Comments to “Reducing inequalities and strengthening social cohesion through inclusive growth: a roadmap for action” by Romina Boarini, Orsetta Causa, Marc Fleurbaey, Gianluca Grimalda, and Ingrid Woolard

by Andrea Brandolini*

The paper by Boarini and co-authors is a brave attempt to distil, in few pages, the crucial elements of an alternative approach to policy making from the wide and sometimes vague debate about going beyond GDP. It contains all crucial keywords of the “inclusive growth” approach: substantive interest for the whole distribution of well-being rather than some “mean” outcome; multidimensionality of well-being; empowerment and participation; attention for the indirect effects of economic inequalities; rejection of the one-size-fits-all agenda; plea for policy coordination at all levels, among government departments as well as among local, national and international actors.

One might quarrel with specific aspects and point to possible internal tensions. For instance, “making sure that the voices of all citizens are heard” might appear at odds with “countering the rising tide of anti-immigration voices”. This hints at two layers of voices, implicitly suggesting a distinction between “informed” and “uniformed” voices – a position which is bound to be criticised as intrinsically paternalistic. However, all in all, the attempt is successful: the paper’s conceptual pillars and roadmap for action make up a consistent framework.

The crucial point is then feasibility. The authors make no illusions that it is an easy task. In the concluding section they acknowledge that “there is no magic bullet” and that “a complex coalition of political forces and civil society movements appears needed to push for the policies described in this paper”. What the authors fail to recognise, however, is a problem that precedes political consensus: the consensus within the economics profession.

The adoption of the inclusive growth approach sketched in the paper requires a radically different economic thinking. First, most current macroeconomic models (in particular, DSGE models) shy away from studying the welfare of multiple agents by assuming that there is only one of them – the “representative agent”. A policy decision is thus evaluated paying no attention to the fact that there may be losers and winners: what matters is only the aggregate outcome, as captured by the welfare of this fictitious representative agent. Second, the analytically-tractable and identical utility functions used in macro-modelling do not do justice to the great variety of personal objectives. Third, it is questionable that policy judgements should derive directly from individual preferences over consumption patterns: people’s preferences about the destiny of their society – their political views as distinct from their consumption preferences – need not coincide with their own self-interest. The apparently neutral mathematical summation of individual utilities (derived from consumption) is not necessarily the appropriate social welfare function for policy evaluation.

The inclusive growth approach is currently fashionable even within political and economic circles traditionally reluctant to take inequality seriously, but it cannot be implemented unless it is fully embodied in everyday economic modelling and policy making.

* The views expressed here are solely those of the author and do not necessarily reflect those of the Bank of Italy.