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Measuring Institutional Inclusiveness: New Indices and Their Relationship with Prosperity, Growth, and Over-Inclusiveness

Ayden Choi

The National Mathematics and Science College, United Kingdom

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ABSTRACT

This study developed three new indices of institutional inclusiveness: the Political Inclusiveness Index (PII), the Economic Inclusiveness Index (EII), and their composite measure of the Institutional Inclusiveness Index (III). These indices established a systematic framework for evaluating the role of inclusiveness in development. Through cross-country econometric analysis, three key propositions were examined, including the "over-inclusiveness" hypothesis that suggested that inclusiveness above an "optimal threshold" could hinder growth; the association between inclusiveness and development outcomes, measured by GDP per capita and economic growth; and the hypothesised self-reinforcing cycle linking political and economic institutions. The results indicated that inclusiveness was positively correlated with prosperity, while its influence on growth followed a non-linear pattern, with moderate levels of III proving most conducive to rapid expansion. Case studies, including those from China, Jamaica, Botswana, the United Kingdom, and France, demonstrated that departures from statistical trends were highly context dependent. Overall, the indices could not only provide a standardised method of measurement but also empirically confirm that widely held economic arguments regarding institutions can be substantiated statistically, while highlighting potential "sweet spots" in development pathways. Eventually, these findings offer policymakers quantifiable benchmarks to balance inclusiveness with growth objectives.

Keywords: inclusive institutions, inclusiveness index, development, optimal level, over-inclusiveness, self-reinforcing cycle, democracy

1. Introduction

1.1 Historical Background

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Inclusive institutions, as emphasised in academic literature such as Acemoglu and Robinson's Why Nations Fail, are characterised by broad-based access to political power and economic opportunities, thereby enabling the participation of a wide share of society in decision-making and productive activities.

History provides compelling evidence of the influence of inclusive institutions on prosperity and poverty reduction (Acemoglu and Robinson, 2012). In 1960, the Glorious Revolution in England enhanced political inclusiveness by strengthening property rights, restricting monarchical authority, and empowering parliament, thereby laying the foundation for the Industrial Revolution. This transformation was followed by a sharp rise in public debt from 5% of GDP to over 200% in 1692 and 1815, respectively, indicating credible state commitment that fostered investment and promoted further development (Barro, 1987). While inclusive institutions substantially increase the likelihood of prosperity, extractive institutions promote short-termism by concentrating power and wealth among elites. In the long term, such arrangements hinder innovation, deter investment, and risk trapping societies in cycles of poverty and instability.

The Soviet Union exemplified this trajectory. Although rapid industrial growth was achieved during the 20th century, the absence of innovation and restrictions on individual freedoms led to stagnation and eventual collapse, demonstrating the unsustainability of non-inclusive institutions.

In the contemporary era, Korea offers clear institutional contrast. Despite sharing cultural, climatic, and historical conditions, North Korea adopted exclusive institutions, whereas South Korea pursued more inclusive institutions, resulting in sharp economic divergence. By the 1960s, GDP per capita in both countries was comparably low. However, by 2022, South Korea's real GDP per capita rose to $32,395 (World Bank, 2025), which is nearly 30 times higher than the estimates for North Korea. Politically, South Korea transitioned into democracy with regular elections, while North Korea retained authoritarian rule with severely constrained freedom.

These contrasts highlight how inclusive institutions foster prosperity and democracy, while extractive institutions reinforce poverty and authoritarianism.

Nevertheless, this evidence is context specific and lacks statistical generalisation. Therefore, this study aimed to address these issues within a systematic empirical framework.

1.2 Significance and objectives

Establishing a unified and standardised measure of political and economic inclusiveness is essential for advancing research on institutional development. The indices proposed in this study provide a method to explain the reasoning behind the conclusions of economists worldwide and

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to deliver more detailed quantitative evidence complementing case-based findings. The specific objectives of this study were as follows:

1. To construct Institutional Inclusiveness Indices using normalisation and multiple indicators.
2. To verify the existence of a self-reinforcing cycle (positive correlation) between PII and EII.
3. To examine the relationship between inclusiveness and development in terms of real GDP per capita and economic growth.
4. To investigate the presence of "over-inclusive" institutions through statistical analysis and case studies.
5. To explore anomalies, such as countries with high EII but low PII, exemplified by China.

Ultimately, this study evaluated whether inclusiveness could continue to serve as the most decisive factor in development and whether moderately extractive institutions may still hold advantages in contexts with other underdeveloped structural conditions.

Beyond their academic contributions, the indices developed in this study have potential practical value. By offering a unified and transparent measure of institutional inclusiveness, they enable policymakers to identify institutional weaknesses and set reform priorities. International organisations may employ these indices to monitor governance progress across countries or to design aid and development programs that target specific institutional gaps. Similarly, economists and researchers can use them to evaluate the effectiveness of policy interventions over time, thereby supporting more evidence-based strategies to foster inclusive growth.

1.3 Institutional Inclusiveness index

Although measures such as the rule of law, economic freedom, and democracy levels have been employed to approximate inclusiveness, no unified framework exists to capture inclusiveness in a direct and systematic manner. The absence of such an approach motivated this study to develop two indices: the Political Inclusiveness Index (PII) and the Economic Inclusiveness Index (EII). These two measures are subsequently combined into a composite Institutional Inclusiveness Index (III) that reflects the overall inclusiveness of institutions. The indices were further applied to identify cross-national patterns and enable comparative analysis. In addition, PII and EII were adopted to examine whether they reinforce one another and form a cycle, while their relationship with development outcomes was assessed quantitatively.

1.4 Hypothesis of "Over-inclusive"

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Although numerous case studies have suggested that greater inclusiveness fosters prosperity and development, excessive inclusiveness may yield adverse consequences. For instance, strong worker protection and union power can reduce labour flexibility and increase employment costs. Similarly, extensive local participation rights provide residents and councils with significant veto power over projects through consultations, appeals, and planning reviews. Such mechanisms imply that even well-designed government policies may be rejected based on self-interest, potentially hindering growth and development. To address this, this study incorporates case studies to illustrate how over-inclusiveness may contribute to the quadratic relationship between inclusiveness and growth, which was later explored through statistical analysis.

1.5 Self-cycle between Political and Economic Inclusiveness

Political and economic inclusiveness are widely regarded as mutually reinforcing elements of a virtuous cycle. By diffusing power and imposing checks on elites, political inclusiveness provides conditions for economic inclusiveness, including secure property rights, equal access to opportunities, and fostering innovation. Inclusive economic arrangements can broaden wealth distribution and empower new social groups that demand greater political representation and accountability, thereby deepening political inclusion. This positive feedback loop is considered central to explaining why some nations sustain long-term prosperity while others remain stagnant. After the Glorious Revolution, countries such as England exemplify how locking into this cycle enables enduring development, whereas those outside it frequently fall into persistent poverty under extractive institutions. This study applied EII and PII to verify this relationship and examined a case where high economic inclusiveness coexisted with limited political inclusion.

1.6 Under-developed countries despite having high democracy and inclusiveness

Although inclusiveness often appears to be a decisive factor in development, the data presented later in this study reveal anomalies. Certain countries, such as Jamaica and Botswana, score relatively high on the Institutional Inclusiveness Index, yet continue to face developmental challenges. This study analysed these cases to explore the underlying reasons for such anomalies and exceptions.

2. Literature Review

The concept of *inclusive institutions* does not constitute a single, clearly defined theoretical field within international development but rather represents a normative orientation in which inclusion serves as the standard for evaluating and promoting institutions. Inclusive institutions are frequently presented both as a mechanism for achieving inclusive development and as developmental goals in themselves. This framing has generated continuing debate, particularly

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regarding whether research should emphasise inclusion as an end or the underlying power relations that shape its extent, and whether inclusion should be regarded as a prerequisite for development or as an outcome of developmental progress.

These debates are reflected in influential theoretical and historical accounts. Acemoglu and Robinson (2012) suggested that *inclusive* institutions characterised by secure property rights and representative governance constituted the decisive drivers of long-term political and economic advancement, contrasting them with *extractive* institutions that obstructed progress. A comparable distinction is drawn by North, Wallis, and Weingast (2009) through their framework of *open* versus *limited access* orders. Nevertheless, such interpretations have been criticised for their normative orientation and historical narrowness. For instance, Fukuyama (2015) reported the significance of state capacity, frequently established through exclusive institutional arrangements, whereas Khan (2010) highlighted the importance of *political settlements*, whereby elite coalitions generated stability and growth-enhancing institutions without necessarily broad-based inclusion.

Despite these important contributions, existing literature treats *inclusiveness* as a broad and often imprecisely defined concept with limited efforts to distinguish between its political and economic dimensions in empirical terms. This gap creates a scope for more systematic enquiry. Accordingly, this study aimed to address this gap as follows:

(1) Constructing separate indices of **Political Institutional Inclusiveness (PII)** and **Economic Institutional Inclusiveness (EII)** using multiple indicators and normalisation techniques.

(2) Testing the hypothesised self-reinforcing cycle between political and economic inclusiveness.

(3) Examining how inclusiveness relates to development outcomes measured through real GDP per capita and growth rates. Thus, the study also considered the potential existence of "over-inclusive" institutions and investigated anomalies such as China, where relatively high economic inclusiveness coexisted with limited political inclusiveness.

3. Methodology

This study adopted a **mixed-methods approach**, combining quantitative cross-country analysis with qualitative case studies. The quantitative component developed and applied new indices of institutional inclusiveness, while the qualitative component examined contexts that may deviate from statistical patterns. Overall, these methods can provide a comprehensive framework for assessing the relationship between inclusiveness and development.

3.1 Indicators and Their Justification

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To capture the multidimensional nature of institutional inclusiveness, two indices were developed: the **Political Inclusiveness Index (PII)** and the **Economic Inclusiveness Index (EII)**. Each index relied on internationally recognised indicators widely adopted in the literature and considered appropriate proxies for the relevant dimensions of inclusiveness.

Political Inclusiveness Index (PII)

- **Freedom House (2024) – *Freedom in the World***: It assesses political rights and civil liberties, including electoral rights, freedom of expression, and freedom of assembly.
- **V-Dem Electoral Democracy Index (2024)**: It evaluates the inclusiveness and integrity of elections, along with freedoms of association and expression.
- **V-Dem Liberal Democracy Index (2024)**: It incorporates checks on executive authority, judicial independence, and equality before the law, complementing electoral democracy measures.

Economic Inclusiveness Index (EII)

- **Heritage Foundation (2024) – *Index of Economic Freedom***: It provides indicators of market openness, property rights, fiscal stability, and government integrity.
- **World Bank Worldwide Governance Indicators (2024)**:
    - *Rule of Law*: It reflects contract enforcement, property rights, and confidence in the judicial system.
    - *Regulatory Quality*: It captures the extent to which government regulation facilitates private sector development.
- **Transparency International – *Corruption Perceptions Index (2024)***: It gauges the perceived levels of public sector corruption based on expert assessments and business surveys.
- **Fraser Institute – *Economic Freedom of the World (2022)***: It measures economic freedom across dimensions such as trade openness, monetary stability, and regulatory flexibility.

Although most indicators are available for 2024, the Fraser Institute index is restricted to 2022. Although this presents a potential limitation, the relative stability of institutional indicators over short time horizons suggests that their effect on the analysis can be modest.

3.2 Normalisation and Index Construction

All indicators were **normalised to a 0–1 scale**, with higher values denoting greater inclusiveness. This procedure enables indicators expressed on different scales to become directly

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comparable. For each index (PII and EII), the normalised values were **equally weighted and averaged**. Both indices were then combined with equal weights to form the composite **Institutional Inclusiveness Index (III)**. Equal weighting can be employed because it is difficult to determine in advance which indicator should be prioritised, and assigning differential weights would risk introducing a subjective bias.

Formally, each index was constructed as follows:

$$Index_j = \frac{1}{n_j} \sum_{i=1}^{n_j} \frac{X_{ij} - \min(X_i)}{\max(X_i) - \min(X_i)}$$

where *Xij* is the raw score of indicator i for country j, and nj is the number of indicators included.

A comparative table of PII, EII, and III was subsequently generated to provide benchmarks across countries.

3.3 Econometric and Graphical Analysis

Quantitative analysis consisted of three components.

1. **Relationship between Inclusiveness and Development**
    a. *Scatterplots* were produced to visualise the association between PII, EII, and III, as well as *real GDP per capita* and *economic growth rates*. (World Bank, 2024)
    b. *Regression analysis* was conducted to test the **statistical significance** of these relationships. The analysis evaluates whether the relationship follows a linear form, a quadratic form, or neither, thereby assessing the plausibility of the "over-inclusiveness" hypothesis.
2. **Self-Reinforcing Cycle between Political and Economic Inclusiveness**
    a. A *scatterplot of PII against EII* was generated to assess the extent to which political and economic inclusiveness co-vary across countries.
    b. *Regression analysis* was used to test the **strength and statistical significance** of this relationship, providing empirical evidence that supports or rejects the hypothesised virtuous cycle.

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3.4 Case Study Analysis

The qualitative component comprises case studies that are not intended to establish conclusions at this stage but to illustrate contexts in which inclusiveness may yield divergent outcomes. Their role is exploratory and complementary, and the findings are discussed in the subsequent sections.

1. **Anomalies in the Inclusiveness–Development Link**

    - **China** – It is identified as a case where relatively high economic inclusiveness coexists with limited political inclusiveness, making it particularly relevant for examining the hypothesised self-reinforcing cycle.
    - **Jamaica and Botswana** – It is recognised as cases where inclusiveness scores are relatively high compared with development outcomes, thus providing useful anomalies for analysis.

2. **Cases of Potential Over-Inclusiveness**

    - **United Kingdom – Institutional Veto Power**: Large-scale projects such as High-Speed Rail 2 (HS2) and local planning processes are often criticised for delays caused by electoral cycles, multiparty negotiations, and extensive veto rights. This case illustrates how participatory mechanisms, while inclusive, may sometimes reduce policy efficiency.
    - **France – Strong Labour Unions**: France demonstrates how union strength and strict labour protection can increase rigidity and reduce competitiveness, while it is inclusive.

These cases serve as *illustrative examples* of anomalies and inefficiencies. They complement statistical analysis by providing contextual insights into how inclusiveness may generate complex or unintended consequences.

3.5 Summary of Objectives via Methodological Design

The mixed-methods framework was designed as follows:

1. Construction of standardised indices of political and economic inclusiveness.
2. Testing the hypothesised self-reinforcing cycle between PII and EII.
3. Examination of the relationship between inclusiveness and development outcomes, allowing for potential non-linear effects.
4. Exploration of possible costs of "over-inclusiveness."
5. Contextualising findings through case studies of anomalies and institutional inefficiencies.

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4. Results and Discussion

4.1 Results of indices for 122 countries

Table A.

Country	III	PII	EII
Albania	0.553	0.528	0.579
Algeria	0.309	0.228	0.391
Angola	0.338	0.261	0.414
Argentina	0.569	0.705	0.434
Armenia	0.558	0.526	0.590
Australia	0.833	0.872	0.794
Austria	0.788	0.844	0.732
Azerbaijan	0.281	0.100	0.462
Bahrain	0.371	0.099	0.642
Bangladesh	0.334	0.240	0.429
Belarus	0.250	0.089	0.411
Belgium	0.796	0.884	0.709
Benin	0.497	0.477	0.518
Bolivia	0.455	0.513	0.397
Botswana	0.617	0.607	0.626
Brazil	0.618	0.744	0.492
Bulgaria	0.617	0.641	0.593
Burkina Faso	0.326	0.178	0.474
Burundi	0.235	0.132	0.338
Cambodia	0.304	0.157	0.450
Canada	0.812	0.852	0.771
Chad	0.253	0.136	0.369
Chile	0.773	0.860	0.686
China	0.282	0.066	0.497
Colombia	0.589	0.653	0.525
Comoros	0.326	0.270	0.382

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Costa Rica	0.755	0.858	0.653
Croatia	0.667	0.721	0.612
Djibouti	0.325	0.204	0.446
Dominican Republic	0.584	0.612	0.556
Ecuador	0.518	0.582	0.454
El Salvador	0.397	0.300	0.494
Estonia	0.837	0.902	0.773
Eswatini	0.283	0.132	0.434
Ethiopia	0.303	0.180	0.426
Fiji	0.551	0.540	0.563
Finland	0.854	0.883	0.826
France	0.773	0.852	0.694
Gabon	0.313	0.198	0.427
Georgia	0.550	0.453	0.648
Germany	0.812	0.860	0.763
Ghana	0.595	0.679	0.511
Greece	0.651	0.725	0.576
Guatemala	0.505	0.515	0.496
Guinea	0.296	0.179	0.414
Guinea-Bissau	0.315	0.280	0.350
Haiti	0.270	0.179	0.362
Honduras	0.463	0.468	0.458
Hungary	0.523	0.468	0.577
Iceland	0.808	0.851	0.765
India	0.479	0.440	0.518
Indonesia	0.505	0.456	0.554
Ireland	0.854	0.898	0.809
Israel	0.691	0.687	0.694
Italy	0.708	0.799	0.617
Jamaica	0.674	0.762	0.586
Japan	0.791	0.838	0.744
Jordan	0.442	0.296	0.588

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Kazakhstan	0.377	0.212	0.543
Kenya	0.494	0.497	0.492
Kuwait	0.427	0.289	0.564
Latvia	0.763	0.831	0.695
Lesotho	0.540	0.611	0.469
Liberia	0.484	0.552	0.415
Lithuania	0.763	0.808	0.718
Luxembourg	0.845	0.873	0.817
Madagascar	0.417	0.396	0.438
Malawi	0.512	0.571	0.454
Malaysia	0.552	0.470	0.634
Mali	0.309	0.195	0.423
Malta	0.698	0.764	0.631
Mauritania	0.366	0.286	0.445
Mauritius	0.623	0.573	0.673
Mexico	0.471	0.449	0.494
Moldova	0.560	0.583	0.536
Montenegro	0.585	0.594	0.576
Morocco	0.405	0.293	0.516
Mozambique	0.356	0.295	0.417
Namibia	0.590	0.623	0.557
Nepal	0.540	0.604	0.476
Netherlands	0.822	0.851	0.793
New Zealand	0.857	0.887	0.827
Nicaragua	0.252	0.104	0.400
Niger	0.343	0.240	0.445
Nigeria	0.423	0.419	0.426
North Macedonia	0.545	0.536	0.553
Norway	0.850	0.904	0.797
Oman	0.395	0.185	0.606
Pakistan	0.345	0.277	0.413
Panama	0.633	0.713	0.553
Papua New Guinea	0.466	0.485	0.447
Paraguay	0.513	0.532	0.493
Peru	0.571	0.599	0.544
Poland	0.673	0.722	0.625

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Portugal	0.761	0.847	0.675
Qatar	0.399	0.139	0.660
Rwanda	0.367	0.167	0.566
Saudi Arabia	0.338	0.051	0.626
Senegal	0.550	0.590	0.510
Serbia	0.452	0.365	0.538
Seychelles	0.690	0.733	0.647
Sierra Leone	0.435	0.459	0.411
Singapore	0.636	0.412	0.859
Slovenia	0.714	0.765	0.663
South Africa	0.630	0.732	0.529
Spain	0.737	0.825	0.650
Sudan	0.166	0.064	0.268
Suriname	0.597	0.735	0.458
Sweden	0.849	0.905	0.792
Switzerland	0.867	0.900	0.833
Tajikistan	0.246	0.091	0.401
Tanzania	0.444	0.378	0.511
Thailand	0.440	0.339	0.541
Togo	0.386	0.313	0.458
Trinidad and Tobago	0.634	0.734	0.534
Uganda	0.366	0.271	0.461
United Arab Emirates	0.413	0.120	0.706
United Kingdom	0.790	0.835	0.744
United States	0.771	0.809	0.733
Uruguay	0.780	0.859	0.700
Zambia	0.475	0.166	0.472

The results revealed substantial cross-country variation in institutional inclusiveness. High-income democracies such as Finland, Estonia, and Australia consistently recorded scores above 0.80 on the composite Institutional Inclusiveness Index (III), reflecting strong performance across both political and economic dimensions. Other advanced economies, including Austria, France, and Chile, also achieved high rankings, with III values exceeding 0.75.

At the lower end of the spectrum, countries such as Burundi (0.235), Algeria (0.309), and China (0.282) exhibited limited inclusiveness. China was particularly noteworthy for attaining a

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relatively high score on the Economic Inclusiveness Index (EII) (0.497) while simultaneously recording one of the lowest scores on the Political Inclusiveness Index (PII) (0.066). This divergence underscores the importance of constructing separate indices for political and economic inclusiveness, as aggregated measures alone risk concealing critical institutional differences.

4.2 Inclusiveness Index vs GDP per capita

Figure 1. Relationship between GDP per capita and PII.

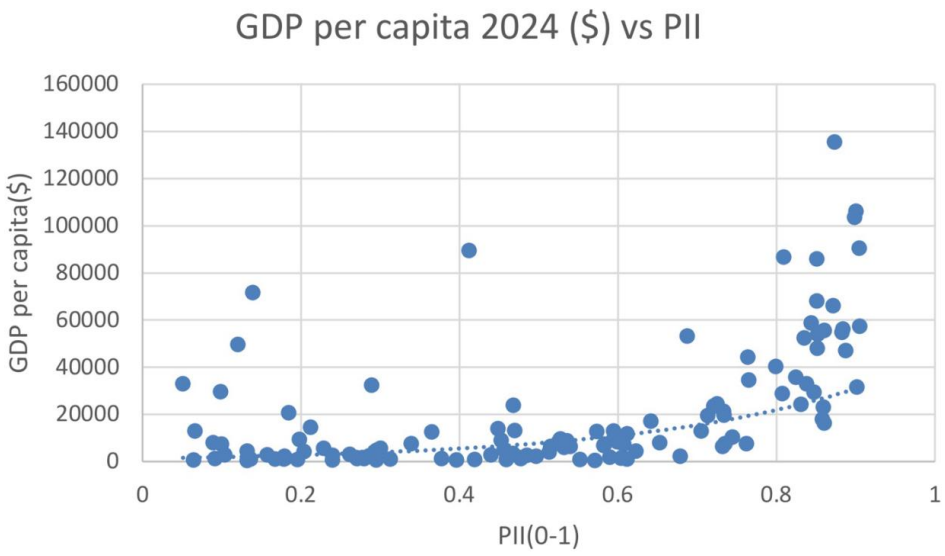

Figure 2. Relationship between GDP per capita and EII.

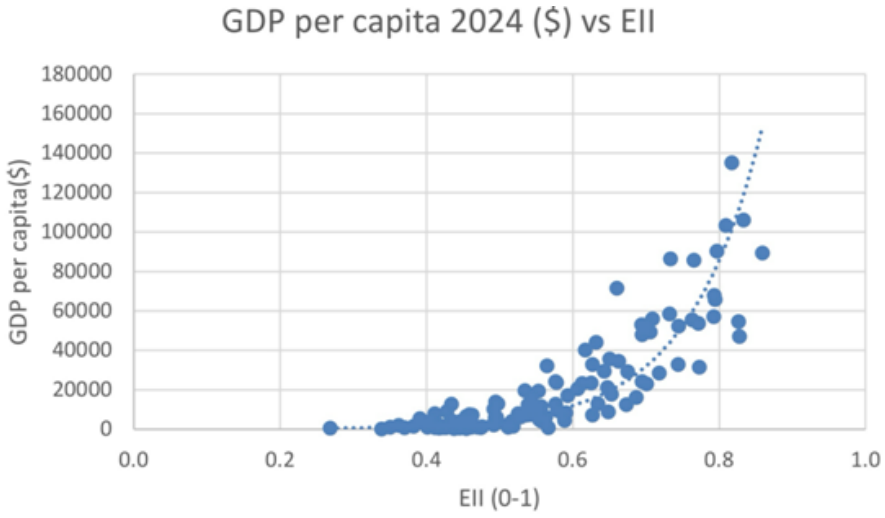

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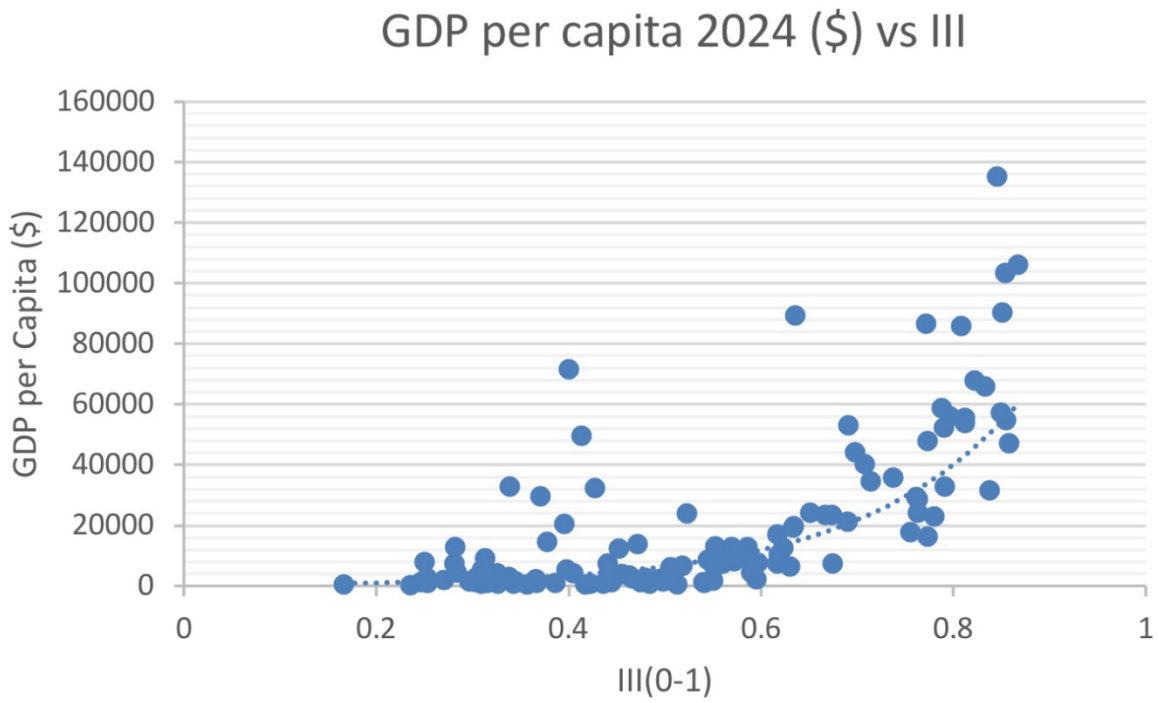
Figure 3. Relationship between GDP per capita and III.



Scatterplots of PII, EII, and III against GDP per capita revealed a strong positive association. To avoid redundancy, detailed attention can be given to the composite Institutional Inclusiveness Index (III), as it provides the most comprehensive measure.

The association displayed an exponential shape across countries. At low levels of inclusiveness, GDP per capita remained persistently low, whereas countries with higher inclusiveness achieved disproportionately higher income levels. This pattern indicated that inclusiveness was strongly linked to prosperity, particularly when the moderate thresholds were exceeded. High-income democracies such as Finland, Estonia, and Australia clustered at the upper end of the distribution, while countries such as Burundi and Chad combined both low inclusiveness and low income. China emerged as an exception, achieving a comparatively high income relative to its overall inclusiveness score, which could be attributed to strong economic institutions but limited political inclusiveness.

Regression analysis corroborated this pattern. Inclusiveness (III) was identified as a statistically significant predictor of GDP per capita ($p < 0.001$), with the model accounting for nearly half of the cross-country variation ($R^2 \approx 0.47$). The exponential form of the scatterplot suggests that the benefits of inclusiveness for prosperity may be cumulative because higher inclusiveness can be associated with disproportionately larger income disparities across nations.

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4.3 Inclusiveness Index vs Economic Growth Rate

Figure 4. Relationship between real GDP growth rate and EII.

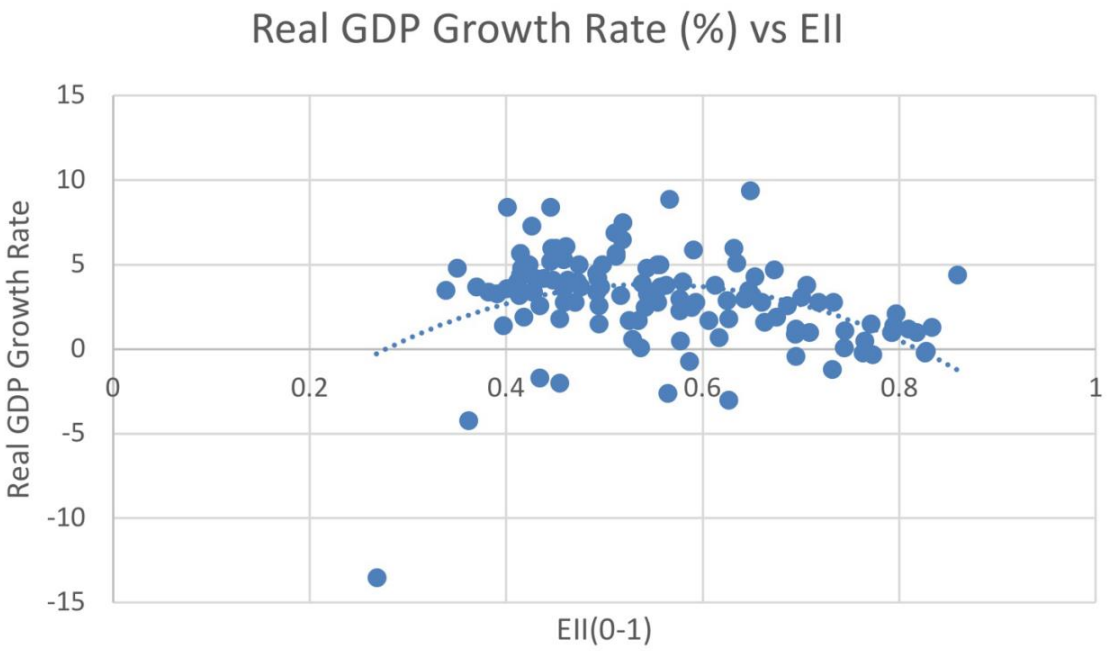

Figure 5. Relationship between real GDP growth rate and PII.

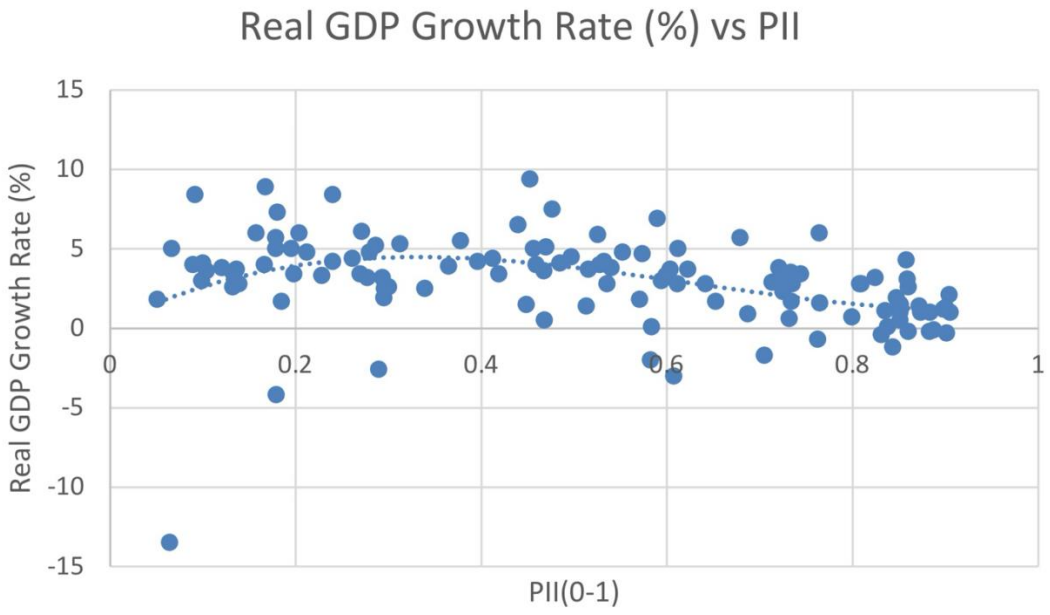

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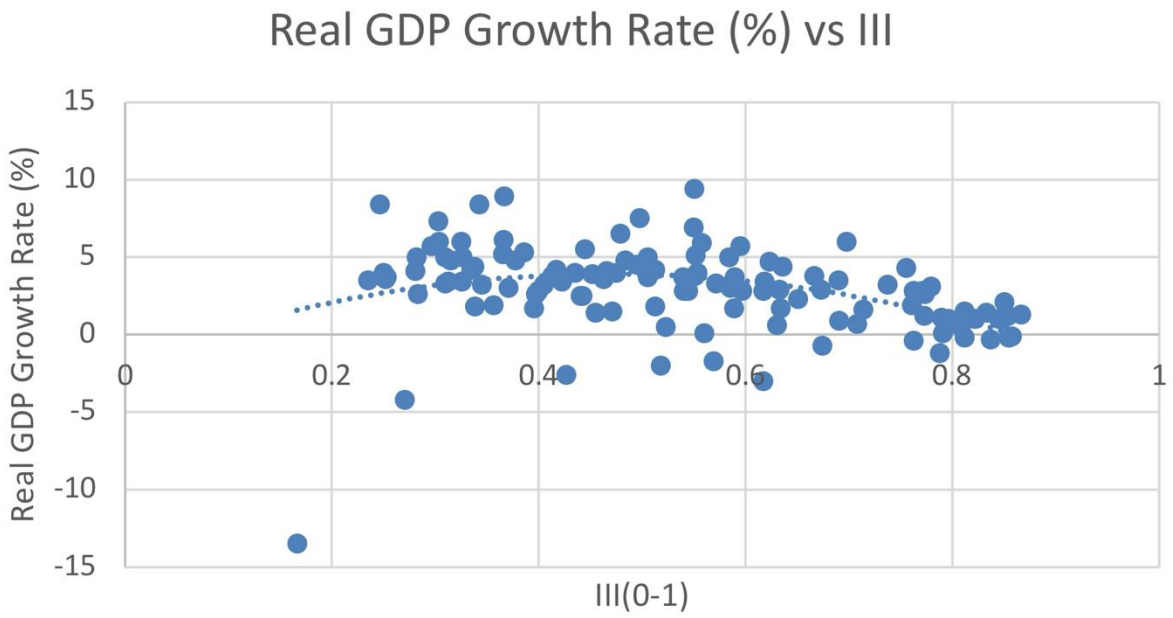
Figure 6. Relationship between real GDP growth rate and III.



The scatterplots of inclusiveness against economic growth reveal a non-linear relationship. For all three indices (PII, EII, and III), the patterns approximated quadratic curves. To avoid redundancy, the discussion focuses on the composite Institutional Inclusiveness Index (III), which incorporates both dimensions.

The curve peaks at a III value of approximately 0.5, suggesting that countries with moderate levels of inclusiveness tend to record the fastest growth rates. This implies that relatively exclusive or only partially inclusive institutions may facilitate rapid growth, particularly in developing countries. Such cases align with arguments in the literature that growth can initially be driven by extractive arrangements that mobilise resources, even if they fail to guarantee long-term sustainability.

Beyond this peak, the curve flattens and exhibits a slight decline, indicating that relatively high inclusiveness may correspond with slower growth. This outcome is consistent with the "over-inclusiveness hypothesis", which proposes that excessive checks, veto powers, or participatory constraints can delay decision-making and reduce flexibility, thus restricting short-term growth.

The regression results confirmed that inclusiveness explained only a modest share of the growth variation ($R^2 \approx 0.08$). Other factors such as resource availability, infrastructure investment, and state capacity were more decisive. This may explain why some developing economies with

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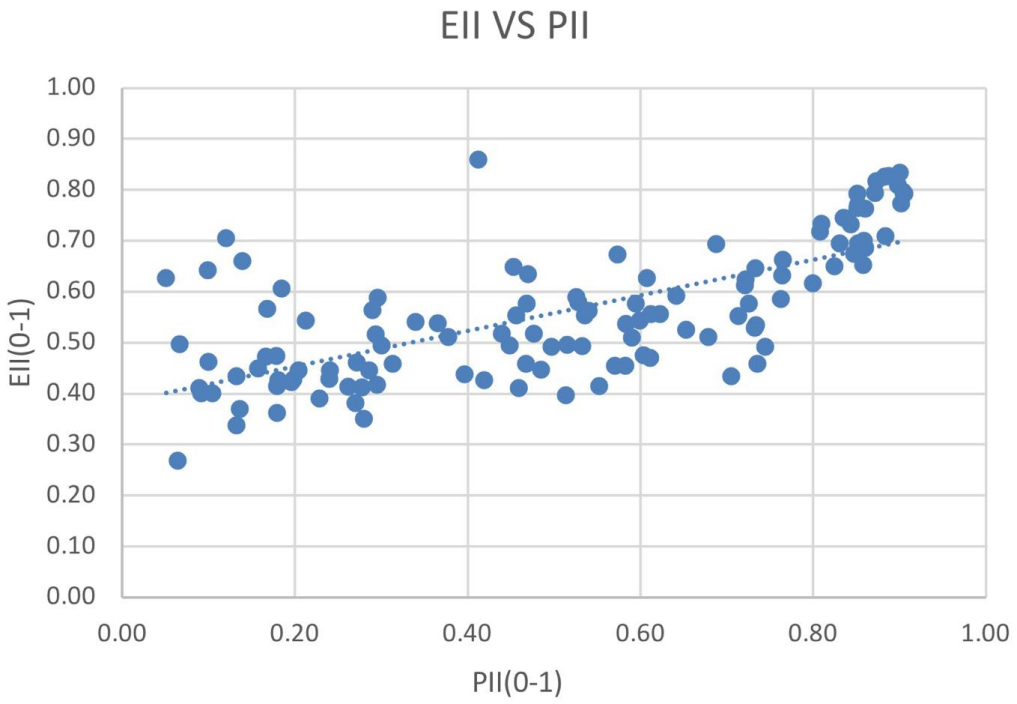
relatively exclusive institutions could cluster near the growth peak, where their expansion was driven less by inclusiveness itself and more by external conditions or short-term advantages.

Overall, the findings indicated that inclusiveness exerted distinct effects depending on the outcome considered. It was strongly correlated with prosperity across countries, while its influence on growth rates was non-linear and context dependent.

4.4 Self-reinforcing cycle between EII and PII

Figure 7. Relationship between EII and PII.



The scatterplot demonstrated a strong positive linear association between political and economic inclusiveness. Regression analysis confirmed this relationship, with the coefficient on EII positive and highly significant ($\beta \approx 1.41$, $p < 0.001$). The model accounted for nearly half of the variation in PII ($R^2 \approx 0.49$).

These results provide robust evidence that supports the hypothesised **self-reinforcing cycle**. Countries with inclusive political institutions can establish inclusive economic institutions and vice versa. While exceptions such as China demonstrated that divergence was possible in specific contexts, the overall pattern strongly corroborated the theoretical expectation of mutual reinforcement.

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4.5 Conclusion of Data Analysis

Statistical analysis confirmed several central patterns. First, higher inclusiveness was strongly correlated with greater prosperity, reinforcing the argument that inclusive institutions underpin long-term development. Second, the analysis of growth revealed a quadratic relationship, where moderate inclusiveness appeared to be the most favourable for rapid expansion, whereas high inclusiveness may slow performance, which is consistent with the **over-inclusiveness hypothesis**. Finally, the strong positive association between political and economic inclusiveness could provide empirical support for the hypothesised **self-reinforcing cycle**, whereas exceptions such as China highlighted the possibility of divergence.

5. Case Studies and Discussion

Statistical analysis indicated that inclusiveness was generally associated with prosperity, although its impact on growth was non-linear and accompanied by notable exceptions. Therefore, case studies were employed to explore anomalies and provide contextual explanations beyond what data alone can demonstrate.

5.1 China – High Economic Inclusiveness and Low Political Inclusiveness

China is a special case that does not appear to follow the rules of a self-reinforcing cycle. It represents a case in which **economic institutions display partially inclusive characteristics, while political institutions remain highly extractive**. Since the late 1970s, market-oriented reforms have introduced greater opportunities for private enterprises, decentralised decision making, and partial improvements in property rights protection. These changes have broadened economic opportunities and underpinned rapid growth (Naughton, 2007; Ang, 2016). Broader participation in productive activities became possible, although always within the strict boundaries of state authority. In contrast, China's political system has continued to operate under authoritarian and centralised control, with minimal provisions for electoral competition, accountability, or political freedom (Acemoglu and Robinson, 2012). As Pei (2006) reported, this configuration reflects a form of "developmental autocracy", whereby the state prioritises growth by selectively permitting economic inclusiveness while maintaining tight restrictions on political openness.

This divergence is clearly captured in the indices: China scores relatively high on the **Economic Inclusiveness Index (EII = 0.497)** but among the lowest on the **Political Inclusiveness Index (PII = 0.066)**. These results suggest that economic inclusiveness may advance independently of political inclusiveness, at least in the short to medium term. However, the long-term sustainability of this arrangement remains controversial, with concerns that political constraints could eventually hinder innovation and stability (Acemoglu and Robinson, 2012; Pei, 2006).

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5.2 Jamaica and Botswana – High Inclusiveness and Modest Development

Jamaica and Botswana provide examples in which relatively high institutional inclusiveness does not translate into equally robust economic development and prosperity. For example, Jamaica recorded an above-average Institutional Inclusiveness Index score (III = 0.595), reflecting stable democratic institutions and political freedom; however, its growth performance has remained limited. According to the World Bank (2022), persistent structural constraints, including a small domestic market, reliance on remittances and tourism, and vulnerability to external shocks such as natural disasters and global downturns, have hindered sustained growth. These challenges, combined with relatively high crime rates and governance weaknesses, have inhibited private investments and productivity gains. Jamaica's longstanding public debt burden, which has been recently reduced from historically high levels, continues to restrict fiscal space and investment capacity (Arslanalp and Eichengreen, 2024).

Botswana also achieves a relatively high inclusiveness score (III = 0.617), underpinned by stable democratic governance and prudent management of diamond revenues. Acemoglu, Johnson, and Robinson (2003) highlighted Botswana as an institutional success story, attributing its development to inclusive political settlements. However, more recent assessments emphasize that the country's heavy reliance on diamond exports has left its economy vulnerable to commodity cycles, while diversification into manufacturing and services has progressed slowly. Structural challenges, such as inequality, high unemployment, and limited human capital development, have further constrained long-term progress (World Bank, 2025).

In summary, these cases suggest that while inclusiveness constitutes an essential foundation, it is insufficient for sustained prosperity without broader structural transformation, economic diversification, and resilience to external shocks.

5.3 Case Study: The United Kingdom and France – Potential Over-Inclusiveness

The United Kingdom illustrates how high inclusiveness can generate inefficiencies by creating extensive veto points. With one of the highest Institutional Inclusiveness Index scores (III = 0.833), the UK benefits from strong democratic accountability, which also constrains large-scale projects. The High-Speed Rail 2 (HS2) project saw its budget increase from approximately £50 billion to more than £100 billion and was described as an "appalling mess" beset by delays and overspends (Reuters, 2025; The Guardian, 2025). Similar inefficiencies are evident in the residential housing sector, where restrictive planning policies and strong local veto rights have constrained supply, increased costs, and slowed urban development (Cheshire, 2018). Although these cases highlight how inclusiveness can ensure accountability, it may also reduce flexibility and slow economic progress.

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France has demonstrated how inclusive institutions can sometimes restrict economic adaptability. With a high inclusiveness score (III = 0.773), France benefits from strong labour protection and a long tradition of trade union mobilisation. Although these features embody political and social inclusiveness, they have also been linked to high labour costs and frequent industrial action. Recent research has suggested that France's powerful unions and protective labour laws can be inclusive in representation, whereas they may constrain adaptability and discourage investment in specific sectors (Baccaro and Howell, 2017).

These cases provide tentative support for the over-inclusiveness hypothesis. In mature democracies, high levels of inclusiveness may create constraints that reduce short-term efficiency or growth, even if they maintain strong accountability and protection.

5.4 Summary

This section shows that the link between inclusiveness and development is neither linear nor uniform. China shows that economic inclusiveness can advance without political openness, while Jamaica and Botswana highlight that relatively high inclusiveness may not deliver prosperity when structural vulnerabilities persist. Conversely, the United Kingdom and France suggest that very high inclusiveness can sometimes slow decision-making and flexibility, reflecting the risk of "over-inclusiveness."

These circumstances are highly specific and shaped by their unique national context. Overall, broader data analysis indicates that inclusiveness remains strongly correlated with prosperity, even if its short-term effects vary depending on structural and institutional conditions.

6. Conclusion

This study introduced new measures of institutional inclusiveness by constructing the Political Inclusiveness Index (PII), the Economic Inclusiveness Index (EII), and a composite Institutional Inclusiveness Index (III). These indices established a unified framework for evaluating inclusiveness across countries, addressing a gap in the literature in which the concept has often been treated as broad and imprecise.

These results highlight three key findings. First, inclusiveness was strongly associated with prosperity, where countries with higher levels of inclusiveness tended to achieve disproportionately greater GDP per capita. Second, the relationship with economic growth was non-linear, with moderate inclusiveness most conducive to rapid growth, whereas high inclusiveness could introduce constraints, consistent with the over-inclusiveness hypothesis. Third, political and economic inclusiveness exhibited a strong positive correlation, reinforcing the idea of a self-reinforcing cycle. These indices facilitated the statistical and visual

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demonstration of numerous widely held economic assumptions, such as the role of inclusiveness in prosperity, growth dynamics, and institutional complementarities, which have previously relied primarily on case-based reasoning.

The case studies provided further contextual evidence, indicating that deviations from statistical patterns were highly dependent on the national circumstances. China demonstrated that economic inclusiveness could progress without political openness; Jamaica and Botswana illustrated the limits of inclusiveness in the absence of diversification and resilience; and advanced democracies such as the United Kingdom and France highlighted the potential costs of over-inclusiveness.

These findings advance the literature by showing that while inclusiveness constitutes an essential foundation for long-term prosperity, it is not sufficient for isolation. The development outcomes depended critically on how inclusiveness could interact with structural and institutional contexts. Limitations remained, particularly the equal weighting of indicators and reliance on relatively short-term measures; however, the new indices provided a foundation for future research. Further work could extend the dataset longitudinally, refine weighting schemes, and explore how inclusiveness shapes resilience to global shock.

7. Appendix – Sample of Raw Data and Index Construction

Country	Freedom House	V-Dem Electoral	V-Dem Liberal	Heritage Index	WGI Rule of Law	WGI Regulatory Quality	CPI	Fraser	PII	EII
Botswana	75	0.594	0.478	68.0	0.390	0.497	57	6.67	0.607	0.626
China	9	0.073	0.036	48.5	-0.040	-0.357	43	6.14	0.066	0.497
Finland	100	0.847	0.802	76.3	1.967	1.765	88	7.87	0.883	0.826
Jamaica	80	0.803	0.684	68.1	-0.175	0.098	44	7.32	0.762	0.586
United Kingdom	92	0.833	0.752	68.6	1.398	1.537	71	7.88	0.835	0.744

Table B: Raw indicator values for five illustrative countries, including political (Freedom House and V-Dem indices) and economic (Heritage Index, WGI, CPI, and Fraser) dimensions. Indicators were normalised and averaged into Political Inclusiveness Index (PII) and Economic Inclusiveness Index (EII), with their composite (III) reported. The full dataset is available in Supplementary Material.

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