



Institute for Innovation  
and Public Purpose

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# STRATEGIC ECONOMICS ALLIANCE

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New Theory, New Practice, New Voices

A Manifesto

## Strategic Economics Alliance

SEA launched in June 2024. It has benefited from initial funding from Co-Impact and is led by Professor Mariana Mazzucato and Associate Professor Carolina Alves from the UCL Institute for Innovation and Public Purpose.

## About the Institute for Innovation and Public Purpose

The Institute for Innovation and Public Purpose (IIPP) at University College London (UCL) brings together cutting-edge academic theory with teaching and policy practice, to rethink the role of the state in tackling some of the biggest challenges facing society. IIPP works with partners to develop a framework challenging traditional economic thinking, with the goal of creating, nurturing and evaluating public value in order to achieve growth that is more innovation-led, inclusive and sustainable. This requires rethinking the underlying economics that have informed the education of global public servants and the design of government policies. IIPP's work influences global innovation and industrial policy, financial reform, institutional change and sustainable development. A key pillar of IIPP's research is its understanding of markets as outcomes of the interactions between different actors. In this context, public policy should not be seen as simply fixing market failures, but also as actively shaping and co-creating markets. Re-focusing and designing public organisations around mission-led, public purpose aims will help tackle the grand challenges facing the 21st century. IIPP is uniquely structured to ensure that this groundbreaking academic research is harnessed to tackle real world policy challenges. IIPP does this through its high-quality teaching programme, along with its growing global network of partners and the ambitious policy practice programme. IIPP is a department within UCL and part of The Bartlett Faculty, ranking number one in the world for architecture and the built environment in the world.

# STRATEGIC ECONOMICS ALLIANCE (SEA)

## New Theory, New Practice, New Voices

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### A Manifesto

The challenges the world is facing—climate change, crumbling public health systems, the rising costs of living and skyrocketing inequality to mention a few—are not accidental. They are the direct result of problematic economic policies (too little too late, always in reactive mode) and a dysfunctional system of corporate governance that continues to prioritise only quarterly returns. Both public and private governance have been informed by an economic theory that sees the role of the state as only fixing market failures and a theory of value limited to business production, without a proper understanding of how to foster collective value creation across society or how to steer growth in an inclusive and sustainable direction. The challenges we face call for economic thinking and practice that put people and the planet at the centre—an economics that is ambitious in its outlook and not wed to tinkering around on the edges of a broken system. Economic theory actively informs and shapes the way we organise the economy and, therefore, our society. Moving beyond academic discussions of new economic thinking to translate its promise into policy is therefore critical.

Indeed, economics has faced serious questions about its understanding of how modern economies work. It has been widely acknowledged that economics, with its pretence of objective laws and principles with presumed universal applicability, offers a constrained view of the economy by emphasising equilibrium solutions, homogeneous actors and assumptions about “rational economic man” maximising utility or profit functions. Despite justifications for this traditional approach, including the simplification of complex realities, this perspective renders the economy as a self-contained system, detached from pressing concerns like climate justice, resources depletion, inequality, exploitation, colonial legacies and intersectional oppressions. Surprisingly, while economics has long maintained that such societal issues fall outside its domain, economic principles continue to be applied to such issues, viewing them through a market-centric lens.

Recognising this paradox, the Strategic Economics Alliance (SEA) aims to create a stronger link between **new theory** and **new practice** by elevating **new voices** that have been historically and structurally marginalised. With the principle of **co-creation** lying at the heart of SEA, its goal is to promote an environment where diverse ideas and experiences are not just heard but actively inform economic policies advanced by government partners around the world. SEA builds on the practical work of the UCL Institute for Innovation and Public Purpose (IIPP), which has worked with policymakers globally over the last five years to inform the design of economic policy based on a reimagined role of the state in tackling societal challenges.

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## New Theory

New theory means taking a **more holistic and global (non-Eurocentric)** approach to thinking about the economic sphere, where the central goal is not simply never-ending GDP growth, but rather a society in which all people and the planet have what they need to survive and flourish. It means **challenging dominant economic thinking that has treated some of the most systemic problems** in global capitalism, such as climate change, unequal power relations and inequality, as externalities and the results of failures of an otherwise perfect system. Conventional economic theory has also assumed away the critical role of public institutions in pro-actively shaping markets, driving sustainable and inclusive outcomes, and creating a resilient society not confined to markets. Indeed, there is no economic theory that effectively **captures the range of institutional arrangements that have been developed to solve collective problems**. A new economic theory that conceives value as collectively created is critical; a theory that recognises partnerships between government, business and civil society are needed to co-design futures for collective purposes. Here, **engagement and negotiations at the community level** are central to the production and distribution of the commons, and for challenging hierarchical structures. For example, the practice of managing shared resources, particularly by women, has been a key strategy for challenging capitalist and patriarchal systems. **Rethinking the role of the state in collaborating with communities** is thus a critical component of positioning governments in a way that allows them to pro-actively create an economy directed towards collective goals. Importantly, new economic thinking is premised on a belief that **the state and policymaking are context specific**. It embraces complexity, uncertainty and the interdependence of economic systems, recognising that factors such as technological innovation, environmental sustainability and equity are integral to understanding economic dynamics. To do so successfully, **new theory needs to be practice-based**: continuously informed by, and responsive to, the complex, multifaceted and hierarchical realities of today’s challenges. Practice-based theorising promotes engagements between scholars, policy experts, public institutions, civil society and other relevant stakeholders to refine and evolve economic theories based on grounded experiences. Creating space for this type of new economic thinking is paramount as it allows for knowledge creation beyond the confines of conventional wisdom and avoids one-size-fits-all policy recommendations.

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## New Practice

New practice demands a **grounded approach** that informs new theory by considering the multifaceted and uneven local and global contexts. Practice-based theorising is **inherently reciprocal**; it enables actors not only to develop and refine new theories, but also to prototype and test new policies. New practice means empowering governments and local initiatives to take an active role in **shaping their economies and markets and in directing growth**, while investing in the **tools and capacities** required to do so. For example, there is clear potential to structure policy initiatives aimed at a just green economic transition that will accelerate progress towards climate goals while creating good jobs, engaging people previously excluded, improving productivity, and catalysing growth. However, for this potential to be realised, new practice needs to orient innovation, industrial and financial policy around climate and inclusion goals, rather than treating them as separate or secondary priorities. This requires significant shifts - for example, to reverse the trend towards financialization in favour of productive investments in the real economy including by redesigning domestic financing tools. When public investment is done strategically, it can create new markets and increase long-term competitiveness. Equally important, it can also be used to catalyse private investment that is otherwise often hoarded and focused on rent-seeking or is overly risk-averse.

New practice cannot be confined to the domestic context. Vitaly, the global financial architecture has imposed unreasonable debt repayment terms, so that spending on interest payments in Global South countries is severely limiting fiscal space for investments in climate, health or education. Processes of uneven development and financial subordination, such as the legal frameworks regulating sovereign debt, need challenging. Particularly in the context of climate change, the Global North, responsible for most historic carbon emissions, needs to free up fiscal space for countries in the Global South. This can include historic debt write-offs, debt restructuring, replacing climate loans with non-repayable grants, and paying compensation for loss and damages.

This will not happen on its own. **Structural transformation** requires strong and capable governments to steer the economy in a more strategic and deliberate way. **Dynamic capabilities** allow government to anticipate, adapt and learn within and across organisations; design tools, institutions,

and partnerships that are mission-oriented and maximize public value; effectively engage citizens; and build and govern digital infrastructure that serves the common good and supports delivery of all missions. This is also about a cultural shift, moving away from a focus on following bureaucratic, compliance-based, Eurocentric processes and from a 'fear of getting it wrong', towards a culture of learning in which there is permission to innovate, iterate and engage with other cultures often theorised as less developed. Such a shift may lead to structural changes in the economy that can amalgamate different behaviours, institutions, and technologies. It also requires a different kind of analytical framework for policy appraisal and evaluation that is able to capture the dynamic aspects of market-shaping and creation of commons following local specificities and insights. Ultimately, a **gendered and decolonial perspective** should inform all aspects of policymaking, ensuring that considerations of gender, race and developmental disparities are integral to economic decision-making.

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## New voices

New voices are instrumental in cultivating a **transnational alliance** between change-oriented thinkers and practitioners, offering the potential to advance the decolonisation of economic theory and practice. There needs to be an explicit effort to foreground progressive economic thinking and leadership from the Global South, promoting its integration more assertively in dominant public debates and forums. This will help reflect the multifaceted, hierarchical, and uneven character of capitalism, as well as more effectively represent the reality of new economic thinking. Challenging the hierarchical relationship between Global North and Global South institutions is critical for **transforming the global centre-periphery dynamics**, allowing for cross-learning, collaboration and innovation. By the same token, challenging the idealised view of capitalism —often associated solely with progress and the standards of the Global North —is imperative for **understanding the underlying forms of exploitation, appropriation, and oppression** that accompany the development of capitalism. **Different voices must be brought to the table** to discuss what it means to achieve an equitable, just and sustainable economy that is co-created by actors globally. Justice according to whom? Answers must include voices from the most marginalised, whether it is Indigenous communities, women or people of colour who have been left out of the process of deciding 'what is to be done.' The focus on new voices underscores the importance of creating space in economic theory and practice for

critical voices to be heard, to voice dissatisfaction and to influence change—rather than being pushed to the periphery where their only option is to exit the debate. Recognising that **many scholars and organisations have preceded SEA** in challenging the dominance of a specific type of economics and an idealised view of capitalism, SEA endeavours to build alliances to learn from and strengthen these initiatives.

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## SEA's Approach

The present moment offers an exciting opportunity to draw on top women economists from the Global South and North to help mainstream new economic thinking by working with policymakers and practitioners on important areas, including health, climate and finance.

SEA sets out to establish a direct link between economists who are advancing new economic thinking and change-oriented practitioners, such as heads of state, ministers and mayors. A critical component of SEA is to give a platform to Global South female economists and ensure that the lessons from their experiences feed back into academic and policy reflection, bringing academics and policymakers together to co-lead and co-create the vision and implementation of SEA. This includes collectively identifying opportunities, sharing innovations and learning, developing and implementing new policies and programmes, and analysing their implementation and impact.

Currently, new economic thinking is on the periphery of economic theory and practice, Global South new economic thinking is on the periphery of global debates on new economic thinking, and female economists are on the periphery of the profession. It is SEA's goal to bring new economic thinking and new voices to the centre of economic theory and practice.

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## SEA's Method

**SEA's method will be practice-based theorising:** bringing new ideas, framings and theories about the economy to the table, 'sandboxing' those ideas with practitioners, and making sure the insights learned on the ground are used to improve the theory itself—so the discipline evolves from an old grey pond into a wider, bluer sea of ideas and experiences. Key to our practice-based theorising method will be amplifying the work and voices of economists in the Global South.

Having led on putting missions at the heart of policy and feeding insights back into academic reflection, IIPP has significant experience with this approach at all levels of government—from helping design a new community wealth fund in the London borough of Camden to collaborating with the Secretary General of the United Nations to inform global discussions about a much-needed redesign of the global financial architecture.

This manifesto has been informed by interviews with progressive economic thinkers and practitioners on the shortcomings of economics as a discipline, a practice and a profession. These dialogues have been instrumental in unearthing diverse perspectives on both current challenges and potential ways forward.

**“We are stuck with mainstream economic theory that justifies policy only as correcting market failures. This means that by design, not by coincidence, we have reactive policies that are too little too late. We need to replace this with a theory of the economy as an outcome (of governance structures and relationships) and policy as shaping that outcome, versus fixing the failures along the way.”**

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**Mariana Mazzucato**

Professor in the Economics of Innovation and Public Value at University College London and Founding Director of the UCL Institute for Innovation and Public Purpose (IIPP)

**“We are living in a time of distorted capitalism, supported by the reigning economic theory and by the wrong and inadequate government policies. They are more likely to punish the victims than the culprits.”**

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**Carlota Perez**

Honorary Professor at the UCL Institute for Innovation and Public Purpose and the Science Policy Research Unit at Sussex University

**“The epistemological structures of mainstream economics do not allow entry.”**

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**Jayati Ghosh**

Professor of Economics at the University of Massachusetts Amherst

**“The fear of polluting the elegance of economic modelling has put economists in a very narrow space with very narrow tools.”**

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**Erika Kraemer-Mbula**

Professor of Economics at the University of Johannesburg

**“There are many obstacles [for Global South countries] to overcome their technological and financial dependence.”**

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**Cristina Fróes de Borja Reis**

Professor at the Federal University of ABC and Undersecretary for Sustainable Economic Development, Fed. Gov. Brazil

**“We need to avert the unfolding debt crisis that risks becoming a developmental crisis and therefore a lost decade causing a series of sociopolitical upheavals and shocks – within and beyond national borders.”**

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**Anastasia Nesvetailova**

Head of Macroeconomic and Development Policies Branch, Division of Globalization and Development Strategies, United Nations Trade and Development (UNCTAD)

**“The complementarity between climate action and sustainable development is indisputable. Dealing with climate policy in a silo could have repercussions that reverse any economic gains thus far.”**

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**Bogolo Kenewendo**

Special Adviser (Cop27-28), UN Climate Change High Level Champions and former Cabinet Minister of Investment, Trade and Industry in Botswana

# INNOVATION IS POLITICAL