

THE POLITICAL ECONOMY OF AND PRACTICAL POLICIES FOR INCLUSIVE GROWTH – A CASE STUDY OF SCOTLAND

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Abstract

The concept of ‘inclusive growth’ (IG) is discussed in a political economy framework. The paper reports comparative analysis of economic and planning policy documents from Scotland, UK and England and findings from expert workshops held in Scotland, which identify four key policy areas for ‘inclusive growth’: skills, transport and housing for young people; city-regional governance; childcare; and place-making. These policies share with the ‘Foundational Economy’ an emphasis on everyday infrastructure and services, but add an emphasis on inter-generational justice and stress the importance of community empowerment as much as re-municipalisation. Factors enabling IG policy development include: the necessary political powers; a unifying political discourse and civic institutions; and inclusive governance and participatory democracy.

Keywords: Inclusive Growth; Pro-poor Growth; Foundational Economy; Political Economy; United Kingdom.

JEL codes: O1; R1

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Introduction

The concept of ‘Inclusive Growth’ (IG) has grown in popularity among economic development policy makers in mature economies (OECD, 2015a; European Commission, 2010). Proponents of IG see it as a solution to the competing challenges of low growth and entrenched inequalities (de Mello and Dutz, 2012; RSA, 2017). IG has been criticized for assuming that the solution to inequality lies with growth rather than redistribution, and essentially supports ‘business as usual’ (Jackson, 2017; Turok, 2010), including ‘work first’ income support (De Haan, 2015). While important criticisms, they are not helpful to policy makers at regional, city or local scale where the main redistributive policy levers rarely lie. IG has been criticized for lacking precise definition and not providing realistic policy frameworks (Lee, 2018), thus being somewhat ‘pie in the sky’. Using Scotland as a case study, this paper aims to identify the factors that are conducive to the development of IG policies, and to provide examples of practical policies that may simultaneously address the twin goals of growth and inclusion. Scotland’s civic nationalism born of the political left is identified as a key factor enabling IG policies to be developed, both by creating the space for a solidaristic but inclusive political discourse but also by civic nationalism itself intertwining notions of politics (the normal sphere for ‘inclusion’ policies) and notions of the economy (the normal sphere for ‘growth’ policies). Furthermore, Scotland’s status as a semi-autonomous region within a multi-

level governance framework (the UK) both gives Scotland some of the political powers needed for IG policies and requires Scotland to assert distinct policy priorities in order to justify, and (for some) to extend, its autonomy – and IG provides a contrast to the neo-liberal politics and policies of the UK through which to assert these distinct priorities.

IG therefore faces two challenges in becoming useful. First, in order to address the ‘business as usual’ charge, IG needs to be conceptualized within a wider political economy framework. Second, to address to ‘pie in the sky’ charge, IG needs to develop specific and realistic policy frameworks and recommendations, particularly at local and regional levels. Underpinning both these challenges is the issue that, on its own, IG simply describes an outcome rather than prescribes the action or framework for action required to achieve that outcome. In other words, a more explicitly normative element is needed, although specific policies for particular places may need to vary.

This paper therefore seeks to, firstly, place IG policies in a wider political economy framework and, secondly, further the operationalisation of IG policies. We argue that the notion of the ‘Foundational Economy’ (The Foundational Economy Collective, 2018) provides elements of a political econ-

omy framework for IG. We use Scotland as an example of a policy environment that both illustrates aspects of the wider political economy and the sort of practical policies conducive to IG.

In recent years, Scotland has seen greater “intent to take a more inclusive and progressive approach to economic policy-making” (Statham and Gunson, 2019) as part of a broader policy and ‘civic nationalist’ discourse about how a fairer and more inclusive society and economy than other parts of the UK might be possible. In other words, ‘the economy’ is seen as intertwined with politics and society. For example, the Scottish Government’s Economic Strategy presents, on an equal footing, ‘competitiveness’ and ‘tackling inequality’ as its two pillars (Scottish Government, 2015). The dominant political narrative in Scotland has always – and perhaps increasingly so since the creation of the Scottish Parliament in 1999 – had a unifying, if not solidaristic, tone that helps transcend the competing dualisms of ‘growth’ and ‘inclusion’ in pursuit of a common ‘Scottish’ agenda, and thus intertwine ‘growth’ and ‘inclusion’ as mutually attainable or even complementary goals. So it may not be that the growth/inclusion tension is absent in Scotland, but that a wider social purpose of the economy is articulated that provides the space in which to resolve that tension – and so the economy is described as a social and political entity. In keeping with the theme of this special issue, place is an important component of that wider social purpose

behind the political economy – whether Scotland (or any other region or country) as a whole, city-regions or localities.

In terms of better understanding the political-economy of IG, and to extend our analysis and conclusions beyond the context of civic nationalism and semi-autonomous regions, we assess the notion and normative recommendations of the ‘Foundational Economy’ (The Foundational Economy Collective, 2018) against policy narratives and priorities in Scotland, which we assess through discourse analysis of key policy documents and three half-day expert workshops. We conclude that the notion of the ‘Foundational Economy’ (FE) resonates closely with IG both in content and emphasis, and offers part of the wider political economy framework required to deliver IG, but with some important divergences. We draw heavily on the expert workshops in developing specific practical policy recommendations for IG, particularly with cities in mind.

The Political Economy of Inclusive Growth

‘Political Economy’ is a broad term, with distinct elements and applications. On one level, the political economy of IG is about fundamental conflicts of interests, especially between labour and capital (or between different types of capital or different types of labour), and how they are regulated. However, this paper is chiefly concerned with identifying the factors and policy areas conducive to IG, which puts two particular elements of ‘political economy’ centre-stage. First, ‘political economy’ as the integration of the economy and politics around a broad set of common goals, assumptions, structures, narratives and norms, rather than as separate spheres. Second, we use ‘political economy’ as understanding institutions and governance processes, which is important in understanding how policy priorities are forged in different places.

The notion of IG itself is an expression of certain political-economic assumptions. Its critics point to IG’s placing of growth as central to achieving inclusion and perpetuating the neo-liberal political-economic hegemony (Turok, 2010; De Haan, 2015; Jackson, 2017). Even IG’s sympathizers recognize its limited policy prescriptions that directly tackle distributional questions (Lee, 2018). Its proponents, however, argue it redefines the notion of economic success from solely output to encompass wellbeing and equality (de Mello and Dutz, 2012; OECD, 2015a; RSA, 2017).

We advance understanding of IG through three related lenses. First, we discuss IG in relation to the increasing disconnect between politics and the economy. Second, and building on the first lens, we assess IG in relation to regional politics and governance. Third, we assess the notion of the Foundational Economy as an example of a normative political-economic model for fairer city and regional development. These three are now discussed in turn.

Inclusive Growth and the disconnect between politics and the economy

There is an increasing view across developed nations that their economies deliver sufficient prosperity overall, but the benefits are inequitably distributed and that this challenges the social and political sustainability of the current economic model (Wilkinson and Pickett, 2009; Stiglitz, 2012; Piketty, 2014; Atkinson, 2015; Jackson, 2017; Piketty, 2020). This, in essence, is what has driven calls for IG, recently spearheaded by the OECD, motivated in part by the view that current levels of inequality are not sustainable (OECD, 2015b). The European Union (2010) and, the Scottish Government (2015) have also placed IG as central to their economic strategies.

The notion of IG can be seen as a reaction to the dominant model of economic growth coming at an unacceptably high cost in terms of inequality,

with some locations and socio-economic groups falling behind others (Rodríguez-Pose, 2018). Economic trends in most mature economies over a long period of time have benefitted those in the middle and the top, but not those at the bottom (Stiglitz et al 2009). Low household earnings have increasingly become a problem of part-time employment (both zero-hours and fixed-hours contracts), particularly in households with only one person working - rather than low rates of pay per hour, with minimum wage legislation in place in many mature economies (Rodriguez-Pose and Tselios 2015).

While most mature economies have good overall levels of material wealth, unequal distributions of income and wealth within rich nations have become a source of major concern, with many at the bottom struggling to meet high costs of living in buoyant urban economies (Lupton *et al.*, 2016) and low productivity and innovation leaving many remoter rural regions at the periphery of the European Union vulnerable to the effects of economic slowdowns (Demertzis *et al.*, 2019). Steep rises in executive pay in a range of sectors with lacklustre productivity growth, rising in-work poverty, casualisation of employment, and persistent low growth in real wages has led to an increasingly widespread view that capitalism is not working (De Haan, 2015; Martin *et al.*, 2018), fuelling populism (Essletzbichler, Disslbacher and Moser, 2018) and a legitimisation crisis (Habermas, 1973).

The legitimisation crisis of mature capitalism also stems from deficiencies in representative democracy to adequately represent the interests of all sections of society (Michels and De Graff, 2010). A process of ‘policy capture’ by neo-liberal and global elites has led to the framing of policy priorities in favour of markets, deregulation and flexibility, and investment decisions to be heavily guided by aggregate economic outcomes with no reference to distribution or social wellbeing. The legitimisation crisis of capitalism therefore not only stems from undesirable outcomes in the economic sphere – but also from deficiencies in the political sphere, including the hollowing out of the state, deregulation and privatization, particularly in sectors visible to citizens such as public services and infrastructure.

Regional politics and governance

The current political economy of the UK, perhaps more accurately England, has to some extent sought to legitimise relatively high levels of regional and distributional inequality as tolerable, and even desirable, in order to achieve flexibility and growth (Martin *et al.*, 2016). Devolution of powers and budgets to some city-regions (e.g. Greater Manchester), regions (e.g. Greater London) and nations within the UK (Scotland, Northern Ireland and Wales) over the last 20 years can be seen as a response to certain parts of the UK not deeming the political-economic settlement as acceptable in

terms of meeting their own distinct values and challenges. The legitimisation crisis of the political-economic settlement, however, is surely felt as keenly in England, but perhaps is not given the same political voice, as in other parts of the UK. Disempowerment in England has arguably fuelled a sense of frustration with the ruling class and contributed to the vote in 2016 to leave the European Union (EU). Interestingly, in three of the four devolved administrations in the UK (Scotland, Northern Ireland and London, but not Wales), the majority voted to remain in the EU.

Debates about inequalities have spatial as well as distributional elements. Cities, particularly global cities, have been put on a pedestal in recent years as the motors of economic growth (Fothergill and Houston, 2016) and tend to have higher wages and productivity than elsewhere, but also concentrations of low-paid employment (Trullén and Galletto, 2018) with low incomes put under particular strain due to high housing costs (Benner and Pastor, 2012). In the UK, many cities, most acutely London, have considerably higher wages and productivity than elsewhere, resulting in gentrification and displacement of lower-income populations (Martin *et al.*, 2016). London, and a related systemic long-standing north-south regional economic imbalance across the UK, is arguably part and parcel of a wider political-economy of regional and distributional inequality in the UK (Martin and Sunley, 2006). Indeed, public spending per head in London tops any

other English region, and unfettered growth has been encouraged in the city along with the wider southeast region (Martin *et al.*, 2016). British regional policy has shifted from an emphasis on regional redistribution to an emphasis on promoting competitiveness in all regions (Fothergill, 2005). As such, IG has been particularly adopted by policy makers in cities, not least because they lack redistributive policy levers therefore turn to market-based solutions such as IG (Lee, 2018). Many of the world's largest cities have now signed the *New York Proposal for Inclusive Growth in Cities*, which identifies four key principles: i) an inclusive education system; ii) an inclusive labour market; iii) an inclusive housing market and urban environment; and iv) inclusive infrastructure and public services (OECD and Ford Foundation 2016).

Local growth has the potential to either increase or decrease inequality, depending on local economic context and the level of pay of jobs created (Card, Lemieux and Riddell, 2003; Lee *et al* 2014; Green *et al* 2015; Beatty, Crisp and Gore, 2016). Poverty imposes economic and societal costs, for example through poor health, crime and family breakdown (Wilkinson and Pickett, 2009), and can deter investment from cities and neighbourhoods (Trullén and Galletto, 2018). However, preventing poverty and inequality also comes with direct costs, for example through welfare policies (Berg and Ostry, 2011).

The Foundational Economy

IG bundles together two policy goals few would argue against, which serves to neutralize the possibility for radical action and in practice points policy makers to policies and initiatives that are essentially ‘business as usual’ (Turok, 2010). IG’s starting point is still growth, and implicitly assumes growth is required before the ‘luxuries’ of fairness and equality can be afforded. The notion of the Foundational Economy (FE) turns this thinking on its head and places universal and equal access to high-quality everyday services and infrastructure (housing, health, education and training, transport, broadband, utilities, etc) as foundational to achieving economic success from the outset (The Foundational Economy Collective, 2018). In delivering inclusive access to adequate foundational services, the FE recommends more specific, and radical, action than present in IG, including the reinvention of taxation and the re-municipalization of local and regional government.

The FE argues that privatization and outsourcing since the 1980s across much of Europe and beyond has resulted in unequal access to foundational services and unsustainable levels of private borrowing in order to finance the twin demands of dividend payouts and investment in the physical infrastructure, which has more generally been identified as the financialization of

capitalism with increasing shares of national income and wealth being captured by private investors through increasingly complex financial instruments (Piketty, 2014). Some argue that IG is in essence neo-liberal based on individuals' incomes, and the FE radical based on collective foundational services. Although there may be fundamental differences between IG and the FE in the political-economic settlement required to deliver prosperity for all people and places, there are important crossovers in the importance each attaches to urban infrastructure and, as elaborated upon below, democratic participation and inclusive governance.

The proponents of FE principles argue that key infrastructure and services central to the FE should be enhanced and subject to greater governance and accountability with regard to public rather than private interests through the social licensing of infrastructure providers (The Foundational Economy Collective, 2018), thus helping address the legitimization crisis of capitalism and associated uncertainty over the role of the state. In addition, in order for the FE to foster inclusion, its proponents argue for the need for inclusive and empowered national, regional and local governance, regulation and citizen and community consultation, including infrastructure providers, the private sector and the small business community. Similarly, proponents of IG argue for inclusive governance and participatory democracy (Michels and De Graff, 2010; OECD, 2016; Devaney, Shafique and Grinsead, 2017).

The political economy of Scotland

Scotland accounts for one third of the land mass of the United Kingdom but only around 9% of its population. Joined in political and economic union with England since 1707, Scotland has maintained separate legal and ecclesiastical institutions and a distinctive national culture and identity. The economy of Scotland was transformed by the Union and development of the British Empire. Traditional semi-subsistence agriculture entered decline, with landowners actively encouraging outmigration to England and the colonies in order to develop commercial agriculture. Scotland's administrative capital Edinburgh became the centre of a remarkable flourishing of intellectual ideas and debate - the 'Scottish Enlightenment' from the mid-18th century. Rapid industrialisation also occurred, with Glasgow growing rapidly from about 1850 to become known as 'the Second City of the Empire' (and possibly the fourth largest city in Europe by 1900) as heavy industry, especially shipbuilding and railway locomotive manufacture, grew.

The Scottish Office, a department of the British Civil Service, was established in 1885, and centralised various formerly ad hoc administrative boards and commissions that had previously undertaken many public administration tasks in Scotland. This led to a movement promoting Scottish 'Home Rule', or the transfer of most aspects of domestic governance to a

parliament in Edinburgh to mirror the semi-autonomous public administration, but legislation to bring this into being was lost at the outbreak of the First World War.

The economic history of Scotland from 1945 until the 1990s was dominated by the twin issues of deindustrialisation and North Sea oil (Gibb et al, 2017). Rapid decline in manufacturing and particularly heavy industry led to mass unemployment, urban decay and substantial out migration. As this decline intensified in the 1970s, the discovery of North Sea Oil led to a new politicisation of economic policy. This manifested first with the breakthrough of the Scottish National Party in the General Elections of 1974 on the back of the slogan 'It's Scotland's Oil!' (McCrone, 2005), and the subsequent proposals for the establishment of a limited Scottish Assembly by the outgoing Labour government at Westminster in 1979.

Although the 'devolution' measure passed by a slim majority at a referendum, a late wrecking amendment demanding 40% of all registered voters were in favour meant the Assembly did not come to fruition. In the aftermath of the failure of the devolution proposals, economic decline intensified, and a broadly-based political coalition coalesced arguing against the

economic policies of the 1979-97 Conservative governments seen as unsympathetic to Scottish needs and tax cuts made possible, at least in part, by revenues from the North Sea.

Following the landslide victory of the Labour Party at the 1997 UK General Election, a second devolution referendum proposing a more powerful Scottish Parliament with some tax-varying powers was held in September of that year with 74.3% support for the headline measure. Although the resulting Scottish Parliament, created in 1999, has control over the majority of domestic legislation including aspects of economic development, the key levers over macro-economic policy such as monetary policy and most fiscal policies remained 'reserved' to the UK Parliament at Westminster.

As the 1990s and 2000s progressed and the new institutions matured, what has become known as a new politics of 'civic nationalism' (see Keating, 1996) became increasingly apparent in Scotland. In contrast to 'ethnic' nationalism based on ideas of a shared ethnic identity, it is argued that civic nationalism is based on a "shared set of political practices and values" (Ignatieff, 1994:4). In modern Scotland's case, this shared set of political values is commonly held to derive from the lived experience of remote government from London during a long period of economic upheaval, and practised through voting for left-of-centre parties in the pursuit of 'fairness'.

Since 2007, the beneficiary of this has been the Scottish National Party, which has won three successive Scottish elections on a largely social democratic platform. Civic nationalism in a number of semi-autonomous ‘stateless’ nations has taken an economic turn in recent years, arguing for greater autonomy or full independence on the basis of better identification of investment priorities (Calzada, 2018).

The intertwining of political nationalism and economic debate in Scotland came to a head in the 2014 referendum on independence from the UK and its aftermath. It has become commonplace to assert that the Yes campaign for independence lost because its ‘economic case’ was weaker than its ‘political case’ for self government (see, for example, Brown, 2017), largely because of the loss of fiscal transfer that funds the Scottish budget from the UK and the uncertainty of the oil price, decoupling the Scottish economy from the (over)dominant UK core of London and the South East, and the transition costs of establishing a new state and a currency should Scotland not gain access to the Euro or the British Pound. But as more fiscal devolution such as the transfer of control over income tax has occurred as a result of post-independence referendum politics, the boundaries between ‘politics’ and ‘economics’ in Scottish public discourse have become ever more blurred. The decision of the UK to leave the European Union in the ‘Brexit’

referendum in 2016 despite strong support for remaining in the EU in Scotland presents yet another innovation in the debate about what ‘the economy’ actually is, and opens up Scottish debate to an even wider set of possibilities about what kind of economic posture, objectives and policies should be prioritised in future.

We use Scotland as an example of a policy environment that both illustrates aspects of the wider political economy of IG and the sort of practical policies conducive to IG. What constitutes economic success in Scottish politics, and civic society more generally, is framed as intertwined with a wider set of political and social goals, rather than simply pursuing raw growth at any cost. This could be termed a ‘political-economic’ discourse rather than simply an ‘economic’ discourse, given voice not least through an emerging ‘civic nationalism’ building on a long history of both old and new Scottish institutions and a process of devolution of increasing policy powers from the UK Government. This discourse is reflected in, and indeed is forged by, a relatively socially diverse and inclusive political ‘class’, with 4 out of 5 Scottish First Ministers having attended state schools and none graduating from ‘Oxbridge’, but all 5 UK Prime Ministers since 1997 having attended private schools and 4 of the 5 being graduates of the University of Oxford. Second, in terms of exploring practical policies for IG, Scotland has an ex-

plicit IG emphasis in the Scottish Government's Economic Strategy, underpins the creation of a Poverty and Inequality Commission to advise Ministers on achieving greater income fairness, and has a long history of proactive city economic development and urban regeneration policies with twin growth and inclusion agenda. Perhaps reflecting this long-standing integration of economic and social goals, Scotland has a (slightly) lower level of income inequality than other parts of the UK, albeit due to fewer high earners than less poverty (McQuigg et al, 2017). McQuigg et al's analysis also showed that across the 25 year period from 1990 to 2015, income inequality in Scotland was lower than for the UK as a whole as measured by the Gini coefficient (roughly 0.30 vs 0.35). Thus, Scotland brings into focus distinctive aspects of political economy, inequality and policies pertinent to IG on a scale capable to reveal some of the factors enabling the introduction of IG policies, and so draw conclusions of conceptual significance of resonance beyond Scotland and the UK.

Methodology

Policy narratives and priorities are identified from content and discourse analysis of key economic and spatial strategy documents: the UK Industrial Strategy (2017) and Scotland's Economic Strategy (2015); and the UK National Planning Policy Framework (2019) and the Scottish National Planning Framework (2014).

Our main source of original empirical material is a series of three inter-linked expert policy development workshops in April and May 2016, two held in Glasgow and one in Dundee. The workshops involved a total of 71 participants (excluding the chair and a facilitator) from a range of organisations, mainly in the public and third sectors involved with economic development, planning, urban regeneration or community development, as well as a number of academic experts (Table 1). Participants were mostly senior personnel, often Chief Executives/Directors or Heads of large government departments or third sector organisations, but some were in more junior research or policy development roles. The policy-development discussions were designed to be driven by policy-makers and practitioners, although most of the academic experts also contributed to the discussions. Each workshop lasted around three hours, with a range of activities and phases; specifically, each workshop would start with a series of short context-setting presentations from participants and/or academic experts, followed by a series of exercises in break-out small group sessions to identify critical issues and produce policy suggestions, culminating in the ranking of policies required to promote inclusive growth.

[TABLE 1 ABOUT HERE]

Each of the workshops had a particular thematic focus (‘spreading the benefits of growth’; ‘cities as places to work’; and ‘cities as places to live’), but all had an over-arching badging of “Inclusive Prosperity in and beyond Scotland’s cities” and were organized under the banner of the ‘Scottish Cities Knowledge Centre’, a knowledge exchange partnership between the Universities of Glasgow and St Andrews and the Scottish Cities Alliance (itself a partnership between the Scottish Government and Scotland’s city Unitary Authorities). The partnership between the Universities and the Scottish Cities Alliance helped give access to senior policy-makers, who participated in the expert workshops. The thematic focus of each expert workshop aided the grouping of participants with similar interests, and was reflected in the choice of topics of the context-setting presentations. However, all three expert workshops were run in the same way and debated the same following key questions:

- What do we want to ‘grow’ in Scotland and why?
- How can ‘inclusive prosperity’ be measured?
- What needs to change to achieve an inclusive, prosperous Scotland in 50 years’ time?
- How can that change be delivered and who needs to be involved?

During the workshops we used the term ‘inclusive prosperity’. This was a deliberate attempt to avoid the presumption that growth is an essential component of successful economic development. In this paper, we have adopted the term ‘inclusive growth’ because the term has gained relatively widespread recognition in academic and policy literatures.

In the period between our interviews in 2016 and the time of writing in 2020, the notion of Inclusive Growth has not only become increasingly embedded in both the rhetoric and reality of Scottish Government policy on the economy, community development and wellbeing. A number of formal Commissions have been created to advise the Scottish Government on future policy direction, drawing together external stakeholders and experts as well as civil service and public agency officials. For example, in 2019, the Poverty and Inequality Commission published a detailed report on ‘Delivering Inclusive Growth in Scotland’, which noted that “the concept of inclusive growth is being widely adopted and there is a high level of commitment to make the agenda work. It has penetrated into a wide range of strategy documents from both the Government and public sector partners” (Poverty and Inequality Commission, 2019:1). Other Commissions have adopted Inclusive Growth as one of the principal pillars around which policy recommendations are structured, including the Just Transition Commission - which provides Government with advice on how to achieve a fair process of

change to deliver Net Zero Carbon - and the Infrastructure Commission for Scotland - which was tasked with developing a 30 year strategy for infrastructure investment. -.

Indeed, the increasing uncertainty about the medium term economic future as the COVID-19 pandemic has unfolded has acted as something of an accelerant to Inclusive Growth thinking: in its submission to the Advisory Group on Economic Recovery set up by the Scottish Government in spring 2020, the Poverty and Inequality Commission wrote that, "The Scottish Government has been exploring a wellbeing economy and committed to the concept of inclusive growth... inclusive growth is not something that is nice to have when the economy is going well, it has to underpin this recovery." (Poverty and Inequality Commission (2020:1).

The Scottish Government's *Economic Recovery Implementation Plan* published in August 2020 represents perhaps its strongest statement of commitment to Inclusive Growth as a key tenet of socio-economic policy yet. The plan sets out a range of policy interventions designed to "deliver sustainable and inclusive growth for the people of Scotland" (Scottish Government, 2020:10). Whilst the language of the Plan signals a potential further shift in the Government's thinking towards a broader 'Wellbeing economy', with

increased explicit focus on sustainability and resilience, it is nonetheless unequivocal in stating that delivering opportunities for different places and groups across Scotland in the pursuit of inclusion is at least as important if not more so than recovery in traditional growth measures such as GDP.

Results

Policy narratives and priorities in key economic and spatial strategies

Analysis of the main economic strategies in Scotland and the UK, namely the UK Industrial Strategy (2017) and Scotland's Economic Strategy (2015), clearly shows that in Scotland there is more weight given to achieving inclusive growth. In order to link to the spatial elements of 'inclusive growth', we also compare the contents within the UK National Planning Policy Framework (2019) and the Scottish National Planning Framework (2014).

In terms of overall document structure and key priorities, Scotland's Economic Strategy (SES) is balanced from the beginning between economic and social goals having 'Competitiveness' and 'Tackling Inequality' as its main pillars. Significantly in relation to IG, these twin goals are articulated as integrated rather than competing from the outset:

“In addition to increasing competitiveness, we must also reduce inequality. The international evidence is clear – that promoting competitiveness and addressing inequality are interdependent. Reducing inequality is not only important in itself, but is vital to creating the conditions to deliver sustainable economic growth over the long term.” (SES, 2015, p.7)

Moreover, the policy is structured in four areas of focus, where IG is a distinctive category, together with Investment, Innovation and Internationalisation (SES, 2015, p. 8). This is followed up with four subareas of action referring to IG: two are related to the labour market and focus on promoting Fair Work, removing longstanding barriers and making sure that everyone has access to “sustainable and well-paid jobs’ and “the opportunity to fulfill their potential”(SES, 2015, p.10). The other two recommendations refer to tackling cross-generational inequality, particularly in relation to improved childcare and the importance of capitalizing on local knowledge and deliver “equal growth across the country” – the place dimension (SES, 2015, p.10).

In contrast, the UK Industrial Strategy (UK IS, 2017) has no specific reference to the term ‘inclusive growth’ except on p. 27 and then in relation to Northern Ireland (UK IS, 2017, p.27). Overall, although there is a large difference in the size of each document, with the SES being 84 pages vs. the more lengthy 256 pages of the UK IS, the term ‘inclusive’ appears 24 times

in the SES compared to only 3 times in the UK Industrial Strategy – meaning the word appears on average once every 3.5 pages in the Scottish document and once every 85 pages in the UK document, or at 24 times a greater rate. A search for the terms *equality/inequality* reveals similarly that these appear 105 times (more than once per page) in the SES compared to only twice in the UK IS (once every 128 pages).

However, beyond a simple word count analysis, there are several themes and priorities that can be interpreted as relating to IG. As such, although in terms of overall structure and focus, the UK IS (2017), is set out from the start as being driven solely by ‘Productivity’ (so not a balance approached towards social goals as in the SES, 2015), in order for this to be achieved 5 key areas are identified where ‘People’ and ‘Place’, stand aside ‘Ideas’, ‘Business Environment’ and ‘Infrastructure’. In addition, the document presents four ‘Grand Challenges’ aimed “to put the UK at the forefront of the industries of the future”: AI & Data Economy, Future of Mobility, Clean Growth and Ageing Society (UK IS, 2017, p. 10).

In terms of ‘People’, the document identifies ‘good jobs’ and ‘greater earning power for all’ in a similar fashion to the SES but with less explicit distributional terminology. The other focus area that could link with IG, ‘Place’, proposes three policies but none has an obvious priority on inclusion. One

proposes £1.7bn funding for a new Transforming Cities fund focused on improving connections within city regions which specifically drive productivity, while another proposes vaguely that places “agree Local Industrial Strategies that build on local strengths and deliver on economic opportunities” (UK IS, 2017, p. 11). There is no direction on how places can collaborate and not compete with each other to secure access to the fund and also it does not focus on an equal distribution of these ‘economic opportunities’. The third policy in the ‘Place’ category focuses on a Teacher Development Premium (funded by £42m) which “will test the impact of a £1,000 budget for high-quality professional development for teachers working in areas that have fallen behind.” (UK IS, 2017, p. 11). These specific initiatives in the UK IS are not about redistribution *per se* but about allowing ‘failing’ places and people to catch up, without addressing the evenness of the playing field that led to some to fall behind in the first place.

With regard to the place dimension, the other two major national policy documents that direct development from a more spatial perspective are the National Planning Policy Framework (2019) and the Scottish National Planning Framework 3 (2014). The words ‘in/equal(ity)’ are completely absent from the UK NPPF but present four times in the Scottish NPF 3, once in relation to addressing “environmental inequalities and enhancing health and well-being” (NPF 3, 2014, p. 10), and the other three related to reducing

spatial inequalities. In this respect the NPF 3 states, “Our vision is a Scotland which is a successful, sustainable place. We have a growing low carbon economy which provides opportunities that are more fairly distributed between, and within, all our communities. We live in high quality, vibrant and sustainable places with enough, good quality homes. Our living environments foster better health and we have reduced spatial inequalities in well-being. There is a fair distribution of opportunities in cities, towns and rural areas, reflecting the diversity and strengths of our unique people and places.” (NPF 3, 2014, p. 1).

In a similar way, but with much less focus on fairness and equality, the NPPF for England states the overarching purpose of the planning system as achieving sustainable development (NPPF, 2019, p. 5). The discourse is focused mostly on ‘growth’, ‘productivity’, ‘vibrant communities’ and on protecting and enhancing the natural, built and historic environment. Although the document has thirteen different sections dedicated to various aspects of inclusion - from the ‘Sufficient supply of homes’ to ‘Achieving well-designed places’ - it fails to suggest how the different priorities can be achieved concomitantly or which places need prioritizing. Moreover, the document lacks any reference to urban-rural or regional imbalances, except in relation to supporting the vitality of Town Centers. In contrast, Scotland’s NPF3 has a much more detailed and focused approach on cities, city-regions

and various spatial scales of the country, including spatial visions and place-based case studies.

Overall, it can be said that at a national policy level, Scotland is much more focused on ‘inclusive growth’, equality and a fair distribution of resources and opportunities than England, and has a much more detailed and balanced approach to the different levels of territorial administration and regional imbalance. In England, the approach is heavily shaped by an emphasis on growth, vibrancy and competitiveness, albeit recognizing the need for social sustainability and for ‘fallen behind’ people and places to be enabled to ‘catch up’.

Expert Workshop Findings

Our reading of the expert workshop discussions led us to identify four values that participants commonly referred to in characterizing Scotland’s cities in the 21st century: open; creative; democratic; and fair. These to a certain extent illustrate the discourses evident in the policy documents discussed above and, crucially, were consistent themes that underpinned a lot of the discussions. Specific issues raised chime with findings of other studies, for example the importance of inclusive governance (OECD, 2016; Devaney, Shafique and Grinsead, 2017), addressing vocational education and training in the UK (Green *et al.* 2016a, 2016b), childcare in boosting

earnings (Bramley *et al.*, 2016) and the importance of locally-tailored solutions (RSA, 2017).

Firstly, participants felt that Scotland is, on the whole, an open and tolerant society. Scotland's cities in particular act as important conduits for interaction with the wider world. Scotland is economically and culturally open in, particular to North America, Europe and the rest of the UK, resting on strong historic connections. However, workshop participants often alluded to a frustrated ambition for greater interaction between places within Scotland in terms of economic functions and commuting, and with places outside Scotland, particularly in terms of commerce and innovation.

Secondly, participants felt that Scotland places a high value on creativity, and in its broadest sense is seen as a driver of growth and innovation. This has always been a hallmark of Scotland, and indeed Britain as a whole, where creative industries are flourishing. Cities have a critical role to play in facilitating interaction and specialization required for creativity to blossom. A dominant theme in the workshops was that too often the creative talents in Scotland's vibrant but less advantaged communities and young people remain untapped.

Thirdly, in terms of the perceived value of being democratic, devolution in Scotland since 1999 has enhanced participation and brought decisions closer to the communities they affect, arguably improving the quality of policy making. Workshop discussion frequently turned to the challenge of achieving the same positive outcomes at local level. Local government is perceived to have been stripped of important functions which have been centralized onto a Scotland-wide basis over the last 20 years (e.g. health, police, water). Tough decisions about *where* to make strategic investments in a city-region require budgets, participation and democratic accountability at a spatial scale that matches functional realities on the ground. A consistent view was expressed that the best decisions are made when all components of the community are involved, including businesses, education and training providers, local authorities, residents and housing providers, trade unions and transport providers.

Fourthly and finally, participants felt that Scotland has a deep sense of fairness and justice and places a high value on equal treatment and creation of opportunity for all. This was a very dominant theme in the workshop discussions. This sense of fairness is central to the notion of ‘inclusive growth’. Most consistently raised were issues of inter-generational justice, in particular that young adults (especially under 25, but also older) had less

clear pathways to opportunity than previous generations. Specific issues often raised were the availability of childcare, transport and training (including the role of employers and apprenticeships) holding back the career progression of women and young adults.

With the above four values in mind, participants were pressed to identify what needs to change over the next 50 years, how that change can be delivered and who needs to be involved. This was a demanding part of the workshops, and facilitators pressed participants to be specific about policy recommendations and then to prioritise the actions they had identified.

Practical policies to promote inclusive growth in Scotland's city-regions

Skills, transport and housing for young adults. Workshop participants were strongly of the view that people in this age group (and indeed older) have had a series of ladders open to previous generations denied – adequate housing, affordable transport, career progression, and certain state benefits. This age group increasingly suffer from poor mental and physical health, disproportionately live in cities and many are reliant on public transport. Workshop participants identified the following initiatives need to be fully implemented in relation to young adults: i) skills and personal development planning; ii) affordable public transport; iii) access to affordable accommodation

to support independent living; and iv) access to mentoring and counselling therapies via the workplace.

A tangible policy change that can be enacted quite quickly is to extend to younger adults the National Concessionary Travel (NCT) scheme that currently provides free bus travel to disabled and elderly people. If applied to younger adults (e.g. age 16-19 but could extend to 16-24), it is more likely to benefit the economy through raising participation in education/training and employment/hours worked. These benefits are likely to be pronounced in cities, where car ownership is lower and bus networks more developed than in smaller towns and rural areas.

Inclusive city-regional governance. Workshop participants regularly came to discuss decision-making, particularly in relation to place and transport connections between places. The Community Empowerment Act (2015) was seen as an opportunity to better include local priorities in decision making, a piece of legislation that in Scotland aims to give greater control over public-spending decisions to those affected by them through citizen participation and extends the right of communities to have first refusal on the purchase land for sale in urban areas. Participants saw the same principle of inclusive governance as important at city-regional scale, particularly in relation to spending on large infrastructure but also policy development more

generally. Building on recently created City Deals bringing budgets for spending on new infrastructure and services to local areas, workshop participants frequently came to the view that city-regional governance needs to be more widely supported with greater fiscal and budgetary autonomy and enhanced mechanisms for community participation, including the involvement of the private sector and small businesses.

Affordable childcare. Workshops participants consistently raised the issue of access to affordable childcare and thought that the high cost of childcare disrupts too many careers, too many employers, and too many parents struggle at home alone. Women's earnings continue to lag behind men, and jobs and skills are sometimes lost to individuals and the economy due to unaffordable childcare. Workshop participants therefore saw childcare is an area where economic and social benefits coincide, i.e. conducive to inclusive growth. Free part-time childcare and tax exemption for earners currently exists in Scotland (termed 'Early Learning and Childcare Entitlement') for children aged 3 or 4 years (and similar schemes in the rest of the UK), but is cast chiefly in relation to the benefits of early learning for the child, rather than the economic benefits of childcare for parents and employers. An extension of the scheme to children under 3 may raise employment rates and facilitate a return to work at the end of maternity/paternity leave for those

who wish it, avoiding economically scarring career breaks for some. Additional costs of the scheme could be limited and its economic goal better enhanced, by limiting eligibility for under-3s provision to those holding a job, i.e. to focus on the childcare entitlement aim of the scheme more than the early years learning goal for children under 3 years..

Create integrated and livable places. Participants talked of Scotland's history of creating vibrant, integrated and livable but dense urban environments in its main cities. However, workshop participants lamented 'placeless' housebuilding, the hollowing out of cities and town centres, and lackluster investment in infrastructure in the second half of the twentieth century, which have led to many low-quality urban environments with limited public space, difficult walking and cycling conditions, and poor public transport accessibility. Workshop discussions often identified affordable and social housing being built in locations that have lost their original economic purpose, with little thought to where residents are likely to work. Workshop participants thought there is an opportunity for cities to encourage development of under-utilised infrastructure using the provisions of the Community Empowerment Act 2015 and the Land Reform Act 2016 (which, respectively, grant communities the right to purchase land, even when it is not for sale, when land is neglected or in the interests of sustaina-

ble development), aimed particularly on long-term vacant sites and the provision of affordable housing close to suitable jobs. Moving forward with the land reform agenda in Scotland, compulsory purchase and/or compulsory sale and/or compulsory development orders issued by local government may be part of the solution, given that normal market signals do not appear to be facilitating development or community purchase in many locations, often through land valuation practice upholding perceived ‘normal’ land values in low-demand locations, as argued by Adams (2017).

Discussion & Conclusions

The concept of ‘inclusive growth’ has emerged in recent years, across developed nations in particular, in response to persistent high levels of economic inequality and wider sense that capitalism is ‘not working’. IG has been criticised for seeing the solution to these issues as lying with growth, which ultimately frames IG as essentially neo-liberal ‘business as usual’. Another criticism of IG has been that it lacks specific policy recommendations or principles to guide policy makers.

In the context of these criticisms, this paper has sought to address two aims. First, to place IG policies in a wider political economy framework in order to better understand how ‘business as usual’ is constructed and, more pertinently, might be reconstructed, including an assessment of the principles of

the ‘Foundational Economy’ (FE) in relation to the political-economic context of Scotland’s IG-based economic strategy. Second, to further the operationalisation of IG policies and identify specific practical policies that may be conducive to IG.

The Political Economy of Inclusive Growth

Our findings support the argument that inclusive governance reflecting all interests in a community is a pre-requisite for creating the consensus, resilience and adaptive capacity necessary to achieve IG (as found also by Devaney, Shafique and Grinsead, 2017). The political economy must reflect and represent the underlying values of a society in order to be sustainable as a legitimate governance framework – and so inclusive governance is critical in fostering a political-economic framework capable of delivering IG, underpinned by wider empowerment through community rights (in the case of Scotland, in the form of legislated rights to participate in decision making and to purchase land to promote sustainable development), and education and knowledge as argued by Piketty (2020). Our case study of Scotland reveals the importance of inclusive governance and wider political-economic framing of ‘the economy’, in Scotland’s case around perceived values of openness, creativity, democracy and fairness. It is the political narrative, rather than underlying values about equality or indeed equality outcomes themselves, that is increasingly distinctive in Scotland from the rest of the UK. Indeed, since conducting our research, the Scottish Government’s has

further put IG at the heart of development policy, and sees IG as essential to effective economic recovery after the Covid-19 pandemic rather than as a luxury only for when the economy is strong (Scottish Government, 2020).

We identify four specific lessons regarding the political-economy of ‘inclusive growth’ that can be drawn from the Scottish case, which are likely to be generalizable to other contexts. First, semi-autonomous regions in multi-level governance systems need to assert their unique identity and distinctive policy priorities, which creates space for policy narratives counter to the upper governance tier, which in Scotland’s case is conducive to an inclusive growth discourse. Second, regions or ‘stateless’ nations (Calzada, 2018), with civic-based nationalism (rather than identity-based nationalism) are drawn to pro-equality policies, such as ‘inclusive growth’, as they chime with solidaristic and nationalistic notions constructed around civic society and/or civic society and institutions. Third, inclusive governance that gives a voice to all sections of communities and a political class that is broadly representative of the population is more likely to develop policies conducive to ‘inclusive growth’. Fourth, representative democracy of an appropriate spatial scale helps legitimize modes of governance and the wider political-economy, in Scotland’s case following the creation of the Scottish Parliament in 1999.

We find some resonance between the emphasis on spending on infrastructure and services revealed in the economic and spatial strategy documents examined and in our expert workshops (specifically on transport, childcare, housing, training and place-making) and the ‘Foundational Economy’, which also identifies infrastructure and services as important or ‘foundational’ to economic development and social inclusion. However, we find two important divergences with notions in the Foundational Economy. The first divergence is that our findings suggest inter-generational inequality as a major impediment to both growth and inclusion (identified in policy documents and the expert workshops), but inter-generational issues do not form an explicit component of writings on the Foundational Economy. The second divergence is that the architects of the Foundational Economy place considerable emphasis on re-municipalisation and raised public taxation, which, perhaps surprisingly in the Scottish context where there is a long-standing belief in a strong state, did not explicitly reveal itself in the discussions in our expert workshops nor in policy documents – rather than, or perhaps as well as, a desire for stronger local government, collective interests in Scotland are increasingly being pursued through a community-based approach (mainly in the form of legislated rights to participate in decision making and the right of communities to the compulsory purchase of land to promote sustainable development). The Foundational Economy’s emphasis on infrastructure investment certainly chimes in the UK where spending on

infrastructure has been low for some decades compared to other developed nations, but the recommendations of the FE may be less pertinent in other contexts.

The Scottish Government's Economic Strategy presents, on an equal footing, 'competitiveness' and 'inclusion' as its two central pillars. Scotland is often held-up as a fairer and more inclusive society and economy than other parts of the UK. To some extent, this view is supported by public policy decisions made by the Scottish Government in and beyond its long-standing commitment to urban regeneration and more recent development of an inclusive economic strategy, including: the maintenance of state funding for student fees; measures that offset some UK benefit cuts; and attempts at a more progressive income tax regime following the devolution of greater fiscal autonomy.

Behind these encouraging signs in Scotland lie some tensions and contradictions. Although income inequality is lower in Scotland than the rest of the UK, this is the result of there being fewer very high earners than there being substantially less poverty (McQuigg et al, 2017). Social attitudes to poverty and inequality are similar in Scotland to the rest of the UK (Scottish Government Communities Analytical Services, 2015). Nevertheless, the dominant political narrative in Scotland has always – and perhaps increasingly so

since devolution in 1999 – had a solidaristic tone that helps transcend these dualisms in pursuit of a common ‘Scottish’ agenda, and thus intertwine ‘growth’ and ‘inclusion’ as mutually attainable or even complementary goals. So it is not that the growth/inclusion tension is absent in Scotland, but that a wider social purpose of the economy is articulated that provides the space in which to resolve that tension. As an increasingly autonomous region within the UK, and with its own distinctive national history, Scotland is perhaps well-positioned to develop a narrative about a common good conducive to IG. Place is an important component of that wider social purpose – whether Scotland (or any other region or country) as a whole, or city-regions that people identify with.

The Scottish case suggest three key elements have enabled an ‘inclusive growth’ economic strategy to take firm root, which are likely to be generalizable to other contexts. First, the presence of political powers capable of making a difference, in Scotland’s case the creation of the Scottish Parliament in 1999 with responsibility for primary legislation covering a wide range of policy areas (all but fiscal, monetary, social security, foreign policy and defense) and the subsequent devolution of some fiscal powers in relation to income tax. Second, a political discourse capable of articulating a common purpose that integrates to ‘economic’ and the ‘political’, in Scotland’s case a civic form of nationalism, which also builds on a long history

of distinctive Scottish civic institutions. Third, inclusive governance and active participation in democracy – at local, regional and national levels – will avoid ‘policy capture’ by particular interests, especially the interests of capital over labour and corporate interests over collective interests.

Practical policies for Inclusive Growth

The thrust of the policy implications from our expert workshops is to make infrastructure and economic policies more ‘social’, specifically through considering *who* will benefit (e.g. bus transport rather than rail); and to make social and welfare policies more ‘economic’, specifically through greater targeting to support employment, e.g. training aimed at young people. As with the recommendations made by the architects of the Foundational Economy concept, our findings from expert workshops also underline the need for inclusive and empowered national, regional and local governance, including infrastructure providers, the private sector and the small business community.

Focusing on policies that deliver both economic *and* social benefits is likely to encourage ‘inclusive growth’. Key examples highlighted in expert workshops in the context of Scottish city-regions were bus transport, training, childcare and the health of the workforce, particularly the mental health of young people. These are examples of ‘foundational’ services as defined in the ‘Foundational Economy’. All three are particularly pertinent for either

cities and/or younger adults. Participants in the expert workshops were of the consistent opinion that all three can increase participation in education, training or employment and reduce absenteeism from work – and as a consequence increase productivity, boost earnings and reduce income inequality.

Further research is required on the investment decisions and governance arrangements in cities, regions and nations that simultaneously display healthy growth and declining (or already low) inequality. Findings from our expert workshops suggest that infrastructure investment is important, as recommended by the architects of the Foundational Economy. It is also apparent from our appraisal of Scotland relative to the rest of the UK that inclusive governance and a favorable political-economic climate and narrative that stresses a common purpose are additional essential pre-requisites to making policy decisions conducive to inclusive growth. In the end, economic development, whether inclusive, foundational, neo-liberal or something else, is unavoidably political.

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Table 1. Institutional backgrounds of expert workshop participants

	<u>Workshop 1</u>	<u>Workshop 2</u>	<u>Workshop 3</u>	<u>Total</u>
Local government	4	6	7	17
Scottish Government de- partment or agency	11	4	3	18
Third sector/community	4	-	6	10
Business interest associa- tion and private sector	3	2	5	10
Academic researcher	6	3	7	16
Total	28	15	28	71

The above figures exclude the chair and a facilitator.

Six participants attended both Workshops 1 and 3; one participant attended all three workshops.

Workshop 1, "Spreading the benefits of growth", was held in Glasgow on 01-04-16.

Workshop 2, "Cities as places to work", was held in Dundee on 29-04-16.

Workshop 3, "Cities as places to live", was held in Glasgow on 27-05-16.