
Inaugural session: What does prosperity mean today?

Philippe Aghion

The notions of growth and prosperity have raised numerous questions over the past years. This session will introduce the Rencontres Economiques d'Aix by discussing some of these questions.

Some debaters in France and other countries have taken the radical view that per capita GDP growth is bound to be directly damaging to wellbeing as it necessarily threatens the environment, increases inequality, and generates unemployment. These considerations lead those debaters to advocate a “de-growing” society (in French we use the word “decroissance”).

A less radical view, put forward by the Fitoussi-Sen-Stiglitz report (2008), is that growth in per capita GDP is not a sufficient measure of improved wellbeing and prosperity, and that at the very least this measure should be completed by other indicators (environmental quality, the employment rate, and measures of income equality and social mobility, life satisfaction,..) which reflect the extent to which growth is inclusive both within and across generations, and thereby results in more “empowerment” for populations at large.

Angus Deaton has produced important work suggesting that per capita GDP is positively correlated with relevant measures of life satisfaction. Is that enough to restore per capita GDP as a leading measure of prosperity and wellbeing? At the same time Deaton points to the increased inequality in income and health worldwide, and to the danger of a “Great Escape” in which those who “made it” would leave those who didn’t make it yet behind.

And indeed the recent populist victories in the UK (with Brexit) and in the US (with the election of D. Trump) as well as the continuous rise in populist votes in most developed countries over the past two decades, are direct expressions of anger and frustration from individuals who feel increasingly excluded from the growth process and the new technological revolution (ICT, digital) that underpins it. This revolution has its winners, starting with the successful innovators and the skilled labor force that managed to adapt to it. But it also has its losers, starting with those who lost their jobs as a result of automation and more generally the unskilled labor force whose income has at best stagnated

meanwhile the income of successful entrepreneurs and associated service providers has increased sharply since the 1980s.

Opponents to innovation-led growth and the new technological revolution(s), do not only include individuals at the lower end of the income distribution. It also includes individuals from rural areas who lack prospects and feel left out, and/or fear that their children will not have a better life than theirs. A major challenge is to reconcile growth with inclusiveness, i.e. to make each individual in society feel that she or he plays an active role in the overall growth process: in short, how can growth lead to more social mobility and to more empowerment for all individuals in society?

These past years, particularly with the debate on global warming, have also witnessed an increased concern for the environment. Does growth necessarily impair the environment? Can we reconcile growth and the fight against climate change? How can rich countries help emerging market economies and less developed countries grow but in a way which preserves the future of our planet? What role can innovation play in this process, and how can the public and private sectors best coordinate their efforts to achieve more sustainable growth?

The session will discuss both, bottom-up and top-down attempts at achieving more inclusive growth, and the complementarity between the two. It will show successful bottom-up initiatives with and by individuals from the lower end of the income distribution so that they can unite their efforts to escape the poverty trap and access education and the possibility of becoming entrepreneurs. It will also discuss top-down reform strategies aimed at achieving more inclusive growth. Scandinavian countries are often pictured as those that have moved furthest in that direction. On the other hand, some have argued that the American system is better at generating frontier innovation, albeit at the cost of more inequality. What can we learn from cross-country comparisons over the past decades?