


A conceptual framework for inclusive economics



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Background: In view of growing concerns about global inequality and economic exclusion within and between countries, the theme of 'inclusive economics' or 'economic inclusivity' is gaining significance.

Aim: In discovering a more in-depth understanding of inclusive economics, the article develops a conceptual framework to better understand both the interpretation and application of inclusive economics.

Setting: As an ideal setting, the post-global financial crisis period provides fertile ground to explore alternative economic theories and systems such as inclusive economics.

Methods: A variety of terms and theories are associated with inclusive economics, hence a conceptual and theoretical analysis, in a descriptive context, is used to clarify the theoretical demarcation of this concept.

Results: Since the concept does pose a challenge to conventional economic frameworks, a key result is that it may become a valuable addition to the range of economic thinking and proposals in solving much-needed 21st century economic challenges.

Conclusion: The article contributes towards developing a new paradigm for genuine economic progress – in theory and practice.

Keywords: Inclusive economics; Well-being economy; Sharing economy; Conceptual framework.

Introduction

Many economies around the world have come to a crossroad: What is the way forward? Current economic frameworks are often failing, yet there is also no obvious alternative. A significantly different or new framework needs to be invented or constructed for the 21st century 'global village' where globalisation is as much a reality as community level disparities. Within society – global and local – there exists a growing 'silent suffering' due to inhuman exclusion and in many cases a regression in quality of life (Stiglitz 2013). The need for change that is inclusive is increasing. However, economic change must start with a sound theoretical basis.

The article begins to develop a conceptual framework for inclusive economic theory. The objective is to start constructing a theoretical underpinning of the new (and often loosely used) concepts of an 'inclusive economy', a 'well-being economy', a 'sharing economy' and 'social capital'. This exploration is in response to the growing concerns about the current neoliberal capitalist model's failures globally and the search for a workable alternative, without falling into the traps of existing conventional models' limitations and weaknesses. A *new* framework is investigated, reflecting lessons learnt from tried economic paradigms. Consumption-driven capitalism (or 'supercapitalism') is failing economies and is largely unsustainable (Piketty 2014). With inequality (i.e. exclusion) escalating, growth and consumption are reaching saturation, known as 'secular stagnation' (Fioramonti 2017). Expecting to endlessly increase production is imaginary. The limits of growth and capitalism is the concern, especially given the environmental and social costs of contemporary supercapitalism. Fundamental inclusive change is needed, but it requires an adequate theoretical framework to enable transition through a gradual and evolutionary process of change. Developing alternative models that are purposefully more inclusive, with a strong focus on genuine economic progress, is critical. The article examines such an alternative and signals a beginning to developing a conceptual framework that can be employed in studying and designing new, inclusive economic models and systems.

Historical context

Arguably the first documented reference to economics as a concept originates from the 15th century when it was derived from the Greek *oikonomos* (Daly & Cobb 1990). The meaning

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then was management (*nomos*) of the household (*oikos*), referring to a fair distribution of the resources. Over time the same meaning was expanded to the community (micro level) and the economy as a whole (macro level). It is notable that Aristotle, from the beginning, contrasted *oikonomia* with *chrematistics* – the latter referring to the manipulation of property and wealth to maximise an owner's short-term monetary exchange value. Unlimited accumulation is the goal of the chrematist and Aristotle considered it unnatural and a threat to the fair distribution of resources. Lauderdale (1819:57) warned against this by drawing a critical distinction between 'public wealth' and 'private riches'. The concern to society was that private riches could expand while public wealth declined due to a manipulation of resource distribution.

Oikonomos emphasises good judgment and decisions in the management of resources, keeping the well-being of the community as a whole in mind. Daly and Cobb (1990) highlight three characteristics of *oikonomos* (i.e. origins of the economy): (1) it takes the long-term rather than the short-term view, (2) it considers costs and benefits to the whole community, not just to the parties to the transaction, and (3) it prioritises restrained accumulation of wealth (economy of enough), rather than the impetus towards unlimited accumulation (economy of more). This 'economics for community' involving care and shared responsibility could thus be identified as the true character of the economy. In his *Theory of Moral Sentiments* (1759) Adam Smith warned against exploitation of the economy, and to protect its essence. He submitted that the market is a system so dangerous that it presupposes the moral force of shared community values as its necessary restraining context to ensure responsible stewardship of resources in the collective interest. The market tends to deplete moral capital, instead of economising on it, thus requiring the community to renew it. Smith pointed out that conscience arises from dynamic and interactive social relationships. Hence, accommodating others' interests in economic decision-making ensures that the market serves as an effective instrument of resource distribution and wealth creation (safeguarding collective well-being), and not the dominant determinant of socio-economic relations. This signifies the classic distinction between development and growth. Because of conscience, morality was originally seen as integral to economics as a social science. When morality, conscience and values are divorced from the market, *oikonomos* turns into *chrematistics* (greed and exploitation), making it a consumption-driven system with pervasive externalities (Daly & Cobb 1990). Keeping such a balance in the economy in check, similar to an ecosystem, is thus paramount. The contemporary work of Amartya Sen has re-emphasised the importance of ethics in economic development. His unique concept of (Anand & Sen 2000):

ethical universalism is basically an elementary demand for impartiality – applied within generations and between them. It is, in the present context, the recognition of a shared claim of all to the basic capability to lead worthwhile lives. (p. 2030)

Learning from history and charting a new way forward, a fundamental question is: What is the purpose of the economy? According to Fioramonti (2017), it is to organise society through distributing tasks and resources so that well-being is achieved – the ultimate goal of all systems of social organisation. This involves dividing responsibilities between producers and consumers, organising the distribution of goods and services, and designing a monetary system to manage it. The key is for these channels to be directed towards well-being first, then growth. When collective well-being is prioritised above hedonistic self-interest, the right balance is established. Economic policies, regulation and shared principles of economic decision-making in a community, country and global economy ought to be focused on achieving such a balance.

A historic example of this is Germany after the Second World War when it began to develop a 'social market economy' in the midst of a severe economic and socio-political crisis. The need was finding a balance between a free market (*laissez-faire*) economy and a collectivist planned economy, not as a compromise but rather a combination of state provision of social security and protecting individual freedom (Glossner & Gregosz 2011). The seeds of this were planted during the 1880s when Germany implemented the world's first welfare state and universal healthcare programme. Workers received greater security as industry and state worked together in stimulating economic growth (Hennock 1998). Chancellor Otto von Bismarck gave workers a corporate status in the legal and political structures of the German Empire. To improve productivity, these social security programmes also included sickness insurance, accident and disability insurance, compulsory education and retirement pension – the first in the world.

The social market economy of the late 1940s just took it further by emphasising the state's responsibility to actively improve market conditions and pursuing a social balance by putting social policy on par with economic policy. It was designed to be an adjustable, holistic conception pursuing a complete human-centred societal order as a synthesis of economic freedom and social security (Müller-Armack 1971). The 'economic miracle' of West Germany was the result of free and able individuals being included (integrated) in a system that produces optimal economic benefit and social justice for all, a healthy balance between freedom and responsibility. Legislation for establishing co-determination in the coal and steel industry were introduced, plus the creation of subsidised housing, child benefits, the system of employee property formation and the agricultural Green Plan. This social market economy brought about genuine performance-based competition (fair competition and equal opportunity) and independent control of monopolies. It established a socio-economic balance: a market economy with social obligations. From the 1960s onwards Western Europe pursued this approach. The work of Walter Eucken, in particular, made a significant contribution to laying the foundation for viewing the concept of the market as a

'constitutional order' (Eucken 1938). The market is hereby defined by its institutional framework and subject to constitutional choice – either explicitly or implicitly.

Today, in view of ecological limits, capitalism faces exceptional challenges as the *chrematistic* side of the economy keeps surging for dominance. The neoliberal growth-driven model, particularly espoused since the 1980s and 1990s by American supercapitalism, led to a series of economic crises and a sharp incline in economic inequality – in and between countries (Stiglitz 2013). The global financial crisis (GFC) has had a sobering effect on the world. The post-GFC period is now characterised by a renewed search for more balanced, inclusive, circular economic models. In a sense, economics as a science is in a phase of reinventing itself in the context of its origin (*oikonomos*), and pursuing sustainability as a major objective, which prefigures the building of a well-being economy. The challenge is to move beyond a solely growth-centred approach to progress.

Conceptual delineation

A number of concepts describe different facets of an 'inclusive economy'. These relatively new economic concepts will be employed in attempting to encapsulate the inherent (and evolving) meaning of economic inclusivity. Each will emphasise some form of 'inclusion'. For more clarity, they will often be contrasted with conventional economic thinking, that is, contemporary neoliberal capitalism. One aspect they all have in common is underscoring 'genuine economic progress'.¹

The first concept is that of a 'well-being economy'. For Fioramonti (2017:13) it means 'improving the quality and effectiveness of human-to-human and human-to-ecosystem interactions, supported by appropriate enabling technologies'. Economic well-being is seen as a goal that goes further than economic growth. Whereas a consumption-based development model is dependent on increased consumption and standardisation, a well-being-based model includes and empowers people to make objective decisions linked to their values and motives.

Well-being connects self-interest with social benefits. It induces society to the natural human predisposition of optimising individual and collective interests, while embedding us in those ecosystems vital to our existence. The growth-driven economy follows a *vertical structure*, assuming a trickle-down effect through a separation of production and consumption. Increased inequality is often a result, which excludes many from mainstream economic activity. A well-being economy aims to 'include' through a more *horizontal structure* in which participants are empowered in an integrated network of 'redefined' roles and functions as they sculpt new forms of productivity and economic utility. Consumers, for instance, become 'co-producers' through

entrepreneurial initiatives (e.g. Uber and Airbnb) and 'open-source' production (e.g. Linux and Wikipedia). Well-being increases when social and natural or ecological capital is strengthened while generating human development and inclusive growth² (Fioramonti 2017). A well-being economy endorses a holistic approach to development and growth, taking both the positive and negative impacts of human activity into account, so as to improve collective well-being. The latter could be seen as the sum, or average, of the well-being levels of individuals who are part of the collective or community. This will determine the state or level of collective well-being. As a way to pursue it, community social capital – and its optimisation – could furthermore serve as a predictor variable for increasing collective well-being (Ferguson 2006). Since inequality plays a significant role, a distinction should be drawn here between destructive and constructive inequality. The latter is not seen as having a negative impact on collective well-being since it could create positive incentives at the micro level such as income concentration needed for rapid growth and investment, and incentives for individual effort, productivity and innovation (Birdsall 2001). However, destructive inequality, which relates to inequality of opportunity, limited social mobility and inhibition of growth, negatively affects collective well-being.

The second concept reflecting an inclusive economy is a 'sharing economy'. Here the emphasis is placed on the community and a collectivistic consciousness. As social beings we thrive because of the quality and depth of relations with others and because of our connectedness to the ecosystems within which we live. The economy is the strongest shaper of social organisation, hence the need to create economic value from the basis of the interconnectedness of the human economy (as a productive network of relations) and natural ecosystems, on which it depends. The sharing economy gives preference to low-impact processes of production (drastically reducing waste) and strengthening interrelationships for higher levels of (inclusive) production (Senge 2008). Fioramonti (2017:38) points out that 'a technological revolution is advancing a new "sharing economy" model based on collaboration rather than reductive competition'. Networks become key. This has, for instance, led to the emergence of 'smart villages' in Asia and Africa, which enable shared renewable energy systems and agro-ecology or organic agriculture in communities. This is increasing productive participation by community members, creating a sense of shared ownership.

A variation of the sharing economy is an 'access economy'. It comprises a fully horizontal process of sharing goods and services that facilitate direct trade, thus replacing the need for a mediating role player or company. Open-source platforms are good examples, where users are given full access to 'co-design' and continually upgrade a product or system. Emphasising flexibility and freedom from obligations, it brings a shift, in that access to goods and services becomes

1. Genuine economic progress is the net effect of subtracting negative externalities (e.g. social and environmental costs) from growth in gross domestic product (GDP), and adding positive externalities not measured by GDP.

2. Inclusive growth stimulates equal opportunities for all economic participants during the growth process.

more valuable than owning them (Eckhardt & Bardhi 2015). Inclusive access becomes the basis for trading, not ownership. Collaborative networks come into existence through which citizen-users can directly exchange goods and services as collaboration replaces mediation. This reduces the demand for materials and assists in managing waste much better. Satell (2015:1) summarised it well: 'Rather than assets managed by centralised organisations we have ecosystems managed by platforms. Capabilities are no longer determined by what you own or control but by what you can access'.

The third concept strongly related to an inclusive economy is a 'responsible economy of care'. It values the interdependent reality of being human – both as reciprocal community members (and economic participants) and receiving and sharing resources from nature. Productive labour is seen as more than a means of production; it is viewed as an 'object of care' (Goudzwaard & De Lange 1995). The same goes for the environment: if we don't take care of it, we create a fundamental economic loss. This reintroduces 'shared ethics' relating to care and responsibility, for optimal collective economic benefits. Having a *shared public ethos* – not just in reducing crime and violence but also in alleviating suffering and poverty in the community – ideally finds its expression through taking collective responsibility. It also involves 'an economy of enough' where limits are respected to prevent overconsumption and over-production (i.e. waste). Research conducted in the Netherlands showed that an economy of enough would decrease unemployment significantly, compared to export-led growth or consumption-driven growth strategies (NSCGP 1983). Studying hundreds of persons for 74 years, researchers at Harvard Medical School found that the key determinants to a happy and healthy life lie in human connections and the quality of the social and natural environment (Powell 2012). Caring for others, being integrated in local communities and living closely to healthy ecosystems are what truly increases quality of life. To facilitate a transition towards an *economy of care*, Fioramonti (2017:32) underlines the need for 'a better system of rewards and incentives, underpinned by different values'. Families play a central role in such an economy as households become a locus of collaboration rather than of segregation. As the essential suppliers of care and responsibility, families, communities and small businesses become principal drivers in development – even as new forms of productivity, which also include non-market production, are valued in meeting the needs of the community. This opens a pathway for resource recycling and 'upcycling'³ to be integrated into mainstream business models and the creation of new employment opportunities. Making, in this way, care and responsibility a collective priority, more value is generated for the economy through improving human relations and their connection with nature. Balmford et al. (2002) showed that investing in nature gives a return of \$100 for each dollar invested. This reminds us that the real creators of value are the trees, rivers and forests around us. In a responsible

3.'Upcycling' refers to continual improvement (upgrades and repairs) of existing goods, without disposing of them.

economy of care the 'convenient dissonance', where managers make decisions far away from the people living with the consequences of those decisions, is eradicated. It ensures that decisions to dump and pollute are not just abstract econometric considerations, but they become personal moral judgments. It also goes further than companies only fulfilling their social responsibility (as a duty), but builds a culture of involving all stakeholders and caring for all involved in the productive process.

A responsible economy of care continually considers ways of increasing the participation of key economic role players. One such area is the fairly new concept of 'smart redistribution'. For example, many donors and taxpayers are frustrated from not knowing how their contributions are spent, resulting in low commitment. If they were empowered to decide for themselves how to allocate their contributions, and be informed of their progress and impact through a transparent process, it would raise their willingness to give. The combination of a functioning system of public services and enabling donors to steer their decisions creates 'smart redistribution' (Fioramonti 2017:141). In this way taxpayers become 'prosumers'⁴ through, for instance, a crowd-funding mechanism, equipping them to access impacts, monitor progress and even share best practices with beneficiaries. By being co-producers in participatory governance, it reconnects them with tangible results. This builds a sense of 'community' (even trust-based relationships) as the distance between contributors and beneficiaries is reduced. When taxpayers become actively involved in the welfare choices of society, they want to invest more in collective well-being, resulting in a heightened sense of responsibility. The state then becomes a 'manager' of funding choices offered to taxpayers.

A fourth interpretation of inclusive economics is social capital (or 'conscious capital'). It is a form of capital that produces public goods for a common good. The value of resources – both tangible (public spaces and private property) and intangible (role players and human capital) – are impacted by the interrelationships related to them (Adler & Kwon 2002). Portes (1998) highlights that social capital is that which facilitates individual or collective action, generated by networks of relationships, reciprocity, trust and social norms. It represents a synthesis between the value contained in communitarian approaches and individualism maintained by rational choice theory. Viewed as 'social participation', social capital can only be generated collectively through collaboration within communities and social networks.

In the corporate world the emphasis on social capital brings a shift from creating value only for shareholders to creating value for all stakeholders (partners, employees, customers, suppliers, the community and shareholders). Stakeholders are all who come into contact with a company's product or service. The aim is to create an inclusive culture that considers all constituencies and their complexity. O'Toole and Vogel

4.Fioramonti (2017:96) invented the term 'prosumer', meaning that as middlemen are increasingly being cut out in the collaborative economy, consumers become producers (co-producers and co-creators), and vice versa.

(2011:60) draw attention to a 'Conscious Capitalism' movement in business where companies distinguish themselves through their commitments to ethical and sustainable business practices. They focus on creating a new model for business behaviour to integrate greater social responsibility into mainstream business practices. They also explore how the power of business can solve social and environmental problems, using the profit motive to create win-win business models. With the wins, according to Mackey (2009:103), 'being what benefits the company, its stakeholders, and the environment/society in general. This is the only way to optimise value'. Sustainability then becomes a key driver of innovation, resulting in many companies balancing the needs of their stakeholders and often outperforming those who still follow the 'classic capitalism' model (Lubin & Esty 2010). When focus is placed on behaviour rather than just financial exchange, profit follows, and employees show altruistic behaviour that cannot be bought, sold or traded. Unlike other forms of capital, this indicates that use, rather than non-use, increases social capital.

The emphasis on building an 'inclusive economy' represents a transition in economic thinking, which introduces an altered paradigm for economic progress and success. The most fundamental shift in emphasis is from self-interest to shared interest, signifying a growing consciousness of the collective (social and ecological). This kind of collaborative economy underscores the interdependent reality of 'I am because I am part of' (Ubuntu). Being part of community and the environment means there are relationships that must be respected. Inclusion is the natural result when these relationships are valued. The quality of relationships determines the value being created – generating scope for inclusion (Fioramonti 2017). As the economy is a system of social relations, this is what gives meaning or substance to the notion of 'inclusive economics'.

Theoretical framework: Inclusive economic theory

In an attempt to fill the void in economic science between what is knowable and what cannot be known about economic behaviour, motivation and outcomes at individual and collective levels, inclusive economic theory brings together different threads of contemporary economic theory. In this integrated framework three complementary paradigms – idealist neoclassical theory, realist neoclassical theory and neo-realist economics – are linked to comprehend prevailing causality. On their own they are incomplete, but combining them under the umbrella of inclusive economic theory, their limitations are reduced and it allows for a broader and more realistic approach to contemporary economic analysis and policymaking. As three unfolding parts, they enable analysts to identify what is true (or truth-like verisimilitude) in interpreting economic realities, solutions and changes. Inclusive economic theory probes the limits of neoclassical and neo-realist paradigms to draw valid positive and

normative inferences about real economic behaviour to give inclusive guidance on how to proceed when these theorems fail to correspond with observed behaviour in reality. The idea is not to simply elevate the status of social concerns in contemporary economic policymaking or in the economy, but to start developing an integrated body of economic theory as a guiding framework for individual, social and environmental realities in an inclusive economy.

Neoclassical economic theory: Idealist and realist

An awakening in economic thought through markets and Adam Smith's invisible hand theory introduced the competitive ideal as the main driver of wealth creation. The power of reason translated into a rational pursuit of self-betterment, assuming consumers will always make rational decisions to maximise utility (*homo economicus*) and producers will maximise profits – all in the context of John Locke's social contract (having proper institutions). Rationalism led to increased competition – private, business and government. The utilitarianism that followed created a framework to value and determine the comparative worth of goods and services since utilities could be ordered, ranked, quantified, added and multiplied across individuals. Marginal ordinal utility assumed that individual utilitarian experiences can cumulate into better and better states of well-being on condition that physically and mentally healthy people always choose wisely (Rosefielde & Pfouts 2015). Although, since the 19th century, average income levels markedly increased (along with inequality), it also showed the great weakness of neoclassical theory: a predisposed faith in rationality that the invisible hand is always effective. The reality is that real behaviour and policies deviate diversely from the rational competitive utility maximising ideal. Many reasons exist: some exert power that benefits the few at the expense of the many; individuals fail to maximise or optimise due to irrational behaviour, being inconsistent and having incomplete information, and also families, communities and governments do not maximise the collective interest as asserted.

The neoclassical paradigm serves admirably when core axioms largely hold, but is otherwise incomplete and misleading. Only when the assumptions of ideal neoclassical theory fully apply does it provide Pareto optimal solutions. Neoclassical idealism has its value in igniting economic progress, but is an inadequate scientific substitute for inclusive welfare improving systems. It needs the supplementation of accurate assessments in improving the evaluation of why economic outcomes deviate from 'rational' competitive potential.

This brought realist neoclassical economics to the fore, advancing the theory of 'bounded rationality': the idea that in decision-making, the rationality of individuals is limited by the information they have, their cognitive confines, and the finite time they have to make decisions (Gigerenzer & Selten 2002). This more pragmatic realist approach provided

a foundation for exploring many unique types of economic behaviour excluded in the perfectly competitive framework. While these advances are welcome, realist neoclassical theory remains incomplete as it excludes various omitted psychological variables, satisficing⁵ and ideocratic behaviour. Rosefielde and Pfouts (2015) underline that neoclassical theory will always struggle to be comprehensively realistic because it only addresses 'rational selection', which ignores the construction of individual preferences. It furthermore disregards the full range of satisficing behaviour and excludes emotionally conflicted choice.

Capitalism is predominantly characterised by the neoclassical ideal, which Schumpeter (1942) describes as an 'evolutionary process'. It is mainly driven by new consumer products, markets, and technological innovation in production, communication systems and transport. It brings about 'creative destruction' in that old economic structures are destroyed by new ones through the competitive intra-market modernisation drive. While innovation is welcomed, the concern is the increasing negative externalities of capitalism's 'self-destruction through innovation'. What looked like progress now appears to be a continued net deficit, considering the social and environmental costs of the supercapitalism of neoclassical economics. The limitations of the neoclassical paradigms – idealist and realist – are found in bounded rational vulnerabilities and the market's deficient self-regulation. This is exacerbated by mankind's moral imperfectability in the absence of collective accountability.

Neo-realist economics

The broad neoclassical consensus lays a foundation that competitive markets and governments yield decent results based on the premise of sound realist heuristics and that human motives are mostly rational and benevolent. But what if reason fails? Given counterclaims of humans often acting irrationally and immorally, faith in reason can be overdrawn. This is where neo-realist economic theory assists in assuring that satisficing yields acceptable results where bounded rationality and sound heuristics fall short. It covers the cases where neoclassical outcomes are insufficiently explained by reason, despite workably competitive price attractors and heuristic substitutes for optimal decision-making. When reason fails, people are unreasonable, often discontented, conflicted, driven by undisciplined desires or coerced by the powerful. Neo-realism furthermore helps to explain why people cannot apply reason effectively to evaluate the merit of their preferences. The reality is that cognitive and environmental constraints often compel people to satisfice in a real world that is in many cases not efficient, beneficent and stable. Most of neo-realism's assumptions are subsequently heterogeneous and case specific. The strength of the neo-realist explanation is that it is not confined to the rational individualist, utilitarian and community neutral models of ideal organisation and social control.

5.Satisficing means seeking a satisfactory solution, not necessarily the optimal one since it might be unrealistic.

Individuals in both the neoclassical and neo-realist realms contend with the same challenges in similar ways, but generate dissimilar outcomes: one Pareto efficient, the other Pareto-esque (Rosefielde & Pfouts 2015). While consumer preferences determine supply in the neoclassical world, disturbed and meticulous consumers or usurpers of power are the dominant role players in the neo-realist world. Economies thus involve mixes of ideal, realist and neo-realist forces.

Societies where norms are more consistently applied are expected to perform better. Neo-realist theory moreover includes a variety of welfare- and utility-enhancing behaviours overlooked by neoclassical theory, for instance when some shun materialist utility maximising for the greater good by adopting satisficing conventions that restrict or eliminate free choice. The communal culture of the Japanese economic system embraces 'group values' (in family, community, company and government) where sacrifices are viewed to be enhancing their well-being (Aoki 2001). Self-seeking and unfettered competition are disdained, yet their collective⁶ well-being keeps improving in a milieu where institutions foster consensus-building. This communalism model does not reject markets; rather it subordinates them to the higher cause of communal satisficing based on shared values. Such well-being enhancing opportunities for individuals and societies are included in the neo-realist paradigm which serves as a substitute for neoclassical economics (which excludes it) and a complement for enhancing Pareto welfare. It offers a more realistic picture of economic decision-making and collective progress.

Inclusive economic theory

Currently, contemporary economic theory is still fused to Enlightenment idealism. Having gradually evolved in a realist direction, it still stops well short of an inclusive economic theory. The need for greater realism and broader inclusion in economic theory has become critical. Even during the Enlightenment period, Bentham (1776) analysed the cardinal additivity of interpersonal utility to evaluate the collective merit of individual self-seeking. He realised the need for inclusivity by developing a 'human happiness calculus' as a measurement for society's hedonistic betterment and morally principled state regulation. It was found that societies that maximised collective utility, as distinct from each individual maximising their own utility, were best (Rosefielde & Pfouts 2015). The idea of increasing the *common good* of society took root, but it was only since the failures of neoclassical economics became widely evident that priority was given to start reconsidering ideas about collective well-being. Work by Robert Heilbroner (1974) specifically drew attention to the pressure of the human economy on the biosphere as the world population doubled between 1950 and 1986 (from 2.5 billion to 5 billion) and fossil fuel consumption correspondingly quadrupled. In his *Inquiry into*

6.Collective action strives to cooperate for better individual utility outcomes (personal benefit). Communal action does not separate private and group utility, and thus operates with a shared consciousness (communal benefit).

the Human Prospect he projected a gradually slowing growth economy until it stagnates during the first half of the 21st century.

The loss and degradation of the environment is now fully recognised as a threat to human existence. Together with environmental destruction, the other side of humanity's impending catastrophic confrontation is social disintegration as the social costs of crime, drugs, vandalism, and so on increase. Accordingly, work by Daly and Cobb (1990) contributed significantly to a revaluation and reorientation of the dominant neoclassical economy and developed realistic alternatives to capitalism and socialism (both growth economies). They advanced a switch of emphasis in economics from money (*chrematistics*) to focused real-life resource management (*oikonomos*), and a revised measure of sustainable economic welfare to include humanity's most treasured traditional assets in what it values: a supportive local community and a healthy natural environment. The challenge is that conventional models of neoclassical economics have systematically tended to marginalise and exclude these very aspects critical to human existence. Conversely, the inclusive economic framework incorporates biocentric ethics and shared community values. As such, inclusive economic theory presents an alternative paradigm that does not replace but reorients neoclassical and neo-realist theories, redeeming the original purpose of the economy (to an extent) and causing a re-think of neoliberal supercapitalism.

Inclusive economic theory has an appreciation for the linked nature (shared aspects) of the three complementary theories. It functions as an umbrella that provides insight into individual, societal and national well-being. Well-being is determined as a composite of individual and societal outcomes, assessed through diverse normative observations, some of which are generic. When ideal neoclassical theory does not provide Pareto optimal solutions – that is, when its assumptions do not fully apply – then realist and neo-realist paradigms govern aspects of outcomes, and causalities can be uncovered in full or partially by analysing theory and evidence with critical rationality to identify truth-like verisimilitudes. In this way inclusive economic theory affords deeper insight into causality than neoclassical theory or neo-realist theory alone, and creates the potential for superior policymaking. Individual and social behaviour and corresponding policy options are attained best by a combination of the three complementary paradigms. Economic theory's task, especially inclusive economic theory, is to accurately comprehend complexities and devise properly targeted interventions tailored to reality rather than using the lens of only one paradigm to interpret the whole. Then some types of behaviours like transcendental awareness and satisficing communality, which offer societies and individuals opportunities for enhancing well-being, are included.

'Inclusive economic theory is more than conjecture, and is capable of providing better predictions than idealist or realist

neoclassical theories in most circumstances', according to Rosefelde and Pfouts (2015:143). As essentially a synthesis, inclusive economic theory offers a middle ground between anti-scepticism and fallibilism, and can be combined with critical rationality to critique rival interpretative assertions. While it cannot resolve all disputes and paradoxes in economic theory, inclusive economics has significant practical implications for public policy designed to promote well-being. Over-reliance on idealist and realist neoclassical microeconomic and macroeconomic theories yield weak results whenever they fail to properly capture irrational or anti-competitive behaviour, as well as prospects for enhancing well-being outside the Pareto context. A broader inclusive economic framework combining policies issue by issue with right idealist and realist neoclassical and neo-realist paradigms will bear significantly better results than the current neoliberal myopia.

The inclusive economic framework creates space for seemingly opposites to co-exist, but in a balanced format. What would appear to be contradictory components of different economic paradigms need not be mutually exclusive. For instance, growth and competition are vital for economic progress but need to be counterbalanced or complemented by inclusive growth and cooperation; irrational hedonistic behaviour needs collective (altruistic) values, responsibilities and productivity in communities. These are crucial balancing factors that must be included, not at the periphery, but at the core of how the economy functions, how economic policies are formulated and in theoretical frameworks. Inclusive economic theory makes collective well-being a central focus, not just growth, and brings the economic model closer to sustainable, genuine economic progress. Already, a sharing economy is evolving organically, placing increased emphasis on circular, horizontal and decentralised economic systems in the global village.

Inclusive economic theory incorporates this in shaping a conceptual framework that balances economic contradictions for the purpose of higher well-being. It reduces the self-centredness of neoclassical theory's individualism by recognising, for instance, that consumer demand is often co-determined by various endogenous ethical and obligational factors, including family duty and community responsibility. McCloskey's (2007) 'virtue ethics' make it possible for hedonism to be modified, thus stressing ethically constrained optimisation in the context of shared collectivist ideals. As part of the inclusive framework, national economic performance is therefore better assessed with a composite measure of well-being (physical and mental health), economic justice, consciousness, contentment and personal fulfilment.

Today we have a global village in which humanity shares the world's resources in a highly interdependent global economy. Due to globalisation, systemic risk is a greater global reality in this networked economy than perhaps ever before in human history. Hence, the need to re-employ the inclusive principles of shared responsibility, collective well-being and

collaborative productivity as building blocks for a truly sustainable economy is increasing. In view of a looming Fourth Industrial Revolution, genuine progress can only come from balancing extremes. Hence, the importance of shaping a more inclusive economic order could be seen as simply the next step in the evolutionary process of the economy. The development of inclusive economic theory is central to theoretically grounding such a new economic order.

Conclusion

Responsible management of the 'global household' requires greater inclusivity (i.e. *oikonomos* principles): growth should incur benefits for every section of society, and finding ways to involve more people in productive employment is critical for increasing the incomes of poor and excluded groups and raising living standards. Both the historical trajectory and theoretical evolution of economics point to the vital element of inclusivity to ensure sustainability. Prioritising collective well-being becomes a core balancing factor in the economy. Developing a theoretical framework for inclusive economics is therefore essential to understanding the elements required to construct a more balanced approach to the economy. In this way, inclusive economic theory presents an alternative framework in light of current economic failures.

As economics as a science becomes more technical, the need for more 'humanised' solutions also increases to better understand and manage the social dynamics of economics, which include both individual and collective needs. This will require more sophisticated analysis on how to optimise well-being in a holistic context, generating higher (and wider) levels of satisfaction in the economy. Inclusion brings greater equality of conditions (Fioramonti 2017). Although it is at an emergent stage, the inclusive economic framework incorporates a balance between rigorous theoretical analysis and realistic humane solutions. It also interprets and appreciates the interconnectivity of objective as well as subjective factors, combined with a working economy where shared interests are the leading factor in daily economic decision-making and policymaking, and vital to genuine progress. This is where the article goes further than, for instance, Rosefielde and Pfouts (2015): it adds value by integrating the practical components of an inclusive economy into inclusive economic theory in developing a better means for interpreting the theory.

Given the possibility of lower growth expectations due to many economies reaching points of 'secular stagnation', moving towards a more sustainable inclusive economy is creating higher potential for genuine economic progress (Stiglitz 2013). Development focused on collective well-being, where alternative means are also developed to generate wealth based on self-sustainable systems (e.g. circular economy), is creating new economic avenues. Economies might then not be growing as much in the traditional sense, but people's well-being increases as new

economic value is created, often outside the confines of the market (e.g. upgrading and upcycling). The accelerated technological innovation of the 21st century inaugurates completely new economic thought and methods to which economic theory has to adjust. Thinking is becoming more holistic and integrative, thus necessitating inclusive economic models for a collaborative economy that would generate inclusive growth. The Sustainable Development Goals (SDGs) are illustrative of this new direction in thinking.

In constructing a conceptual framework for inclusive economics an umbrella of complementary theories can be identified. Inclusive economic theory combines idealist and realist neoclassical theories as well as neo-realism in a suitable way. Each of these theories makes a unique contribution, and where one fails, another complements it (fills the gap) in interpreting economic reality. The benefit of such an inclusive economic theory is that it more accurately comprehends complexities and 'includes' what is normally excluded by each theory on its own (e.g. non-market well-being opportunities). This helps to eventually interpret a more accurate depiction of reality and make more substantiated predictions. Exploring such an admixture of complementary paradigms provides more precise causal characterisations of economic action, and offers a wider range of constructive policy options than a single paradigm. It pairs policies focused on specific issues with the three paradigms in a desired way to generate superior results. Thus, for instance, policies that promote growth will be able to include well-being. As such, inclusive economic theory has the ability to create space for balancing opposites, for example collective well-being and individual interest (classic growth model) through inclusive, and competition and cooperation through shared responsibility. By enabling the economy to work with the tension of extremes, it unearths the benefit of ethically constrained optimisation.

Shifting the emphasis, this conceptual framework of inclusive economics is anchored in the 'humanness' of economics as a science, not in its 'mechanistic' reductionist analysis. While the latter is crucial in terms of optimising the measurements and techniques for examining economic complexities, it ought to function as a supportive instrument, and not replace the people-centredness of economics as a social science. Having started to develop a conceptual framework for inclusive economics in this article, attention is drawn to 'humane economics' where both analysis and the industrial functioning of the economy serves people (e.g. 'prosumers') in terms of practical solutions and empowerment, not vice versa. As such, inclusive economics brings a realignment in the machinery of the economy in putting human worth and collective well-being at the centre of the growth process. This is the significance of an inclusive economy in a time when new models for genuine economic progress are desperately searched for. In a holistic context, inclusive economic theory provides a start for economic modelling based on shared interest. Further research on an inclusive economic framework for both its theoretical underpinning and its

practical applications would prove to be vital in enhancing economic sustainability.

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The author declares that he has no financial or personal relationships that may have inappropriately influenced him in writing this article.

Author's contributions

The author declares that he is the sole author of this research article. The contribution is a conceptual and theoretical framework for inclusive economics, which would assist in exploring the measurement and implementation (through policy) of inclusive economic paradigms.

Ethical considerations

Ethical clearance number: Not applicable since there are no ethical considerations or concerns regarding this research.

Data availability statement

Data sharing is not applicable to this article as no new data were created or analysed in this study.

Disclaimer

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