

What Are Inclusive Institutions And How Do They Promote Development?

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ABSTRACT

В статье на основе философско-сравнительного анализа рассматриваются взгляды Имама аль-Газали и Саида ад-Дина аль-Фаргани на духовное совершенствование человека. Путём сопоставления идей аль-Газали о нравственном очищении и духовном воспитании с учением аль-Фаргани о зикре, маърифте и духовном росте выявляются их общие и отличительные черты. Результаты исследования могут служить теоретико-методологической основой для осмысления современных процессов духовно-нравственного воспитания

This article explores the nature of inclusive institutions and analyzes their fundamental role in fostering sustainable economic and political development. Inclusive institutions create broad-based opportunities for participation in economic activities, ensure the protection of property rights, encourage innovation, support fair competition, and enable citizens to take part in political decision-making processes. The study explains how these institutions strengthen social equity, stimulate long-term economic growth, and enhance political stability by limiting the concentration of power and resources in the hands of narrow elites. Through theoretical insights and comparative examples, the article demonstrates that inclusive institutions are the foundation upon which prosperous, innovative, and democratic societies are built.

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INTRODUCTION

Understanding why some nations progress while others stagnate has been one of the central questions in modern political economy. Over the last decades, scholars have increasingly emphasized that the key determinant of long-term prosperity is not geography, culture, or natural resources, but rather the quality of institutions. Within this framework, the concept of *inclusive institutions* has emerged as one of the most powerful explanations for sustainable economic growth, political stability, social equality, and technological advancement. Institutions shape incentives, structure economic behavior, and determine how political power is exercised; therefore, they fundamentally influence a society's developmental trajectory [1; 37].

According to the institutional theory of development, inclusive institutions are those that distribute political and economic opportunities broadly across the population, ensure secure property rights, enforce the

rule of law, and create an open environment where individuals and firms can freely compete, innovate, and invest. D. North famously described institutions as the “rules of the game” that guide human interaction and influence economic outcomes [1; 45]. In countries where these rules are inclusive, citizens are empowered to participate in markets, challenge political authority, create new technologies, and contribute to national development without fear of expropriation or discrimination.

The inclusive institutional framework stands in stark contrast to extractive institutions, which concentrate political power and economic resources in the hands of narrow elites. While extractive institutions intentionally restrict access to opportunities, inclusive institutions expand such access, ensuring that economic success is based on merit, innovation, and productivity rather than privilege or political connection. As Acemoglu and Robinson argue, inclusive institutions are fundamentally rooted in the broad distribution of political power; without such distribution, elites often manipulate institutional arrangements to protect their dominance at the expense of national progress [2; 102].

One of the most important contributions of inclusive institutions to development is the protection of property rights. When individuals are confident that the fruits of their labor and investment will not be unlawfully seized, they are more likely to engage in entrepreneurial activities, accumulate capital, and adopt new technologies. Secure property rights also promote financial sector development, as banks and investors operate more effectively when legal guarantees protect economic transactions [3; 56]. By contrast, weak or selective property rights severely undermine trust in the economic system.

Another key feature of inclusive institutions is their ability to create open and competitive markets. In inclusive systems, entry barriers for new firms are low, monopolistic privileges are limited, and economic regulations are designed to foster productivity rather than protect incumbent elites. Fair competition incentivizes firms to innovate, reduce costs, and improve quality. This dynamic process leads to sustained technological progress, which is widely recognized as the single most important driver of long-term economic growth [4; 88].

Inclusive institutions also play a critical role in promoting political participation. By ensuring that citizens can freely vote, express opinions, organize, and engage in policymaking, inclusive political institutions establish mechanisms of accountability and transparency. Political inclusiveness prevents the concentration of unchecked authority, reducing the risk of authoritarianism and corruption. A vibrant civil society, free media, and independent judiciary further reinforce the system by limiting abuses of power and ensuring government responsiveness [2; 201].

Historically, the emergence of inclusive institutions has been closely tied to moments when political power shifted away from narrow elites toward broader segments of society. Such transitions often occurred through democratization processes, social movements, or institutional reforms that expanded political rights. These moments of institutional opening created conditions in which economic opportunities could be broadened, allowing sustained development to take root. Evidence from European industrialization, East Asian transformation, and North American economic evolution all demonstrate that inclusive institutional arrangements provide fertile ground for innovation and growth.

In addition to fostering economic prosperity, inclusive institutions also promote social equality. When access to education, markets, and political representation is equitable, societies tend to experience greater social mobility and reduced inequality. Educational institutions, when inclusive, generate skilled labor forces capable of adapting to technological change. Inclusive public policies, such as transparent taxation and social welfare systems, also mitigate inequality and ensure more balanced economic development. High inequality, on the other hand, often undermines political cohesion and destabilizes democracies, further demonstrating the necessity of inclusiveness in institutional design.

Moreover, inclusive institutions enhance state legitimacy and political stability. When people perceive that the system is fair, accountable, and participatory, trust in government increases. This trust reduces the likelihood of social unrest, conflict, and political crises. Stable political environments, in turn, attract foreign investment, promote long-term planning, and facilitate the implementation of development strategies. Thus, the positive feedback loop between inclusive governance and economic development becomes a self-reinforcing mechanism for national progress [3; 79].

In today's globalized world, the importance of inclusive institutions is even more pronounced. The rapid pace of technological change, international competition, and cross-border investment flows demands flexible,

transparent, and innovation-supportive institutional frameworks. Nations that maintain inclusive institutions are better equipped to integrate into global markets, adopt advanced technologies, and build resilient economies capable of withstanding external shocks.

In sum, inclusive institutions are not simply administrative structures—they are the foundation upon which prosperous, democratic, and innovative societies are constructed. They promote broad-based participation, encourage innovation, safeguard property rights, ensure accountable governance, and foster social cohesion. The central argument advanced in this article is that inclusive institutions are indispensable for long-term development, and no country has achieved sustained prosperity without them. Understanding how these institutions function, why they matter, and how they can be strengthened is therefore essential for both scholars and policymakers seeking pathways to national progress.

DISCUSSION AND RESULTS

The findings of this study highlight the central role that inclusive institutions play in shaping the economic, political, and social development of nations. In the discussion below, the mechanisms through which inclusive institutions generate prosperity are analyzed in depth, drawing on established theories and comparative historical evidence.

First, inclusive institutions create the foundation for sustainable economic incentives. When individuals and firms are assured that their property and investments are legally protected and that the state will not arbitrarily expropriate their assets, they are more motivated to innovate, accumulate capital, and expand entrepreneurial activities. North emphasized that secure and predictable institutional environments significantly reduce transaction costs and thus enable markets to function efficiently. This institutional predictability is essential for long-term economic planning and investment.

Second, inclusive institutions promote open and competitive markets, which are crucial for innovation and productivity growth. In societies where market entry barriers are low and monopolistic privileges are limited, new firms can challenge incumbents, forcing them to modernize and improve their products. Rodrik argues that competition, not protectionism, is the engine of dynamic economic performance in modern economies. Therefore, inclusive institutions foster innovative ecosystems that gradually elevate national competitiveness.

Third, inclusive institutions distribute political power broadly, preventing any elite group from capturing the state. Acemoglu and Robinson argue that inclusive political institutions—those with pluralism, checks and balances, and citizen participation—reduce the risk that a dominant group will manipulate the rules for personal gain at the expense of national development [2; 102]. This political openness not only stabilizes governance but also supports economic inclusiveness by creating mechanisms of accountability.

Fourth, inclusive institutions strengthen social cohesion and equality. By ensuring equal access to education, justice, and economic opportunities, inclusive systems promote upward social mobility. This reduces structural inequalities that otherwise generate social tension and political instability. Historical patterns demonstrate that societies with inclusive institutions tend to develop stronger middle classes, which in turn reinforce democratic governance and support long-term economic strategies [3; 79].

Fifth, inclusive institutions enhance state legitimacy and institutional trust. When citizens perceive that laws apply equally to everyone and that political decision-making is transparent, public trust increases. This trust contributes to political stability, reduces the likelihood of conflict, and encourages public cooperation in national development initiatives. Stable, legitimate governments also attract foreign investment and support sustainable economic policymaking.

Finally, inclusive institutions produce positive feedback loops: economic growth strengthens the middle class, the middle class demands more openness and accountability, and this in turn reinforces inclusive institutions. Such virtuous cycles help explain why nations with inclusive institutional frameworks maintain long-term prosperity, while extractive systems often fall into stagnation or crisis.

In summary, the discussion confirms that inclusive institutions are not merely administrative structures but dynamic systems that shape incentives, protect rights, foster innovation, and distribute political power. Their presence or absence fundamentally determines whether nations prosper or decline.

The research produced several key results demonstrating how inclusive institutions contribute to national development:

Inclusive institutions significantly increase long-term economic growth. The study finds that secure property rights, predictable legal systems, and open markets motivate individuals and firms to invest, innovate, and expand production. These mechanisms align closely with North's theory of efficient institutional design [1; 37].

Political inclusiveness prevents elite dominance and promotes accountability. Inclusive political systems—those ensuring electoral fairness, rule of law, and broad participation—limit the ability of narrow elites to manipulate political and economic systems. This supports the claim by Acemoglu and Robinson that inclusive political structures are a prerequisite for inclusive economic outcomes.

Innovation and technological progress accelerate in inclusive environments. Open competition and the absence of monopolistic privilege encourage continuous adoption of new technologies. The research confirms Rodrik's argument that innovation thrives under institutional transparency and openness.

Social equality improves as opportunities expand. Education, justice, and market access being inclusive reduces inequality and increases social mobility. As Olson suggests, societies with broad economic participation avoid the "stationary bandit" problem, which typically impedes development.

Inclusive institutions increase political legitimacy and stability. The findings indicate that trust in government, citizen engagement, and political predictability are higher in societies with inclusive institutions. This stability facilitates long-term development planning and reduces the risk of unrest.

Inclusive institutions create self-reinforcing positive cycles. As economic growth improves and the middle class expands, demands for transparency, accountability, and participation intensify, further strengthening inclusive institutions.

Inclusive institutions emerge as the single most important framework enabling prosperity. They empower individuals, encourage innovation, distribute opportunities fairly, and stabilize political systems—all of which are essential conditions for sustainable national development.

CONCLUSION

The analysis presented in this study demonstrates that inclusive institutions serve as the fundamental driving force behind sustainable economic growth, political stability, and social cohesion. Their importance extends far beyond ensuring efficient markets or secure property rights; rather, they shape the incentives, opportunities, and constraints that determine how societies function and evolve. Nations that have succeeded in building inclusive institutions consistently outperform those that rely on extractive systems in nearly all dimensions of development.

One of the central conclusions reached is that inclusive economic institutions create the necessary environment for productive investment, innovation, and entrepreneurship. When individuals and firms operate under conditions of secure property rights, transparent regulations, and predictable legal frameworks, they are more willing to engage in long-term economic activities. These institutional guarantees support not only domestic investment but also attract foreign capital, thereby integrating countries into global value chains and accelerating modernization. The evidence is clear: without institutional inclusiveness, even countries with abundant natural resources or strong human capital struggle to translate potential into sustained prosperity.

In parallel, inclusive political institutions broaden access to political power and prevent its monopolization by elites. This distribution of political authority fosters accountability, transparency, and responsiveness to public needs. The functioning of democratic mechanisms—such as free elections, independent courts, and a vibrant civil society—serves to limit abuses of power and encourages the formulation of policies that benefit the broader population. As the research shows, political inclusiveness is indispensable for creating the conditions under which inclusive economic institutions can flourish.

Another significant conclusion is the role inclusive institutions play in reducing inequality and strengthening social mobility. By ensuring equal access to education, justice, and economic opportunities, inclusive systems break cycles of intergenerational poverty and open pathways for upward mobility. Societies with inclusive institutions tend to have stronger middle classes, higher levels of human capital development, and greater adaptability to technological change. This, in turn, creates a more cohesive and resilient social structure capable of withstanding economic and political shocks.

Finally, inclusive institutions trigger self-reinforcing cycles of development. As economic growth expands and social mobility increases, public demand for accountability, transparency, and fairness also

intensifies. These demands further strengthen inclusive institutions, creating a virtuous cycle in which prosperity and inclusiveness advance together. This dynamic helps explain why countries with inclusive institutions continue to thrive while those with extractive institutions remain trapped in stagnation or instability.

In conclusion, the evidence strongly supports the argument that inclusive institutions are indispensable for sustainable national development. They promote innovation, equitable opportunity, political accountability, and social cohesion—core elements of a prosperous society. The long-term success of nations depends not merely on natural resources or geographic advantages but on the deliberate construction and preservation of institutional systems that empower people rather than constrain them. Strengthening inclusive institutions is, therefore, not only desirable but essential for any nation aspiring to lasting prosperity and stability.

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