

Monday 25 June  
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## **The Challenge to Inclusive Development: Schumpeterian Competition, Uneven Development and Economic Exclusion**

**Abstract:** Liberal economic theory associates free competition with growth and inclusive development provided that states and social groups allow competitive markets free reign, and economic processes generate constant or diminishing returns to scale. However, where increasing returns and labour-saving innovation enable dominant producers and regions to outcompete weaker ones, total production increases, but so does inequality, instability and exclusion unless weaker producers or regions can be compensated for their losses. Here uneven development and crises are not caused by inappropriate state intervention, as orthodox economists assume, but by the 'creative destruction' induced by uncontrolled market competition that can only be offset by conscious collective interventions. Introducing these assumptions derived from Marx and Schumpeter into the policy arena enables us to explain the rising inequality and intensifying crises that now dominate the world economy, and identify the theoretical and political challenges confronting both analysts and practitioners committed to inclusive development.

This presentation will compare the analytical assumptions that underpin both liberal and Schumpeterian theory, in order to initiate a critical discussion of current attempts to overcome the inequalities and vicious circles that are disrupting the global economic order and increasing the poverty on exclusion of the poorest communities in the poorest societies.