Chapter 37
Institutionalizing Inclusive Markets as a Prerequisite to Inclusive Growth

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ABSTRACT

This article questions the contemporary definitions given to the concept of inclusive growth, which is assumed to be an effective solution to the problems of exclusion (marginalization, unemployment, poverty, inequality, etc.), without designing new growth models and without putting in place the tools necessary for inclusion (regulation, institutions, capacities, etc.). In the authors' view, the current exclusionary model is far from generating real inclusion as long as it fails to promote the necessary institutions to produce real inclusion and the ability to deal with the different forms of "exclusion."

INTRODUCTION

Since the turn of the 1980s, the world has known a return to classical and neoclassical thought, which consider economic liberalism as the most efficient economic system and the market as the single mechanism able to lead to an efficient allocation of scarce economic resources and production factors. Several factors explain the dominance of this line of thinking.

Firstly, we can mention the political changes that led to the ascension of the Republicans to power in the United States (Ronald Reagan in 1981) and the Conservatives in England (Margaret Thatcher in 1979). Keynesian economic thought, which had dominated since 1936, was called into question and judged to be unable to respond to the various economic crises of the 1970s as well as to their unprecedented economic outcomes, one of which was Stagflation.

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Second, the 1982 debt crisis put the public sector (assumed to be relatively less efficient than the private sector) under scrutiny. Social policies were regarded as being unadapted and untargeted as to those who deserved them (the poor and needy).

Third, the fall of the Soviet Union and its Eastern European communist bloc put an end to a 50-year old politico-economic bipolarity. The hegemony of the liberal model and market regulation versus state regulation having emerged since.

Consequently, under the effects of intense and acute socio-economic crises, developing countries have been forced to rethink their development strategies by devising Structural Adjustment Programs (SAPs), which aimed to achieve two main objectives: stabilization and liberalization. In the late 1980s, Africa was undergoing such adjustment programs. However, these SAPs often failed to achieve their expected goals, in particular in those African countries' less developed economies.

Indeed, according to Issaoui (2011), "after 30 years of structural adjustment, African countries reproduce the same dynamics as they did originally and thus reproduce their problems and concerns (social, economic, political, etc.). Poverty, famine, illiteracy, civil wars, diseases, inequalities, and marginalization seem to be their unescapable destiny. Despite the multiplicity of factors explaining such a lack of progress, it seems that the one that best explains underdevelopment is the failure of the adopted development strategies. Implementation of Structural Adjustment Programs (SAPs), despite their relative success in many developing countries, has not enabled most African countries to achieve the expected sustainable development and growth objectives. Still more, in some countries, these programs have directly and indirectly worsened social indicators and reduced welfare distribution. It would thus be legitimate to ask why SAPs have not generated the same success in Africa that they have achieved on other continents. Is this a problem of the inherent inefficiency of SAPs or rather the inadequacy of SAPs to deal with the reality of African countries? Moreover, if SAPs do not meet the needs of Africa then what kind of development is needed for its countries?" (Issaou, 2011)

Generally, in the short term, specific data have shown that SAPs aimed at achieving economic efficiency often result in social losses (downsizing of the public sector, a decline in nominal wages, poverty etc.). However, the social gains of such measures often only appear in the medium and long terms. Welfare degradation resulting from the time lag between the immediate social losses and future economic gains is not always bearable, in particular in countries where the social dimension is already in crisis (as is the case in many African countries). Therefore, a new strategy needs to be thought of to integrate the social actors that have been eliminated by standard SPA structural adjustment strategies.

During the last decade, there has been a virtually unanimous conviction to rethink and revise older development models. In the case of Africa, these models have not achieved their set objectives as the continent is still reproducing its main problems (famine, poverty, inequality, etc.). Behind these problems lies a main major cause, the nature of the growth-oriented standard development model, which tends to exclude most economic actors from value creation. In order to overcome these problems, it is necessary to adopt a new approach that involves the poor, the deprived and the previously excluded population. The new development model should be built on inclusive growth that relies on inclusive markets. The principle is to involve the different economic actors (employees, unemployed, national and multinational companies, government, civil society, institutions, etc.) in the various meshes of added value creation. However, such an approach can only succeed and achieve its objectives if it is institutionalized, meaning that it should be created under the guidance and supervision of an organization that can monitor the implementation of inclusive growth and the mechanisms needed to achieve an inclusive market.