

## QUANTITY AND QUALITY OF GROWTH IN THE NEW ECONOMIC REALITY

**Biljana Jovanović Gavrilović**

University of Belgrade – Faculty of Economics and Business, Belgrade, Republic of Serbia

biljana.jovanovic@ekof.bg.ac.rs

ORCID: 0000-0001-8149-2497

**Mirjana Gligorić Matić**

University of Belgrade – Faculty of Economics and Business, Belgrade, Serbia

mirjana.gligoric@ekof.bg.ac.rs

ORCID: 0000-0002-5443-3560

**Velibor Jovanović Gavrilović**

Center for Economic Science Development, Belgrade, Serbia

v.jovanovicgavrilovic@bba.edu.rs

ORCID: 0009-0005-7987-0133

*Paper presented at the 12th International Scientific Symposium „EkonBiz“ - New Economic Reality: The Economic Consequences of Social and Demographic Transition, Bijeljina, 30th and 31st May 2024.*

**Abstract:** *The succession of crises that have shaken the world in recent years - from the global pandemic and extreme weather conditions to armed conflicts and mass migrations - testifies that there is no going back to pre-pandemic conditions and "business as usual." A new economic reality has been created that shapes consumption and business outcomes. Economic growth is once again in focus, both in terms of the quantity (pace) of growth and its quality, which gains special significance under changed circumstances. The key question today is not whether the world still needs economic growth, but how that growth is achieved and whether it is aligned with national and global priorities. The paper examines the trends of economic growth worldwide and explores its quality based on the new framework of the World Economic Forum, which is founded on four pillars (Innovativeness, Inclusiveness, Sustainability, and Resilience) and adapted to the new global context. The aim of the paper is to valorize contemporary economic growth, taking into account both its quantitative and qualitative aspects. The fundamental hypothesis is that the pace and quality of growth vary depending on the country's level of economic development, but are not strictly determined by it. The analysis reveals the performance of the world and selected European countries from the CEE, as well as*

*Western Balkans, in terms of the pace and, especially, the quality of growth. This provides a basis for a critical reassessment and reshaping of existing growth models and policies for the new economic era.*

**Key words:** *quantity of growth, quality of growth, new economic reality, innovativeness, inclusiveness, sustainability, resilience, Central and Eastern Europe, Western Balkans*

**JEL classification:** *0100, 0200, 0400, 0520*

### 1. INTRODUCTION

Global shocks, which have shaken the world in recent years, have shaped a new economic reality characterized by slower economic growth, high inflation, rising energy pressures, changes in the labor market, and a reshaping of globalization while preserving strong interdependence among economies worldwide. Although each of these phenomena, as well as other significant manifestations of the new economic reality, deserves attention, our research focuses on economic growth, viewed from the perspective of both its pace and quality. As Lucas wrote in 1988

(p. 5): "Once one starts to think about [economic growth], it is hard to think about anything else."

The growth pace provides insight into the quantity of growth, i.e., the speed of increase in production (total or *per capita*), and is expressed through the corresponding growth rate. Analyzing the quality of growth is more complex and reveals the true nature of growth by examining its inherent key economic, social, and environmental characteristics. There is a close relationship between the pace and quality of growth. The growth rate can be significantly accelerated at the expense of its quality, but such acceleration is temporary and jeopardizes the long-term growth rate. Quality growth, on the other hand, ensures the sustainability of economic growth (Jovanović Gavrilović, 2022, p. 116). Researching the quality of growth is relevant in conditions of both high and low growth rates. The importance of this analysis should be particularly emphasized in the former case, where there is a tendency to draw prematurely favorable conclusions about growth in an atmosphere of rapid economic expansion. Low growth rates, in themselves, serve as an incentive to investigate the quality of growth, as has been demonstrated in recent years.

Economic growth worldwide has been progressively slowing over the last two decades. Recent shocks impacting the global economy have raised uncertainty to exceptionally high levels, which in turn adversely affects economic dynamics. The International Monetary Fund (January 2024, p. 1) estimated the economic growth rate for 2023 at 3.1% (1.6% in developed countries and 4.1% in emerging markets and developing economies), marking the lowest level since the beginning of this decade. For comparison, between 2000-2019, the average annual GDP growth rate was 3.8%. It is also noted by Kose and Ohnsorge (2024, p. 2) that in 80% of developed countries and 75% of emerging markets and developing economies, the average annual growth rate was lower during 2011-2021 than in 2000-2010, with the slowdown particularly pronounced in the latter group of countries (especially in middle-income countries), leading to a weakening of income convergence. The deceleration of growth in the last two decades has been largely driven by a slowdown in global productivity growth. Additionally, negative demographic effects, including slower growth of the working-age population and a decline in the labor force participation rate, conditioned by an aging population, should be considered (Kilic Celik, Kose and Ohnsorge, 2023). We should not overlook the unfavorable impact of the weakening of the dynamics of global investments, whereby

the prolonged effects of the global financial crisis on investments were further intensified by the pandemic. In addition to these secular trends that undermine economic growth, threats associated with climate change must also be considered. As Kose and Ohnsorge (2024, p. 2) point out, a Herculean joint policy effort will be required to return growth to the average of the previous decade in the coming years.

In a situation where recovery after the pandemic is waning, with increasing warnings about an impending low-growth regime, economic growth itself is scrutinized as the main measure of economic policy and the dominant measure of economic performance. Reevaluating growth and growth-centric policymaking is not new, but has become increasingly important and topical recently. While some highlight the question of whether the world still needs economic growth, others focus on the intrinsic nature of that growth, namely its quality (Widuto, Evroux, and Spinaci, 2023).

Challenging growth through ideas about the end of growth as a way to adjust to the new economic reality (Heinberg, 2011), the need to reduce production (Demaria, Schneider, Sekulova, and Martinez-Alier, 2013), or secular stagnation (Teulings, Baldwin, 2014) echoes discussions from the early 1970s when the study "The Limits to Growth" (Meadows, Meadows, Randers, Behrens III, 1972) was published. This study drew attention to the contradiction between exponential growth trends in population and gross domestic product on one hand, and the finite resources and "carrying capacity" of our planet on the other.

The prevailing belief today, however, is not that growth in itself is a problem. On the contrary, it is considered that when properly understood, it can be the solution to many problems burdening the modern world, especially in less developed economies. In other words, economic growth viewed through the prism of its quantity (growth pace) remains an important component of development, but, as it turns out, the quality of that growth is also very important. The traditional understanding and metrics of growth quantity, therefore, should be supplemented with a holistic conception and quantification of growth quality. The complexity of the concept of growth quality arises from its multidimensional nature, which ensures that economic health of growth, ecological protection, and social justice are all on the same agenda. The idea of growth quality also has a long prehistory (Fourastié 1951, Mishan, 1967, Camdessus, 1990), but it has only gained full affirmation more recently (Rodrik, 2000, Haddad, Kato and Meisel, 2015, Mlachilla, Tapsoba,

Tapsoba, 2017, Mkrtchyan, Navasardyan, 2023). Recent attempts to measure the quality of growth can be categorized into three characteristic approaches: dashboards, frameworks, and composite indices. Each of these has its strengths and weaknesses (Jha, Chand Sandhu, and Wachirapunyanont, 2018).

The focus of this paper is on the multidimensional framework for assessing growth performance defined by the World Economic Forum - WEF (2024) and adapted to the new economic reality. The aim of the paper is to evaluate contemporary economic growth, taking into account both its quantitative and qualitative aspects. The fundamental hypothesis is that the pace and quality of growth vary depending on the level of a country's economic development, but are not strictly determined by it.

The paper is structured into four sections. Section 2 is dedicated to the methodology used in this research. In Section 3, the results obtained are presented and discussed. Section 4 summarizes the main conclusions reached in this paper.

## 2. METHODOLOGY

The new WEF conceptual framework, which forms the basis of our research, rests on four pillars for assessing the quality of growth – Innovativeness, Inclusiveness, Sustainability, and Resilience. Innovativeness indicates the extent to which an economy can absorb new technological, social, institutional, and organizational changes to enhance the quality of its growth over the long term. Inclusiveness reveals the involvement of all stakeholders in the benefits and opportunities that the growth of an economy brings. Sustainability pertains to the ecological dimension and is understood as the economy's ability to maintain its ecological footprint within finite environmental boundaries. Resilience shows how well an economy can withstand shocks on its growth path and recover from them.

Each of the pillars mentioned has a positive connotation; that is, it is desirable to achieve the best possible results in what they represent. It is especially emphasized that there is no universal recipe for good growth. Every country has different interests, priorities, and starting points, even when all are faced with the same global challenges. The multiple pillars within the proposed framework precisely provide space to express these differences, rather than, according to the WEF (2024, p. 6), obscuring them by aggregating into a single composite index. It cannot be predetermined which pillar is more

important or what combination of results achieved in each is optimal, as different countries have different circumstances. In that sense, this framework does not suggest establishing a specific balance among the pillars but allows for identifying potential areas for improvement, trade-offs that should be resolved, or synergies that could be affirmed. For these reasons, the proposed framework for assessing the quality of growth does not provide an opportunity for a traditional comparison of performance by countries or regions, i.e. their ranking.

The new WEF framework is based on a total of 84 meticulously selected indicators (21 related to Innovativeness, 24 to Inclusiveness, 14 to Sustainability, and 25 to Resilience), where careful consideration was given to the quality of data and its availability for a broad range of countries. For each indicator, lower and upper limits are initially determined. Depending on the indicator, the upper limit can be a political goal or aspiration, the maximum possible value, or a number derived from statistical analysis of distribution (e.g., the 95th percentile). If a value is below the lower limit, it has a score of 0, and if it exceeds the upper limit, its score is limited to 100. Then, each indicator is normalized on a scale from 0 to 100 using the mini-max method, where 0 indicates the worst, and 100 represents ideal performance, in order to ensure comparability of data across indicators. After normalization, aggregate results by pillars are obtained as a simple average of the values of all indicators within the pillars for which data are available.

Although individual pillars are informative when viewed independently, the combination of their results, along with the indicator of growth pace, provides a complete and authentic picture of economic growth, its quantity and quality. Therefore, an integral part of the Framework is the representation of the quantitative side of growth, i.e. its performance in terms of total and *per capita* GDP. WEF research (2024, p. 11) suggests that there may be a trade-off between desirable outcomes of individual pillars and maximizing growth, at least in the short term, while in the longer term, the synergy between the growth pace and results at the level of quality pillars on which that growth is based, becomes evident. For the individual economies included in the study, a dashboard has been created, which provides insight into the overall performance of economic growth, both its quantity and quality, viewed by pillars and individual indicators.

As already highlighted, each country has a unique growth path that reflects its specific circumstances.

However, it is possible to form clusters of countries with similar growth characteristics, which the WEF has done (2024, pp. 28-34). There are a total of twelve clusters grouped into seven distinct "growth pathway archetypes," formed based on relevant common experiences in the process of economic growth. In some cases, archetypes are divided into two or more sub-types. The identification of archetypes is based on hierarchical clustering, using Ward's method, which minimizes the total variance within clusters, making them as compact and clearly separated from each other as possible. In this specific case, the data are clustered at the level of pillars, and for each country they include the averages of the four quality of growth pillars as well as the average annual GDP growth rate over a five-year period. Since the pillars represent aggregates of multiple indicators, different indicator profiles within the

pillars may deviate from the patterns established at the cluster level.

It is important to emphasize that growth pathway archetypes should not be seen as closed groups with clearly defined boundaries, but as flexible constructs formed by the similarity of the growth process. Belonging to one archetype reflects a country's previous policy choices, which are subject to change in the future, and these changes can lead to a different growth path.

### 3. RESULTS AND DISCUSSION

The WEF applied its new multidimensional framework for assessing growth performance of 107 world economies over the period 2018-2023, in order to examine disparities among countries and groups of countries in terms of the pace and quality of growth operationalized through four key dimensions (pillars of quality).

**Table 1.** Assessment of growth performance by income groups of countries (2018-2023)

Income group	GDP <i>p.c.</i> PPP (2023)	Average GDP <i>p.c.</i> growth (2018-2023)	Average GDP growth (2018-2023)	Score			
				Innovativeness	Inclusiveness	Sustainability	Resilience
H	52,475	1.01	1.38	59.4	68.9	45.8	61.9
UM	17,900	1.32	2.18	39.3	54.8	44.0	50.0
LM	7,633	1.95	3.05	34.9	44.8	50.0	45.8
L	1,533	0.22	3.10	26.8	30.0	52.7	39.0
<b>World</b>	19,092	0.91	1.86	45.2	55.9	46.8	52.8

*Source:* Data selected and presented by the authors from: World Economic Forum (2024). *The Future of Growth Report 2024*. Geneva: WEF, pp. 18-25.

*Note:* H – high; UM – upper middle; LM – lower middle; L – low.

Regarding the quantitative side of economic growth, or its pace, data from Table 1, which summarizes some of the available data, show that the average annual global GDP growth rate for the period 2018-2023 was about 1.9%. In line with expectations based on the theory of economic convergence, the growth rate is faster in less developed economies, with achieved growth rates during the observed time frame ranging from 1.4% in high-income countries to 3.1% in the lowest income group. According to WEF observations (2024, p. 13), the global GDP in 2023 exceeds the pre-pandemic level, but economic growth rates remain below 4% in all income groups.

*Per capita* economic growth, which also considers population changes, takes even lower values in each income group. This is particularly evident in low-income countries where population pressure remains strong. The effect of population growth is least pronounced in high-income countries and is typically due to a positive migration balance.

We will complement the conventional approach to economic growth, which focuses only on its quantitative side, with an analysis of the quality of growth. Global averages by pillars (see Table 1) present a mixed picture of the results achieved. It appears that the global economy as a whole has

reached halfway towards the ideal trajectory of being fully innovative, inclusive, sustainable, and resilient. Innovativeness is the dimension in which the lowest global score of 45.2 (out of a possible 100) was achieved, while Inclusiveness records the best result with 55.9 (out of a possible 100). In between are the values for Resilience (52.8) and Sustainability (46.8). According to WEF data (2024, pp. 15-18), no country (excluding Switzerland in the Innovativeness pillar) has exceeded a score of 80 in any of the four dimensions observed.

The average GDP *per capita* in high-income countries in 2023 amounts to \$52,475 at 2017 PPP. Their growth path is characterized by high scores in Inclusiveness, Resilience, and Innovativeness, but also significant room for improvement in Sustainability. Upper-middle-income countries, whose GDP *per capita* in 2023 averages \$17,900 at 2017 PPP, place a stronger emphasis on Inclusiveness and Resilience, while lagging more noticeably in Sustainability and Innovativeness from the maximum possible outcome of 100. The growth path of countries in the lower-middle-income group, with an average GDP *per capita* of \$7,633 at 2017 PPP in 2023, is marked by a relatively high score for Sustainability, above that recorded in developed economies, with significant potential for improvement in Innovativeness. Finally, in low-income countries, with an average GDP *per capita* of \$1,533 at 2017 PPP for 2023, performance in terms of Sustainability is the highest, while there is a noticeable lag behind the maximum score in all three remaining pillars, most pronounced in Innovativeness.

In the Innovativeness pillar, it is noticeable that as *per capita* income increases, so does the score for this pillar, which is consistent with the theory of endogenous growth and the works of Romer (1990) and Lucas (1988) on the existence of a virtuous cycle between economic growth and the enhancement of a country's innovative capacities. Additionally, economies of low and lower-middle development that achieve higher growth rates and catch up more rapidly with developed countries show greater innovativeness, which in turn contributes to achieving higher growth rates. Table 1 shows that high-income economies on average have more than twice (2.2 times) the score in the Innovativeness pillar compared to low-income countries. For the Inclusiveness pillar, there is also a high correlation between the level of *per capita* income and the results achieved, so in this case, high-income countries on average record a score more than twice (2.3 times) higher than those with low income. Middle-income economies generally perform significantly better in terms of

inclusiveness than innovativeness, but still notably weaker than high-income countries. Scores by income groups for the Sustainability pillar deviate from the previously observed pattern and are highest in countries with low and lower-middle incomes. The reason for this should be sought in the lower use of natural resources and lower emissions of pollutants in these income groups, by which the mentioned countries compensate for weaker performances in the area of green finance and technologies. High and upper-middle income economies, on the other hand, partially offset higher emissions with stronger performances in environmental technologies, and also provide hope for the possibility of decoupling environmental impact from output growth, which would open up space for greater ecological sustainability of economic growth. Average scores for Resilience follow the level of economic development of the countries classified into income groups, with the differences among groups being smaller than in Innovativeness and Inclusiveness.

Viewed by country, Innovativeness has the widest range between the minimum (Angola – 17.87) and maximum values (the aforementioned Switzerland – 80.4). Only 15 economies have surpassed two-thirds of the way to the maximum score of 100, and more than 70 have not even reached half of the set target. In contrast, the Sustainability pillar records the smallest range between extreme values (24.40 – Mongolia and 62.87 – Sweden). According to the stated maximum, no country has surpassed two-thirds of the way to the ideal value of 100. In this case too, a significant number of observed countries (69) score below 50. Between these two extremes, in terms of the range of scores achieved, are the Inclusiveness and Resilience pillars. The respective minimum and maximum values for Inclusiveness are 22.13 in Yemen and 77.86 in Switzerland. In this pillar, 30 countries (all high-income) have surpassed at least two-thirds of the way to the defined upper value, and more than 30 have a score below 50. For Resilience, the recorded minimum score is 27.57 (Yemen) and the maximum 72.57 (Luxembourg). In this case, only eight countries have crossed the threshold of two-thirds of the established maximum.

An important aspect of growth performance analysis is examining the relationship between growth pace and individual pillars of growth quality. According to the new conceptual framework of the WEF, this is within the domain of each country, which chooses its own priorities and paths toward innovative, inclusive, sustainable, and resilient growth. Here, we will only give rough indications of the link between

growth quantity and individual dimensions of its quality. The relationship between the quantity of economic growth and Sustainability is not straightforward, but policymakers in developed and developing countries should remain committed to fostering growth while reducing its impact on the environment. A similar situation exists in the relationship between economic growth pace and Inclusiveness, where both trade-offs and synergies are present, posing serious challenges and tests for policymakers. As for growth and Innovativeness, the situation is, as we have already emphasized, quite clear and well-documented in economic theory. However, as WEF experts point out (2024, p. 12), potential trade-offs associated with, for example, the efficiency of industrial policy in an effort to enhance the country's innovative capacity should not be ruled out. The relationship between growth rate and Resilience is not easy to define. Investing in resilience building can benefit long-term growth but may also jeopardize short-term production expansion. Choosing between long-term resilience, whose benefits are uncertain, and short-term growth gains is particularly delicate in less developed economies.

We will supplement the previous results by examining growth performance at the level of countries in Central and Eastern Europe – CEE9<sup>3</sup> and the Western Balkans – WB3<sup>4</sup>.

Table 2 shows that the CEE9 group includes high-income countries (with Bulgaria as an exception), while the WB3 comprises upper-middle-income countries. For assessing growth performance, as we have already noted, both the quantity and quality of growth are relevant.

The quantitative side of growth, namely its pace, is represented by the average annual GDP *per capita* growth rate, which also considers population dynamics. It is precisely this growth rate that the creators of the Framework had in mind when classifying the observed countries into certain archetypes, as well as subtypes within them, where it proved justified. All CEE9 high-income countries (excluding the Czech Republic and Estonia) record a higher *per capita* GDP growth rate than the average for their income group. In Estonia, this rate is slightly below average. Additionally, all the mentioned countries are characterized by population growth, which results in a somewhat higher total GDP growth rate than its *per capita* value. Among the CEE9 countries,

<sup>3</sup> CEE9: CIE10 excluding Slovakia, for which data are not available.

<sup>4</sup> WB3: WB5 excluding Albania and Montenegro for which data are missing.

Bulgaria is distinctive not only because it has not yet crossed the threshold into high-income status, but also because its population is numerically declining, which largely contributes to its relatively high *per capita* GDP growth rate of 4.2%, compared to 2.5% for total GDP.

**Table 2.** Assessment of growth performance in CEE9 and WB3 countries (2018-2023)

Country	Income group	Average GDP p.c. growth (2018-2023)	Score				Archetype / Sub-type
			Innovativeness	Inclusiveness	Sustainability	Resilience	
<b>Central and Eastern Europe – CEE9</b>							
Bulgaria	UM	4.20	47.0	64,5	44,9	54,4	D/D2
Czechia	H	0.00	57.0	71.8	45.5	58.0	B
Estonia	H	1.00	64,3	75.6	43.7	65.1	B
Hungary	H	2.50	49.4	66.1	51.6	57.8	C
Latvia	H	2.20	43.8	69.3	46.7	59.6	C
Lituania	H	2.50	53.2	73.4	47.8	63.2	C
Poland	H	3.10	49.2	64.7	50.7	57.0	C
Romania	H	3.00	43.3	63.9	51.7	57.0	C
Slovenia	H	1.80	52.8	72.1	41.9	58.8	D/D1
<b>Western Balkans – WB3</b>							
BiH	UM	2.80	32.7	53.3	45.4	45.4	G/G1
North Maced.	UM	1.70	39.1	55.5	48.8	45.6	G/G1
Serbia	UM	4.00	45.5	60.0	46.9	56.1	D/D2

**Source:** Data selected and presented by the authors from: World Economic Forum (2024). The Future of Growth Report 2024. Geneva: WEF, pp. 15-17 and 256-258.

**Note:** H – high; UM – upper middle.

All WB3 countries have a higher *per capita* GDP growth rate than the average for their income group. The pace of economic growth expressed through total GDP is similar, but Serbia stands out with its rate of growth of this macroeconomic aggregate *per capita*, which is a clear signal of the depopulation faced by the country. The fact that the pace of growth is not strictly related to the level of development is evident when individual countries are examined. For instance, North Macedonia, as a middle-income country, has a lower rate of growth in total GDP than all, and in *per capita* GDP than most high-income countries belonging to the CEE9.

When it comes to the quality of growth, the CEE9 high-income countries do not fully follow the pattern established for this income group on a global level. Deviations mainly occur in the pillar of Innovation, where half of the countries record worse results than in the Sustainability pillar.

Hungary, Latvia, Poland, and Romania, in the case of innovation, are not even halfway to the maximum score of 100. Meanwhile, Serbia, as a middle-income country, has progressed further on this path than both Romania and Latvia. The only country above the global average in the Innovation pillar is Estonia. Better results for this group of countries are visible in the Inclusiveness pillar, where 5 high-income economies (excluding Romania, Poland, and Hungary), have exceeded more than two-thirds of the way to the set goal. No upper-middle-income country from the WB3 group has better results than the high-income countries from the CEE9 group in terms of inclusiveness. The exception is Bulgaria, as a middle-income economy, which has advanced further on the path of inclusive growth than Romania. Below-average results in the Sustainability pillar are observed in three CEE9 high-income economies – the Czech Republic, Estonia, and Slovenia, which are characterized by a relatively higher level of *per capita* GDP within this group of countries. Given the previous considerations, it is not surprising that in the realm of sustainability, each of the WB3 countries has better results than at least some of the high-income countries from CEE9. As for resilience, among the CEE9 high-income countries, only Estonia and Lithuania are above the global average. Furthermore, no country from this income group has surpassed the two-thirds threshold of the maximum level, although all record scores above 50.

As for the quality of growth in selected middle-income countries, it is evident that two (North Macedonia and Serbia) out of three economies from the Western Balkans approximately fit the pattern characteristic for this income group, meaning that inclusiveness and resilience are the focus of their development trajectories, with lagging in sustainability and, particularly, innovation. There is a minor deviation in Bosnia and Herzegovina from the mentioned pattern, which records the same score in the Resilience and Sustainability pillars. Bulgaria, which belongs to the same income group, prioritizes inclusiveness and resilience but achieves better results in innovation than in sustainability. In the Innovation pillar, only BiH and North Macedonia have scores below the global average for their income group. Moreover, none of the observed middle-income countries have reached the midpoint, with BiH progressing the least, only achieving one third of the maximum score of 100. The situation is significantly more favorable in inclusiveness, where all countries have surpassed a score of 50, but none have reached two-thirds of the maximum value, although Bulgaria is closest to this mark.

Also, all countries show above-average results compared to the global score, except for BiH. In the Sustainability pillar, all selected middle-income countries record above-average values, which, like most countries worldwide, are less than 50. Regarding resilience, only Serbia and Bulgaria achieve above-average scores, the level of which is above 50.

Table 2 also contains information about the growth path archetypes of selected countries. The archetypes are defined to include both the quantitative and qualitative aspects of economic growth, thus providing a complete profile. Among the high-income countries from the CEE9 region, there are even three archetypes present, with Archetype C being dominant. A similar situation exists in the smaller group of middle-income level economies, where two equally distributed archetypes have been identified. This confirms the diversity of growth paths, even among economies with similar levels of development.

All archetypes, identified on a global level by the WEF (2024, pp. 28-34), have some characteristic features. We will mention only those that are recognizable in the observed sample of high and upper-middle-income countries. Archetype C, as already highlighted, predominates in the group of high-income countries within the CEE9 region. It is characterized by accelerated GDP *per capita* growth at an average annual rate of 1.8% during the period 2018-2023, and average scores in the pillars that are approximately in line with global averages, with pronounced results in terms of inclusiveness. The CEE9 countries that represent this archetype are: Hungary, Latvia, Lithuania, Poland, and Romania. Archetype B is characterized by strong performance in terms of inclusion, innovation, and resilience, which exceed the global averages for these dimensions, with relatively low, below-average performance in sustainability and moderate GDP *per capita* growth (averaging 0.7%). The CEE9 countries characterized by this archetype are the Czech Republic and Estonia. Among the high-income countries from the CEE9 region, Slovenia stands out as it follows a growth path of type D, subtype D1. Archetype D has above-average performance in Innovativeness, Inclusiveness, and Resilience, but significantly lower results in the Sustainability pillar. Moreover, subtype D1 is distinguished by considerably more moderate GDP *per capita* growth, compared to subtype D2, at just 0.9% during the observed period.

Among the middle-income countries from the WB3 group, Archetype G, subtype G1, is dominant. Archetype G generally implies

relatively balanced, but below-average by global standards, performances in terms of growth quality. Specifically, subtype G1, observed in BiH and North Macedonia, is characterized by a higher average annual GDP *per capita* growth rate of 2.1% over the past five years, and low but relatively evenly distributed scores across the pillars, with the Sustainability pillar score being around the global average. Bulgaria and Serbia belong to the same archetype D and subtype D1. They are connected with Slovenia by a common general model (archetype D), but the subtype adds certain specificities related to the pace of growth or some characteristic features of growth quality. Countries of subtype D2 are distinguished by a significantly faster GDP *per capita* growth of 4.8% during the observed five-year period. Also, they have on average slightly worse results in terms of innovativeness, but somewhat better in sustainability, although the performances in this latter pillar are relatively low for both subtypes.

## CONCLUSION

The previous analysis leads to the conclusion that economic growth is a complex phenomenon that has both quantitative and qualitative aspects. The quantity of growth is expressed through the rate of growth of national production overall or *per capita*. The quality of growth is by nature more complex and elusive. It includes normative evaluation and has rich connotations, so its operationalization presents a significant challenge. Only a combined analysis of the quantity and quality of growth provides a comprehensive, authentic representation of economic growth and its actual performance. The quantity and quality of growth are interconnected. The quality of growth is a kind of guarantee for the sustainability of the quantity of growth in the long term.

In the new economic reality, characterized by a weakening growth rate, the question of growth quality comes to the forefront. Considering this fact, the World Economic Forum has created a new conceptual framework for assessing growth performance—its quantity and quality. It is designed to serve as a kind of guide for policy makers in shaping future growth, as indicated by its precise name, The Future of Growth Framework.

The paper confirms the basic hypothesis that the pace and quality of growth change according to the degree of a country's economic development. However, as we initially claimed, this is not automatic. What appears as a regularity in a larger sample does not hold in every individual case, as the pace and quality of growth of individual

countries result from a combination of specific circumstances characterizing each of them. Deviations at the level of individual economies are possible and were highlighted in our research.

The general impression is that the new WEF conceptual framework for assessing the growth performance of countries worldwide represents a significant step in the right direction. Quantifying the quality of growth, as a multidimensional concept expressed through numerous indicators, is a particularly complex and delicate task, but efforts must be made to address it. Each of the approaches offered along this path, as we highlighted in the paper, has its strengths and weaknesses. The WEF prefers using a framework combined with a dashboard, as opposed to a composite index of quality. The advantages of the approach practiced by the WEF are evident from previous considerations, but the weaknesses are not negligible either. The Future of Growth Framework allows for the critical re-examination and reshaping of models and policies for the new economic reality. It provides an opportunity for policymakers and other stakeholders (academic economists, business leaders, the civil sector) to explore ways to enhance the quality of growth and define desirable directions of action. The identified archetypes of growth paths, among other things, allow less successful countries to emulate more advanced ones with whom they share similar opportunities and constraints. On the other hand, the scheme for combining different indicators, which is essentially what the Framework represents, complicates the analysis, especially when the number of these indicators, organized into pillars, is significant. The abundance of specific indicators for tracking individual components of growth quality included in the dashboard makes it difficult to compare them across countries, as well as to assess the trend at the national level. A particular problem is that the Framework does not aggregate the pillars into one index and does not rank countries according to their performance. The creators of this approach are also aware of that, so in the coming years, the mentioned framework will be refined, with a reevaluation of the importance of introducing ranking in the assessment of the quality of growth and its overall performance.

## REFERENCES

- [1] Camdessus M. (1990). Aiming for High Quality Growth, *Finance & Development*, 27, 10-11.
- [2] Celik, S. K., Kose, M. A. and Ohnsorge, F. (2023). Potential Growth Prospects. *Policy*



- Research Working Paper*, 10355, Washington, DC: World Bank.
- [3] Demaria F., Schneider F., Sekulova F. and Martinez-Alier J. (2013). What is Degrowth? From an Activist Slogan to a Social Movement". *Environmental Values*, 2(22), 191-215.
- [4] Fourastié J. (1951). *Mécanisme et bien-être*, Paris: Universitaires de France.
- [5] Haddad L, Kato H. and Meisel N. (ed.) (2015) Growth is Dead, Long Live Growth – The Quality of Economic Growth and Why its Matters. Tokyo: JICA Research Institute,
- [6] Heinberg R. (2011). *The End of Growth: Adapting to our New Economic Reality*. Gabriola Island, BC: New Society Publishers.
- [7] International Monetary Fund (January 2024). *World Economic Outlook Update*. Washington, DC: IMF.
- [8] Jha S. (2018). Measuring, Monitoring and Operationalizing Quality of Growth – Implications for the People’s Republic of China», *ADB Briefs*, 98.
- [9] Jovanović Gavrilović, B. (2022). Kvalitet privrednog rasta - koncept i merenje. *Revija Kopaoničke škole prirodnog prava*, 4(1), 115-130.
- [10] Kose, M. A., Ohnsorge, F. (eds.) (2024). *Falling Long-Term Growth Prospects - Trends, Expectations, and Policies*. Washington, DC: International Bank for Reconstruction and Development / The World Bank.
- [11] Lucas Jr., R. (1988). On the mechanics of economic development. *Journal of Monetary Economics*, 22(1), 3-42.
- [12] Meadows D. H., Meadows D. L., Randers J. and Behrens III W. W. (1972). *The Limits to Growth*. New York: Universe Books.
- [13] Mishan E. J. (1967). *The Costs of Economic Growth*, London: Staples Press.
- [14] Mkrtchyan, Navasardyan (2023). Assessing Economic Growth Quality. *Intentiona Journal of Professional Business Review*, 8(7), 1-20.
- [15] Mlachilla, M, Tapsoba, R. and Tapsoba, S. (2017). A Quality of Growth Index for Developing Countries: A Proposal. *Social Indicators Research*, 134(13), 675-710.
- [16] Rodrik D. (2000). Institutions for High-Quality Growth: What they are and How to Acquire them, National Bureau for Economic Research, Cambridge, *Working Paper*, 7540.
- [17] Romer, P. M. (1988). Endogenous Technological Change. *Journal of Political Economy*. 98(5), 71-102.
- [18] Teulings C., Baldwin R. (eds.) (2014). *Secular Stagnation: Facts, Causes and Cures*. London: Centre for Economic Policy Research.
- [19] Widuto, A., Evroux, C. and Spinaci, S. (2023). *From growth to 'beyond growth': Concepts and challenges*. EPRS - European Parliamentary Research Service.
- [20] World Economic Forum (2024). *The Future of Growth Report 2024*. Geneva: WEF.



This work is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License