

## Foreword - II

I am very pleased to introduce this book on growth policy, competition policy and equity. This lively debate orchestrated by CUTS International provides much food for thought and a wealth of insights drawn from reflection and experience by major actors worldwide.

More than often, such debate takes on ideological and sometimes theological overtones and ends up in a contest between two sharp positions: those who think that growth is the overwhelming and even unique objective and will then naturally trickle down, and that *ex-ante* social policies are at best useless and most of the time counterproductive and waste scarce resources; against those who argue that growth is an instrument towards an objective of higher standards of living for individuals, and that average growth (even beyond measurement problems) is not by itself likely to produce that result.

Have we really progressed beyond the simple ‘cake analogy’? Under a specific sharing pattern, the larger the cake is, the larger any individual share (or ‘a rising tide lifts all boats’, indeed). But this conclusion hinges on the stability of the sharing pattern, which may not be invariant to the various ways to increase the size of the cake.

The temptation to separate the three legs of the debate for analytical ease and simple policy prescriptions is likely to prove elusive. Growth policy in principle refers to the use of policy instruments along three complementary dimensions: supply

of labour (labour and labour market policies), supply of capital (investment and capital markets policies), and total factor productivity (which involves notably policies addressing education, health, innovation, structural reform, market structure, etc.).

From that simple perspective, it appears that neither competition policy, which is interested with market structure, nor the concern about equity, which also relates to the ability of the poorest to have the option of supplying their labour and to have access to basic services, are independent from growth policy.

Competition policy might seem easier to define and delineate. For some, it mainly aims at promoting economic efficiency through a proper functioning of markets. But is this ever so simple? ‘Markets’ do not exist in a vacuum and are maintained through a broad legal and institutional framework. Competition authorities have to enforce competition law, but this cannot be done without exerting judgment, simply because the letter of the law does not allow dealing with all issues at hand.

However, laws themselves reflect the overarching societal goals, including equity, so that when interpreting the law, any legal body cannot simply ignore equity considerations or pretend to believe that they are ignored.

Readers will find additional arguments in this book, notably the fact that in weak institutional contexts often characteristic of developing countries, competition authorities simply cannot rely on other institutions to promote the equity objective.

‘Equity’ itself may be the least well defined (which is one reason often advanced to argue that it should therefore not be allowed to pollute growth policies). A first approach is to argue that the equity concern should mainly relate to equality of opportunities (as opposed to equality of outcomes – or incomes). But then, competition policy is clearly about equity,

since it prevents the abuse of market power and preserves equal access to markets.

However, this is not a simple proposition, because in a dynamic setting, current outcomes also define future opportunities, so that inequality of current incomes, for example, may imply inequality of future opportunities, even when it results from the initial play of equal opportunities in the past.

For example, a successful entrepreneur does not have the same opportunities as an unsuccessful one. While it is legitimate to accept inequality of outcomes resulting from equal opportunities, how long is it legitimate to accept it without trying to correct the inequality of opportunities that result?

It thus cursorily appears that growth policy, competition policy and equity issues are inextricably interlinked. A crucial question, therefore, is how, and what policy implications are to be drawn from it. This book, which echoes many other such debates, suggests that the answer depends on local institutional and cultural specificities in various countries.

While the comments reported in this book draw on theory, they also bring concrete insights from experience: in the end, the way in which our three concerns of growth, competition and equity interact is an empirical question.

More empirical, field based and sound ‘positive’ (as opposed to normative) studies, on how markets work along whole value chains, on how various barriers and policies interact with their effectiveness, and how that interaction affects the livelihoods of people are needed. This resonates very much with what an institution like the Global Development Network (GDN) aims at doing: building the capacity of local researchers to conduct such useful studies that still are in short supply.

Once more, CUTS International has demonstrated with this book its talent in launching important debates in ways that

draw on experience and empirical knowledge and in mobilising the best commentators to animate the discussion. I trust that readers will enjoy this small book as much as I did.

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