

Inclusive prosperity in 2024 and beyond: from book-keeping to housekeeping

Defining inclusive prosperity

The concept of inclusive prosperity, or *'brede welvaart'* as its popular Dutch equivalent is increasingly often used, is undoubtedly of high importance academically and policy-wise, but content-wise it still leaves many open questions. Defining it in the abstract is easy: 'everything that people deem of value in life, and this distributed in such a way that all have at least sufficiently of it'. It has become crystal-clear that inclusive prosperity goes beyond the way wealth is traditionally measured (through Gross Domestic Product) and includes various aspects of life (domestic duties, healthcare, education, housing, happiness, sense of community, life-work balance, climate resilience, biodiversity, availability of natural space, and many more) which are not or insufficiently expressed. Likewise, GDP actually covers actions that do not add value to society, but which do count as economic growth (first demolishing a building and then replacing it with a new one counts twice for instance) Consequently, there is growing discomfort with and distrust of traditional ways of measuring wealth, but they are not easily pushed off their pedestal: their institutional embeddedness is enormous and there are many vested parties interested in keeping it alive. Inclusive prosperity may be the proper alternative that safeguards the solidity and solidarity of our societies, but realizing it is quite a challenge. It is (very) broad, but (very) essential.

Putting things in historical perspective

To grasp how we came to the situation where we are now, we should look at socio-economic developments in Europe during the aftermath of World War II. After immense destruction and then a massive rebuild of various vital social and economic infrastructures, there was a consistent rise in optimism as to people's wealth and quality of life. Then as now, GDP was not a perfect reflection of people's growing prosperity, but since the general trend was up, European societies were permeated with a high sense of optimism and growth. From the 1950s-1980s, known in French as the *'trente glorieuses'* (30 glorious years), all vectors were pointing in the right direction when it came to inclusive prosperity. It was reasonable to live in the illusion that all economic wealth collected at the top of society would eventually trickle down to the bottom as social value. Higher expenditure on many economic sectors of vital importance and more appropriate legislation to promote social security and environmental preservation contributed to the alignment of economic with broader social agendas. Political stability was guaranteed overall, and most citizens and customers were pleased with what was on offer.

From the early 1980s on, the tide began to turn. Stagflation, a combination of high employment and high inflation, ruined the credibility of Keynesian approaches to ruling the economy and paved the way to a lasting neo-liberal turn of annual budget cuts, sobering service qualities on the one hand and growing liberties for large-scale economic enterprise and maximizing shareholder value on the other. This shocked many citizens in the early phases of the shift, but they eventually came to see the relevance and necessity of tightening the belt. And luckily economic growth continued, or so it seemed, albeit more slowly and with occasional hiccups such as the financial crisis.

From slight discomfort to large-scale discontent

Unfortunately, over time things did begin to hurt a little bit. Educational achievement shrunk in a global perspective as primary and secondary school declined gradually, work pressure on teachers rose and many young talents made up their minds not to engage in careers in their noble societal sector. Expenditure on healthcare rose, but not as much as would have been needed to catch up with growing needs and much of it focused on technological sophistication rather than on the elusive human service factor. The impact was quite similar to that on education: management by objectives and indicators led to high performance levels on paper, but feelings of institutional sclerosis appeared far more frequently than before. Nominal prices at the housing markets had increased tremendously making everybody richer, except that less privileged starters at the housing markets now had no resources to buy or rent anything. In many industrial sectors, innovation towards new products and services thrived and emerged ever more speedily, but the human power to maintain was more thinly spread. Many local environmental qualms which could be fought by means of quick and dirty actions were comparatively well-fixed, while the continental and global ecological threats that require changes in production and consumption patterns were monitored but never properly addressed. We knew more about biodiversity, but saw it shrink under our own eyes. GDP rose, but so did the GINI-coefficient. People worked and played harder but were less happy. To put in terms of Kate Raworth's doughnut economy: our societies began to suffer from ecological overshoot and socio-economic undershoot. At long last, political trouble also became unavoidable: anti-system voting rose step-by-step, anti-elite rebellion was initiated as unguided rebellion, but evolved into deep distrust of government and the state. The confluence of these two things ate at the very heart of both liberal democracy and rule-of-law based governance.

Using the term 'crisis' no longer seems totally overblown at this point. But how on earth was this possible: our book-keeping showed that our national economies had seen a handsome post-corona recovery, tax rates for corporations and citizens had gone down over the years and the multinational shareholders still had the fullest confidence. What could possibly have gone wrong?

From selective book-keeping to integrated housekeeping,but how?

The awareness that Gross Domestic Product is a flawed and for some even a highly pernicious mode of measuring societal value and prosperity has become common ground. Proper book-keeping does not imply proper housekeeping if a biased selection of valuables is consistently recorded in the books. The coins are securely stored in a safe beyond the grasp of most, but the food everybody eats is insipid. The cooks operate highly efficiently, but the ingredients they use are no longer natural. Then one day, the king-accountants leave their office on the second floor of the house, wander around the rest of the house and into the courtyard, and to their dismay notice widespread dissatisfaction and rebellion. How come the books are in order, but the house is not? Is it GDP?

There has been no shortage of alternatives for GDP. The United Nations have proposed a widely acclaimed Human Development Index, the European Union has embraced the concept of territorial cohesion, cooperative banks and public research institutions working with inclusive prosperity indices that cover a wide range of indicators reflecting societal values. This all leads to scores based on sophisticated statistics that can be monitored over the years allowing analysts and policymakers to benchmark themselves against rivals and argue for higher investment levels for their cities or regions. But the bottom line is that these broader value indicator systems are not institutionalized within dominant decision-making processes. The measurement is not routinely converted into concomitant policy interventions, and even if actions are undertaken these are score-oriented rather than solution-oriented. Mending this public sector GDP-growth and private sector profit-

maximization orientation is extremely complicated. It is deeply ingrained in our ways of thinking and working and many vested interested will protect these with their teeth. Let those volunteering to make real sacrifices raise their hands...

Erasmus Institute for Inclusive Prosperity and its idealistic pragmatism

Erasmus University Rotterdam has fully committed to examining inclusive prosperity as a leading knowledge provider in Europe. On the 1st of September 2024, it will establish a cross-disciplinary institute that will work jointly with key international and national partners and in politics, policy, business, and management to generate societal impact by co-creating insight and advice on how to turn the measurement of broader public and societal value beyond GDP into action. Taking inclusive prosperity further than offering a measurement and management system alone adds to societal well-being and happiness at large and has the additional key benefit to stabilize our liberal democracies and legal systems. It will delve into the existing theories on growth, green growth, degrowth and post-growth, but then problematize them by asking what exactly it is that is (de)growing or supposed to (de)grow. It will lean on knowledge developed in the context of economics but synthesize this with insights from other disciplines to come to a richer understanding of prosperity. It will take note of analytical measurements but then require that transforming them into actual policy measures is the real name of the game. It will be idealistic in its embrace of broad human development and purpose, but pragmatic in its handling of the institutional context where the ideas are expected to land. And it will be flexible in adjusting scientific theories and methods to relevant problems at hand, but then adamant in proposing workable solutions to urgent problems: this is the added value that academia can provide to society. Those who publish do not perish, but those who lend their intellectual capacities to generating broader welfare can really make a difference.

A journey for the long haul

European parliamentary elections will be on their way soon; so are votes for various national and local representative bodies. Anti-system political parties are likely to do well in them around the continent. Public discontent is real, expanding and cutting at the roots of the political system and practice we have all learned to value highly. As shown above, it does not come out of the blue and it is not easy to stave it off in the short term. Its sources are clear, the feeling of indignation is justified. Its goals and instruments, however, may well prove to be misguided. It is up to us, the elite, however, to put together a credible response. David Easton, the political scientists who first coined a useful interpretation of the political system, has demonstrated that demands and support are the main input the public can give to a political system. Their nature and strength depend on the decisions it produces as output for the societal environment that surrounds it. From the fact that its demands are unrealistically high and its support as at a Post War low, we can only conclude that, whatever the reasons, the public value(s) that has/have been produced and churned out simply do not meet the requirements of much of the electorate. And since we now know 'it is the quality and not the quantity of the economy, stupid', we had better co-create inclusive prosperity for our citizens, so that our politico-economic systems can produce it. If we do not, somebody else will.