training, experience, and attainments is exceptionally qualified to analyze and interpret economic developments, to appraise programs and activities of the Government ... and to formulate and recommend national economic policy...."

This wording does not imply that membership in the Council was intended to be the exclusive prerogative of the academic economist. This, given the high degree of mobility of professional manpower between universities and the public and private sectors in the United States, would hardly be realistic. Nevertheless, as Dr. Okun, Chairman of the Council during the Johnson Administration, has pointed out, presidents have preferred to select members of the Council who are not affiliated with particular interest groups:

CEA members have generally moved into public office from a university or nonprofit research institution. To be sure, most of our leading academic economists have taken fees from private groups for consulting or speech making. Moreover, an academic or public service background is no guarantee of objectivity and impartiality, nor does private activity foreclose them. The nation has been served with distinction by economists in public service who

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previously practiced their profession on behalf of banks, business firms, trade associations, and labor unions. But it is added insurance when the economists sitting closest to the President have a background of concern for the public interest. $\underline{l}/$

In other words, while the academic element has invariably dominated the Council of Economic Advisers and most Council chairmen and members appear to have returned to academic posts and research institutions following their service with the Council, this has not excluded a high degree of practical experience either in the public service or the private sector or both.

The Act makes it abundantly clear that the consultative function of the Council is exclusively related to the Presidency and its decision-making powers, thus establishing what Professor Flash, one of the his-torians of the Council, has called a "knowledge-power relationship". Section 4(c) of the Act does define as a priority function of the Council "to assist and advise the President in the preparation of the Economic Report" and this has, in fact, become the most visible function of the Council. However, the Act also makes it encumbent on the Council to follow the President into the politically highly sensitive area of the intrapresidential governmental relationships underlying decision-making, by entrusting it with the appraisal of "the various programs and activities of the Federal Government ... for the purpose of determining the extent to which such programs and activities are contributing, and the extent to which they are not contributing, to the achievements of such policy [as outlined in the 'Declaration of Policy'] and to make recommendations to the President with respect thereto". This has become, in fact, a very major, though little-publicized, function of the Council.

Thus the legislation has assigned to the Council what quite properly has been called a "watchdog" function, not only over the developments and movements in the economy as a whole, but also over the programs and activities of government itself. Dr. Okun explains the need for such a function as follows:

Arthur M. Okun, The Political Economy of Prosperity, New York: W. W. Norton & Co., 1969, pp. 25-26.

Efforts to flesh out the framework of the President's leadership are of particular importance within the Executive Office of the President. Many of the top officials of other agencies in the executive branch are assigned the role of advocates within the administration. ... In point of fact, the members of the Cabinet serve the President by making the strongest possible case for their efforts and their programs. They also serve him by developing a special liaison with private interest groups. This pluralistic system within the administration functions very well. But it does confront the President with some hard choices, which he cannot hope to make all on his own. He needs some staff and some advisers who are not assigned a role of advocacy. Here he is bound to look to the executive office agencies, including the White House staff, the Bureau of the Budget, and the Council of Economic Advisers, to exercise a check on the pluralistic structure of the administration.1/

What the Act anticipated was the possibility of a close personal and confidential relationship between the Council Chairman and the President.2/

The Appointment Procedure

The members of the Council are appointed by the President "with the advice and consent of the Senate". This advice and consent procedure corresponds to the usual requirement for presidential appointments to the public service above a certain level (heads of departments, ambassadors, judges of the Supreme Court, etc.).

Arthur M. Okun, op. cit., p. 25.

Obviously this relationship is not exclusive even in matters of economic policy, but shared by the Chairman of the Council of Economic Advisers, the Secretary of the Treasury, the Director of the Office of Management and Budget, and within limits the Chairman of the Federal Reserve Board.

Given the American electoral system, it is theoretically possible that a majority in the Senate, in opposition to the presidency, could refuse confirmation. Although this happens from time to time in other circumstances, it has never happened in the case of the Council. In the rare case where the Senate openly expressed its displeasure with the Council by cutting its appropriation, it led incidentally to an organizational reform of the Council which perhaps even unintentionally strengthened the personal character of the relationship between the President and the Council and particularly its Chairman.

Given this relationship and the nature of American government, appointments to the Council are essentially partisan and cannot be otherwise. Despite this, appointments to the Council have seldom been openly controversial. There appear to be two reasons: one, that the Senate clearly recognized the need for such a relationship; and second, that there exists, quite apart from the high calibre and professional standing of the nominees, a certain but not easily definable consensus among American professional economists. However, such a "consensus", based on early training and habits of thought, does not -- as Dr. Okun points out -- prevent areas of disagreement within the profession which remain important and are generally linked to differences in social philosophy as well as to differences in technical judgments about the workings of the economy. Presidents have, therefore, had no trouble in finding professional economists who share their particular social and political philosophy and yet enjoy wide respect among their professional colleagues just as in Congress and the public at large.

The partisan character of the Council, as well as the personalized relationship between the Chairman and the President, also expresses itself in a phenomenon which distinguishes this Council from almost all the other consultative bodies in this study, regardless of whether they contain elements of interest representation or are of purely expert composition -- namely the high rate of turnover in membership and chairmanship. The five Presidents who have occupied the White House since the inception of the Council have had eight chairmen and about 20 members for this three-man Council.

Dr. Okun has underlined the striking difference between the U.S. Council of Economic Advisers and the Councils in other countries:

Some nations have formed duly constituted nonpartisan or bipartisan groups which can command respect as a kind of Supreme Court of economic advice. Examples are the Economic Council of Canada and the German Council of Experts. But for reasons which I believe compelling, the U.S. Council of Economic Advisers functions in a much more controversial and partisan atmosphere, and makes no claim or attempt to act as a Supreme Court of economic views.

The Chairman of the President's Council

As already indicated, the only major change in the Employment Act over a quarter of a century concerned the position of the chairman. Originally the Act stipulated that the President would designate one of the members of the Council as chairman and another as vicechairman to act in his absence. This was changed in 1953 under President Eisenhower in that "so much of the function vested in the Council ... as consists of reporting to the President" fell now solely to the chairman. The designation of a vice-chairman was abolished. While the Council collectively remained responsible for the Economic Report, the chairman, from being the first among equals, became the personal depository of the particular trust implied in the relationship between the advisory council and the presidency.

Consequently, the way in which the Council operates and in which its views and ideas become public knowledge depends entirely on the two personalities most directly involved, the President and the Council Chairman. It reflects the personality and idiosyncracies of the President, the way in which he organizes his work and his staff, the weight he gives to advice received from other sources within and outside the public service, and the way in which he responds to the political pressures exerted upon him. It will also reflect the concept the Chairman has of his role as "the eyes and the ears" of the President in matters of economic policy and will depend upon the extent to which he wins the President's confidence:

1/ Arthur M. Okun, op. cit., p. 18.

But this confidence must flow two ways. No adviser can expect to have his advice taken all or even most of the time. If he feels in disharmony with the general position and posture of the administration, he ought to leave his job. But if he considers his job worthwhile and is to do it effectively, he must accept certain standards of loyalty. He must agree to confine battling to internal councils and cannot publicly oppose administration decisions once they are made. At most he can hope that, with the President's blessing, he may occasionally launch trial balloons and thus move in the vanguard of administration policy. 1/

Given these constraints on the members of the Council and above all its Chairman, they are clearly recognized as the President's spokesmen. This may constitute for them a certain dilemma between their professionalism and their political and inherently partisan role. One or two of the Council chairmen have responded to this dilemma by speaking as little as possible for the public record. Most other Council chairmen have not hesitated to advocate and explain publicly administration policies and proposals, and have been quite prepared to launch trial balloons from time to time to test public reaction for the President, whether as speakers in public or as witnesses before Congress:

When the President's case was their case and when the issues could be illuminated by economic education of the citizenry, they have spoken out -- as partisans, but as partisans with expertise and professional integrity.

In such cases, both the speaker and the listeners know that the discussion is pursued within, and not above, the political fray. ... Neither presidents nor their advisers can hope ever to convince their audiences that their pronouncements on partisan issues are professional and nonpolitical.2/

1/ Arthur M. Okun, op. cit., pp. 26 ff.

2/ Ibid., pp. 27-28.

Financing and Staffing

The Council's operations are financed by a special item in the appropriation for the President's executive offices.

According to the legislation, the Council is authorized to employ and fix compensation of such professional staff as may be necessary without regard to civil service laws and not subject to civil service classification. As a matter of policy, however, top salaries of the Council's professional staff remain within the limits of those fixed for the civil service. The Council may also draw on persons from the civil service itself who may remain subject to the civil service provisions and classifications.

The average number of staff members employed by the Council runs between 45 and 50. This is broken down at present into 17 senior professional staff (including its Director of Research and Chief Statistician) mostly recruited from the universities; a staff of nine junior professional economists and research assistants and an auxiliary staff of 15. In addition, certain special work may be contracted out. However, for the President's Economic Report little use is made of outside assistance. The size of the staff has remained virtually unchanged since its inception.

In matters of sources of information, the powers of the Council are very wide. In the language of the legislation it "shall to the fullest extent possible, utilize the services, facilities, and information (including statistical information) of other Government agencies as well as of private research agencies" and "may consult with such representatives of industry, agriculture, labor, consumers, State and local governments, and other groups as it deems advisable".

The Council has not encountered any significant difficulty in gathering information, and opportunities to appear before the Council for consultation are widely sought after.

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The President's Economic Report

Seen purely from the point of view of the Employment Act, it may seem that the preparation of the statutory Economic Report of the President is the chief and nearly exclusive preoccupation of the Council.

It has, however, become traditional that this report is structured in two parts, published in the same volume under the general title of *Economic Report of the President*. The first part of the report is the President's Report proper which constitutes, together with his Budget message, what sometimes has been referred to as the President's economic "State of the Union Message". The second part is the Council's Report which, prefaced by a short "letter of transmittal", is addressed *to* the President.

In earlier years, it was the total report which was presented to Congress as the "President's Report" with only a brief and formal introduction. More recently, however, the part which contains the President's Report proper has tended to be a much longer and more detailed document, although the bulk of the reasoning behind it is usually contained in the supporting Council Report. Presidents have tended to use their reports in different ways, from a simple summary of the highlights of the Council's technical report and recommendations to a far more exhortative message which may contain elements not directly related to the Council's Report. On the other hand, the Council's Report has tended to develop from a shorter-range analysis of the economic situation to encompass more and more medium-term and longer-range economic and social issues as well as to introduce new ideas and concepts.

The procedures in preparing the report have necessarily been varied, reflecting differences in the organization of the Executive Office of various presidents and in the methods and approaches within the Council under various chairmen. Basically, they appear to involve two distinct steps. The preparation of a draft report in the Council which is circulated for comment to appropriate departments and agencies. After revisions under this procedure, the report is cleared with the White House to make it consistent with the President's other "messages", especially the Budget Address and the State of the Union Message. Usually, the draft of the

President's Report undergoes such changes as needed to conform to his program and his style of public presentation. At least in the absence of major inconsistencies or policy disagreements, the clearance of the Council's Report may entail only editorial changes, if any. Obviously, any major disagreements between the White House and the Council would constitute major disagreements on policy which, if not resolved between the President and the Council Chairman, would indicate a loss of confidence that would make the Council's position untenable.

However, the annual Economic Report must be seen in the context of the continuing relationship between the Council and the Presidency and against the background of the Council's activities within the presidential family of which it is an integral part. Thus, to quote Dr. Okun once more, the annual report is merely "the tip of the iceberg" of the Council's work, relationships and advisory function.

THE JOINT ECONOMIC COMMITTEE OF CONGRESS

Contrary to what appears to have been the case during the early years of the Employment Act, the Joint Economic Committee of Congress has, during the 1960's, been largely overshadowed by its "twin" creation, the Council of Economic Advisers -- despite the eminence of the Committee's leading members and the sweep, quality and sheer quantity of its publications. $\frac{1}{2}$ In this context, the Joint Economic Committee must be seen as only a small part of a vast overall congressional committee network which comprises about 50 Senate, House and Joint Committees, with a total supporting staff of more than 1,000 persons, largely consisting of "professionals" including a steadily increasing number of economists.

Given the fact that many of the most powerful committees are directly or indirectly concerned with economic policy, it is not surprising that the original suggestion for a Joint Economic Committee of Congress should have been to consist of "ranking" members of such committees so that their often widely divergent policies and programs could be co-ordinated.

Over ten congressional sessions, more than 400 titles of studies, document collections, reports, etc., have been published under the imprint of the Joint Economic Committee of Congress. 208

This idea did find an echo in the provision of the Employment Act that one of the functions of the Joint Committee would be to "study means of coordinating programs", but it was a weak one. Obviously, a powerful co-ordinating function would have made the Joint Economic Committee some kind of "supra-committee" of Congress and thus run against the whole power structure of Congress. Actually the Committee's first name was "Joint Committee on the President's Report" which may indicate the restricted role originally assigned to it. However, in 1949, Congress authorized the Committee to issue a monthly publication entitled Economic Indicators and the broadening of the function of the Committee, even if only as a mentor, guide and adviser, was also recognized in 1956 by an amendment to the Act which changed the name to Joint Economic Committee. This did not, however, alter the specific functions which the Act gave the Committee, namely:

- (a) "to make a continuing study of matters relating to the Economic Report" (which is in itself a sufficiently broad term of reference for the Committee to take up any and all issues it deems fit and led to the criticism of wanting to do too much); and
- (b) "to file a report with the Senate and the House of Representatives containing its findings and recommendations with respect to each of the main recommendations made by the President in the Economic Report."

In short, the Joint Economic Committee, whatever its other activities, is by statute the commentator on, and critic of, the President's economic policies.

Composition

The 1946 legislation prescribed that the Committee should consist of seven members from each of the two legislative branches. Party representation was to reflect "as nearly as feasible" the majority and minority positions in Congress. While gradually increasing the membership from seven to ten for each of the two legislative branches, this flexible system of party representation was replaced in 1959 by a fixed ratio of representation so that at present there are six majority and four minority members for each of the two branches of Congress.

Appointments are made by the Vice-President as President of the Senate and the Speaker of the House, in practice on the recommendation of the majority and minority leaders.

The increases in the number of members has been attributed to the competition among senators and congressmen to obtain membership in the Joint Economic Committee. This is the more remarkable in that the Joint Economic Committee has no legislative function and powers of action, and -- in the words of the Act -- does no more than serve "as a guide to the several committees of the Congress dealing with legislation relating to the Economic Report".

According to one observer, the fact that the Joint Economic Committee did not receive responsibility for specific legislation was a matter of deliberate and careful consideration:

This reflected the view that the Committee's scope would be restricted if a legislative function existed, since many areas would overlap or duplicate the function of other committees. As it stands, the Joint Economic Committee is not limited to any economic area whether or not involved in legislation. The particular forte of the Committee has, indeed, been this opportunity and obligation to view the economy as a whole rather than particular proposals in isolation. $\frac{1}{2}$

This, combined with the fact that membership in the Joint Economic Committee is not subject to the quota arrangements for congressional committees and, therefore, does not infringe on the privilege and benefits conferred by membership in other much-soughtafter committees, attracts a certain type of congress member who values prestige over power, or regards membership in the Committee as a stepping stone towards power because of the special knowledge there acquired, or because this is a committee where almost any idea can be tested and researched.

Jean Massel, "Operations of the Joint Economic Committee", in Business and Government Review, University of Missouri, May-June 1964.

Financing and Staffing

The Committee is financed by what in congressional parlance is called a "direct appropriation", i.e. a separate item in the appropriations for Congress. The Committee establishes its own budget which then is vetted by the appropriate committees of Congress.

The Committee is authorized "to hold such hearings as it deems desirable and within the limits of its appropriation", and is empowered "to appoint and fix the compensation of such experts, consultants, technicians, and clerical and stenographic assistants as it deems necessary and advisable".

At present the Committee is served by two ranking staff members, an Executive Director and a Director of Research, and six economists, divided between four who serve as the "majority staff" and two as the "minority staff". This system corresponds to the Legislative Reorganization Act of 1946, which on the one hand instructed the committees -- in practice this means the chairmen -- "to make appointments on the basis of ability and without regard to political affiliation", but on the other, established the principle to provide the minorities in the committees with professional support of their own. This had led inevitably to a partisan split in the committee staff usually based upon an informal agreement between the chairman and the ranking minority member.¹/

The Joint Economic Council and the Economic Report of the President

As mentioned earlier, the Joint Economic Committee is the statutory commentator on and critic of the President's Report and thus also of the Report of the Council of Economic Advisers. In other words, it is intended to be a bipartisan judge of a partisan policy statement. The Council is regularly called upon to explain, defend and justify its report and policy recommendations before the Committee, quite apart from all the other hearings involving institutions, organized interest groups and individual experts.

L Cf. James D. Cochrane, "Partisan Staffing of Congressional Committees", Western Political Quarterly, State University of Iowa, June 1964.

It has been observed as one of the characteristics of the congressional committee system that it tends to develop a bipartisan approach to policy issues much more readily than debates on the floor of the House and Senate would indicate. $\underline{l}/$

This may be due partly to the intimacy and camaraderie which long-term membership in the committees develop, but also to the American party system as such which -- possibly because of the electoral system -- discourages the rise of ideological or specific interestbound third and fourth parties at the national level. Therefore, the traditional two parties are much more like loose coalitions of regional and often conflicting socio-economic interests than is often the case of parties in parliamentary democracies. Thus the "liberal" and "conservative" wings of each of the two parties in Congress are frequently much closer to each other than the official party labels would imply. In the case of the Joint Economic Committee a further factor enters, namely that over the years the members have acquired a relatively high degree of "professionalism" in the field of economics. This appears to have permitted the Committee on many occasions to accept and advocate controversial economic concepts, often far in advance of the Congress itself or of the Administrations. Almost all close observers have credited the Committee with considerable success in raising substantially the level of economic information and knowledge within Congress.

Nevertheless the attention paid to it, both in Congress and by the press and other mass media, has fluctuated. There is an inclination among observers of congressional behaviour to ascribe this primarily to changes in the dominating personalities in the Committee over the quarter of a century of its existence. It is also possible to discern a certain recurring pattern -namely, that the Committee moves more into the limelight in periods when the congressional majority is in opposition to the Administration (while at the same time the minority increases in status in such periods because of its association with the Administration) than in periods when the majority coincides with the party in power.

1/ Cf. Dale Vinyard, "Congressional Committees: A Synthesis of Recent Research", Papers of the Michigan Academy of Science, Arts and Letters, vol. 50, Wayne State University, 1965.

Under the latter conditions, the Committee appears to be more restrained in its criticisms, while the influence of the minority on policy developments is greatly diminished at the same time.

EXPERIMENTS IN INTEREST GROUP REPRESENTATION

The statutory consultation system of the United States excludes, as the foregoing illustrates, direct interest group representation. The Employment Act nevertheless places upon the federal government the obligation to realize the goals enumerated in the "Declaration of Policy" with "the assistance and co-operation of industry, agriculture, labor, and State and local governments". This seems never to have been interpreted, however, as a legal commitment on the part of the government to call into being a permanent and statutory consultation body to include all or some of these private interest elements. Rather, the very intensive consultation that takes place is left to the President's executive offices, including the Council of Economic Advisers, and in particular the individual departments, as well as the "hearing" system of the congressional committees. What is missing is the consensus approach implied in joint and simultaneous consultation with conflicting interest groups of a statutory body.

Attempts to develop such a consultation system have not been lacking in the United States. 1/ There have, in fact, been eight such attempts, stretching over a period of almost half a century, from the first in 1919 to the latest in 1970. Typically, and corresponding generally also to the experience in some European countries, the earlier attempts were primarily aimed at industrial relations. Typically also, they were most successful, even if only temporarily, in periods of national emergencies -- that is during the two world wars. Even if President Wilson's "War Labor Conference Board" of 1918 and President Franklin D. Roosevelt's

For antecedents and early history, D. Burke, "A Brief History of Labor-Management Conferences (unpublished). For the period 1962 to 1965, cf. Jack Stieber, "The President's Committee on Labor-Management Policy" in Industrial Relations, University of California, February 1966.

"Labor-Industry Conference" of 1941, did not lead to the establishment of permanent institutions, they nevertheless developed basic principles for labour-management relations that later became the basis for legislation. In contrast, President Truman's "National Labor Conference" of 1945 and President Eisenhower's attempt at a "tripartite advisory committee consisting of representatives of employers, labor and the public" remained largely unfruitful.

The next experiment came in the last months of President Eisenhower's administration. While equally unsuccessful, it is nevertheless of interest in a number of ways. First, the initiative came from the labour side. Second, an attempt was made to engage management not as individuals but as an organized group. The envisaged body was to consist of three representatives each from the national trade union centre (AFL-CIO) and from the National Association of Manufacturers (NAM). Third, this committee was to prepare a series of labourmanagement conferences to consider not only labourmanagement problems alone, but also "price stability, economic growth and productivity".

The next attempt was one undertaken by President Kennedy, spurred by economic recession and grave industrial unrest. This was the President's Advisory Committee on Labor-Management Policy, established early in 1961 and continuing through about three or four years. Although it combined a number of ideas which already had been developed under earlier presidents, it was unique in a number of ways. It was conceived as a permanent institution; its membership was to be tripartite (to reflect labour, management and public interests); and it was rooted in an Executive Order of the President.

As constituted, the Advisory Committee had 21 members, seven each to represent industry, labour, and the public interest. They were, however, appointed by the President as individuals rather than as representatives of organizations, and were to serve at his pleasure. Two of the "public" members were the Secretary of Labor and the Secretary of Commerce, each to serve for oneyear periods as chairmen. The under-secretaries of the two departments were to alternate as executive directors during the terms of their department heads. The two departments were also to supply, alternatively, the secretarial services, although there was also to be a nucleus of permanent professional staff.

In a statement on February 16, 1961, when the Executive Order was issued calling this Advisory Committee into being, President Kennedy proclaimed that its terms of reference were to "study, advise me, and make recommendations with respect to policies which will promote free and responsible collective bargaining, industrial peace, sound wage and price policies, higher standards of living and increased productivity". The immediate issues to be debated were "policies designed to ensure that American products are competitive in world markets" and "the benefits and problems created by automation and the technological change".

Although the Committee was ostensibly called the President's Committee on Labor-Management Policy, the terms of reference clearly indicated that it was to be advisory in a much broader sense, and that the issues with which it was to be concerned corresponded closely to the implicit goals of the Employment Act. The subsequent history of the Committee in fact indicated that it was asked to deal with matters extending far beyond industrial relations proper -- in fact, with a wide range of economic policy issues, including fiscal and monetary policies. It is significant that President Kennedy appointed among the "public" members, the large majority of whom were industrial relations experts and mediators, a former Chairman of the Council of Economic Advisers (perhaps especially significant because he had served under the previous Republican administration). The Committee did also develop a particularly close relationship with the Council of Economic Advisers, whose chairman and members met frequently with the Committee to give it a preview of forthcoming annual reports. Moreover, a senior staff member of the Council regularly attended Committee meetings.

The importance attached to the Committee by the Kennedy administration was indicated by the appearance of the President personally and of top level officials at the meetings. Yet it appears that even before President Kennedy's assassination, interest in the Committee had begun to decline. It quietly ceased its activities during the Johnson administration.1/

^{1/} Curiously enough the Committee still retained an office in the Department of Labor, but whether this was due to forgetfulness or should be interpreted as a glimmering hope of resurrection could not be ascertained.

The reasons for the decline and final disappearance of this body which had been desbribed by two former Secretaries of Labor as one of the Kennedy administration's "proudest achievements" and as "one of two or three most significant developments", have not been documented. Individual opinions of those associated with the Committee vary a good deal in emphasis and are to a certain extent contradictory.

One explanation proferred to the author was that the Committee could not survive the difference of personalities, working methods and approaches between the two Presidents under which the Committee functioned. Another explanation referred to the problem of representativeness. This is, to some degree, a universal problem of bodies with private interest representation, even where labour and management are highly organized. It is accentuated in the United States by the absence of any organization or group of individuals which -- in some contrast to labour -- can speak with authority for a broad range of U.S. industry.

Yet another reason cited is a tendency, perhaps more pronounced in the United States than elsewhere, to suspect that membership in such a government-appointed body may give rise, on the side of business, to "collusion" with labour or among industries; and, on the labour side, to "hobnobbing" with the captains of industry. (Incidentally, business representation was drawn only from manufacturing and transportation; there was no representation of interests of other services, or primary industries, including agriculture.)

Perhaps the most cogent reason suggested for the decline of the Committee was its failure to develop initiatives of its own. This may have been due partly to the fact that it had difficulties in reaching a consensus except on very general issues, partly because of the limited representativeness in its make-up, partly because of the lack of an independent statutory basis. Also, given the preoccupation of the Administration with the solution of immediate crises and problems, it became more of a sounding board for the Administration than a body capable of advising and making "recommendations with respect to policies" as anticipated in its terms of reference. The latest attempt to create such a consultative body with interest representation occurred in June 1970, when President Nixon, within the context of an "Address to the Nation", announced "actions that will help to move ... more quickly towards our goals of full employment, economic growth and reasonable price stability", and served notice of the appointment of a National Commission on Productivity:

In order to achieve price stability, growth and rising standards of living, we must find ways of restoring growth of productivity.

This Commission's task will be to point the way towards this growth in 1970 and in the years ahead. I shall direct the Commission to give first priority to the problems we face now; we must achieve a balance between costs and productivity that will lead to more stable prices.

To give its efforts the proper base of understanding, the Commission will ... bring together leaders of business, labor, government, and the general public to meet in a special President's Conference on Productivity.

The composition of this Commission, announced one month later, shows a certain resemblance to that of its immediate predecessor, President Kennedy's Advisory Committee on Labor-Management Policy. The membership consists of: four representing government, six representatives each of industry and organized labour, and six "public interest" representatives, mainly university presidents and deans. Once again the terms of reference relate to a specific issue, in this case "productivity growth", but this in itself is an area so complex and so closely interrelated to economic and social policies that the Commission -- just as President Kennedy's Commission -- may well be called upon to deal with much broader issues than is apparent at first glance.1/ This may well be indicated also by the extension of the government membership to include -- besides the Secretaries of Commerce and Labor -- the Secretary of the

^{1/} At the time of concluding this study no announcement had yet been made as to the modus operandi of the Commission. This will undoubtedly depend on the President's Conference on Productivity and the agreements which can be reached there.

Treasury, the Chairman of the Council of Economic Advisers, and the Director of the Office of Management and Budget -- in other words, the closest advisers of the President in matters of economic policy.

* * * * *

The partisans of the Employment Act -- dissenters would indeed be hard to find -- are prone to quote from the memoirs of President Truman:

Occasionally, as we pore through the pages of history, we are struck by the fact that some incident, little noted at the time, profoundly affects the whole subsequent course of events. I venture the prediction that history, some day, will so record the enactment of the Employment Act of 1946.

Few also would quarrel with the statement made by the Chairman of the "Economic Symposium" called to celebrate the twentieth anniversary of the Act, Dr. Grover W. Ensley, Vice-President of the National Association of Mutual Savings Banks:

One of the greatest achievements of the Employment Act ... has been the improvement in economic knowledge and the use of that knowledge by public and private policy makers.... The Joint Economic Committee and the Council of Economic Advisers have tried hard to assimilate economic knowledge and use it in generating consensus in the interest of designing and administering economic programs to achieve the objectives of the Employment Act. $\underline{l}/$

Nevertheless, there have been from time to time voices which sought to update the Act to bring it more into line with the experiences gained and the needs encountered. Some of these have aimed at revising and modernizing the language of the Act and, in particular, the "Declaration of Policy". However, questions have also been raised as to whether the institutional system of economic consultation established by the Act could be improved upon, in regard to the role of both the professional economist and private interest groups.

1/ "An Economic Symposium", op. cit., p. 4.

Dr. Okun, Chairman of the Council of Economic Advisers under President Johnson, is primarily concerned with the role of the professional economist. He underlines the fact that the Council cannot speak with two voices. The President's economists cannot speak both for the President and for the profession. They cannot speak for the profession publicly and still maintain confidence and rapport internally with the President. Yet, for them the choice is clear: "It is far more important for society and for the profession to maintain rapport with the President and thus can have greatest influence on the inside." Still, this is, according to Dr. Okun, not the most satisfactory solution of the consultation problem:

One wishes for a more effective way of influencing public and congressional opinion in the areas of professional consensus. There is a role to be played by a Supreme Court of the profession....

This is not necessarily an either-or choice. One can conceive of another and separate institution outside the administration consisting of economic experts ready to speak up on policy matters involving technical results or widespread professional agreement. $\underline{1}/$

Such a body would have to be bipartisan. It could neither be self-appointed nor named by the President, but could be selected by the majority and minority leadership of Congress. Dr. Okun does not deny that there are some risks which attend the initiation of such an institution into the policy process, but expresses confidence that it would not interfere with the functions of existing institutions, and indeed might help to clarify the fact that the Council of Economic Advisers simply cannot, and never should be expected to, fulfil the nonpolitical, purely professional function:

In the last analysis, such a group would be beneficial only if it influenced our legislators, directly or indirectly. If they would take such a group seriously and find its judgments helpful,its creation could be a way of resolving a dilemma of the political and nonpolitical role of the economist in public policy.2/

Arthur M. Okun, op. cit., p. 28.

2/ Ibid., p. 29.

Dr. Leon Keyserling, also a former Chairman of the Council of Economic Advisers, takes a rather different line. He proposes an independent advisory council to serve in a consultation relationship with the President and the Council of Economic Advisers in the development of the Economic Report, and to maintain a two-way contact between the President and his Council, and the decision-makers in the private sector and at the state and local government levels. The Council of Economic Advisers would serve as the research arm of this advisory body and provide it with the necessary secretarial facilities.

What appears striking in this proposal is the fact that it would, if realized, bring the U.S. economic consultation system closely in line with the systems of "pairing" consultative bodies with interest representation and governmental "planning" or "programming" agencies that already prevail in the majority of Western European countries.

The repeated attempts to create consultative bodies with interest representation obviously implies a recognition of a vital institutional need. Whether the repeated failure to create such bodies is related to the problem of representation, or to the particular characteristic of American industrial relations, or to the partisanship of interest groups in relation to changing administrations; or whether the problem arises from the nature of American government itself -- that is, whether in the power relationship between the executive and the legislative with its jealous guarding of rights on the one side and the need for mutual accommodation on the other, an independent body extraneous to both can exist -- remains a fundamental question for the economic consultation system of the United States.

Appendix SOURCES

INTERVIEWS

France

J. MAMERT	- Secrétaire général, Conseil économique et social
R. LEPIN	- Chef du Cabinet, Conseil économique et social
YVES BERNARD	- Inspecteur des finances, Commission des comptes des nations
PIERRE BERGER	- Conseiller spécial, Banque de France, Conseil national du crédit
JJ. BONNAUD	

Netherlands

J.	TINBERGEN	-	Rotterdam	School	of	Economi	CS
Ρ.	G. RIDDER	-	Secretary,	Social	and	Economic	Council
Ρ.	S. PELS	-	Secretary,	Founda	tior	n of La	bour
J.	KOOPMAN	-	Secretary,	Central	. P1	anning	Bureau
н.	EMANUEL	-	Chief, Sect	cion fo	r c	General P	lanning

Belgium

LOUIS MAJOR	- Ministre du Travail
CHARLES ROGER	- Secrétaire, Conseil central de l'économie
G. DE BROECK	- Secrétaire, Conseil national du travail
E. DEFOSSEZ	- Président, Commission pour la régu- lation des prix
R. MALDAGUE	- Secrétaire général, Bureau de program- mation économique et membre du Comité national de l'expansion économique

Britain

J. L. EDWARDS	- Secretary, National Economic Develop- ment Council and Office
J. M. BEALES	- Assistant Industrial Director, National Economic Development Council and Office
KEN DALLAS	- Economist, National Economic Develop- ment Council and Office
R. TURVEY	- Deputy Chairman, National Board for Prices and Incomes
MARK GRAPPER	- Chief Information Officer, National Board for Prices and Incomes
J. NASH	- Senior Information Officer, National Board for Prices and Incomes

Sweden

ERIK HÖÖK	-	Chief, Planning Section, Department
ERIK PETTERSON	_	of Finance Planning Section, Department of
BITIN I BI I BIOOM		Industry
SECRETARY	-	Regional Planning Section, Department
		of the Interior
GUNNAR ELIASSON	-	Institute for Industrial Research
G. DAHLSTROEM	-	Head, Economic Research Section,
		Swedish Federation of Trade Unions
GUNNAR MYRDAL	-	University of Stockholm

Germany

W. BAUER	-	Chairman, Economic			Experts	on					
MANFRED FELDSIEGER											
	-	Economist,	Council	of	Experts	on					
		Economic	Developm	ent							
HORST TOMANN	-	Economist,			Experts	on					
		Economic									
F. NEUMARK	-	Frankfurt				,					
		Scientif:									
		Departmen	nt of Eco	nomi	c Affairs						
HANS WILLGERODT	-	Institute	for Eco	nomio	c Policy	,					
		Universit	ty of C	olog	ne						

ARTHUR M. OKUN	- Brookings Institution, former Chairman, Council of Economic Advisers to the President
LEON KEYSERLING	- former Chairman, Council of Economic Advisers to the President
H. C. WALLICH	- Professor of Economics, Yale Uni- versity, former member of Council of Economic Advisers
B. COX	- Secretary, Council of Economic Advisers to the President
J. KNOWLES	- Director of Research, Joint Economic Committee of Congress
D. W. BURKE	- Secretary to Senator E. Kennedy, formerly attached to President Kennedy's Advisory Committee on Labour-Management Policy
N. GOLDFINGER	- Head, Economic Research Department, AFL-CIO

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Author—Auteur	Derek A. White	B. A. Keys H. H. Wright	Wolfgang M. Illing Yoshiko Kasahara Frank T. Denton M. V. George	Wolfgang M. Illing Zoltan E. Zsigmond	D. J. Daly B. A. Keys E. J. Spence	B. A. Keys	Dorothy Walters	L. Auer	Z. E. Zsigmond C. J. Wenaas	Thomas T. Schweitzer	Thomas T. Schweitzer	Thomas T. Schweitzer	J. Cousin JP. Fortin C. J. Wenaas	Dorothy Walters
Staff Studies (continued)	17. Business Cycles in Canada (EC22-1/17, 3 :25)	 Manpower Planning in Industry: A Case Study (EC22-1/18, \$1.00) 	 Population, Family, Household and Labour Force Growth to 1980 (EC22-1/19, \$1.00) 	 Enrolment in Schools and Universities, 1951-52 to 1975-76 (EC22-1/20, \$1.25) 	21. Scale and Specialization in Canadian Manufacturing (EC22-1/21, \$1.75)	22. Medium-Term Business Investment Outlook: 1967 Survey (EC22-1/22, 3.35)	 Canadian Income Levels and Growth: An International Perspective (EC22-1/23, \$2.25) 	24. Canadian Agricultural Productivity (EC22-1/24, 1 :50)	 Enrolment in Educational Institutions, by Province, 1951-52 to 1980-81 (EC22-1/26, \$3.00) 	26. Personal Consumer Expenditures in Canada, 1926-75: Part 1 (BC22-1,28-1, \$1.50)	Personal Consumer Expenditures in Canada, 1926–75: Part 2 (EC22-1/26-2, \$1.50)	*] ² ersonal Consumer Expenditures in Canada, 1926-75: Part 3 (EC22-1/26-3, \$0.00)	*27. Some Economic Aspects of Provincial Educational Systems (EC22-1/27, \$0.00)	28. Canadian Growth Revisited, 1950-1967 (EC22-1/28, \$ 1.50)

	Staff Studies (concluded)	Author—Auteur	Études préparées par le personnel (fn)
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