

# We need an Inclusive Economy not Inclusive Growth

Policy Provocation



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In practice, Inclusive Growth is about what happens once we have growth, no matter how unfairly it is created, or the narrowness of those involved in creating it. It is not progressive.

Inclusive Growth is rapidly becoming a mere smokescreen, a get out phrase for the same old market liberalism, with its inbuilt social and economic injustices.

By contrast, an Inclusive Economy offers a genuine progressive conceptual frame in which greater consideration is given to social benefits that flow from, and feed into, economic activity. With alignment to new forms of economic democracy, new municipalism and Local Wealth Building, we are seeing the rise of a genuine new progressive practice to local economic development.

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# 1. Introduction

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From time to time a new policy concept emerges, which seems to capture the mood and desire for a certain type of change. Today in economic development that phrase is 'Inclusive Growth'. Emerging from a growing acknowledgement that economic growth is not delivering in terms of quality jobs and wages - Inclusive Growth is a virtuous catch all, seemingly offering an antidote to an economic growth model with its unacceptable levels of exclusion, poverty and inequality. Hence, from the RSA's 'Inclusive Growth Commission report'<sup>1</sup>, to Local Government, Local Enterprise Partnerships and emerging Local Industrial Strategies the term is on the rise, peppering various strategies and plans.

It's no surprise that it has captured a desire for change - our current growth model is socially failing. Post Global Financial Crisis, many are hankering for some redress. Last year OECD data showed that the UK is the only developed economy in which wages fell while the economy was actually growing, albeit meagrely<sup>2</sup>. One in eight workers (3.7 million), live in poverty<sup>3</sup> and 1.3 million people (including children) rely on food banks. Our economic model is socially broken, presiding over inequality where the richest 1% own more than twenty times the wealth of the poorest 20%<sup>4</sup>. We need change. However, we feel that Inclusive Growth is flawed as a conceptual frame.

## 2. Inclusive Growth is not progressive

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### **Inclusive Growth accepts a market liberal framing of our economy**

Inclusive Growth accepts that the current economic system produces unequal opportunities, so there is a need for policies to tackle that. However, this is broadly about 'after the fact' economic development centred around the fruits of growth, so that more people get to enjoy opportunities after they are created. In practice, Inclusive Growth is less about affecting change to the prevailing market liberal approach to economic growth, but more about what happens once we have growth, no matter how unfairly it was created, or the narrowness of those involved in creating it. This is limited and limiting.

Inclusive Growth is not interested in changing the market liberal basis to growth: forged from deregulated/privatised markets, austerity in public services and erosion of employee rights, together with a relaxed approach to wealth extraction through offshoring, distant shareholder dividends and executive pay.

There is no doubt that many advocates for inclusive growth at the city regional and local level reject these aggressive policies of market liberalism. They have genuine social concern. For instance, the RSA Inclusive Growth Commission report (as the marker for Inclusive Growth in the UK) states that "The key shift we need is from an economic model based on growing now and distributing later to one that sees growth and social reform as two sides of the same coin". However, in practice (and this is what truly matters) advocates are constrained by a national economic frame which offers no support for local policies which advance genuine progressive action or outcomes. Indeed, the terms of the deal making regime (as part of city devolution) are dictated by Whitehall and the Treasury<sup>5</sup>. This is no basis for a genuine progressive local policy flex that can correct a national economic model that creates such social hardship.

We have to face the reality that in practice, Inclusive Growth could be mere cover for economic stasis, rather than meaningful action on social exclusion and economic injustices. Indeed, it is acknowledged, in much of economic development (though broadly unsaid publicly), that many refreshed economic strategies and plans have merely slotted in the words 'inclusive growth' as a substitute for 'growth' or 'economic growth', with no real practice shift in strategy or policy to deliver inclusion. There is little to suggest progressive change to the underpinning market liberal basis to economic growth with challenges to the vested interests, who support its retention.

### **Inclusive Growth is vague and confused**

In a recent 'sympathetic critique'<sup>6</sup> academic Neil Lee picks up on a few of CLES's previous fears about the concept. Lee highlights how Inclusive Growth is 'imperfect' as it is "conceptually fuzzy and operationally problematic", having "only a limited evidence base". There are many

interpretations of Inclusive Growth. Indeed, Paloma Duran of the Sustainable Development Goals Fund states that; “when you ask five economists to define [Inclusive Growth], you will likely end up with six answers”<sup>7</sup>. The term has little provenance, in contrast to social justice or tackling poverty. This weakness of meaning and lack of genuine substance is somewhat masked by the institutional power of the IMF or the World Bank: big powerful cheerleaders of Inclusive Growth. Tellingly, even with this global economic backing, many practitioners remain unsure as to what Inclusive Growth actually means for practical UK economic and social policy. Clearly many have and are seeking to define and create clarity. Nevertheless, as a clear trigger and prompt to specific actions, it is falling well short.

### **Inclusive Growth offers little to places with low or no growth**

Inclusive Growth has no solutions for places with low or no growth. UK national growth rates currently running at a miserly 1.2%, the lowest in the G7<sup>8</sup>. Research by EY highlights that “no progress has been made in rebalancing the UK economy geographically over the last three years” and their forecasting model predicts that “the weaker parts of the economy – smaller cities and towns – will fall further behind the largest cities”<sup>9</sup>. There is scant evidence to suggest we will see return to sustainable growth for many areas (if at all). In this probable scenario, inclusion on the back of growth offers little to address longstanding social injustice in many areas. By relying on inclusion ‘after the fact’ of growth, Inclusive Growth is condemning many areas (with no growth) to exclusion and wealth extraction - possibly for a long time to come.<sup>10</sup>

### **Inclusive Growth does not sufficiently consider or address environmental degradation**

Aspirations for growth may not even be desirable, given environmental limits. What does Inclusive Growth offer a planet which is far outreaching planetary limits, and where existing city region policies of agglomeration result in rising pollution and other environmental and social diseconomies? IPPR’s analysis of Local Enterprise Partnership’s plans discovered that only a few presented a strong appraisal of natural resource constraints and the potential risks and impact that these could have on the economy.<sup>11</sup> It is a problem that Inclusive Growth and the plans which are informed by it, offer little in the way of addressing the fundamental challenge of our time.

### 3. We need an Inclusive Economy

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It is hard to discern what is actually new or novel about many of local policy and practical action being framed by Inclusive Growth. Much that is actually being posited as practical action for Inclusive Growth - employment programmes, in work progression, employment charters, skills development and the like - are sound enough policy. But they have also been a feature of economic development and regeneration for decades. For those with a longer economic development memory, or a desire for genuine progressive change, it is underwhelming. This is especially so given the grip that market liberalism now has on our economy, together with continuing austerity and the depth of social concern.

Inclusive Growth, for the reasons above, is problematic: it is conceptually imprecise, practically limp and fails to condemn market liberalism. We could hope that it becomes more definitionally precise, prompting stronger action moving forward. However, for those who have a genuine desire to address pressing social issues such as poverty and inequality, we have no time to waste. It is no surprise that many policy makers and some in local government are starting to question Inclusive Growth, recognising its toothlessness after experiencing the flaws revealed above. Instead they are seeking to restore the language and progressive practice of economic and social justice captured in part by the term 'Inclusive Economy'.

Inclusive Economy, in stark contrast to Inclusive Growth, is not merely focussed on addressing some of negative effects of economic growth outcomes. Instead, it is about addressing the fundamental causes. For CLES, Inclusive Economy means: 'An economy intrinsically married to social goals which rejects market liberalism. Where there is an intentional desire to reorganise the economy, with wider ownership and where the economy functions naturally to produce social and economic justice, environmental sustainability and prosperity for all'.

This may seem to be a semantic debate. It is not. Inclusive Economy offers a more voracious conceptual frame and progressive set of actions. With mistrust running high around policy and politicians, framing matters. Concepts need to say what they mean and prompt precise progressive action. We accept that Inclusive Growth has opened a window in which inclusion can be discussed, but we cannot let this be some overton window - where a serious correction to aggressive market liberalism may be claimed, but in practice is not.

As a contrast an Inclusive Economy agenda is conceptually strong, action focussed and has alignment to heterodox economics and new forms of economic democracy and urban development such as new municipalism<sup>12</sup>. In this there is a growing set of bold thinking and practice with much operating in spite of the system, rather than being supported by it. New municipalism and the institutional turn<sup>13</sup>, seeks an end to mere playing at the edges of social change, but aims to generate new ways and new institutions to advance them. This includes community action and innovation, finding alternative ways in which citizens and the state organise themselves to meet social needs and issues.

A key part of this is the Local Wealth Building movement<sup>14</sup>. This aims to reorganise and control the local economy so that wealth is not extracted but broadly held, generative and rooted locally. This ensures that income is recirculated, communities are put first, and people are provided with opportunity, dignity and well-being. Indeed, across much of CLES's Local Wealth Building work, and in places such as Salford, Islington, Preston, and the Wirral, Inclusive Economy is fast becoming the local frame for a genuine new type of local economics. In these places Inclusive Economy is already offering a practical penetrative frame for local economic development, with outcomes to match.

# 3. Conclusion

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Inclusive Growth is seen by some as the answer to a better economy, in which social outcomes are more readily achieved. It is flawed. Advocates of Inclusive Growth will say that it will get conceptually clearer, steelier and start to address the causes of injustice before the fact of economic growth, not just after. That it can and will challenge market liberalism. Maybe. But to date, there is scant evidence to suggest that. As such, we must be aware of the possibility that Inclusive Growth will become a mere smokescreen, a get out phrase for the same old market liberalism, with its inbuilt deep social and economic injustices.

Inclusive Economy is a more voracious frame, with an overt focus on economic and social justice and a rejection of market liberalism. This is on the rise and should be accelerated as the frame and genuine trigger to progressive action toward economic and social justice.

Moving forward, the art of social and economic change requires national and local politicians, and all involved in local economic development to be wary of inclusive growth and seriously consider what it can deliver or is delivering. In practical terms, the real progressive step change is the growing suite of activities offered by an Inclusive Economy approach which - despite the system - can, and are, making a genuine progressive difference. That is where our progressive economic and social future lies.



# Endnotes

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- <sup>1</sup> [https://www.thersa.org/globalassets/pdfs/reports/rsa\\_inclusive-growth-commission-final-report-march-2017.pdf](https://www.thersa.org/globalassets/pdfs/reports/rsa_inclusive-growth-commission-final-report-march-2017.pdf)
- <sup>2</sup> <https://www.ft.com/content/83e7e87e-fe64-11e6-96f8-3700c5664d30>
- <sup>3</sup> <https://www.jrf.org.uk/press/uk-poverty-2017-country-reaches-turning-point>
- <sup>4</sup> <https://fullfact.org/economy/wealth-uk-richest-1-and-poorest-20/>
- <sup>5</sup> Paul Sissons, Anne E. Green & Kevin Broughton (2018) Inclusive growth in English cities: mainstreamed or sidelined?, *Regional Studies*, DOI:[10.1080/00343404.2018.1515480](https://doi.org/10.1080/00343404.2018.1515480)
- <sup>6</sup> Neil Lee (2018) Inclusive Growth in cities: a sympathetic critique, *Regional Studies*, DOI: [10.1080/00343404.2018.1476753](https://doi.org/10.1080/00343404.2018.1476753)
- <sup>7</sup> Paloma Durán (2015) What does inclusive economic growth actually mean in practice? <http://www.undp.org/content/undp/en/home/blog/2015/7/31/What-does-inclusive-economic-growth-actually-mean-in-practice-.html>
- <sup>8</sup> <https://fullfact.org/economy/uk-economic-growth-within-g7/>
- <sup>9</sup> <https://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/rebalancing---ey-uk-region-and-city-economic-forecast>
- <sup>10</sup> Much strategizing around inclusive growth focusses on the disadvantaged and poor, and connecting people to growth. However, little reference is made to wealth, and the wealthy in localities with no growth.
- <sup>11</sup> [https://www.ippr.org/files/publications/pdf/Building-economic-resilience\\_May2014.pdf](https://www.ippr.org/files/publications/pdf/Building-economic-resilience_May2014.pdf)
- <sup>12</sup> <https://cles.org.uk/blog/local-government-the-commons-the-time-has-come/>
- <sup>13</sup> Martin O'neill and Joe Guinan (2018), The Institutional Turn: Labour's new political economy, *Renewal Editorial* • Vol 26 No 2 2018 <http://renewal.org.uk/articles/the-institutional-turn-labours-new-political-economy>
- <sup>14</sup> McInroy, N (2018) Wealth for all: Building new local economies, CLES [https://cles.org.uk/wp-content/uploads/2018/10/Wealth-for-all\\_Building-new-local-economies\\_Neil-McInroy\\_November-2018.pdf](https://cles.org.uk/wp-content/uploads/2018/10/Wealth-for-all_Building-new-local-economies_Neil-McInroy_November-2018.pdf)

## About this publication

This policy provocation is for anyone who is working in public policy today. It emerges in response to a frustration with the concept and application of Inclusive Growth within economic development.

It begins by providing a critique of the concept, highlighting its lack of clarity, its lack of practical policy application and its failings to effectively tackle economic and social injustices. We argue that inclusive growth is severely limited, as it operates within the market liberal frame to growth, which is based on deregulation of markets and privatisation, austerity in public services, erosion of union rights and employee protection. As such it offers little and could be seen as mere cynical cover for an economic stasis, rather than meaningful action on social exclusion and economic injustices.

The work introduces inclusive economy as a more voracious frame to economic development. We highlight how ideas and practice surrounding new municipalism, the institutional turn and Local wealth building offer a more powerful frame with a rapidly developing set of practical policy actions.

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**Published by** CLES, December 2018

ISBN: 1 870053 90 7

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