

Inclusive growth – how reducing inequality can boost

Bruegel, 21 September 2015 at 1.00pm



Participants:

Romina Boarini, Senior Economist, Head of Measuring Well-Being and Progress Section, OECD

John Swinney, Deputy First Minister of Scotland and Cabinet Secretary for Finance, Constitution and Economy

Chair:

Zsolt Darvas, Senior Fellow, Bruegel

Notes:

With inclusive growth at the heart of the Europe 2020 strategy, John Swinney highlights how important the debate is. He talks about the challenges and trade-offs it involves, and shares a Scottish perspective on it.

Within-country inequalities are rising, which has negative economic effects on growth as it hinders individuals from taking optimal decisions regarding educational attainment. This therefore also negatively affects social mobility, health outcomes etc. Research has also shown that inequality is linked to lower stability, rendering economic growth less sustainable.

In an environment of austerity and understanding that Scotland, although in relatively good standing, has to work on the interconnected issues of tackling inequality and increasing competitiveness, John Swinney explains Scotland's economic strategy.

With a package of measures and initiatives this strategy involves investments, innovation, internationalisation, and inclusive growth. As one of the many examples he mentions, investments in childcare raise female labour force participation and Scotland's Fair Work Agenda and the Scottish Business Pledge are examples of initiatives to balance economic growth and equality. With almost half of Scottish international exports going to the European Single Market, Scotland is committed to maintain this partnership.

Romina Boarini comments on John Swinney's talk and shows how similar the notions of Scotland and the OECD regarding inclusive growth are. She adds that policies need to target multiple objectives simultaneously - not just GDP growth - to achieve better living conditions for everyone. In that respect she points to initiatives like the NAEC project. She also distinguishes win-win policies, such as better access to education or active labor market policies, and policies that involve trade-offs between growth and income inequality, such as unemployment benefits or minimum wages.

Picking up the issue of austerity Ms Boarini points to the challenge of finding low-cost policies of inclusive growth, for example better access to tertiary education. She also points to the necessity to consider the synergies and trade-offs policy measures might involve and therefore highlights the importance of coordinating policies across governments.

Event notes by Bennet Berger, Research Assistant.