Inclusive growth

A significant and growing portion of society does not directly perceive the economic growth shown by the macroeconomic data. This sensation reflects the pressure on inequality in most Western economies, which is caused by various phenomena. Some are underlying trends, such as globalisation and technological change, which have fostered economic growth but have also had a negative impact on the level of employment and wages in certain sectors and professions. In addition to these trends is the ageing of the population, which limits the growth of public pensions. On the business cycle front, the financial crisis has resulted in an increase in long-term unemployment and, in turn, greater pressure on public finances, which in many cases has led to cuts in social spending.

In this situation, an economic agenda that supports a more inclusive form of growth is essential. This is obviously needed for reasons of equity and social justice. It is also needed for efficiency reasons because, for example, unequal growth makes it difficult for households on lower incomes to accumulate human capital, which leads to wasted talent. In addition, it is needed to avoid the proliferation of populist movements that aggravate the situation and jeopardise an entire economic system which, at the end of the day, has demonstrated its capacity to generate long-term prosperity, as well as jeopardising our very political system of liberal democracy, which can best protect our individual freedoms and political pluralism.

An economic policy that encourages inclusive growth must, as a necessity, nurture high-quality employment. A job that allows people to live with dignity and offers prospects for professional and personal development is the primary means of directly participating in – and benefiting from – the general progress of the economy. To achieve this, education policies are key, and they must prepare us for the technological change to come and for a world in which lifelong learning and the ability to retrain oneself are becoming increasingly important.

We must recognise, however, that changes in education policies will only have a significant effect in the long term. In the short term, policies related to the labour market are key. In this area, the reduction of duality – which holds back the accumulation of human capital – and a greater role of active policies – which include training and retraining unemployed people – are two clear priorities. Minimum wage policies can also be a mechanism for reducing inequality, but their possible adverse impact on job creation and on companies' competitiveness must be monitored. Fiscal policy can complement minimum wage policies with the introduction, for instance, of negative rates on the lowest incomes (which increases the progressive nature of the system and encourages, rather than penalises, job creation).

In general, promoting inclusive growth policies will require resources that can be obtained in two ways: by reducing non-priority expenditure, or by increasing tax revenues. Realigning priorities, however, requires an evaluation of the results of public policies and of the costs associated with them, something not usually done. Doing so would allow resources to be diverted towards actions that prove more effective. There is an urgent need to encourage a culture and an institutional structure geared towards evaluating results in the sphere of general government. On the revenue side, anti-fraud measures and a rethinking of certain concessions included in the tax system could provide some gains, without the need to raise taxes.

It is often emphasised that fostering inclusion – equity – comes with a cost in terms of economic growth – of efficiency. No doubt there are circumstances in which this is indeed the case. I suspect, however, that in most cases this is due to clumsiness when designing economic policies intended for this purpose. Without a doubt, the present time requires more finesse.

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31 December 2018