

# Built for All

A global framework for  
building inclusive economies



Center for  
Inclusive Growth

Arturo Franco  
Mastercard Center for Inclusive Growth



Centre for  
Public Impact  
A BCG FOUNDATION

Megan Humes, Ron Ivey, Whitney Shapiro and Dan Vogel  
Centre for Public Impact



# A collective debate on the future of our economy

The Mastercard Center for Inclusive Growth and the Centre for Public Impact have engaged with more than 30 experts, including Nobel laureates, heads of international organizations, and some of the world's leading thinkers from the government, the private sector and academia to debate innovative approaches to the major questions facing humanity. Through a series of conversations, we captured and tested key concepts, definitions, frameworks and proposals on the interlinked challenges facing our economic systems. Our aim is to renew and strengthen our collective understanding and thinking around these issues to prompt a much-needed dialogue.



This publication was made possible by the **Mastercard Center for Inclusive Growth** in partnership with the **Centre for Public Impact**.

This report attempts to summarize both the extensive literature and the most current thinking about economic inclusion. It presents a new framework, including a set of outcomes and actions, to make our economy work for the flourishing of all people and the planet.

The report was written and coordinated by Arturo Franco, Vice President, Insight at the Mastercard Center for Inclusive Growth; Dan Vogel, Director, North America; Ron Ivey, Fellow; Megan Humes, Senior Associate; and Whitney Shapiro, Senior Associate at the Centre for Public Impact.

Research assistance was provided by Kevval Hanna, Brian Zuluaga, Julian Martin, Devon Genua, Ali Schmidt-Fellner and Daniel Barker.

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"Inequality is not a new phenomenon, but it has become one of the burning social and economic issues of our age – one that is contested in academic literature and street demonstrations alike."

– 45th meeting of the G7 in Biarritz, France, 2019



## EXPERT PANEL

We would like to express our gratitude to the following contributors for their valuable insights and support in the development of this document:

**Aaron Klein**, Brookings Fellow in Economic Studies and Policy Director of the Center on Regulation and Markets

**Bhaskar Chakravorti**, Dean of Global Business at The Fletcher School of Law at Tufts University

**Bob Annibale**, Former Global Director, Citi Community Development and Inclusive Finance

**Bricklin Dwyer**, Chief Economist and Head of the Mastercard Economics Institute

**Bruce Katz**, Co-Founder of New Localism Advisors

**Colin Mayer**, Professor of Management Studies at the Saïd Business School at the University of Oxford

**David Williams**, Director of Policy Outreach at Opportunity Insights

**Denise Hearn**, Co-Author of *The Myth of Capitalism: Monopolies and the Death of Competition*

**Enrique Rueda-Sabater**, Senior Advisor at the Boston Consulting Group

**Erika Poethig**, Vice President and Chief Innovation Officer at the Urban Institute

**Frederick Riley**, Executive Director of WEAVE: The Social Fabric Project at the Aspen Institute

**Gabriela Ramos**, Assistant Director General for Social and Human Sciences at UNESCO

**Guntram B. Wolff**, Director of Bruegel, the Brussels-based economic think tank

**Homi Kharas**, Senior Fellow and Deputy Director for the Global Economy and Development Program at the Brookings Institution

**Ida Rademacher**, Vice President at the Aspen Institute and Executive Director of the Aspen Financial Security Program

**John Lettieri**, President and Chief Executive Officer of the Economic Innovation Group

**Jonathan Morduch**, Professor of Public Policy and Economics at the Wagner Graduate School of Public Service at New York University

**Joseph Wong**, University of Toronto's Vice Provost & Associate Vice President

**Laura Inge**, Stakeholder Engagement Manager at Prime Minister's Office and Cabinet Office

**Laura Tyson**, former Chair of the U.S. President's Council of Economic Advisers, Professor at the Berkeley Haas School of Business

**Leora Klapper**, Lead Economist in the Finance and Private Sector Research Team of the Development Research Group at the World Bank

**Marcela Escobari**, Senior Fellow at Global Economy and Development Program's Center for Universal Education, Brookings

**Matthew Bishop**, former Managing Director, Bellagio and Fellows, The Rockefeller Foundation

**Michael Froman**, Vice Chairman and President, Strategic Growth, Mastercard

**Michael Green**, Chief Executive Officer of the Social Progress Imperative

**Michael Spence**, Nobel laureate in economics, Professor of Economics Emeritus of the Graduate School of Business at Stanford University

**Oren Cass**, Executive Director of American Compass

**Philipp Carlsson-Szlezak**, Chief Economist at the Boston Consulting Group

**Rebeca Grynspan**, Secretary-General, Secretaría General Iberoamericana (SEGIB)

**Richard Reeves**, Senior Fellow in Economic Studies at Brookings

**Ross DeVol**, President & CEO of Heartland Forward

**Shamina Singh**, Founder & President, Center for Inclusive Growth, Executive Vice President, Sustainability, Mastercard

**Tara Nathan**, Executive Vice President, Humanitarian & Development, Mastercard

**Tim Ogden**, Managing Director of NYU Financial Access Initiative

**Tyler VanderWeele**, Professor at the Harvard School of Public Health and Director of the Human Flourishing Program

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Our global economic system has enabled billions to lift themselves from poverty. It fueled material success and sustained improvements in health, literacy, and nutrition. As a result, we have seen rising living standards, significant advances in technology, soaring innovation and strong social progress.

**However, the benefits of economic growth were not always fairly or broadly distributed, and the models of our past successes might not be those that could lead us into a new era of sustained and shared prosperity.**

The dual crises of COVID-19 and racial injustice have created a moment for reflection and reset, as countries and industries start to rebuild. There is an opportunity – and an imperative – to reimagine our existing economic models to address worsening inequalities and exclusion. Still, there is surprisingly little consensus on how to define, measure, and create the conditions for an inclusive economy.

The Mastercard Center for Inclusive Growth and the Centre for Public Impact led a collaborative exercise to arrive at an inclusive economy framework – a “north star” to guide and stimulate deliberation – informed by an extensive literature review and interviews with leading thinkers. This framework builds on an exceptional list of previous efforts and diverse perspectives from our expert panel.



*Built for All* defines an inclusive economy as **a system that is intentionally designed to prioritize the flourishing of all people and the planet**, supported by three pillars:

- 1

Equitable access to resources and opportunities
- 2

A level playing field for work and competition
- 3

Collective stewardship<sup>1</sup> of shared resources for future generations

Across each pillar, the expert panel helped us outline a set of outcomes we all would expect in a truly inclusive economy (listed in the following table). They have also identified broad actions that businesses, governments, and the civic sector can take to drive change.

Outcomes of an Inclusive Economy		
Equitable access to resources and opportunities	A level playing field for work and competition	Collective stewardship of shared resources for future generations
<ul style="list-style-type: none"><li>• Systemic discrimination is addressed, eradicated, and prevented</li><li>• Social capital builds communities and a sense of belonging and supports strong families in all places</li><li>• Education and training prepare everyone to participate meaningfully in civic and economic life</li><li>• Financial systems are accessible, safe, and affordable for everyone</li><li>• Everyone has pathways to build individual wealth and explore economic opportunities</li><li>• Technology, data, and digital networks benefit everyone</li></ul>	<ul style="list-style-type: none"><li>• Labor markets are competitive for workers and employers</li><li>• Businesses of all sizes and stages of maturity compete in a dynamic market ecosystem</li><li>• Capital is circulating throughout the economy and used productively</li><li>• Marginalized communities do not face barriers to finding and keeping work</li><li>• Work provides a living wage, and families experience economic security</li><li>• Everyone has the training necessary for the future of work</li></ul>	<ul style="list-style-type: none"><li>• Businesses balance short-term objectives with long-term stakeholder interests</li><li>• All communities have access to clean air, clean water, and healthy ecosystems</li><li>• Renewable energy sources meet demand and lessen the effects of climate change</li><li>• All places build community wealth across neighborhood residents</li><li>• All places and future generations benefit from well-maintained public infrastructure</li><li>• Sectors align long-term R&amp;D efforts to solve complex societal challenges that transcend any one industry or sector</li></ul>

Designing an inclusive economy requires giving voice to individuals and places that have been insufficiently included up to now. Moreover, tackling a challenge as complex as reimagining how our economic systems work could require new approaches to problem-solving, new institutions, and a new level of collaboration across sectors. Specific solutions and prioritization of private and public resources could look different across geographies and cultures.

*Built for All* was devised as an actionable framework. It envisages businesses, government, and civic sectors coming together and explores a common set of actions that could help global economies support a future of sustained prosperity, equal participation, and responsible stewardship. We are eager to collaborate with leaders from all sectors to build a more inclusive global future.



1.0

# Foreword: An economy built for growth





## 1.1. An economy built for aggregate growth

Over the last 75 years, a growing global economy enabled billions to lift themselves out of poverty. It fueled material prosperity and improvements in health, literacy, and nutrition<sup>2</sup> and contributed to rising living standards, significant advances in technology, soaring innovation, and healthy global productivity levels.<sup>3</sup> Countries like Singapore and South Korea saw unprecedented jumps in life expectancy – adding the equivalent of 15 years to the average lifespan of their citizens.<sup>4</sup> The material prosperity generated during this period, driven by the forces of competitive markets, could be compared only to the progress achieved during the Industrial Revolution.<sup>5</sup>

More recently, advances in technology, transportation, and communications created new ways for people to connect to the networks they need to thrive in the modern economy. Since 1990, the share of the global population below the extreme poverty line decreased dramatically, falling from 53% to 9% in Asia<sup>6</sup> and from around 47% to 25% across African countries.<sup>7</sup> In the two decades after the Cold War, the per capita incomes of Poland and other former Soviet countries nearly doubled.<sup>8</sup>



On average, the positive impacts of this economic transformation have been unprecedented. At the core of this market-based system, the creative process of entrepreneurship harnesses capital and human talent to develop new products and services that improve the quality and longevity of our lives. Throughout the world, the entrepreneurial drive has created countless new opportunities for innovation and prosperity.

Still, despite this progress, a deeper look reveals that vast segments of the population have not shared in the ownership and the benefits of our economic systems.<sup>9</sup> Today, more than one billion people lack access even to a form of identification and 3.4 billion people – almost half the world's population – still struggle to meet basic needs such as access to food and life-saving healthcare.<sup>10</sup>

Our research and interviews with experts have identified four pressing systemic challenges that have perpetuated economic exclusion: structural forms of exclusion, a fractured social contract, mounting wealth and opportunity gaps, and a lack of investment in shared resources for future generations.

**Structural forms of exclusion**, based on personal characteristics such as race, gender, religion, place of birth, or parents' income level, stifles economic mobility and unnecessarily limits our ability to develop our full economic potential. Deeply embedded racism, discrimination against refugees, religious minorities prevented from finding gainful employment and stability, these are examples of structural injustices still found in both advanced and developing economies. In many parts of the world, women are pushed toward informal work with few protections. While gains have been made, these issues persist in justice and economic systems.

**A fractured social contract:** The terms of worker participation in the economy – including wage growth, social benefits, and the availability of good jobs – have deteriorated.<sup>11</sup> In recent decades, productivity increases and worker pay have not always kept pace. Consequently, many workers face few opportunities to improve the quality of their jobs or gain new skills to change careers, forcing them into low-productivity, low-wage service jobs and depressing incomes, threatening economic and social stability.<sup>12</sup>

**Mounting wealth and opportunity gaps** are leading to a decreasing portion of society with an invested stake in the future success of the economy, creating more bystanders and fewer participants. Declining capital ownership leads to weaker fiscal systems, decreases entrepreneurship, dampens productivity growth, and can lead to a less predictable policy environment for existing businesses. Creating pathways for broader participation in wealth building and entrepreneurial ownership will be necessary to restore faith in market-based economies.

**Lack of investment in shared resources for future generations**, driven by an emphasis on short-term gains to achieve growth aspirations, creates a lack of resilience in essential sectors (e.g., health, food, infrastructure) and unsustainable consumption of natural resources. The worst effects of climate change and the loss of biodiversity will impact the places and communities that have been left behind and under resourced. Ecological destruction is an impetus of forced migration in the developing world, while fading economic opportunity has been a driver of social unrest in America and Europe.

Many of these dynamics are key drivers of social unrest that destabilize our political systems, tear at the relational fabrics of our societies, and constrain our capacity to sustain human progress.

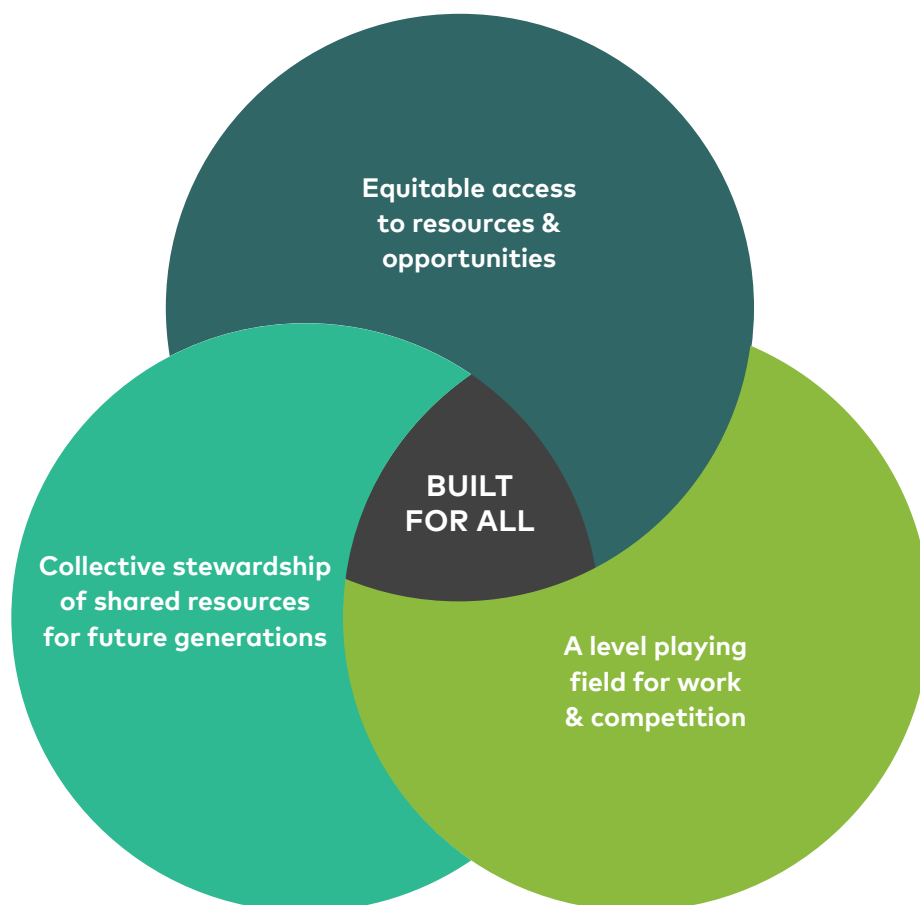
Amidst a global pandemic and resulting economic downturn, we are once again exposed to vast differences in economic security, worker fragility, and access to resources, both between and within nations. In the U.S., the highest-paying one-third of jobs have almost fully recovered from the recession, while the lowest-paying one-third of jobs remain 16% below pre-pandemic levels.<sup>13</sup> Disproportionately affecting the poor, COVID-19 could push anywhere from 71 million to 100 million back into extreme poverty,<sup>14</sup> further undermining political and economic legitimacy<sup>15</sup> in a way that will be difficult to defend.



## 1.2. Building inclusive economies: Issues to consider looking ahead

Over the last six months, the *Mastercard Center for Inclusive Growth* and the *Centre for Public Impact* led a collaborative exercise to gather insights from Nobel laureates, heads of international organizations, and some of the world's leading thinkers across sectors. We asked the experts: What is wrong with the economy? How can we fix it? And we summarized what we heard in *Built for All*. Insightful and lengthy conversations amongst the different contributors ultimately landed around a “north star” as to what might constitute an inclusive economy.

Based on these discussions, our framework defines an inclusive economy as **a system that is intentionally designed to prioritize the flourishing of all people and the planet**. While the framework will be explained in further depth throughout this report, the model boils down to three key elements:



## FOREWORD: AN ECONOMY BUILT FOR GROWTH

This framework also synthesizes an extensive body of research and literature, beginning with the foundational findings of the World Bank's Growth Commission, built upon by the OECD, the United Nations, the Brookings Institution, and many others that have acknowledged how mounting imbalances in economic growth have ultimately resulted in an inequitable distribution of opportunity, income, and wealth (see timeline, below). Furthermore, we complemented this literature review with further research in a variety of fields and sectors, such as global development, business strategy, economics, and community engagement.



The *Built for All* framework also draws on our experience in promoting financial and economic inclusion. As Ajay Banga, Mastercard's CEO, has noted, there are three key trade-offs in economic decision-making today: one versus many; humanity versus nature; short-term versus long-term. In his thinking, an inclusive economy is built around trust and ultimately holds human decency at its core. When the tactics of businesses, public servants, and NGOs reinforce these elements – and each other – we can forge a future of equitable participation and human flourishing.

"Decency is the foundation of relationships that drive respect, innovation, urgency and enterprise-wide thinking. It's what supports and inspires people to believe that they can trust you and that you will have your hand on their back and not in their face."

– Ajay Banga, CEO of Mastercard

In these uncharted times, as countries and industries begin to rebuild, as business executives adjust their strategies to address concerns around diversity and equity, as public servants guide their constituents through the aftermath of the pandemic, and as civil society leaders continue their work to strengthen communities, leaders around the world have an opportunity to reimagine how our economies operate. Thus, the collective framework below calls for an economy that is built for efficiency and also for resilience; an economy built for growth and also for equity; an economy built for productivity and also for opportunity. In short, an economy built for all.



### 1.3. From aggregate growth to broad-based flourishing: Factors defining an inclusive economy

Over the last decade, influential organizations have paved the way for new concepts and definitions around what it means for an economy to be inclusive, most of which highlight the importance of improving living standards, well-being, equity in opportunity, and shared benefits.

Below are some examples of Inclusive Growth definitions:

***"Inclusive growth ensures the benefits of a growing economy extend to all segments of society. Unleashing people's economic potential starts with connecting them to the vital networks that power the modern economy."***

– Mastercard Center for Inclusive Growth

***"Inclusive growth is a process that encourages robust long-run growth by improving the productivity of individuals and firms in order to raise local standards of living for all people."***

– Brookings Institution

***"Economic growth that results in a wider access to sustainable socio-economic opportunities for a broader number of people, regions or countries, while protecting the vulnerable, all being done in an environment of fairness, equal justice, and political plurality."***

– African Development Bank

***"An inclusive economy is one in which there is expanded opportunity for more broadly shared prosperity especially for those facing the greatest barriers to advancing their well-being."***

– Rockefeller Foundation

***"Economic growth that is distributed fairly across society and creates opportunities for all."***

– OECD

As many of these statements reflect, growth has been at the center of our economic systems for many years. This led many to portray aggregate growth as the ultimate goal of the economy, as it seemed to correlate to many other desirable social outcomes. In other words, since the past century the world has focused on measures of Gross Domestic Product (GDP) because we assumed its growth inherently included improvement in human outcomes. Fast forward to today, and GDP remains the globally predominant metric because it is relatively easy to understand, measure, and compare.

In this framework, we take a broader view based on a proposition that aggregate growth, as historically measured, is a necessary but insufficient means to achieve human ends, not necessarily the end in itself. Various economists,<sup>16</sup> policymakers,<sup>17</sup> and other social scientists<sup>18</sup> have stated that the purpose of an economy is to drive human flourishing. In recent decades, with increasing focus on well-being as the ultimate goal of economies, researchers across disciplines have recognized the need for a broader and richer framework for objectively studying well-being that goes beyond just measuring aggregate growth.<sup>19</sup>

“

The ultimate purpose of an economy is human flourishing. Measuring the performance of the economy in achieving this end requires a multidimensional approach. GDP only gives you one important dimension: rising outputs that grow incomes at the aggregate level. It doesn't tell you about the distribution of income or assets and value creation. It doesn't tell you about individual and social well-being, health or economic security. We have to look at the whole picture.”

**Michael Spence**

Nobel Laureate and Professor of Economics at Stern School of Business at NYU and Stanford Graduate School of Business



Traditional economic measures of growth capture only the monetary value of all final goods produced in the economy – not how much we benefit from them or how those benefits are distributed.<sup>20</sup> This means, for instance, that services we do not directly pay for, or the care work performed by family members (e.g., childcare, cooking, caring for relatives), are not measured.<sup>21</sup> Focusing on production, consumption or income measures alone leaves non-material goods (e.g., purpose, meaning) and social goods (e.g., connection, belonging<sup>22</sup>) unaccounted for.

“Everyone cares about physical health and financial stability. But people also care about being happy, having a sense of meaning, trying to be a good person, and having good relationships and community. As long as GDP is the only indicator of an economy, inequalities will increase, and these other areas of human flourishing will suffer.”

– Tyler VanderWeele, Director of Harvard's Human Flourishing Program



2.0

# Working together to build an inclusive economy



Building an inclusive economy requires the collective effort of individuals and institutions to move from those limiting entry to and participation in markets to the few to inclusive economic and political institutions that provide a pathway to shared prosperity for the many.<sup>23</sup>

*Built for All* explores the current and ideal states of the three pillars of an inclusive economy. Following each section, tables outline the ideal **outcomes** of an inclusive economy and **actions that private, public, and civic sector actors** can take to make these outcomes reality.

Each sector makes complementary contributions to building and sustaining an inclusive economy. No one group can achieve these ideal outcomes alone; each has a clear role to play:

	Businesses	Governments	Civic sector (NGOs, nonprofits)
Institutional roles	<ul style="list-style-type: none"> <li>• Create and grow firms and jobs</li> <li>• Innovate new products and services</li> <li>• Establish norms, ethical standards, and cultural values in firms</li> <li>• Employ, train, and manage workers</li> <li>• Set market wages and prices</li> <li>• Source suppliers and distribute products and services</li> <li>• Influence consumer behaviors through marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Establish and enforce rules and regulations for businesses and markets</li> <li>• Set national, mission-oriented policy</li> <li>• Invest in common goods (e.g., water, public infrastructure, air)</li> <li>• Employ, train, and manage workers</li> <li>• Source suppliers and distribute products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Promote cultural norms and values</li> <li>• Conduct research on the effects of business and government actions</li> <li>• Advocate for justice and fairness</li> <li>• Build community bonds, social capital, and institutional trust</li> <li>• Facilitate partnerships between sectors</li> <li>• Organize the collective voice of workers</li> </ul>
Example use cases	<p>The CEO of a private firm recognizes the social significance of COVID-19 and protests against systemic racial inequity. While a member of business roundtables with lofty goals, she does not know what actions to take to change her firm's strategy. She and her team use the "Business Actions" recommendations, with a focus on Pillar 1, as a checklist to re-evaluate their strategy and institute changes to support an inclusive economy.</p>	<p>A mayor of a large city does not have a clear definition of what an inclusive economy looks like to align her staff against shared goals. She uses the "Ideal Outcomes" in Pillar 3 to identify 5 outcomes they are farthest from achieving, aligns her staff on the revised priorities, and dedicates resources to co-creating a plan with constituents, businesses, and civic organizations to improve those outcomes.</p>	<p>A community leader struggles to get businesses and local government to align on initiatives that would benefit workers. She uses "Civic Actions" in Pillar 2 as a checklist to identify ways to adjust her strategy. She approaches the coalition with an improved strategy and case studies to illustrate the roles governments and businesses in collaboration serve to develop and implement local economic inclusion initiatives.</p>



## WORKING TOGETHER TO BUILD AN INCLUSIVE ECONOMY

Research has shown that rising levels of economic disparity can deter growth, lead to the capture of political systems, and stimulate social unrest. As evidenced by the rise of populism and current economic and social turmoil, our current models and measurements fail to address the fundamental human need to connect and belong in communities.<sup>24</sup> To tackle difficult questions like belonging, inequality and wealth concentration, quality of work and life, balance of power in the marketplace, and long-term sustainability of the economy, leaders will rely on ethics and principles, and organizations need to become more mission-oriented.

"A truly inclusive economy is one that actually starts at the margins. To reach those at the margins, leaders will need to articulate ethical arguments and mobilize various sectors around principle-led commitments."

– Joseph Wong, University of Toronto Vice Provost, founder of the REACH project



### 2.1. Equitable access to resources and opportunities

Today, the basic resources and systems needed to achieve economic prosperity, such as quality education, affordable housing, essential technologies, and affordable financial services are not accessible to all that seek them out. Socially constructed barriers (e.g., discrimination, segregation) hold back individuals, often based on uncontrollable factors such as race, religion, place of birth, ability status, or parents' income level. These barriers have resulted in widening spatial segregation in cities across the world that perpetuates a lack of access for disadvantaged communities.<sup>25</sup>

"I think it's important to talk about the means to achieve inclusive growth. That's where I start with inequality of opportunity. Income inequality generates opportunity inequality, and opportunity equality is something you need for inclusion."

– Laura Tyson, former chair of the U.S. President's Council of Economic Advisers, Professor, Haas School of Business

## WORKING TOGETHER TO BUILD AN INCLUSIVE ECONOMY

### How does discrimination affect the ability to flourish?

Enabling more of the population to meaningfully contribute to the economy fuels broader growth and, ultimately, human flourishing. In the U.S. alone, reducing exclusion of women and Black Americans has accounted for 27% of the nation's per-person GDP growth from 1960 to 2010.<sup>26</sup> Similarly, one study estimated that excluding persons with disabilities from the labor force costs some developing countries 3–7% of their annual GDP.<sup>27</sup> Moving beyond income generation, studies suggest that those who are employed have higher levels of life satisfaction and of family or marital satisfaction, and better mental and physical health.<sup>28</sup> Reducing exclusion improves economic and societal health.

Though women do not represent a minority group, gender continues to be a factor in experiencing socially and legally constructed barriers to prosperity. Even today, 90% of countries have some legal restriction on women's economic activity.<sup>29</sup> In sub-Saharan Africa, IMF researchers estimate that reducing differences in income based on gender by ten percentage points could boost growth by two percentage points over five years.<sup>30</sup> In the Asia Pacific, improving women's equality could increase annual GDP by \$4.5 trillion by 2025.<sup>31</sup> When women are able to participate, gender roles and bias against women in the workplace keep them from advancing to leadership positions. For example, in the banking industry, less than 20% of board members and only 2% of chief executives are women.<sup>32</sup>

"We thought that competition would lead to less discrimination in the market, but we are seeing competition that has reinforced existing discrimination and power structures."

– Jonathan Morduch, Financial Access Initiative, NYU

These disparities prevent individuals from developing their skills and firms from hiring the most productive workers, further concentrating wealth and capital in certain communities. Inclusivity and wider-spread opportunity created by bridging social capital drive prosperity within firms as well as countries. Companies in the top quartile for racial and ethnic diversity are 35% more likely to achieve returns above national industry medians.<sup>33</sup>

A representative workforce likely better understands how product development, packaging, and marketing can reach historically excluded customers. Discrimination weakens the labor market. We can eliminate these unnecessary barriers through enforcing laws and creating cultures that value the societal contributions of all.





## WORKING TOGETHER TO BUILD AN INCLUSIVE ECONOMY

### What role does education play in economic inclusion?

Access to quality education is key to combating further economic exclusion.<sup>34</sup> Around the world, fewer years of schooling is associated with higher levels of poverty.<sup>35</sup> In Africa, large divergences in income levels across countries can be partially explained by large differences in educational attainment and quality.<sup>36</sup> However, systemic improvements to quality education have proven difficult.<sup>37</sup>

As well-paying jobs become more complex and require higher levels of education, access to schools and training that prepare individuals to participate in society, regardless of their families' income levels, will be essential to build an inclusive economy. In the face of an evolving future of work, it is more important than ever that we continue to invest in the continuous education of youth as well as adults.

### How does digital infrastructure influence productivity?

Globally, about 3.7 billion people have no access to the internet. Lack of internet connectivity disproportionately impacts women and rural communities.<sup>38</sup> The World Bank found that a 10% increase in broadband internet penetration would increase GDP growth by 1.21% in developed countries and 1.38% in developing ones.<sup>39</sup> Digital solutions may also minimize place-based exclusion by increasing access to opportunities for individuals far away from economic or innovation hubs. Finally, as COVID-19 continues to exacerbate economic exclusion, there are positive signs that developing countries are investigating digital solutions to increase resilience to future shocks.<sup>40</sup>

Ensuring universal access to sufficient digital infrastructure is possible through sustained investment in infrastructure, innovative public-private partnerships, and ultimately a shift in our paradigm of societal value. There is little financial incentive to provide high-cost services to remote areas, so the "last mile" gap will need to be filled by societal investments. More than 500 U.S. municipalities (e.g., Chattanooga, TN; Wilson, NC) have invested in creative public networks, using a variety of models to connect rural and underserved communities.<sup>41</sup>

"It takes a long time to see a return on research and development (R&D) investments. Eventually, R&D is what makes them competitive. It's time to think about investments in inclusion the same way."

– Bhaskar Chakravorti, Dean of Global Business at The Fletcher School at Tufts University

Finally, increasing access to digital technology will also require more accurate and disaggregated data. The U.S. Federal Communications Commission's latest report estimates that about 21 million Americans lack high-speed internet; however, some researchers have found that the number of underserved Americans is much higher.<sup>42</sup>

## WORKING TOGETHER TO BUILD AN INCLUSIVE ECONOMY

### How can financial systems contribute to inclusive economies?

Even those attempting to create their own jobs face discrimination. Lack of access to capital is one reason that firm start-up rates are decreasing across the OECD.<sup>43</sup> In Europe, people underrepresented in the existing entrepreneurial ecosystem (i.e., women, people with lower educational attainment, people younger than 30, and racial/ethnic minorities) are more likely to cite lack of external finance as the main reason to close their business.<sup>44</sup> In the U.S. alone, if minorities owned firms at the same rate as non-minorities, they would have employed 12 million additional workers and earned over \$1.9 trillion from 2005 to 2010.<sup>45</sup> Inclusive access to financial capital drives job creation.

Lack of formal financing has consequences beyond slowing entrepreneurship. Globally, 1.7 billion people manage their finances outside of formal markets, due to factors such as cost of services, lack of access to digital resources and payment options, poor credit, or trust in local, informal markets to meet their needs.<sup>46</sup> However, these informal markets lack legal protection and leave individuals susceptible to predatory loans. Creating a more inclusive formal financial system could add \$3.7 trillion to global GDP, unlocking over \$2 trillion in additional loans<sup>47</sup> that could smooth consumption and increase resilience as well as create businesses or finance large purchases, building assets and contributing to economic growth.

Through advances in technology like digital-based financial services, we have the opportunity to expand financial services to more people than ever before. In addition, digital data can substitute, in part, for collateral, traditionally high-value assets such as homes or businesses, that enables people and firms to develop assets and enter financial markets.<sup>48</sup> Firms, governments, and NGOs can better understand the needs of people previously excluded from formal financial services and partner to build low-cost banking products and services for those currently excluded.

### What role does social capital play in improving collective well-being?

Similar to financial capital, social capital – the networks and shared norms, values and understandings that facilitate cooperation within and among groups<sup>49</sup> – enables economic mobility, provides financial security, and generates community resilience.<sup>50</sup> Research has affirmed that social networks and other sources of social capital are positively correlated with a wide range of vital community goods, such as better health, less crime, better jobs, more happiness, more effective schools, and more productivity.<sup>51</sup> For example, successful women-led lending circles, from *pandeiros* in Brazil to *susus* in West Africa and *hui* in Asia, have relied on social capital to increase savings and to become more financially stable.<sup>52</sup>

Research from Raj Chetty and others affirms the importance of healthy, stable families in enabling individual economic mobility and community thriving.<sup>53</sup> To cultivate inclusive economies, public and civic organizations must construct the foundations upon which families can thrive and support the mediating institutions that are critical to healthy family units.<sup>54</sup> Although organically building social capital that bridges communities is difficult, targeted initiatives that bring different people together for a shared purpose can build relational bridges between segregated communities and strengthen the social fabric.



## WORKING TOGETHER TO BUILD AN INCLUSIVE ECONOMY

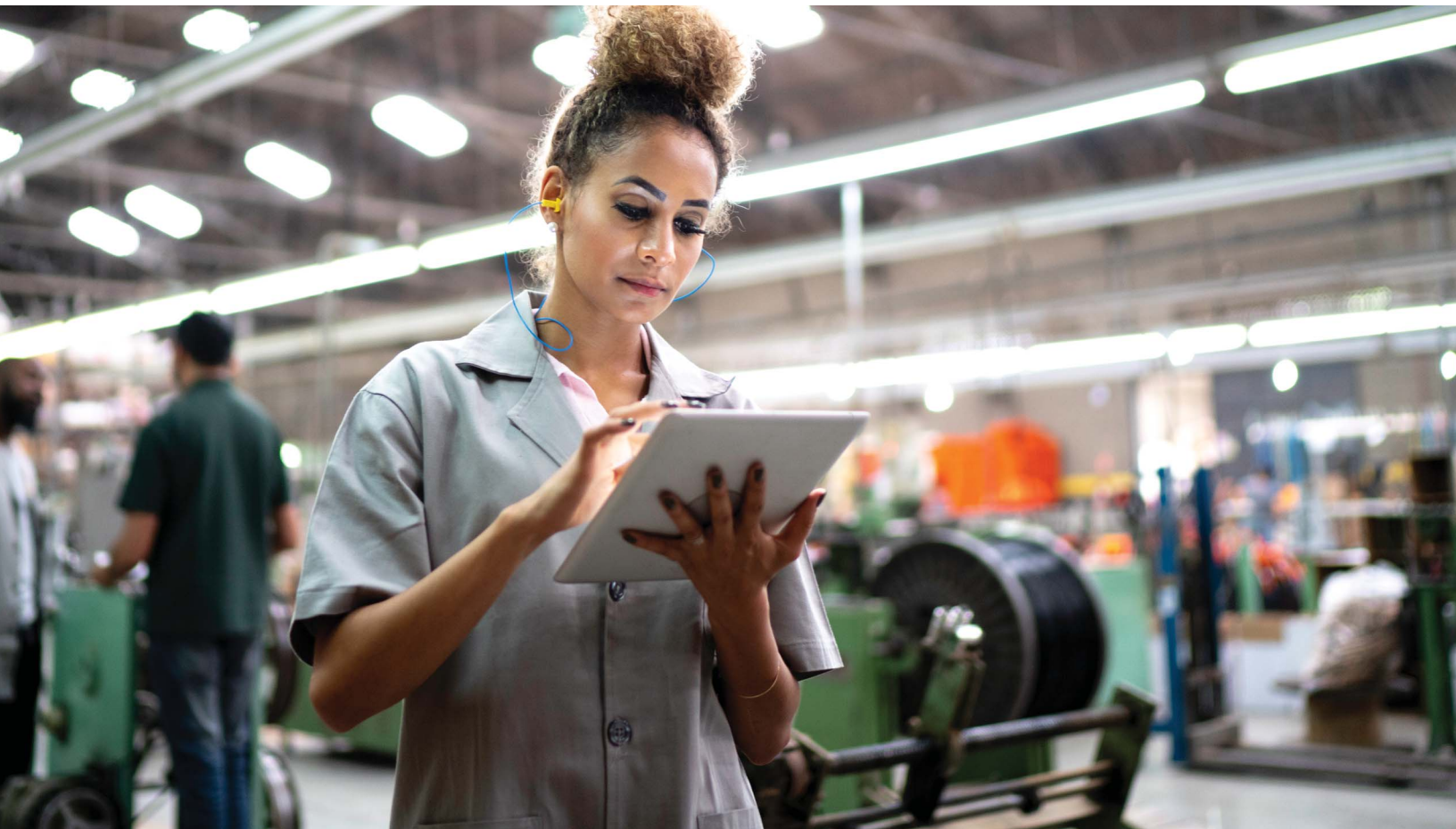
### How does geographic location affect access to opportunity?

Ensuring individuals can translate access to resources into economic prosperity is another key component of an inclusive economy. In recent years, opportunity has become increasingly geographically centralized. In the United States, half of the net increase in firms from 2010 to 2014 can be attributed to five metro areas able to reap the benefits of new jobs.<sup>55</sup> In the United Kingdom, people that moved from less productive northern regions to more successful southern regions were 2.5 times more likely to experience wage progression than those that did not move.<sup>56</sup> These place-based disparities in opportunity limit individuals' ability to put accessible resources to productive use.

"Internationally, places that are poorer tend to stay poorer and have higher rates of population growth. More people are living in lagging places than they were 30 years ago."

– Homi Kharas, Vice President and Director of Global Economy and Development, Brookings Institution

Though in the short term, place-sensitive policies and programs may be expensive and difficult to get right, in the long term, intentionally broadening opportunities for some increases prosperity for all.<sup>57</sup>



## Pillar 1: Equitable access to resources and opportunities: outcomes and potential actions from our expert panel

Ideal outcomes	Businesses	Governments	Civic sector/NGOs
<b>Systemic discrimination is addressed, eradicated, and prevented</b>	Create and enforce anti-discriminatory policies for hiring, training, and promotion	Protect citizens against discriminatory economic practices and promote the respective rule of law internationally	Advocate for change on behalf of discriminated parties that are being treated unjustly
<b>Social capital builds communities and a sense of belonging and supports strong families in all places</b>	Intentionally invest in the long-term health of workers and build bridges to communities	Invest in place-conscious strategies and mixed-income neighborhoods (e.g., inclusive zoning, combatting spatial segregation) and policies to support healthy, stable families	Build relational bridges between segregated communities and strengthen the social fabric
<b>Education and training prepare everyone to participate meaningfully in civic and economic life</b>	Assess workforce gaps and high-turnover positions and partner across sectors to ensure discriminated individuals can develop in-demand skills	Invest public resources in quality, accessible K–12 education, workforce development, and post-secondary education	Partner with public and private institutions to create work-based learning opportunities for youth in discriminated communities
<b>Financial systems are accessible, safe, and affordable for everyone</b>	Build reliable and affordable banking products and services that connect marginalized individuals and merchants to payments networks	Remove barriers to the provision of affordable financial services	Promote access to the financial tools people need to be productive and resilient
<b>Everyone has pathways to build individual wealth</b>	Eliminate discriminatory practices in real estate and financial services, and direct capital to under-resourced communities	Protect against predatory lending practices, and invest public resources in marginalized communities to encourage home ownership, entrepreneurship, and increased savings	Advocate for non-discriminatory financial services and create community financial networks (e.g., mutual-aid funds, ROSCAs)
<b>Technology, data, and digital networks benefit everyone</b>	Partner with government and civic sectors to provide digital products and services to discriminated populations	Provide incentives, resources, and mandates to increase broadband and digital access for everyone	Partner across sectors to provide broadly relevant digital literacy improvement opportunities



## 2.2. A level playing field for work and competition

Healthy economies build from robust ecosystems of new and established, large, medium, and small businesses. While the modern global economy generally improved living standards in earlier generations, in recent decades, market and financial power have concentrated and the benefits of growth and advancement have not spread to all.<sup>58</sup> The result: decreasing economic mobility for large portions of our society.<sup>59</sup>

### Can jobs provide a sense of dignity and encourage employment?

For too many workers around the world, employment does not equate to prosperity. Numerous experts, including Tim Ogden and Marcela Escobari, noted that paying workers a stable, living wage is an essential step to building an inclusive economy. However, good jobs – jobs that meet people's basic needs and meet the higher needs associated with flourishing (meaningfulness, personal growth, belonging, achievement, and recognition)<sup>60</sup> – are becoming more difficult to find.

"A key focus for leaders should be the shrinking pie of good jobs. We need to focus on growth that creates middle income jobs. Paying workers a stable, living wage is an essential step to building an inclusive economy."

– Marcela Escobari, Senior Fellow at the Global Economy and Development Program's Center for Universal Education, Brookings

In one survey, nearly three-quarters of people in the UK thought we should do more to improve the quality of jobs, and less than one in ten thought all jobs are fair and decent.<sup>61</sup> Limited career advancement opportunities in low-wage industries (e.g., janitorial services<sup>62</sup>) leave many trapped. Among those trapped, undocumented<sup>63</sup> and migrant workers<sup>64</sup> have been disproportionately impacted during COVID-19. In addition to receiving low-wages in essential jobs (e.g., agriculture, construction, manufacturing) they are increasingly vulnerable due to their inability to access safety-net programs that provide healthcare coverage or unemployment insurance.

Many have suggested reskilling programs as the link to well-paying work, but that does not address the fact that many essential service jobs pay too little. Additionally, structural barriers to switching jobs such as childcare and transportation – as well as the lack of good jobs themselves – are often insurmountable. Regardless, due to technological advancement, by 2030 up to 30–40% of all workers in developed countries may need to move into new occupations or significantly change their skill sets. Yet, only a third of global executives report launching any new reskilling programs, including small pilots.<sup>65</sup> Without adequate infrastructure to promote and provide lifelong learning, economies and individuals will struggle to develop and flourish.

## WORKING TOGETHER TO BUILD AN INCLUSIVE ECONOMY

### What steps can be taken to increase the competitiveness and resilience of labor markets?

Economic mobility is dependent on well-functioning labor markets, allowing workers to maximize their skills and talents and rewarding them fairly for their efforts. Part of the issue, according to WorkRise, is that barriers to work have been treated as the result of individual failure, rather than consequences of historical and structural disadvantages and discriminatory practices. They include occupational segregation, mass incarceration, discrimination in hiring and promotion, and the decline in union membership and weakening of other forms of worker protections.<sup>66</sup>

These forces have resulted in significant and persistent disparities in earnings and wages (even among workers with higher educational attainment), employment rates, and upward economic and occupational mobility. Real wages in the United States have stagnated in recent decades and have failed to keep pace with increases in productivity.<sup>67</sup> And workers in labor markets with few employers to choose from earn wages 15–25% lower than those in vibrant, competitive markets.<sup>68</sup>

Across the work spectrum, overly restrictive regulations that create high barriers to entry for new firms and independent proprietors (e.g. occupational licensing) have also limited labor market competition.<sup>69</sup> In addition, anti-competitive practices (e.g. non-compete agreements and non-poaching agreements) have prevented workers from switching to firms where they may be more productive or better compensated.<sup>70</sup> Addressing anti-competitive labor practices and other barriers to competition is key to restoring choice to workers.



## WORKING TOGETHER TO BUILD AN INCLUSIVE ECONOMY

### How does increasing participation and entrepreneurship build trust in markets?

Business dynamism – the rate of start-ups and closures of businesses – has been declining across the OECD and the U.S.<sup>71</sup> Similar to individual economic mobility, the idea of “corporate mobility” is essential to creating an inclusive economy, where new firms enter and grow, and incumbents either adapt or exit. These new firms create the majority of jobs. Small and medium enterprises (SMEs) represent 70% of total employment across the OECD.<sup>72</sup>

At the same time, workers and SMEs have few mechanisms to smooth their incomes during downturns or following life events, such as sudden unemployment or global pandemics. In Europe and the U.S., government responses to the 2008 recession sparked extremist movements that have been further fueled by COVID-19. Policies that ensure broader ownership of capital and increased entrepreneurship will stabilize political environments, reducing policy volatility for the entire business ecosystem.

### How can we ensure more people have a stake in the success of the market-based system?

Ownership of capital has directly correlated with increasing income levels, but few people own income generating assets, and many depend entirely on labor for their incomes. The difference in economic returns between these income sources has increased interpersonal differences in wealth and has reduced intergenerational mobility.<sup>73</sup> In the U.S., for example, in 2016 the top 10% of wealthiest households owned 77% of the country’s capital, while the bottom 50% owned 1% (the bottom 10% of households had negative net worth).<sup>74</sup>

Research from rating agencies Standard and Poor’s (S&P)<sup>75</sup> and Moody’s<sup>76</sup> have both found that a growing wealth gap exacerbates pressures on a nation’s fiscal strength, as higher expenditures will be needed to support households with negative balance sheets and declining or stagnant incomes. In addition, declining capital ownership could continue to decrease entrepreneurship, dampen productivity growth, and lead to a less predictable policy environment for existing businesses. Restoring broader participation in wealth ownership will be necessary to restore faith in market-based economies.





"A 'grow first and redistribute later' mentality will never lead to true inclusion. Today's overconcentration of wealth at the top is not a matter of redistribution; we need to reform the market structure itself."

– Gabriela Ramos, ex-G20 Sherpa at the OECD, Assistant Director-General for Social and Human Sciences, UNESCO

Along with this concentration in capital is the fact that many tax systems are regressive and are often exploited.<sup>77</sup> This structure threatens the social contract: the agreement between government, employers, and workers to share in both the risks and rewards of an economy. In the U.S., firms that replace workers with machines reduce their payroll tax obligation, which funds social programs such as Social Security and Medicaid. While these investments increase productivity, without accompanying changes in social policy, they further concentrate ownership of capital and reduce income and payroll taxes, which make up over half of federal revenue.<sup>78</sup>

Other countries are raising an increasing share of government revenue from indirect taxes such as value-added tax (VAT) – which typically takes a greater proportion of income from the poor than from the rich.<sup>79</sup> At the same time, at least \$7.6 trillion is hidden offshore by the wealthy, avoiding around \$200 billion in taxes that could fund education, healthcare, or other public services that build stronger economies.<sup>80</sup> While people are not likely to voluntarily increase their tax payments, reforming tax law to reflect modern business practices, crack down on tax avoidance, and decrease concentration will help increase enfranchisement of all parts of society.

### How can market forces be leveraged to tackle societal challenges?

In developed countries, social progress seems to be converging "downwards" toward that of emerging economies, and, as a consequence, populations are experiencing greater income volatility, limited access to benefits, and a 25% decrease in real net income, along with increasing debt and higher healthcare and education costs.<sup>81</sup> Globalization and aggregate growth may have had significant positive effects, including on workers, but they have not raised all segments of society to a sufficiently high living standard.

We know that by reducing existing gaps in education, health, and opportunity we can have a positive impact on long-term productivity growth. These key societal challenges can also create business opportunities. As Michael Porter and Michael Green have shown – through the results of the Social Progress Index, a comprehensive measure of real quality of life, independent of economic indicators – we can redirect market-based economies to tackle some of the obstacles in social progress.<sup>82</sup>

"Social progress is the car and [inclusive] growth is the engine. What we need to understand is the gear box or the transmission that translates one to the other."

– Michael Green, Chief Executive Officer of the Social Progress Imperative

Some private companies are already integrating "doing good" into their business models to advance more equitable and shared prosperity. Michael Froman, Vice Chairman and President, Strategic Growth for Mastercard, calls it "commercially sustainable social impact" – sustainable because the form of the investments will be organic to a company's particular strengths and because the goals of an inclusive economy benefit everyone in the long run.<sup>83</sup> In short, while an economy of inclusion and belonging cannot rely on broad-based prosperity alone, it can be advanced by leveraging the power of the market directly.

## Pillar 2: A level playing field for work and competition: outcomes and potential actions from our expert panel

Ideal outcomes	Businesses	Governments	Civic sector/NGOs
<b>Labor markets are competitive for workers and employers</b>	Reduce barriers to competitive labor markets	Prevent anti-competitive labor practices	Educate workers on their rights and lead impact legislation
<b>Businesses of all sizes and stages of maturity compete in a dynamic market ecosystem</b>	Consider suppliers as true partners in value creation and provide a fair chance to new market entrants <sup>84</sup>	Promote fair competition and enforce rules that eliminate impediments to economic opportunity	Advocate for the needs of small businesses, competition, and market dynamism
<b>Capital is circulating throughout the economy and used productively</b>	Support the communities in which it operates and pay its fair share of taxes <sup>85</sup>	Enact tax policies that encourage broad ownership and productive circulation of capital	Advocate for greater distribution of capital ownership
<b>Marginalized communities do not face barriers to finding and keeping work</b>	Eliminate artificial barriers to employment, such as the need for a college degree	Enact policies that eliminate barriers to employment (e.g., childcare, criminal justice reform, safe and stable housing)	Advocate for improved physical and digital accessibility to job opportunities and community resources (e.g., infrastructure, public transit)
<b>Work provides a living wage, and families experience economic security</b>	Commit to paying a living, stable wage and eliminate practices that increase income volatility	Formalize care and informal work and reduce economic insecurity through mechanisms to grow wages	Advocate for businesses and government to commit to paying a living wage and providing good jobs
<b>Everyone has the training necessary for the future of work</b>	Invest profits into workers by providing training and development opportunities for all levels of workers	Modernize workforce development systems to craft local programs that smooth transitions, build soft skills, and subsidize training for small businesses	Build partnerships across sectors to provide opportunities for continuous learning

## 2.3. Collective stewardship of shared resources for future generations

Traditional notions of growth as an end goal for many firms and nations have put an undue emphasis on short-term profits over long-term investment in workers, communities, and the environment. Serious challenges, like climate change and intergenerational poverty, require social contracts with unborn future generations. Effective leadership, commitment to common goals, and investment in a long-term vision are essential to making progress today and creating a better future.

### What is the purpose of a corporation?

Historically, corporations were given a legal license to operate by society via the state.<sup>86</sup> Fifty years ago, the social purpose of corporations was truncated by Milton Friedman's shareholder theory: "the purpose of firms was to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom." As firms have become influential in the changing of both laws and social norms, this theory has failed to capture the full social responsibility of firms. It has become evident that firms have a broader purpose than maximizing short-term shareholder returns, especially if they want to be socially and ecologically resilient in the long term.

To continue to have a social license to operate, firms are increasingly being called upon to articulate their long-term purpose and demonstrate how fulfilling this purpose creates value for society and stewards shared assets (e.g., talent, natural resources, social capital).<sup>87</sup> Given a firm's embeddedness in society, ownership is not just a bundle of property rights but also a set of obligations to stakeholders to put their purpose into practice.<sup>88</sup> Firms in this context are not just nexuses of contracts but nexuses of relations of trust based on principles upheld by the boards, directors, and companies.<sup>89</sup>

Every company has a combination of positive and negative economic, social, and environmental effects on the world, which BCG calls "Total Social Impact."<sup>90</sup> In the digital economy, this reform will create new opportunities to demonstrate and measure how technologies improve human flourishing and social cohesion. These changes to the purpose and accountability of firms would encourage the kind of investments in workers detailed above in Pillar 2.

### What role does community wealth play in economic and political stability?

Today, the public goods that do exist are not equitably accessible within countries. In Asia, residents of rural areas are more likely to live in poverty and have limited access to water sources and sanitation services.<sup>91</sup> The UN estimates that by 2050, 68% of the world population will be living in urban areas.<sup>92</sup> As urbanization continues, this growth must be balanced by consistent investment in adequate infrastructure and social services in rural areas, as deepening rifts in opportunities and incomes based on geography have been a driver of extremist populism in America and Europe.

"There needs to be conscious effort to ensure public investments are inclusive for minority communities. Inclusive access to art, culture, and recreation builds community."

– Ross DeVol, President and CEO of Heartland Forward



## WORKING TOGETHER TO BUILD AN INCLUSIVE ECONOMY

In the U.S., a historic legacy of excluding certain communities, such as Black communities, from home ownership and access to mainstream financial services has left those communities without wealth and financial security, even now.<sup>93</sup>

Yet, some community-based models of wealth accumulation have proven effective. Rotating Savings and Credit Associations (ROSCA), common in developing countries and among immigrant communities in the developed world, have allowed groups to invest in higher-yield assets, thereby building wealth.<sup>94</sup> Community land trusts and other innovative public–private models are spurring revitalization of distressed urban neighborhoods in the U.S. and have potential to catalyze transformative levels of private and civic capital.<sup>95</sup>

### How does the structure of the economy impact resource use?

Emphasis on short-term profits and aggregate growth has also led to globally unsustainable use of natural resources, accelerating climate change. Historically, extraction of natural resources has formed the economic backbone of many rural and post-colonial economies around the world but has also resulted in persistent structural inequities.<sup>96</sup> And, when carbon-based fuels are burned for energy, they cause irreversible health effects, straining healthcare systems.

These negative effects extend to environmental health as well. Continuing to burn fossil fuels will lead to a 2°C temperature rise that will expose between 2 billion and 3 billion people to water shortages.<sup>97</sup> This ecological destruction will distinctly harm those living in poverty who depend directly on the natural resources most negatively affected by climate change and have the least capacity to shift their source of livelihood.<sup>98</sup> The effects of climate change have been an impetus of forced migration northward in the Global South. Private and public stewardship of natural resources is indispensable for the health of both people and the planet.



## WORKING TOGETHER TO BUILD AN INCLUSIVE ECONOMY

### What is the government's role in mitigating these societal problems?

National governments have the ability to mitigate these societal problems (e.g., climate change, intergenerational poverty) by coordinating efforts across multiple sectors and industries, including through mission-oriented R&D policy.<sup>99</sup> In the past, public R&D investment focused on a common goal (e.g., landing on the moon, scaling renewable energy sources) has led to the creation of new markets, firms, and technologies while achieving long-term goals.

"Government spending on innovation should be conducted in partnership with the private sector. The economy is working at its best when the government is subsidizing basic research."

– Oren Cass, Executive Director of American Compass

One report calculates that with every \$1 of mission-oriented public R&D spending, national output increases by \$8 and private R&D increases by \$0.51.<sup>100</sup> However, many firms find success commercializing publicly funded R&D, with no direct return for the taxpayers footing the bill.<sup>101</sup> Properly valuing the public R&D that results in private sector success is important to building trust in the government as a partner in building strong, inclusive economies.



## Pillar 3: Collective stewardship of shared resources for future generations: outcomes and potential actions from our expert panel

Ideal outcomes	Businesses	Governments	Civic sector/NGOs
<b>Businesses balance short-term objectives with long-term and stakeholder interests</b>	Manage near-term, medium-term, and long-term value creation in pursuit of sustainable shareholder returns that do not sacrifice the future for the present	Explore innovative accounting standards and incentives that ensure corporations plan for and account for long-term social value creation	Hold businesses accountable to long-term value creation for stakeholders
<b>All communities have access to clean air, clean water, and healthy ecosystems</b>	Act as a steward of the environment for future generations in how they use energy and other resources <sup>102</sup>	Create and enforce regulations that protect and invest in natural resources, emphasizing the needs of disadvantaged communities	Conserve environments by creating and protecting land and water trusts and educating communities about environmental stewardship
<b>Renewable energy sources meet demand and lessen the effects of climate change</b>	Align investments and suppliers on developing and using renewable energy sources	Focus energy and infrastructure subsidies on renewables and fund retraining for displaced workers	Publish research on renewable energy and help communities plan their transition from fossil fuels
<b>All places build community wealth across neighborhood residents</b>	Invest in local initiatives to create and expand community wealth in their areas of operation	Finance the creation and acquisition of community assets (e.g., local parks, public squares, local libraries, and cultural institutions)	Form independent trusts that protect community assets for the long term and coordinate volunteer activities to maintain and support them
<b>All places and future generations benefit from well-maintained public infrastructure</b>	Advocate through their associations or lead investments in green and digital infrastructure (e.g., highways, waterways, rail)	Provide adequate and equitable investment in public goods and services, such as infrastructure, internet access, and healthcare	Advocate for shared power and stakeholder engagement in all infrastructure development
<b>Sectors align long-term R&amp;D efforts to solve complex societal challenges that transcend any one industry or sector</b>	Align short- and long-term R&D efforts to continuously expand the frontiers of knowledge, innovation, and technology to improve people's well-being <sup>103</sup>	Enact mission-oriented policy that focuses on problem-specific societal challenges (e.g., achieving SDGs)	Build knowledge networks to generate consensus and share best practices across stakeholders



3.0

# Moving forward



### 3.1. Moving forward

As we have seen throughout history, inclusion is not a given in any economy. Prioritizing inclusion requires intentionally structured markets and mission-driven decision-making.

However, without sufficient institutional trust between businesses, governments, and people, structural change is extremely difficult. To move forward, it is important to acknowledge the limitations of past approaches and the need to rebuild people's trust that the system will deliver on its promises.



Public trust has decreased due to the profit over people mentality that has eliminated businesses' clear commitments to local communities and because of government inefficiency and corruption. People need to trust the institutions promising change before they agree to participate in the system."

**Frederick Riley**

Weave: The Social Fabric Project, Aspen Institute

To these ends, a society's investments and economic policies can either be equitable, sustainable, and unifying, or they can be unfair, exploitative, and exclusionary. The latter can cause the economy to become unstable and unsustainable and can lead to social unrest.

#### **We believe in inclusive economies where:**

- Everyone can flourish and pursue their personal destiny in life;
- Everyone can experience the dignity of work and get fairly rewarded for their contribution to society;
- Human creativity, enterprise, and ingenuity create a better world for all; and
- Every place is left better for future generations.

Our hope is that *Built for All* serves to raise the bar in the conversations around building a better, more inclusive world. We believe that many of the outcomes and actions laid out here have potential to cultivate economies that work for humanity and not the other way around.

We at the Centre for Public Impact and the Mastercard Center for Inclusive Growth are eager to collaborate with public, private, and civic leaders and institutions. Let us leverage this moment of reset, dare to imagine new possibilities, and commit together to bringing these possibilities to life.

"Remember this rule of thumb: if you want to go wide, go with government. If you want to go deep, go with NGOs and academic institutions. If you want to go fast, go with the private sector. And if you want to go far, you must go together."

– Shamina Singh, President of Mastercard Center for Inclusive Growth

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