

WHAT CAN BRAZIL EXPECT FROM JOINING THE OECD?

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Brazil can expect significant benefits from joining the Organization for Economic Cooperation and Development (OECD). The organization has shown to effectively promote better policies and institutions among its members countries, with significant positive effects. Considering the evidence that institutions are behind a large share of long-term increases in welfare standards, the benefits of membership go well beyond the modest costs involved in participating in the organization. Among the studied benefits are increases in trade – which are larger than those due to other international organizations such as the World Trade Organization (WTO) or the International Monetary Fund (IMF) –, increases in foreign direct investment, improvements in education, and better results in governance. Risks are small compared to potential benefits. We estimate the benefits by benchmarking against an estimate of the benefits of acceding to an institution with similar goals and policies – the European Union (EU) – and find them to be very large.

Keywords: Brazil; OECD; institutions.

O QUE O BRASIL PODE ESPERAR DA ADESÃO À OCDE?

O Brasil pode esperar benefícios significativos ao aderir à Organização para a Cooperação e Desenvolvimento Econômico (OCDE). A organização demonstrou capacidade de promover melhores políticas e instituições entre seus países-membros, com efeitos positivos significativos. Considerando as evidências de que as instituições estão por trás de uma parte substantiva da melhora de longo prazo nos padrões de qualidade de vida, os benefícios de membresia devem ir muito além dos custos modestos de participação. Entre os benefícios estudados estão aumentos em corrente de comércio – superiores aos de participação em outras organizações internacionais como a Organização Mundial do Comércio (OMC) e o Fundo Monetário Internacional (FMI) –, aumento dos investimentos externos diretos, melhora na educação e melhores resultados de governança. Os riscos são pequenos comparados com os benefícios potenciais. Estimamos esses benefícios utilizando como referência as estimativas de benefício de entrada em instituição com objetivos e políticas similares – a União Europeia – e encontramos resultados expressivos.

Palavras-chave: Brasil; OCDE; instituições.

¿QUÉ PUEDE ESPERAR BRASIL DEL INGRESO EN LA OCDE?

Brasil puede esperar importantes beneficios de su ingreso en la Organización para a Cooperação e Desenvolvimento Econômico (OCDE). La organización ha demostrado su capacidad para promover mejores políticas e instituciones entre sus países miembros, con importantes efectos positivos.

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Teniendo en cuenta la evidencia de que las instituciones están detrás de una parte sustantiva de la mejora a largo plazo de los niveles de calidad de vida, los beneficios de la afiliación deberían ir más allá de los modestos costes de participación. Entre los beneficios estudiados se encuentran el aumento de los flujos comerciales – mayor que la participación en otras organizaciones internacionales como la Organização Mundial do Comércio (OMC) y el Fondo Monetário Internacional (FMI) –, el aumento de la inversión extranjera directa, la mejora de la educación y los mejores resultados en materia de gobernanza. Los riesgos son pequeños comparados con los beneficios potenciales. Evaluamos estos beneficios utilizando las estimaciones de beneficios de entrada de instituciones con objetivos y políticas similares – la Unión Europea – y encontramos resultados significativos.

Palabras clave: Brasil; OCDE; instituciones.

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1 INTRODUCTION

Although it is repeatedly called the “rich countries’ club”, the Organization for Economic Cooperation and Development (OECD) has nothing to do with golf, polo, or expensive wines. It is more of a supporting group for how to become and stay a rich country, and it has its own version of the “twelve steps”. The so-called OECD “acquis” is the collection of legal instruments which member countries are expected to abide themselves to. The reason it is comparable to support groups is that, unlike organizations such as the World Trade Organization (WTO), in the OECD countries are expected to abide by the rules for their own benefit, not as a quid pro quo. In a support group, however, members recognize common objectives, common behaviors that can help achieve those objectives, and common pitfalls that can steer them away from their goals. They use explicit commitments to their peers as a form of restraining their own tendencies to deviate from their most preferred path.

Institutions are the main driver for welfare improvements in the long run. No country can sustainably increase the welfare of its citizens by simply accumulating capital, protecting national industries, running trade surpluses, or trying to secure access to natural resources. Instead, countries must learn how to create an environment which allows people to pursue activities which benefit themselves and their society. The institutions that the OECD is associated with are some of the most associated with these improvements. Tolstoy argued that “all happy families are alike”. To a great extent, all advanced economies are alike as well, and the OECD takes upon itself the role of understanding what is it that makes these economies behave the way they do and help replicate it. We now have evidence that joining the OECD is causally related to improving institutions and seizing the benefits derived from that. The sixty years of existence of the

organization have allowed for data to be gathered, statistical techniques have been developed, and we may also make use of evidence from other areas.

Of course, nothing is ever a panacea, and joining the OECD is no exception. Still, we argue that Brazil can expect several benefits from joining the OECD.

This paper is organized as follows: part 2 presents the evidence in favor of institutions being behind a large share of the welfare advantages of OECD countries; part 3 deals with the benefits of joining the OECD and similar initiatives; part 4 deals with the potential risks for seizing those benefits; part 5 roughly estimates the benefits for Brazil of joining the OECD; part 6 talks about the benefits for the OECD of Brazil's membership.

2 HOW INSTITUTIONS PROMOTE WELFARE

As we discussed elsewhere (Canuto and Santos, 2018), there is a growing consensus that institutions are behind the bulk of the advances in welfare which started with the industrial revolution. While the definition of institutions is mostly agreed on “the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction” (North, 1990), pinpointing what are the institutions which give rise to these increases in welfare is more contentious from an academic point of view, but there has been progress – as approached by Bluhm and Szirmai (2012).

Since Solow (1956) showed that the accumulation of capital is not enough to account for a sustainable increase in living standards, economists have dedicated themselves to explain why countries have gotten so much richer since the industrial revolution. The Solow model says it must be productivity, but that still leaves a lot out. What accounts for increases in productivity? The first explanation one can think about is technology, but it is necessary to go beyond thinking of technology in terms so broad that it ends up meaning “whatever increases productivity”, in which case the explanation becomes tautological. There are the capabilities and other intangible assets the accumulation of which underlies the use and development of technology (Canuto, 2018). But ultimately, we have to think in more narrow terms of the rules economies follow for resource allocation and the production of goods and services.

In this narrow term, technologies keep playing a very important role. Countries all over the world have been experiencing gains in standards of living in the past centuries, independent of what they have been doing or where they are. Vaccines, electric power, the combustion engine, and many other technologies, make a large contribution for that. But is also clear that technologies, in this narrow sense, only go so far in explaining differences in living standards,

whereas one needs to go the rules of the game to understand why and how they are incorporated.

Income levels are widely different between the richest and the poorest countries. The richest country in the world,³ Luxembourg, has an income *per capita* which is two orders of magnitude higher than the poorest country, Burundi. The average Gross Domestic Product (GDP) *per capita* of non-OECD countries was US\$12 thousand⁴ in 2014, a third of the average GDP *per capita* for OECD countries the same year of US\$36 thousand.⁵ But technologies, in the narrow sense, can relatively easily be transferred from country to country, provided that local domestic capabilities and other complementary factors – typically of an institutional nature – are in place (Canuto, 2018).

A large part of the remaining differences is exactly due to the level of human capital and other intangible assets in each country (Canuto and Daoulas, 2019). If human capital increases the productivity of physical capital, and human capital is not as mobile as physical capital, then you would expect that societies with high levels of human capital would maintain an edge over societies with lower levels of human capital. Indeed, that is the case (World Bank, 2018).

Likewise, urbanization has deeply affected productivity. By allowing for the combinatorial explosion of relationships, the benefits of specialization can be exploited, and cities are also a breeding ground for innovation.

But an especially important piece of the puzzle is the quality of institutions. Good institutions are crucial for the youth to be properly educated – not only spending time in school, but also getting quality education (Hanushek, 2007). They are also fundamental for societies to reap the benefits of urbanization (Hommann and Lall, 2019). More than that, they are essential for the whole environment for development, in ensuring property rights, protecting life, incentivizing saving etc.

Until now, we have stressed the benefits of institutions for economic growth. Some critics would argue that this is a narrow-minded view of welfare, since there are many other aspects of life which are worth pursuing. But not only is growth related to most goals societies like to pursue (Pinker, 2018), the institutions that allow for growth are intrinsically connected to these other worthy goals. In Besley and Persson's (2011) words: "historical accounts demonstrate vividly that state authority, tax systems, court systems, and democracy coevolve in a complex web of interdependent causality".

3. Available at: <<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>>.

4. Available at: <<https://fred.stlouisfed.org/series/NYGDPPCAPKDNOC>>.

5. Available at: <<https://fred.stlouisfed.org/series/NYGDPPCAPKDOED>>.

While there is this general agreement on what the ultimate objectives are with respect to good institutions, there is some debate over the ordering of the process. Williamson (1990) proposed a set of policies which would come to be known as the Washington Consensus. In Bluhm and Szirmai's (2012) words, Williamson proposed:

- fiscal discipline: allow only for minimal short-term deficits, balance the budget in the medium-term and keep the debt to Gross National Product (GNP) ratio from rising;
- public expenditure priorities: reduce subsidies that provide disincentives and reprioritize spending towards primary education, primary health care and infrastructure;
- tax reform: broaden the tax base and implement more moderate marginal tax rates;
- liberalize interest rates: establish market-determined and moderately positive real interest rates to discourage capital flight and encourage savings;
- exchange rates: ensure competitive exchange rates, in line with equilibrium exchange rates;
- trade policy: liberalize imports; allow only very limited temporary infant industry protection and only moderate tariffs (10%-20%);
- foreign direct investment (FDI): remove barriers to inward FDI to promote inflows of capital, skills and technology;
- privatization: sell state-owned companies, as private management is often more effective and sales relieve the pressure on public budgets;
- deregulation: remove barriers to entry and exit of firms into industry and individuals into the labor market. Complex regulation only fuels rent-seeking and corruption; and
- property rights: strengthen private property rights, a key pillar of any capitalist system.

Critics of the consensus such as Easterly and Levine (2003) argued that the positive effects of the policies could not be observed once the better institutions of the countries more associated with such policies were accounted for. Some would claim that it was counterproductive to pursue those policies before countries had achieved a certain level of development (Chang, 2002). Others replied that what was needed were deeper, second-generation, reforms, which deal with the underlying institutions of the country. Recent evidence

indicates that the second group was correct. Easterly (2019) himself, an early critic of the Washington Consensus, has found positive relationships between adopting policies of the Washington Consensus and economic growth. Grier and Grier (2021) go further and find causal evidence. Panagariya (2019) documents the benefits of free trade for developing countries, exposing the shortcomings of Chang's argument. Acemoglu *et al.* (2019), in their turn, provide evidence that democracy is also associated with higher growth, subsiding fears that there might be a democracy-growth tradeoff (Barro, 1996). This means that better policies and better institutions go hand in hand.

3 DESCRIPTION OF THE BENEFITS OF JOINING THE OECD

In sum, there seems to be no crucial tradeoff for the adoption of good institutions and good policies. On the contrary, it seems that good institutions and good policies reinforce each other. This is good news for the OECD. When it was founded, its

three main objectives as laid down in the OECD convention were: i) to achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus to contribute to the development of the world economy; ii) to contribute to sound economic expansion in member as well as non-member countries in the process of economic development; iii) to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international objectives.⁶

Since then, the OECD has expanded its scope and describes itself as such in their website:

the Organisation for Economic Cooperation and Development (OECD) is an international organisation that works to build better policies for better lives. Our goal is to shape policies that foster prosperity, equality, opportunity and well-being for all. We draw on almost 60 years of experience and insights to better prepare the world of tomorrow.

Together with governments, policy makers and citizens, we work on establishing evidence-based international standards and finding solutions to a range of social, economic, and environmental challenges. From improving economic performance and creating jobs to fostering strong education and fighting international tax evasion, we provide a unique forum and knowledge hub for data and analysis, exchange of experiences, best-practice sharing, and advice on public policies and international standard-setting.⁷

6. Available at: <<https://archives.eui.eu/en/isaar/41>>.

7. Available at: <<https://www.oecd.org/about/>>.

The list of topics is ever-expanding, ranging from agriculture and fisheries to finance, public governance, and trade.

Unlike another bulwark of the post-war international system, the General Agreement on Tariffs and Trade (GATT)/WTO, the benefits of joining the OECD are not seen in terms of the access it gives to other markets. Changes in policies are not perceived as concessions, or a cost one must pay so that the others also make concessions, which are the real benefits. Changes in policies promoted by the OECD are seen as good in themselves. A country will open itself to free trade not because they want to sell their products to other markets, but because it perceives that opening to trade is better than being closed, independently of what other countries do (of course, it will be even better if other countries open themselves too).

The evidence is positive for this approach. Although the literature seems more limited than one would expect by the importance of the issue, studies show a positive effect of membership. First, there is evidence that the OECD does accomplish its objective of standard-setting and affecting policies. Given the few formal tools available for the OECD to steer the actions of its members, it could very well be the case that joining the organization produced no positive effects because it did not produce much effect at all. But Carroll (2014) finds there is policy transfer during the accession process, and that the amount of policy transfer is larger when the countries do not already have aligned policies.

3.1 Trade

Analyzing a dataset of 175 countries over 50 years, Andrew Rose (2005) finds “large positive effects” of OECD membership on trade – a boost of over 50%. The importance of this effect is highlighted because of his comparison to other institutions, with supposedly much better “teeth” – the GATT/WTO and the International Monetary Fund (IMF) have much smaller effects. Feenstra and Ma (2014) find that being a member of the OECD increases the variety of products a country imports.

One important channel for this increase in trade is through standard-setting and the convergence of expectations in negotiations. Smith and Sawyer (2011), for example, study the case of the accession of New Zealand in 1973 and find that the country’s membership in the OECD has significantly increased the number of double-taxation treaties signed.

3.2 FDI

Another crucial factor for this expanded economic activity is through making the country more attractive for the investment of multinational companies. Poland,

for example, has seen its FDI stock increase more than 16 times since joining the OECD in 1998 (Cieřlik, 2020) (the country also joined the European Union (EU) in 2004). Attraction of multinational companies can significantly boost productivity. As Bloom and van Reenen (2010) show, multinational firms are well-managed even in countries with low productivity. This institutional, organic, change promoted by the OECD is particularly important given the accumulation of disappointing results with respect to the capacity of Bilateral Investment Treaties to consistently secure greater foreign investment when institutions are too dissimilar (Falvey and Foster-McGregor, 2017).

3.3 Education

The OECD has a standing commitment towards an increase of education in their member countries (and has extensive cooperation with other non-member countries). Their Programme for International Student Assessment has been a reference for understanding the amount of learning that occurs in different countries, beyond rough measures such as years of schooling. This allowed for a much finer understanding of human capital formation and its relationship with other welfare indicators such as economic growth (Hanushek and Woessmann, 2012).

Those benefits, however, are public goods provided by the OECD and do not derive directly from membership. Still, there is evidence that membership has direct benefits in terms of education. Delaney and Yu (2013) find that membership in the OECD increases the speed by which a country expands education for its population, for all levels (primary, secondary, and tertiary). They find this effect to be persistent and “remarkable” for different specifications and controls.

3.4 Governance

As Leslie Pal (2012) notes the number of studies on the impact of the OECD on governance is small, but they uniformly agree that the OECD has had an impact. But has the impact been good? The results are not clear-cut. Verbeeten and Speklé (2015) find that the New Public Management agenda has positive aspects, “Even the OECD itself admits that results of the reform programs remain unclear, recognizing that ‘many important public management changes that have been presented as best practices later appeared to develop undesired and unanticipated consequences’” (Perrin, 2002, p. 27).

When it comes to fiscal transparency, an item dear to the OECD, the results are positive. Montes, Bastos, and Oliveira (2019) find evidence that the fiscal transparency agenda which has been pushed by the OECD since 2001 and which gained momentum after the financial crisis of 2008 is associated with increased government effectiveness and government spending efficiency.

The Anti-Bribery Convention (ABC) has also had a positive impact of reducing corruption among its signatory parties. Employing the Unmatched Count Technique, Jensen and Maleksy (2018) find that bribes by firms from ABC signatory countries reduce dramatically after the convention enters into force. Corruption has a detrimental effect for economic growth, particularly in less developed economies (Ugur, 2014). In the case of the ABC, participation is made even more important⁸ because of leakage effects found. In the paper cited above, Jensen and Malesky find that bribes from firms from countries which are *not* ABC members actually increase, because of a compensating effect. The recommendation is hence to try to universalize the participation.

With respect to risks of adopting policies from other countries which were not developed in one's own society, they seem to be exaggerated. Berkowitz, Pistor, and Richard's (2003) wanted to study the prevalence of "transplant effects", that is, harms associated with countries adopting pieces of legislation which originated in countries with different legal traditions. What they found was that whatever transplant effect there might be, it is much smaller than the benefits of joining the OECD.

4 POTENTIAL RISKS

4.1 Mimicry

The studies which show the benefits of good institutions and good policies, and the effect that the OECD has on those outcomes, either talk about average effects, or deal with case studies. It should go without saying, but we will state it nevertheless, that there is of course no automatic process whereby a country joins the OECD and seizes all of the above-mentioned benefits, as well as others not mentioned here but which we should still expect.

We mentioned that, unlike the WTO, the OECD does not see the adoption of its policies and recommendations as a price to be paid in exchange for the benefits of "being part of the club". This is not merely an organizational talking point; it is supported by evidence. If a country's government and society do not internalize the idea that the reforms will benefit them, they will probably not.

Approaching building state capabilities, Andrews, Woolcock and Pritchett (2017) use the analogy of isomorphic mimicry for states. Isomorphic mimicry is an evolutionary strategy for different types of living beings whereby the mimicking creatures copy some externally recognizable characteristic of another creature in order to have a selective advantage. Some butterflies are poisonous.

8. Brazil is already a member of the convention.

With their poisonous capacity, they have evolved some markers in their wings which make them instantly recognizable to potential predators. The advantage comes from potential predators knowing that these butterflies are poisonous and not attempting to eat them in the first place. Some other butterflies, however, may take a short route and instead of developing the poison with the characteristic appearance, develop only the characteristic appearance. This way, predators avoid them all the same.

The authors argue that many of the adoptions of policies and institutions of developed countries by developing countries are no more than a type of isomorphic mimicry. They copy the characteristics that signal that a state has good capability without copying the characteristics which make that state have actual good capability.

That is an important risk. Goodhart's law warns us that when a measure becomes a target, it stops being a good measure. Take, for example, the Doing Business Index by the World Bank. It is an indicator of the ease of doing business in a given country. But for logistical reasons it collects data on some extremely specific information which are related to the ease of doing business. It is generally restricted to the largest city of the country, to a few items which are exported and imported, to some general rules about opening a business etc. If a country is set to improve their score in the index with the minimal amount of effort, it will concentrate exclusively in reforming the very small proportion of the business environment which is evaluated by the index while keeping most of its commercial environment the same. While this strategy may capture some headlines for politicians, the productivity gains from having a better business environment will not be realized (Canuto, 2007).

Andrews, Woolcock and Pritchett argue that, because of this risk, mimicry is to be avoided. But this goes too far, both for living beings and, more importantly, for institutions. For living beings, we can think of mutualistic Vavilovian mimicry – a sort of mimicry that copies not only the superficial characteristics of the emulated organism, but also the characteristics which made them be selected in the first place. Wild rye was a grass prevalent in the Mediterranean which grew alongside wheat and barley. Humans would preserve the rye varieties that most resembled the other crops. With time, rye became itself a crop, cultivated until today.

For institutions, as Krause (2013) argues – responding to earlier versions of the 2017 arguments by Andrews, Woolcock and Pritchett –,

governments mimic one another all the time, often quite successfully. DiMaggio and Powell (1983) cite the example of Meiji-era Japan (1868-1912), when Japan copied the postal system from Britain, the police from France and the army from

Prussia (Westney, 2000). In copying Prussia, the Japanese copied what they thought was the best case, and it worked very well for them. This is precisely the point. We hardly ever have good evidence for exactly why a certain institutional innovation works, or even if it really does work. Given the complexity of social systems, we may never really know. Looking to good performers as models to imitate is fine, as long as governments learn how to adapt on their own.

The key, then, is that the governments themselves need to want to emulate the actual practices of the countries they believe have found satisfactory solutions, not only satisfy their peers. One important implication is that the outreach work about the importance of not only joining but widely applying the policies and institutions which the OECD has found to help development is at least as important within Brazilian key stakeholders as it is among other OECD member countries.

4.2 Poor identification?

Some will insist that the studies mentioned here do not reveal a causal link between joining the OECD and raising welfare. They would correctly point out that countries that join the OECD have an array of characteristics which makes their institutions closer to OECD countries independently of membership in the organization, and that even with statistical techniques that try to separate the effects, endogeneity is always a risk. From a scientific point of view, that is a perfectly valid concern. From a policy point of view, that should only concern us if we were recommending joining the OECD but not adopting the other institutions associated with increasing welfare – but that is the opposite of what we understand to be Brazil joining the OECD.

As an analogy, suppose we were recommending to first-year economics students that they try to do well in their calculus classes, and bring a bunch of evidence that doing well in calculus is associated with doing well in the whole course and in the economics career. They might reply – correctly – that people that do well only in calculus but not in all the other disciplines do not have the same outcomes. But of course, the recommendation is not to do well only in calculus; it is to do well in general in the disciplines associated with better outcomes. The reason one may insist on the importance of calculus is that it is the discipline for which there is an exam next week.

As a stretch, one could argue that the analogy does not apply because joining the OECD (or joining the OECD at the wrong stage of development) would significantly harm the country. But that would be a statement with not only little evidence in its favor, but with a lot of evidence against it. The fact that OECD membership is associated with good outcomes may not provide bullet-proof evidence that it is beneficial, but it provides extraordinarily strong evidence that it is not harmful.

5 QUANTIFYING THE BENEFITS

We were not able to find direct estimates of the aggregate effect of joining the OECD on economic growth and other welfare indicators. This should not stand in the way of us trying to have some quantitative estimate of those benefits, however. Every recommendation based on arguments which are themselves quantifiable – such as the effects of joining the OECD on a country's GDP – is necessarily based on some estimate of the benefits, implicit or explicit. Explicit estimates are better than implicit ones, even in a situation of uncertainty, because it allows for parties to understand better where they disagree – if they disagree at all – and what pieces of information would be relevant for better estimates.

Our approach is to use membership in the EU as a rough estimate of the benefits of joining the OECD. Although the level of integration involved in joining the EU is higher than in joining the OECD, the two organizations have a lot in common. The OECD originated from the Organisation for European Economic Cooperation. As Mendonça (2016) puts it:

although the EU is not officially a member of the OECD, it has obtained quasi-member *status*; OECD policies strongly influence European policies to such an extent that it could be argued that the OECD *indirectly*, or at times *directly*, shapes EU trade policy. Indeed, 21 of the 28 EU Member States are also members of the OECD and are the main contributors to its budget. On the other hand, insofar as EU Member States and the European Commission take part in, and contribute to, discussions within the OECD, it can also be said that the EU itself, including its Member States, has an influence on the OECD agenda and the way decisions and recommendations are formulated.

This influence does not restrict itself to trade, of course. Gasparotti (2019) writes about the similarities of the two organizations' guidelines for ethics in artificial intelligence: "There is no major difference between the EU and OECD guidelines. Both aim to create a framework for trustworthy AI. The EU guidelines, however, are clearer and go more into detail." This can be generalized. Indeed, "C. Schricke [...] shows that a 'direct correlation' exists between community acts and acts adopted by the OECD, 'to the point where they often present striking similarities'" (Azoulai, 2005).

While the literature on the economic benefits of joining the EU is not completely absent, it is also less rich than one could expect. In a literature review made by Nauro Campos Coricelli and Moretti (2014) we find that Henrekson, Torstensson and Torstensson (1997) estimate the benefits to be about a 0,6% to 0,8% higher GDP per year. In 2005, Badinger (2005) estimated that GDP *per capita* was around 20% higher in fifty years of integration (which would imply around 0,4% per year). Crespo, Silgoner and Ritzberger-Grünwald (2008) also finds significant benefits, which are not quantified. Finally, Campos himself finds

that GDP *per capita* is on average 12% higher in 15 years of integration (which would be equivalent to 0.8% per year). While Campos' estimate is more precise, the other measures are admittedly more uncertain. For this reason, we will rely on his estimate of around 0.8% per year.

We would expect Brazil's benefits from joining the OECD not to be as large as other countries joining the EU, but not so much smaller. On the reasons for us to expect it to be not as large, we have the already mentioned fact that OECD integration is less ambitious than European integration. We can add to that the much greater distance that Brazil has from most other OECD countries, compared to the distance that European countries have from each other. What would count in favor of Brazil experiencing a larger effect is that its institutions are further from the average OECD country than is the case for the average EU-acceding country compared to the EU. All factors considered, a very blunt estimate of the benefits of joining the OECD would be half the average benefits of joining the EU, 0.4% of GDP per year.

Those would be sizable benefits. According to World Bank data, average GDP *per capita* growth in Brazil since 1960 (the earliest year on record) is around 2%, which accounted for a total growth of 225% in GDP *per capita*. Had the Brazilian GDP *per capita* growth been 0,4% higher during this whole period, GDP *per capita* would have been 25% higher in 2019.

The only clear costs are the costs of participation which, for an economy the size of Brazil would hover around USD20 million. Compared to a potential benefit of 0.4% of GDP (around USD7 billion), it would be an absolute bargain.

6 BENEFITS FOR THE OECD OF BRAZIL'S MEMBERSHIP

As we tried to establish in this article, the OECD is not a club in the sense of offering its members access to exclusive benefits. If that were the case, every new addition to the organization would progressively decrease the value for the other members. Not coincidentally, economic theory calls that kind of goods which are rival but non-excludable (at least among members) "club goods". What the OECD represents for its members, however, is a pure public good, non-rival and non-excludable (with some spillover benefits for non-members as well).

Given this public good nature, the continuous expansion of the organization – as long as it welcomes members who are committed to the evidence-based principles and policies it spouses – only works to benefit the other members, who will gain greater and better partners in trade, investment, and in numerous other areas. By its sheer size, Brazil would bring about significant benefits to the OECD. Considering that Mexico is already part of the group and Argentina a candidate, there could be a strong momentum in all of Latin America to abide by

the OECD's policies and principles. The positive consequences for all members – and the world – would be vast.

7 CONCLUSION

In its almost 60 years of existence, the OECD has brought about several benefits for its members. Perhaps nobody would have expected that an organization which was created to administer Marshall Plan aid would have such wide and lasting effects. While the aid money has long been gone and could never have made a lasting impact (as per Solow above), the OECD has expanded its membership to contribute for the improvement of economies around the world. In this sense, the Marshall Plan money worked as a confidence-booster, an incentive for the truly important changes to take place, much like Dumbo's feather.

By researching the best policies and institutions and providing the necessary support for their adoption in member countries (and in partner countries), this institution with relatively few formal powers organization has achieved more than other peers with much higher profile. Brazil and the OECD stand to gain a lot from this partnership. This time, the nudge will not be available. Like Dumbo in the end of the movie, Brazil will fly without resorting to lucky feathers.

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