Inclusive Growth: Meaningful Goal or Mirage?

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The challenge: crafting together different values and realities

- efficiency
- wealth creation
- self-interest
- more productive economy
- raise productivity
- enterprise
- prosperity
- competitiveness
- material consumption

- equity
- distribution
- solidarity
- cutting poverty & inequality
- social justice
- social inclusion
- fairness
- cohesion
- well-being, happiness

Why 'shared prosperity'?

- Moral sense - everyone should gain from a more affluent society
- Pragmatic realisation - should provide a more secure foundation for long-term societal progress and stability

- BUT called into question over last two decades by the global trend of rising inequality and upward mobility stagnating
- Why isn't the 'rising tide' lifting all boats?

Recent trends

- Rich have benefited from technological change, financial deregulation, cuts in top tax rates
- More individualised welfare systems, private pensions, loans for university education.
- Liberalised labour markets and public housing systems to attract investment
- 'Adjustment' to global forces through lower wages, flexible work patterns and migration
- Structural adjustment, privatisation
- Markets are rational, efficient & can't be bucked

Definitions

- **Absolute poverty** (eg poverty line or MDGs)
- Simple solution – growth, tax and redistribution
- Light touch government - soluble with limited economic & social change
- But neglects the social context - feelings of people on low incomes relative to wider norms and standards
- People are poor mainly in relation to the wider society – 'relative poverty' (similar to inequality)
- Need to change social relationships/ stratification
- Relative poverty can hide material improvements for poor

Definitions

- Relative poverty is linked more directly to the distribution of income (first world?)

- Perhaps absolute poverty is linked more to the economic growth rate (third world?)

Dynamics of poverty:

- Risks of falling into and escaping poverty
- Temporary versus persistent poverty
- Vitally important for policy

- Spatial dimension:
- Opportunity structures of neighbourhoods can facilitate upward mobility ('escalators')
- Or trap people in environments with poor access to jobs and amenities ('enclaves')

Dynamics of poverty:

- Equality of opportunity versus outcome
- Individual versus generational mobility
- Meritocracy versus inherited wealth & unjustified discrimination
- Does inequality mean incentives to enterprise and risk-taking, and reflect talent and endeavour
- Or reflect inheritance, opportunistic behaviour and greed? ('rent-seeking')

Causes of poverty:

- Temporary shock – e.g. recession
- Individual - lack relevant skills and capabilities, personal deficiency – e.g. unemployment – but can also be discrimination
- Cultural - attitudes, behaviour and agency of the individuals and groups at risk (eg peer pressure) ('underclass')
- Structural – opportunities and obstacles for different groups

Policy responses: social protection

- Redistribute resources either through welfare benefits (cash transfers) or in-kind welfare services

- Highly effective at poverty relief

- But do they affect incentive to work?

- And long-term effects of welfare reliance (UK experience of IB)

- Do they affect the root causes of poverty or provide a sustainable way out of poverty?

- Welfare services provide more direct effect on contributory factors (eg education)

- Welfare to work (workfare … Scandinavian system)

Policy responses: broad-based economic development to create more and better jobs

- Principles: development (progress/mobility), capacity building, income generation, initiative/enterprise; labour-absorbing; large multipliers, low leakages, broader ownership and size composition, spatial balance

- National; Provincial; Local