Inclusive Growth as a Balanced Socioeconomic Model ...(A Contemporary Term Definition)

The concept of inclusive growth is comparatively new in the arena of development economics.

In the early stages, the term referred to the increased need of reducing poverty and income inequalities as a mean to improving standards of living and well-being for all social groups mainly in Latin America and Asia. Later the term took a broader meaning reaching job rights, education, health gender issues and few other aspects in socioeconomic life. In academic literature, as in business, inclusive growth is not yet well established as a concept to meet the needs of today economy and is frequently used to define different notions usually related to poverty reduction and incomes inequality. It remains an economic model with partial application in developing countries and only recently due to the global economic turmoil Inclusive Growth has attracted the attention of policy makers and academics.

Along the lines of the definitions of pro-poor growth to which they relate, these conceptualizations of inclusive growth focus on outcomes.
Klasen (2010) makes a distinction between pro-poor and inclusive growth based on which groups are recipients of the outcomes from growth; according to Klasen "pro-poor growth focuses on people below the poverty line, while inclusive growth is arguably more general: it wants growth to benefit all stripes of society, including the poor, the near-poor, middle income groups, and even the rich" (Klasen 2010).

McKinley (2010) identifies that inclusive growth entails achieving sustainable growth that will create and expand economic opportunities and ensuring broader access to these opportunities so that members of society can participate in and benefit from growth.

Today, inclusive growth as a socioeconomic model under development due to the increased inequality in both developing and developed nations, is a model that should concern policymakers, academics and practitioners around the globe.Financialization and the increased power of giant corporations have led to the concentration of economic power (money) into the hands of non-productive forces where huge amounts of profit are not reinvested to grow or develop the economy but are being used just for the creation of more money. This shifts the economic role from a value creation organization into a solely value extraction mechanism. Corporate profitability is not translated into widespread economic prosperity. The allocation of corporate profits to stock buybacks deserves much of the blame.

"Things went wrong around the time when the idea that "the real economy leads finance and finance supports the real economy" was reversed to become "finance leads the real economy"..........It was also the moment when the financial economy started to go in the wrong direction, generating money for money's sake...."

According to Martin Ravallion, the former head of research at the World Bank, as cited in The Economist, a 1% increase in incomes in the most unequal countries produces a mere 0.6% reduction in poverty; however, in the most equal countries, it yields a 4.3% cut. In other words, societies can get much more bang from a boom if they ensure benefits are more widely shared.

This brings us to the point at which trickle-down theory ends and inclusive growth begins. According to the Organization for Economic Cooperation and Development (OECD), inclusive growth is "a new approach to economic growth that aims to improve living standards and share the benefits of increased prosperity more evenly across social groups".

Inclusiveness has its application in both macro (aggregate) sense and micro (in terms of specific) sense. Based on the principle of creative economy it must be addressed as a system for the creation of a more sustainable and balanced socio-economic ecosystem taking into account national economies, environmental issues, cultural diversity, natural resources, social progress and of course human wellbeing. Taking into account the negative evolution in global economy we believe that inclusive growth must be addressed as an economic model that should be applied globally in order to achieve a sustainable and balanced Economic System.

The socioeconomic model of inclusive growth today should be based mainly on 4 pillars :

- **Collaboration between nations in order to achieve a sustainable global economic growth taking into account: cultural diversification, environmental and natural resources.**
- **Efficient allocation of invested capital to more sectors on the basis of collaborative business.**
- **Closer co-operation between production forces, science and investors.**
- **Collaboration between private sector and public sector in order to strengthen entrepreneurship and business development inside a much**

more fairly regulated framework that will "diffuse growth benefits" to all participated social groups.

However, there is an important caveat to all this. The objective of inclusive growth ought not to be equal outcomes regardless of the efforts, an approach that can hurt the incentives for growth. Instead, inclusiveness means leveling the playing field, getting rid of special enticement for lopsided development, and making the effort to engage every segment of the population.

Source: (www.inclusive-growth.com)