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Evolution of Theoretical Views On the Formation of an Inclusive Economy

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Abstract: This article examines the evolution of theoretical views on the formation of an inclusive economy. The key approaches of the classical and neoclassical schools of economics are analyzed. The role of institutionalism in ensuring equal economic opportunities is examined. The importance of human capital for inclusive development is substantiated. The content of Amartya Sen's capability approach is discussed. The relationship between economic growth, employment, and population welfare is analyzed. The main structural elements of the modern inclusive economy are identified. Recommendations for developing an inclusive economy in Uzbekistan are proposed.

Keywords: *inclusive economy, economic growth, economic development, human capital, social justice, income distribution, economic opportunities, institutional development, inclusive growth.*

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1. Introduction

In the twenty-first century, the criteria for assessing economic development have expanded considerably. Whereas earlier approaches primarily explained the development of a national economy through the growth of gross domestic product, the expansion of production and capital accumulation, contemporary approaches increasingly emphasize the quality of economic growth, the distribution of its outcomes among the population, and the extent to which economic opportunities are accessible to different groups of society [1].

Income inequality, poverty, unemployment, disparities in regional development, imbalances in labor markets, and the exclusion of certain social groups from economic processes have created a need to reconsider traditional models of economic development. From this perspective, establishing an economic system that enables broad segments of society to benefit from the outcomes of economic growth has become one of the most pressing issues.

The concept of the inclusive economy has emerged as one of the contemporary theoretical approaches responding to these challenges. It links economic growth not only to an increase in production, but also to people's economic opportunities, employment, income, access to education and other social services, and participation in economic decision-making [2].

The theoretical foundations of an inclusive economy did not emerge simultaneously. They evolved from classical economic views on labor, capital and wealth, through the neoclassical emphasis on the efficient allocation of resources, institutional approaches focusing on the role of institutions, human capital theory, and Amartya Sen's capability

approach. Subsequently, these ideas became integrated with the concept of inclusive growth, forming the theoretical foundation of the modern inclusive economy [3].

The purpose of the study is to systematically examine the evolution of theoretical views on the formation of an inclusive economy, reveal the substance of the approaches developed by different schools of economics, and identify the theoretical foundations of the contemporary concept of an inclusive economy.

The object of the study is the body of economic theoretical views associated with the formation and development of an inclusive economy [4].

The subject of the study comprises theoretical relationships concerning the interconnection between economic growth, income distribution, human capital, institutions, economic opportunities, and population welfare [5].

The main objectives of the study are to examine classical and neoclassical economic views, determine the influence of institutional and human capital theories on inclusive development, reveal the significance of the capability approach, and systematize the key elements of the modern inclusive economy.

The theoretical foundations of the inclusive economy are based on ideas that emerged at different stages of the development of economic thought. Representatives of the classical school, including A. Smith and D. Ricardo, studied labor division, production, capital, and income distribution. While A. Smith substantiated the importance of labor productivity and the division of labor for economic growth, D. Ricardo focused on the distribution of income generated through production in the form of wages, profits, and rent [6].

The neoclassical views of A. Marshall and L. Walras placed market equilibrium, competition, and the efficient use of resources at the center of economic analysis. This approach established an important theoretical basis for explaining economic efficiency and economic incentives. However, from the perspective of contemporary inclusiveness, efficient resource allocation alone may not guarantee equal economic opportunities for all population groups [7].

The institutional approach revealed the importance of institutions, property rights, and social relations in determining economic outcomes. D. North argued that institutions establish a system of incentives and rules for economic agents. D. Acemoglu and J. Robinson demonstrated that inclusive institutions are important for expanding economic opportunities and ensuring long-term prosperity.

Human capital theory also occupies an important position in the formation of the inclusive economy. T. Schultz viewed investment in people as one of the major sources of economic growth. G. Becker examined education and vocational training as important factors in the formation of human capital. This approach made it possible to consider people's knowledge, skills, and competencies as economic resources [8].

Amartya Sen's capability approach further expanded the theoretical foundations of the inclusive economy. Sen emphasized that economic development cannot be adequately assessed solely through income or GDP growth and identified the expansion of people's real capabilities and freedoms as a central objective of development [9].

S. Kuznets' research on the relationship between economic growth and income inequality provided an important basis for analyzing the distribution of the outcomes of economic development. In the contemporary period, the World Bank, OECD, and other international organizations have increasingly focused on inclusive growth, poverty reduction, and the expansion of economic opportunities for the population [10].

A synthesis of existing studies demonstrates that theoretical views on the inclusive economy have not emerged within a single theory. Rather, they have developed through the integration of theories concerning economic growth, distribution, human capital, institutions, capabilities, and social welfare. The distinctive contribution of this article lies in systematizing this theoretical evolution as a coherent logical sequence [11].

2. Materials And Methods

The methodological foundation of the study consists of scientific views developed within the history of economic theory concerning economic growth, income distribution, human capital, institutional development, and social welfare.

The study employs historical-logical analysis, a systematic approach, comparative analysis, scientific abstraction, induction, and deduction. The historical-logical method is used to examine the stages in the formation of the ideas underlying the inclusive economy in chronological sequence. Comparative analysis is applied to contrast the approaches of different economic schools to economic growth, distribution, human capital, and institutions.

Using a systematic approach, the principal elements of the inclusive economy are considered as an interconnected system. Scientific abstraction is used to identify the fundamental categories that express the theoretical content of the inclusive economy. Inductive and deductive methods are applied to derive general conclusions from different theoretical approaches.

Within the framework of the study, the theoretical evolution of the inclusive economy is conditionally divided into the following stages:

- Classical economic school;
- Neoclassical economic thought;
- Institutional approach;
- Human capital theory;
- Capability and welfare-oriented approach;
- Inclusive growth and the contemporary concept of the inclusive economy.

3. Results

Economic Growth and Social Welfare in the Classical Economic School

Some elements of the initial theoretical ideas related to the inclusive economy can be found in the works of representatives of the classical school of economics. A. Smith, D. Ricardo, and other classical economists studied economic growth, the division of labor, production efficiency, and income distribution

A. Smith identified increasing labor productivity and the division of labor as important factors of economic growth. In his approach, self-interest and market mechanisms were interpreted as factors stimulating economic activity [12].

D. Ricardo placed considerable emphasis on the distribution of income generated through production in the forms of wages, profits, and rent. These approaches subsequently provided a theoretical foundation for studying income inequality and its impact on economic development [13].

At the same time, the concept of the “inclusive economy” had not yet emerged as an independent field of scientific inquiry during the classical period. Nevertheless, the study of labor, production, and income distribution created an important foundation for subsequent theoretical developments.

The Neoclassical Approach: Market Efficiency and Economic Opportunities

The neoclassical school, which emerged in the late nineteenth and early twentieth centuries, focused primarily on the efficient use of economic resources, price mechanisms, competition, and market equilibrium.

Neoclassical theory regarded the rational behavior of economic agents and competitive markets as important conditions for the efficient allocation of resources. Although this approach was highly significant for explaining economic efficiency, from the perspective of contemporary inclusiveness it does not fully address the issue of equality of initial economic opportunities.

Therefore, inclusive economic theory adopts from the neoclassical approach the importance of efficient resource use and economic incentives while integrating these factors with equal opportunities and social welfare.

The Institutional Approach and Economic Inclusion

During the twentieth century, the role of institutions in explaining economic development became increasingly important. The institutional school demonstrated that economic outcomes cannot be adequately explained solely through market mechanisms or factors of production.

According to the institutional approach, property rights, the rule of law, contract enforcement, the competitive environment, and the quality of public administration create essential conditions for economic activity .

D. North's institutional approach makes it possible to explain the influence of economic institutions on the behavior of economic agents and economic outcomes. In the views of D. Acemoglu and J. Robinson, inclusive institutions are distinguished by their ability to create opportunities for broad segments of the population to participate in economic activity .

From this perspective, ensuring economic inclusion should not be limited to income redistribution. It should also encompass the creation of an equal legal and institutional environment for all citizens.

Human Capital Theory and Inclusive Development

Human capital theory represents an important stage in the theoretical formation of the inclusive economy. T. Schultz and G. Becker demonstrated that investment in people's knowledge, skills, education, professional competencies, and health contributes to greater economic efficiency.

Investment in human capital increases labor productivity, expands the ability to adopt new technologies, and creates conditions for the development of higher-income forms of employment.

Therefore, the development of education and vocational training should be viewed not only as components of social policy but also as important elements of economic growth policy. Human capital theory demonstrated that people's participation in economic processes is determined not merely by the quantity of labor resources but also by their knowledge and skills.

Amartya Sen's Capability Approach

Amartya Sen's capability approach has particular significance for the development of the theory of the inclusive economy. Sen argued that economic development cannot be assessed adequately only through income or GDP growth and regarded the expansion of people's real capabilities as one of the principal objectives of development.

According to this approach, human well-being is determined not only by income but also by people's opportunities to obtain education, access healthcare, engage in decent work, participate in economic activity, and take part in social life.

Thus, the concept of inclusion acquires a broader meaning than income equality. The central issue is whether individuals possess genuine opportunities to realize their potential. Formation of the Inclusive Growth Concept.

At the beginning of the twenty-first century, problems associated with the unequal distribution of the benefits of economic growth among population groups became increasingly prominent. As a result, the concept of "inclusive growth" began to be widely used in international economic research.

Inclusive growth refers to creating economic opportunities for broad segments of the population throughout the process of economic growth. Alongside poverty reduction, ensuring people's active participation in production, employment, entrepreneurship, and investment processes is considered essential.

The key feature of this approach is that priority is given not merely to redistributing income after economic growth has occurred, but to ensuring broad participation in the growth process itself.

The Contemporary Concept of the Inclusive Economy

At present, the inclusive economy is developing as a comprehensive concept encompassing the interrelationship between economic, social, and institutional factors.

Table 1.

Evolution of Theoretical Views on the Inclusive Economy

Theoretical stage	Main focus	Contribution to the inclusive economy
Classical school	Labor, capital, production and wealth	Foundations of economic growth and income distribution
Neoclassical school	Markets, competition, resource efficiency	Economic incentives and efficient resource allocation
Institutionalism	Institutions and property rights	Institutional foundations for equal economic opportunities
Human capital theory	Education, knowledge, skills and health	Role of human capabilities in economic growth
Capability approach	People's real capabilities	Broader assessment of welfare beyond income
Inclusive growth	Economic participation of broad population groups	Broad access to the benefits of economic growth

Contemporary inclusive economy	Economic, social and institutional factors	Sustainable and broadly shared economic development
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Source: Compiled by the author based on a review of the literature.

The evolution presented above demonstrates a gradual transition in economic development theory from the concept of “economic growth” toward “human well-being” and subsequently toward the expansion of “economic opportunities.”

Initially, the principal sources of economic growth were associated with labor and capital. Later, technology, human capital, institutions, and social factors were recognized as important determinants of economic development. Views on the relationship between the state and the market also changed during the formation of the inclusive economy. Initially, considerable attention was given to the self-regulating properties of market mechanisms. Subsequently, the role of state institutions in addressing market failures, providing social protection, and ensuring equal opportunities became increasingly important.

Under contemporary conditions, cooperation among the state, the private sector, and civil society institutions is regarded as an important prerequisite for inclusive development.

Table 2.

Evolution of Theoretical Views on the Inclusive Economy

Period	Economic school or approach	Major representatives	Main theoretical idea	Contribution to the inclusive economy
18th century	Classical school	A. Smith, D. Ricardo	Division of labor, production, capital and income distribution	Initial theoretical foundations of economic growth and income distribution
Late 19th – early 20th century	Neoclassical school	A. Marshall, L. Walras	Market equilibrium, competition and efficient resource allocation	Established the importance of economic efficiency and market mechanisms
Early 20th century	Institutionalism	T. Veblen, J. Commons	Influence of institutions, property rights and social relations on the economy	Revealed the role of institutions in ensuring equal economic opportunities
Mid-20th century	Keynesianism	J. M. Keynes	Active role of the state, employment and	Substantiated the importance of full employment

1950s–1970s	Human capital theory	T. Schultz, G. Becker	aggregate demand Education, knowledge, skills and health as economic resources	and social stability Established the role of human capital in economic growth Linked economic development with human capabilities
1970s–1990s	Development theory	A. Sen and others	Human welfare, capabilities and expansion of freedoms	Developed the concept of expanding economic opportunities alongside poverty reduction
2000s	Inclusive growth	World Bank, OECD and other international organizations	Broad participation in and benefit from economic growth	Established the integrated relationship between economic growth and social welfare
21st century	Contemporary inclusive economy	Contemporary economists	Equal opportunities, employment, human capital, digital and financial inclusion	

Source: Compiled by the author based on a review of the literature.

The data in Table 2 demonstrate that the concept of the inclusive economy did not emerge instantaneously. Rather, it developed through the consistent evolution of theoretical perspectives across different stages of economic thought. While classical economists focused on labor, capital, and production efficiency as major sources of economic growth, subsequent theories increasingly addressed income distribution, employment, human capital, and the institutional environment.

In particular, the growing emphasis on human capital and human welfare from the second half of the twentieth century strengthened the theoretical foundation of the inclusive economy. By the twenty-first century, not only GDP growth but also the extent to which people participate in economic processes and benefit from the opportunities created by economic development began to be considered important criteria of economic progress.

Table 3.

Major Theories Influencing the Formation of the Inclusive Economy

Theory	Main content	Relationship with the inclusive economy	Theory	Main content
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Economic growth theory	Growth of production and income	Creates economic resources for inclusive development	Economic growth theory	Growth of production and income
Income distribution theory	Distribution of income among social groups	Makes it possible to assess economic inequality	Income distribution theory	Distribution of income among social groups
Human capital theory	Economic value of knowledge, education, skills and health	Increases the economic potential of the population	Human capital theory	Economic value of knowledge, education, skills and health
Institutional theory	Institutions and economic rules	Creates an environment for equal economic opportunities	Institutional theory	Institutions and economic rules
Capability approach	People's real choices and opportunities	Defines the human-centered dimension of inclusion	Capability approach	People's real choices and opportunities
Poverty reduction theory	Ensuring a minimum level of population welfare	Determines the social orientation of inclusive policy	Poverty reduction theory	Ensuring a minimum level of population welfare
Inclusive growth theory	Participation of broad population groups in the growth process	Provides a direct theoretical foundation for the modern inclusive economy	Inclusive growth theory	Participation of broad population groups in the growth process
Sustainable development concept	Economic, social and environmental balance	Ensures the long-term nature of inclusive development	Sustainable development concept	Economic, social and environmental balance

Source: Compiled by the author based on a review of the literature.

As shown in Table 3, the concept of the inclusive economy has emerged through the integration of several theoretical approaches. Economic growth theory explains the expansion of production and income, while income distribution theory addresses how economic outcomes are distributed among social groups. Human capital theory substantiates the importance of education, knowledge, and skills for economic growth, whereas institutional theory reveals the role of effective institutions in ensuring equal economic opportunities.

The capability approach places people at the center of inclusive development and identifies the expansion of their real capabilities and freedoms as a principal objective. In

this respect, the contemporary inclusive economy can be regarded as an integrated and further developed form of these theoretical approaches.

From the perspective of the economic reforms being implemented in Uzbekistan, transforming the theoretical foundations of the inclusive economy into practical mechanisms is of particular importance [14].

For this purpose, economic growth policy can be improved in three major directions.

First, economic opportunity inclusion should be strengthened. It is important to expand access for all population groups to education, employment, entrepreneurship, credit, and modern technologies.

Second, human capital inclusion should be ensured. Aligning the education system with the actual requirements of the labor market, expanding vocational retraining, and developing modern skills can increase economic activity.

Third, institutional inclusion should be strengthened. Protecting property rights, promoting healthy competition, creating a favorable environment for entrepreneurship, and expanding stakeholder participation in economic decision-making can reinforce the institutional foundations of an inclusive economy [15].

4. Conclusion

The evolution of theoretical views on the formation of an inclusive economy demonstrates a transition in economic thought from interpreting economic development primarily as an increase in production toward an approach that places people's economic opportunities and welfare at the center.

The ideas concerning labor, capital, and production advanced by classical economists were subsequently enriched by the neoclassical concept of efficient resource allocation. The institutional approach revealed the role of institutions and rules in economic development. Human capital theory substantiated the importance of education, knowledge, and skills for economic growth. Amartya Sen's capability approach linked the concept of development with people's real capabilities and freedoms.

Based on the findings of the study, the theoretical mechanism for forming an inclusive economy can be represented through the following chain:

equal economic opportunities → human capital development → economic activity and employment → higher labor productivity → increased income → expansion of domestic demand and investment → sustainable economic growth.

Under the conditions of Uzbekistan, the formation of an inclusive economy should not be limited to poverty reduction or social assistance. Instead, it should focus on expanding the economic opportunities available to the population.

The following recommendations can therefore be proposed:

First, it is necessary to strengthen the inclusion of economic opportunities. Access to quality education, decent employment, entrepreneurship, financial resources, and modern technologies should be expanded for all population groups.

Second, ensuring human capital inclusion is essential. Aligning education with the actual needs of the labor market, expanding vocational retraining, and developing modern skills can increase the economic activity of the population.

Third, institutional inclusion should be strengthened. It is necessary to protect property rights, promote healthy competition, create a favorable entrepreneurial environment, and broaden stakeholder participation in economic decision-making.

Fourth, digital and financial inclusion should be expanded. Reducing disparities in access to digital technologies, electronic services, and financial resources among different population groups is an important condition for an inclusive economy.

Fifth, mechanisms aimed at reducing economic disparities between regions should be strengthened. This requires balanced development of investment, infrastructure, education, and employment opportunities across regions.

Thus, the contemporary inclusive economy requires economic growth, employment, human capital, income distribution, institutional development, digital opportunities, and social welfare to be considered as an integrated system. The principal objective of an inclusive economy is not only to distribute the outcomes of economic growth but also to create opportunities for broad segments of the population to actively participate in the growth process itself.

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