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Who Frames the Politics of Inclusive Growth?

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There has been an ongoing intellectual revolution concerning economic and development policies for the emerging world. Interestingly, this revolution is in fact driven and played out by the emerging world itself.

Biography

► **Joël Ruet**, Chairman of The Bridge Tank and Economist in the CNRS

Born in 1972, Joel Ruet is a Specialist of Emerging Economies; He was Alumni of Ecole des mines, Paris & London School of Economics. Joel Ruet has lived in Paris, Cairo, New Delhi, Bombay, London, Beijing and Dakar. For a decade he has advised Fortune 500 companies and Private equity Funds in energy & nuclear, automotive, agriculture and mining industries at CEO/CFO level on India, China, Africa.

He is joint-coordinator of the "Global Vision Program" for Electric Vehicles initiative between Fondation Renault & ParisTech "Grandes Ecoles". Joel Ruet served as expert for the 2012 revision of "Stratégie Nationale de Développement economique et Social", Senegal and in 2014 served as Special Adviser to the Minister of Agriculture and Rural Equipment, Govt of Senegal.

Joel Ruet is now the Chairman of The Bridge Tank, a "link-and-think" tank dedicated to the growing role of emerging countries in global change.

For over a century the theories and policies of economic development in emerging economies were theorized, formulated, and dictated by the U.S. One of the champions of development economics, President Harry Truman, put this issue at the heart of his government's policy for the benefit of the American people. Fast-forward to the year 2000 and the UN introduced a set of economic benchmarks, the Millennium Development Goals (MDGs), with the aim of improving the lives of millions around the world and lifting them from poverty.

However these visions and policies have had a limited impact on the lives of many for whom these goals were put in place for. Historically these policies and initiatives focused mainly on large scale infrastructure projects, which did little to empower rural populations or serve their needs. In fact the real success stories to come out of the emerging world have been results of experimentations on the ground. The most successful 'experiments' were based on the idea of inclusive growth. The pioneers of inclusive growth, in order of appearance, include former Prime Minister Meles Zenawi of Ethiopia (1995-2012), former Thai Prime Minister Thaksin Shinawatra (2001-2006), and Former President Lula Da Silva in Brazil (2003-2011).

During the presidency of Lula Da Silva there was a marked reduction in the inequality index (Gini index) from 0.553 in 2002 to 0.500 in 2011. Although it still remains high, this was the first decrease in the Gini index in decades in Brazil and President Lula lifted millions out of poverty reducing the poverty rate from 22 percent to 7 percent between 2003 and 2009. Key to President Lula's reforms were the cash transfer programs, which extended to the entire population who in return were obliged to keep their children in school and see that they receive regular medical attention.

If you look at Ethiopia, agricultural production doubled between 1993 and 2005, which is highly significant in a country where agriculture provides 80 percent of employment. Foreign investment was utilized to scale up production and industrialize the economy, and improved distribution of the national income led to a reduction of poverty from 60 percent to 20 percent within 20 years—a silent revolution.

Even more impressive is the case of Thailand. The rate of poverty was halved and six million people were lifted out of poverty in just six years—from 2001 to 2006 under Thaksin Shinawatra's premiership. The recipe for success was similar to the examples above: tackling poverty by empowering people. In practice, this was carried out through support for agriculture and food security. For the first time, villagers of all economic backgrounds had access to small- scale loans without the need for collateral. This in turn stimulated job creation—unemployment was more than halved from 3.3 percent to 1.5 percent—not only in agriculture but also in related SMEs and industry as demonstrated by the 150 percent accrued GDP during the premiership of Shinawatra.

Inclusive growth policies have shifted the boundaries on the playing field of ideas, which is the soft battleground of economic and political influence.

As an idea, inclusive growth should not be confused with the concept of 'Fordism' that centers on the idea of big industry and large-scale employment that would eventually spread across the globe. Inclusive growth, especially the model implemented by Zenawi and Shinawatra, stands for faster modernization as the economy diversifies. Their vision was to build an industry with an agricultural base where growth is reliant on self-employment and entrepreneurship facilitated by targeted and innovative sources of funding.

Besides, inclusive growth is an idea suitable for many of the world's emerging economies as it stands today, and we can see it influencing several governments which have begun implementing their own versions as we are seeing in Vietnam, Ghana, and Chile with many others like Mali and Colombia looking to follow this trend. Many of these countries may look—but not exclusively—to the West for funding, but they will most likely be looking to the emerging countries for economic policy ideas.

So what role is there for the U.S. to play? It is now the right time for the U.S. and Washington's multilateral institutions to take a more pragmatic approach and accept some lessons from countries that not long ago were looking to Washington for guidance. The tendency of the West to focus their efforts on macroeconomic policies needs to be altered to make room for microeconomic initiatives that have a tangible effect on people's lives. Funds need to be directed towards local institutions on the ground to bridge the gap between macro and micro economic initiatives to ensure goals are fulfilled and lives are improved.