



UNLOCKING THE POTENTIAL FOR INCLUSIVE ECONOMIC DEVELOPMENT

Dallas - Ft. Worth and Beyond

OVERVIEW REPORT



SMU | Hunt Institute for
Engineering & Humanity



Introduction

The world is changing more rapidly than the ability of the majority of the world's people to adapt. Despite strong economic growth, large segments of the world's population, including an increasing number of Americans, are being left behind, unable to participate in new economic opportunities. Growing uncertainty has stakeholders across the socioeconomic spectrum concerned about the future of work.

Globalization and technological advancement represent forces of disruption and transformation, with climate change creating momentum and urgency. The convergence of these forces is compounding their complexity and contributing to an increase in inequality and working poverty. The U.S. and countries around the world face the risk of inequality undermining their economic performance and societal cohesion while exacerbating political polarization.

Fortunately, many innovative solutions and approaches exist with the capacity to tackle these challenges. **Perhaps more so than any other time in history, the private sector has a critical role to play in scaling social and environmental impact in collaboration with other sectors.** It is the *disruptive collaboration* of key stakeholders that will ultimately lead to a true sustained transformational impact.

This study has a two-fold objective: first, to assess successful cases of disruptive collaboration and to illuminate key components of their transformational impact; and second, to demystify the inclusive sustainable economy paradigm for a broad professional audience of thinkers and doers. The ultimate goal is to empower collective action through accessible tools and support from a diverse network of stakeholders to foster inclusive sustainable economic development in Dallas-Ft. Worth and beyond.





The Texas Trees Foundation takes a holistic approach to its mission, going well beyond its traditional roles of advocacy and planting trees. An enabler of inclusive sustainable economic development, TTF works closely with communities to educate them about the role of trees in improving air and water quality, lowering electricity bills and enhancing well-being in communities.

The Inclusive Sustainable Economy Model

Globalization and technological advancement have helped reduce extreme poverty around the world, yet inequality is its highest since the Great Depression in advanced industrialized democracies, and the number of working poor is rapidly increasing. The new globalized and digital economy offers significant new opportunities, but being able to take advantage of those opportunities requires access to resources and constant learning of new knowledge and skills. This can put considerable pressure on communities and households with inferior access to quality education, training, and relevant and reliable information and services.

In the U.S., the middle class has been shrinking and is now smaller than in most European industrialized countries. According to the Pew Research Center, America's middle class reached a tipping point in early 2015 when it ceased to represent the majority of the population. Indeed, the chances of moving from a childhood in poverty to an adulthood of affluence are lower in the U.S. than in most other advanced industrialized economies. This was not always the case.

Worldwide, the richest one percent now owns more than the rest of the world combined. Meanwhile, 40% of children in the U.S. are growing up in low-income households, half of whom live in poverty and face significant barriers in terms of socioeconomic mobility. More often than not, women, minorities, and small business owners fall behind, not just in income, but in health and educational attainment.

Small and medium-sized enterprises account for 50-60% of jobs worldwide, but many face significant challenges in keeping pace with the new economy, especially when it comes to the skills and resources required to adapt to the rapid market changes. These factors exacerbate income inequality at a time when small

businesses have a critical role to play in achieving inclusive economic growth.

The societal, economic, and political risks associated with inequality and working poverty are significant, according to the growing body of research in this area. Inequality leads to a decline in trust and erosion of social cohesion. Not surprisingly, growing inequality has also been linked to the risk of rising property crime in more affluent neighborhoods and an increase in violent crimes. Inequality has also been shown to have a negative impact on economic growth. And last but not least, widening economic inequality contributes to partisan polarization and support for extreme political positions.

To mitigate the effects of inequality and open up more opportunities for more people, our society as a whole needs to leverage the forces of globalization, technological advancement, and climate change – what the UN calls “the three mega forces” – for disruptive solutions. We can reach this goal by harnessing the power of disruptive collaboration to further inclusive sustainable economic development.

Over the past three decades, globalization and technological advances have reorganized the global economy along global value chains, leading to unprecedented efficiencies in terms of division of labor, productivity, and diffusion of innovations. These developments have contributed to rapid economic growth in many countries and have helped world GDP grow from around 50 trillion USD in 2000 to 75 trillion USD in 2016. Globalization and world trade, coupled with rapid technological development, have also helped achieve rising standards of living and the reduction of extreme poverty.

Currently, corporations’ global value chains account for 80% of global trade and 1 in 5 jobs worldwide. In the U.S., the GDP generated by America’s largest 100 companies rose from 33% to 46% between 1994 and 2013, while firms with more than \$1 billion in revenues account for about 65% of market capitalization and 60% of all global revenues. Given the immense concentration of economic activities in global value chains, corporations have a pivotal role to play in fostering inclusive economic development. There are corporations that are well ahead on this path, pursuing inclusive and sustainable business models with demonstrated financial and reputational benefits that generate transformational impact.

As critical as the private sector is in this equation, and as significant as its opportunity to lead, corporations are the first to admit that they cannot do this alone. Inclusive economic development calls for multi-sector, multi-stakeholder action. The private, public, and non-profit sectors can harness opportunities by engaging **together** in new strategies to foster inclusive sustainable economic

development. Successful models around the world demonstrate the effectiveness of the approach. The most effective of these bridge together stakeholders across sectors for systemic solutions and are supported by smart policies.

Many in the private sector can and have been making steps in this direction, but the impact of those efforts can be boosted by other actors in the system, which makes understanding the interdependencies critical for scaling impact. **Market-based, “climate smart” inclusive solutions, social entrepreneurship, and base-of-pyramid strategies are showing promising results, stretching the scope of private-sector solutions well beyond traditional corporate social responsibility (CSR).** These solutions demonstrate that inclusive economic approaches can significantly “grow the pie,” especially when they simultaneously address basic needs and create jobs for the vulnerable. Scaling these approaches to maximize their impact is paramount.

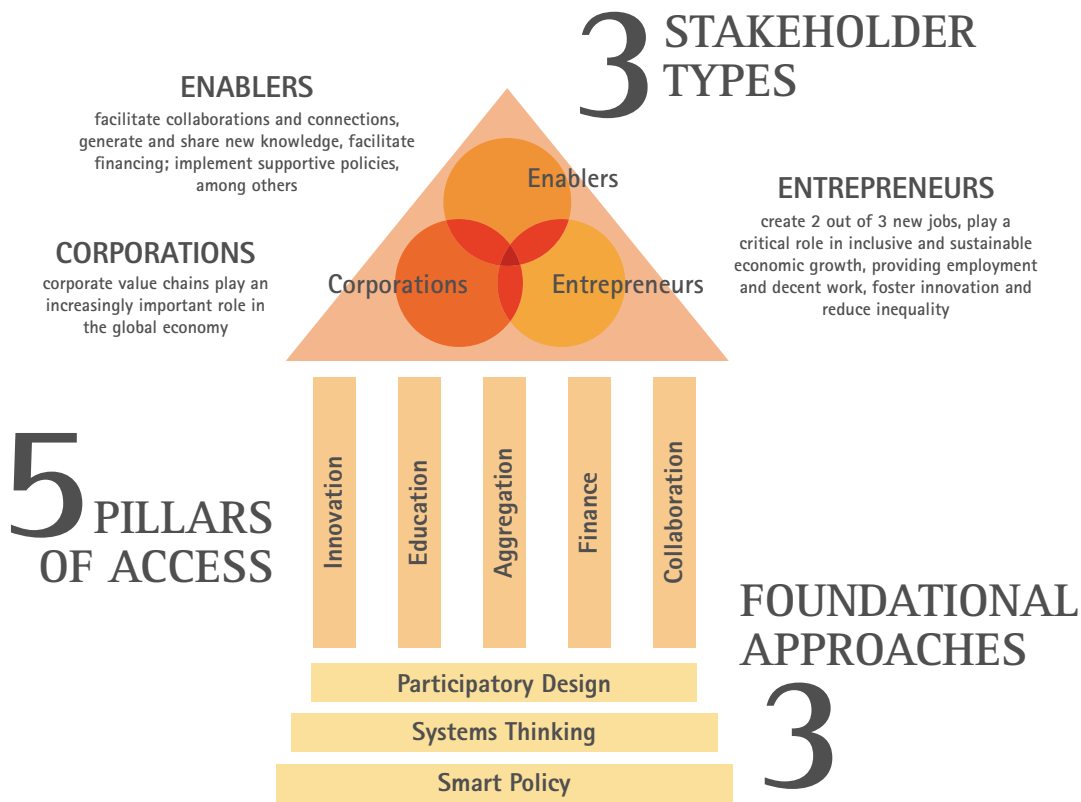
The Dallas-Fort Worth area holds unique potential to apply the inclusive sustainable economy paradigm, with critical elements already in place. In South Dallas, Jubilee Park is a community center that focuses on education, climate-smart housing, public health, safety and economic development to encourage systemic community revitalization.



Our research shows that the “secret sauce” to scalability lies in a particular model of collaboration among corporations, entrepreneurs and enablers – the often hidden entities that foster partnerships, disseminate knowledge, and perform other critical functions such as coordination, connection with financing, and research. Collaborations that include all three of these stakeholder types are most likely to generate the conditions needed for scalable impact and inclusive market transformation.

Our research reveals five “pillars of access” that together help foster inclusive economic development: **innovation, education, aggregation, collaboration, and finance.** Unlocking the potential in these latent catalytic forces demands bottom-up solutions based on participatory design, systems thinking, and smart policies. The findings lend new promise that transformational impact through inclusive economic development, especially when supported by smart policy, is both possible and economically attractive.

Given the interdisciplinary nature of creating an inclusive economy, a large part of the task ahead is to become lifelong learners, systems thinkers, and active participants in designing solutions. **This report introduces the ISE model, whose core elements constitute the building blocks of inclusive sustainable economic development:**



Just as there is no single factor causing the societal, economic, and environmental challenges created by global forces, there is no map for navigating this uncharted territory. We offer the ISE model as a solution to help practitioners and decision-makers across sectors apply high-potential strategies from the field of international development to the developed economies in which they live and work.





The Hunt Institute for Engineering & Humanity is a unique action-oriented community of thinkers and doers focused on sustainable development at Southern Methodist University. The Inclusive Economy Consortium (IEC) is an initiative of the Hunt Institute for Engineering & Humanity at Southern Methodist University.

Why Here and Why Now?

Dallas-Fort Worth ranks high, and in several recent studies at the top of the list, of non-inclusive urban economies. As the fourth largest economy in the nation, Dallas-Fort Worth is home to approximately 22 Fortune 500 corporate headquarters, 300 large company headquarters, and has a strong presence from both U.S. and international transnational corporations. At the same time, this tremendous economic influence is juxtaposed with poverty, inequality, and significant environmental challenges.

Despite its prosperity, **Dallas has the highest inequality and 2nd highest child poverty among major U.S. cities**, along with rising working poverty. According to the Communities Foundation, Dallas County's real median household income decreased by 16% between 1999 and 2015, compared to a 2% decline in Texas and 2.4% in the U.S. as a whole. Poverty has increased by 42% during the past 15 years, according to the recent Resilient Dallas study, with racial and ethnic minorities and women being disproportionately affected. An increasing number of Dallas residents live in food deserts, which are often also infrastructure and transit deserts, with limited or no access to basic products and services.

Dallas also has one of the most rapidly growing urban heat islands in America. The effects of increasing urban heat and climate change on public health, human productivity, agriculture, energy, water, and transportation infrastructure will exacerbate the challenges and impact residents at all socioeconomic levels - especially those with the least means to mitigate these risks. For these and other reasons covered in the report, a paradigm shift toward inclusive sustainable economic development is imperative.

Many elements of the Inclusive Sustainable Economy (ISE) model presented in this report are already in practice in Dallas. A number of Dallas' corporations are pursuing efforts to maximize their social impact, which, together with Dallas' entrepreneurial spirit and innovative nonprofits, offer an ideal ecosystem for fostering inclusive sustainable economic development.

There is clear evidence that those who take part in disruptive collaboration to foster inclusive sustainable economic development stand to gain substantial benefits, both intangible and material. The report is offered as a roadmap for those who choose to take part in the noble and necessary journey toward an economy that works for all.

For more information about this initiative and to download the full paper, visit www.inclusive-economy.org.



About the Inclusive Economy Consortium

The Inclusive Economy Consortium (IEC) is an interdisciplinary network of diverse stakeholders who are dedicated to creating an economy that works for all. Launched by The Hunt Institute for Engineering & Humanity at Southern Methodist University, the consortium enables change agents to connect, share and act. By providing a collaborative platform for inclusive business, social innovation, and collective action, we help foster inclusive sustainable development in communities around the world.

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**About the Hunt Institute for Engineering & Humanity**

The Hunt Institute for Engineering & Humanity is a unique action-oriented community of thinkers and doers focused on sustainable development at Southern Methodist University. The Institute serves as national and international hub to partner with leaders in business, academia, NGOs and government to develop and scale sustainable and affordable technologies and solutions to the challenges facing the global poor.

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