ON THE MODERN METHODOLOGICAL ISSUES OF TRANSITION TO THE PARADIGM OF INCLUSIVE ECONOMIC GROWTH

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Introduction. The scope of issues referring to the economic growth has been relevant at least throughout the entire period of the last two hundred years of history. Basically, the government of any country solves the problems of economic development and improving the welfare of the population on the basis of economic growth. Nevertheless, the development of approaches to economic growth has not yet led to the formation of a clear and unified understanding of this concept in the context of solving both theoretical and practical problems.

The development of the public economy, especially as a result of the rapid technological changes and the introduction of the technologies of the 4th industrial revolution during the last ten years, have qualitatively changed the trajectory of the understanding of the possibilities and conditions of economic growth and economic development. On the one hand, the rapid growth of the world's population, the involvement in the economic circulation of huge amounts of natural resources and energy carriers, and the enormous pressure on the natural environment in this regard make the possibilities of mankind regarding the limits of land reserves and economic growth generally problematic. On the other hand, the diversity of views on the nature of economic growth, its sources and consequences is due to the increasing complexity of technological, economic and social systems, the level of tightness and intensity of intrasystem ties both on a national and global scale, which are combined with pressing environmental problems, as well as in some countries (for example: Armenia) with uncontrolled emigration of the population and low demographic indicators. Based on the above mentioned, within the framework of this article, an attempt was made to combine the issues related to methodological approaches regarding the concept of inclusiveness of economic growth, as well as to generalize, combine and formulate a number of conceptual provisions of the policy of ensuring the inclusiveness of economic growth.

Methodology. The research methodology is based on the comparative analysis of economic growth cycles, the combination of historical and logical approaches, the combination of quantitative and qualitative research methods, the classification and analysis of statistical series of data. The databases and reports of the National Statistical Committee, the World Bank, and the Global Inequality Laboratory were used as databases for the research.

Scientific novelty. The scientific novelty of the research lies in the development and justification of a fundamentally new methodological approach to the periodization of economic growth and the classification of stages. In particular, the thesis was substantiated according to which the economic growth that took place at the turn of the 20th and 21st centuries was *extractive, discriminatory (exclusive)* in nature, with its inherent macroregulatory and institutional mechanisms, meanwhile, the economic growth paradigm of recent decades is mainly based on inclusiveness, on regulation based on the principles of balanced growth.

Review of literature. Methodological discussions about the inclusiveness of economic growth and economic development are relatively new. Nevertheless, since the 1950s, the authors of the Scandinavian models of economic growth (R. Solow, S. Swan) in their judgments present ideas about a more or less fair distribution of the results of balanced economic growth [Solow, 1956, 65–94, Swan, 1956, 334-361]. At the same time, in this issue, the authors focus more on the macroeconomic aspects of the problem. Almost in the same period, ideas were put forward that approached the distribution of the results of economic growth from microeconomic standpoint. In particular, according to Simon Kuznets, "modern economic growth" is based on rapid changes, and faces a whole series of limitations: "The most characteristic feature of modern economic growth is the combination of high rates of total growth with destructive effects and new problems. The disruptive effects are due to the rapid pace of changes in the economic and social structure. Problems are the unexpected and unintended results of innovation diffusion. Added to this, there are a number of problems caused by the slow spread of economic growth to less developed countries. Thus, along with remarkable positive achievements of modern economic growth, there are unexpected negative results even in advanced economies", writes S. Kuznets [Kuznets, 1971].

However, there is no shortage of conflicting definitions in the economic literature regarding the nature and definition of economic growth. It can be stated, that in the context of the last hundred years, macroeconomic thought has developed and positioned itself mainly in the conditions of relative ups and downs of the two dominant ideological trends: Neoclassicism (in the modern sense, neoliberalism) and Keynesianism, as well as in conditions of cooperation and acute conflict contradictions. The nature of the delimitation and complementarity of these two dominant directions in economic growth was determined by the main realities of the world economy in this historical period. Thus, if in the 30-70s of the twentieth century the main/dominant/methodological vector of macroeconomics was fixed on the main postulates and justifications for the economic policy of the Keynesian economic paradigm (classical positions of J.M. Keynes, neo-Keynesianism and post-Keynesianism), due to the realities of the 1929 -1933 Great Depression and then World War II in 1939-1945, then in the 1970s-1990s there was a revival of neoliberal concepts, the cause of which was the collapse of the former paradigm of economic growth, which was an outstanding manifestation of national economies in the conditions of the global economic crisis of 1974-1975, most of it, and the world economy as a whole, was drawn into an unprecedented stagflationary spiral (when prices and unemployment are rising), which involved not only a revision of the entire logic and approaches of macroeconomic policy and government regulation, but also a transition to ideological or new paradigm models and alternative conceptual approaches.

It can be said that the main statistical apparatus of the Keynesian paradigm of economic growth was based on the logic of the development and implementation of the System of National Accounts. At the same time, the Gross domestic product was considered the main calculated volume indicator of the national economy and its growth - as an economic growth, and for the movement of the welfare of countries, an index of per capita GDP growth was underpinned. Nevertheless, there have always been sharp disputes and discussions about GDP and its growth rates, and, in fact, they continue today. The main arguments of the opponents (mostly right in essence) boil down to a number of claims:

1. GDP expresses the costs but not the benefits,
2. GDP excludes the results of non-market activities and the results of informal (shadow) activities,
3. GDP does not reflect social welfare, let alone the fairness of its distribution.
4. It has a very weak correlation with people's subjective assessments of their level of happiness and prosperity,
5. Does not include the influence of environmental factors [Van den Bergh & Kallis, 2012, 909-920].

In the context of such criticisms, many alternative theories of economic growth emerged in the 1960s and 1970s, which in their own way oppose almost all the claims of the traditional Keynesian paradigm of growth. In this sense, the categorical apparatus of alternative theories of economic growth is based mainly on the claims consistent with the above-mentioned counterarguments. Thus, supporters of the so-called "A-growth" economic theory of growth [Van der Berg et al., 2012] argue that the instability of economic growth and the threat of crises arise due to people's expectations about the inevitability of economic growth, distorting the real market impulses. On the other hand, according to this theoretical direction, instead of fetishizing economic growth, participants in the economic process should focus on improving the quality of life of the population, reducing poverty and unemployment, and developing social capital, which will eliminate the so called “herd behavior” and panic of agents [Van den Bergh, 2018, 53].

One of the most popular concepts of economic growth in the 1970s was the concept of "zero growth", according to which the world economy should gradually approach the limits of weak or no growth in order to stop the ruthless exploitation of natural resources, unbridled consumerism, global ecological catastrophe, social upheavals and wars for limited resources. The development of such concepts, based on the reports of the Club of Rome [Meadows, D.H. et al., 1972], [Daly, 1974], [Georgescu-Roegen, 1986], in fact, marked a transition to a fundamentally new paradigm of economic growth and sustainable development.

The above mentioned questions, posed within the framework of the classical economic growth paradigm, meant that the macro-regulation policy based on traditional approaches does not at all lead to a more or less equal and fair distribution of the benefits of economic growth, to solving the problem of poverty on a global scale. In addition, such a policy leads to the predatory use of mineral resources and energy on a global scale and poses a threat to the existence of mankind.

The well-known theorist Jason Hickel, referring to the logic of the development of capitalism, states that “Capital has its main imperative: growth for the sake of growth, that is, growth for its own sake, in which there is a kind of totalitarian logic, according to which every industry, every national economy must constantly grow, without a specific end goal” [Hickel, 2020, 26]. Based on these judgments, both Hickel and a number of other theorists come to the conclusion that it is necessary to move to another alternative concept of economic growth - the “green growth” paradigm [Hickel, Kallis, 2020, 469-486]. However, in this context, another group of theorists warns of the danger of not going to extremes and not absolutizing environmental problems [Lehmann, et al., 2022].

Especially theorists of the post-Keynesian period do not particularly object to statements about the transition to zero economic growth, although they have some reservations about this. Moreover, some of them (Hayne, Jimenez, and others) point out that zero economic growth, combined with technological progress, will not lead to an increase in unemployment if working hours and, to some extent, wages are reduced [Hein, Jimenez, 2022, 41-60].

Thus, the traditional concepts of economic growth are somewhat transformed or re-vised in the context of the principles of inclusiveness, balance and harmony with social and environmental issues. From this point of view, especially in the last decade, the main methodological trend of economic growth, which has gained dominance in both academic, expert, and political circles, is the transition to the ideology of inclusive economic growth.

Analysis. The tools and measures of modern economic policy, as a rule, are regulated under non-inclusive concepts and ideological justifications. We are talking about particularly non-inclusive fiscal and social policies. Meanwhile, it is clear that the policy implemented as a result of such regulation leads to *discriminatory, extractive or exclusive* economic growth. Mainly, the benefits of the economic growth are distributed extremely unevenly among groups and classes of the population, and the wealthy classes of the population benefit from these processes. In any case, the statistics of the last few decades, both globally and nationally, show that economic growth was not at all accompanied by the most fair and equal distribution of income and wealth both among the states of the world and among different income and property groups of the population within the countries.

According to the data of the "World Inequality 2022" report, published by the "World Inequality Laboratory" network organization, both income and property inequality between countries, as well as between groups of different social status within countries, has continued to deepen especially during the last decade and has currently reached dangerously large amounts. Thus, according to the report, 10% of the richest people in the world own 52% of the world's income, while the poorest half of the world's population owns only 8.5% of the world's income. Moreover, according to the report, the annual income of each member of the 10% of the richest people in the world is $122,100, while the annual income of each member of the poorest population is $3,920. As for global wealth inequality, the situation is more extreme. Thus, according to the same report, the poorest half of the world's population owns only 2% of all world assets, while the 10% of the world's richest people own 76% of all assets. On average, an adult member of the poorest half of the population has $4,100 in assets, while each member of the richest 10% of the world's population has an average of $771,300 in assets. The data presented show that economic growth, both on a global and national scale, was *exceptional, extractive / discriminatory /,* since the events that took place did not lead to a proportional increase in the welfare of all classes of society, as well as to an improvement in their quality of life. Note that the logic of the development of the ideas of the traditional or main paradigm of economic growth (the "mainstream") largely followed from the logic of the development of the liberal ideology, technological support and philosophies that dominated the twentieth century. First of all, it was about technologies arising from the logic of an industrial society and their economic and social consequences.

The previous period of discriminatory or exclusive economic growth, of course, was based mainly on the theses and ideas of liberalism, the minimum possible state intervention in the free market. The logic of the development of large business and technology assumed the dominance of the priority of the economic factor, primarily in combination with the intervention of the state of one scale or another, and the processes of distribution and redistribution of income in minorities in developed countries were mainly dictated by one or other model of public choice (liberal, conservative, mixed systems).

Based on the World Inequality Laboratory’s (WIL) database, our analysis of 176 countries based on a combination of the Gini coefficient calculated on personal income (pre-tax) and per capita national income shows that the higher the level of income per capita country, the lower the level of inequality in the distribution of national income (Gini coefficient). Moreover, in the case of the countries under consideration, the curve representing the trend of the scatter plot (scatter plot) has a downward trend. The chart shows that as of 2021, the Gini coefficient calculated by income for the whole world was 0.67, in the case of Armenia it was 0.5, which is well below the global average.

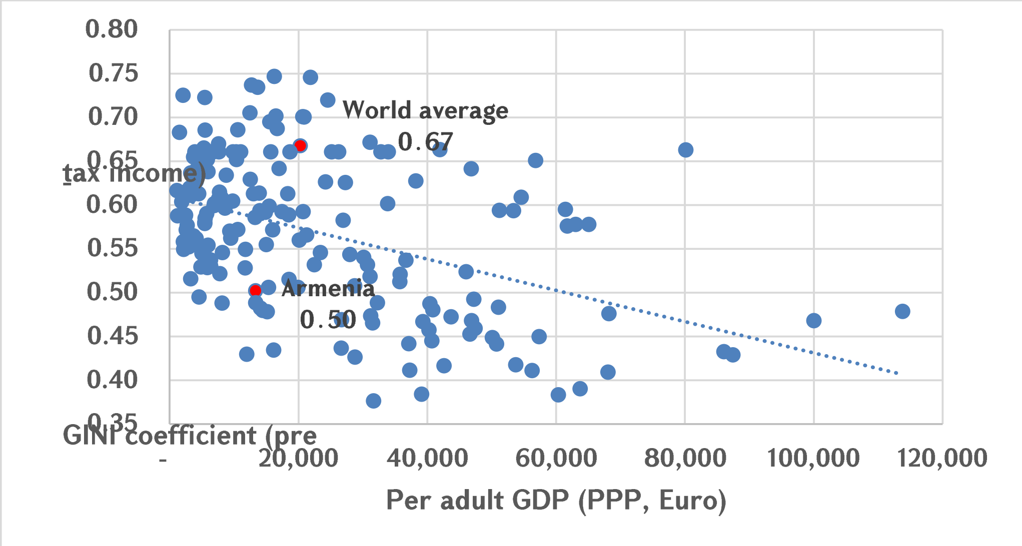

Chart 1. Positioning of 176 countries in the world economy in 2021 by combining the Gini coefficient calculated by income and national income per capita
[source: https://wir2022.wid.world]

Perhaps, from the point of view of inclusiveness of economic development and economic growth, the aforementioned research-analytical organization has applied an interesting methodology. In calculating national income, researchers at the World Inequality Laboratory subtracted consumption of fixed capital (depreciation deductions) from gross domestic product and added "net foreign income". Accordingly, National Income calculated in this way is a more meaningful indicator from the point of view of inclusiveness, as it takes into account the depreciation of fixed assets (including natural capital) that are no longer income for anyone, as well as the share of domestic production that is transferred to foreign capital owners (including offshore wealth accumulation). For example, a country with a large GDP, but high capital depreciation and capital outflows, according to this logic, does not have much income to distribute among its residents and citizens and provide adequate welfare. The Gini coefficient on personal income calculated by the WIL methodology reflects this. It is clear that in the case of the Republic of Armenia, the Gini coefficient on personal income calculated by the WIL methodology, which is in the database of that organization, significantly deviates from the coefficient published by the Statistical Committee of the Republic of Armenia, which is calculated and officially published in the form of relevant Bulletins. Such development is facilitated by large volumes of mining in the Republic of Armenia and the accompanying large offshore turnovers, significant shadow financial flows and other factors. These circumstances are most clearly seen when observing the scatter plot of countries on the world scale, based on a combination of the Gini coefficient calculated on net accumulated wealth (property) and national income per capita (see Chart 2).

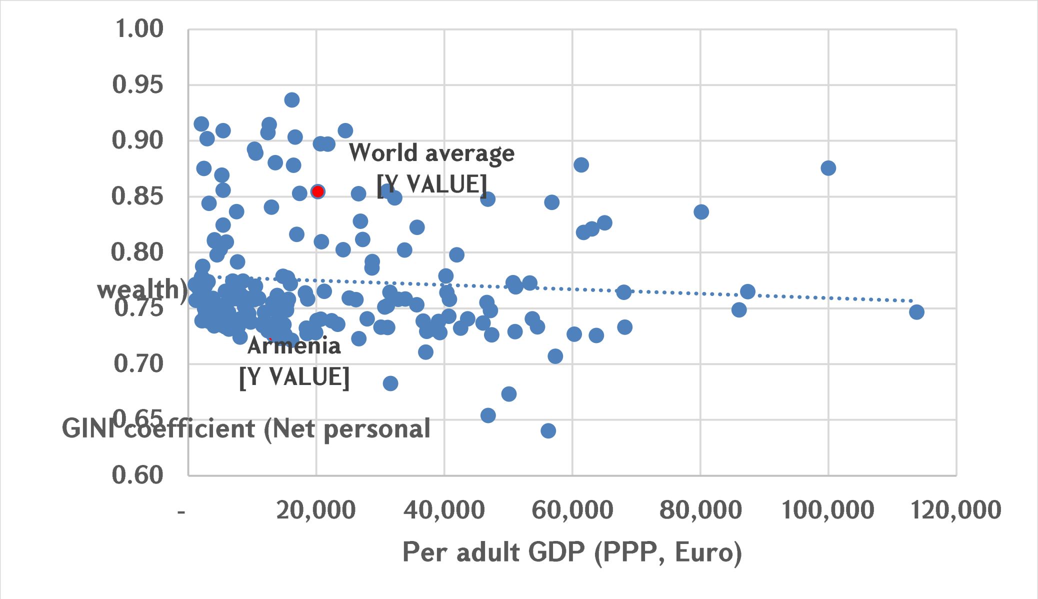

Chart 2. Positioning of 176 countries in the world economy in 2021 by combining Gini coefficient calculated by net wealth and National income per capita [source: https://wid.world/].

As we can see, in contrast to Chart 1, in Chart 2 the level of net wealth inequality is higher not only globally, but also nationally. In particular, in the case of the Republic of Armenia, the Gini coefficient calculated for net wealth was 0.73, which is 0.23 more than the similar coefficient calculated for income (pre-tax). The same is true for the global net wealth coefficient, which was 0.85, 0.25 more than the income Gini coefficient (Figure 2). Observation of the issue in the long term perspective shows that an impressive growth in average per capita income in emerging market countries is not at all accompanied by an equally impressive reduction in the level of inequality in the distribution of income and wealth. This problem refers equally to the Republic of Armenia (Chart 3). In the period of 2004-2021, the per capita income, estimated by purchasing power parity, in the Republic of Armenia has almost quadrupled, reaching 15,592 dollars, while the Gini coefficient calculated by income, according to the methodology of the Statistical Committee of the Republic of Armenia, has decreased slightly, from 0.395 to 0.364, also, according to the WIL methodology, it has decreased from 0.556 to the level of 0.502. Moreover, according to the WIL methodology, the Gini coefficient by net wealth not only did not decrease, but also increased slightly, increasing from 0.724 to 0.726. This indicates that the benefits of economic growth, especially during the last decade, when there was an impressive increase in the National Income (almost 4 times), were not distributed at all in accordance with the principles of inclusiveness.

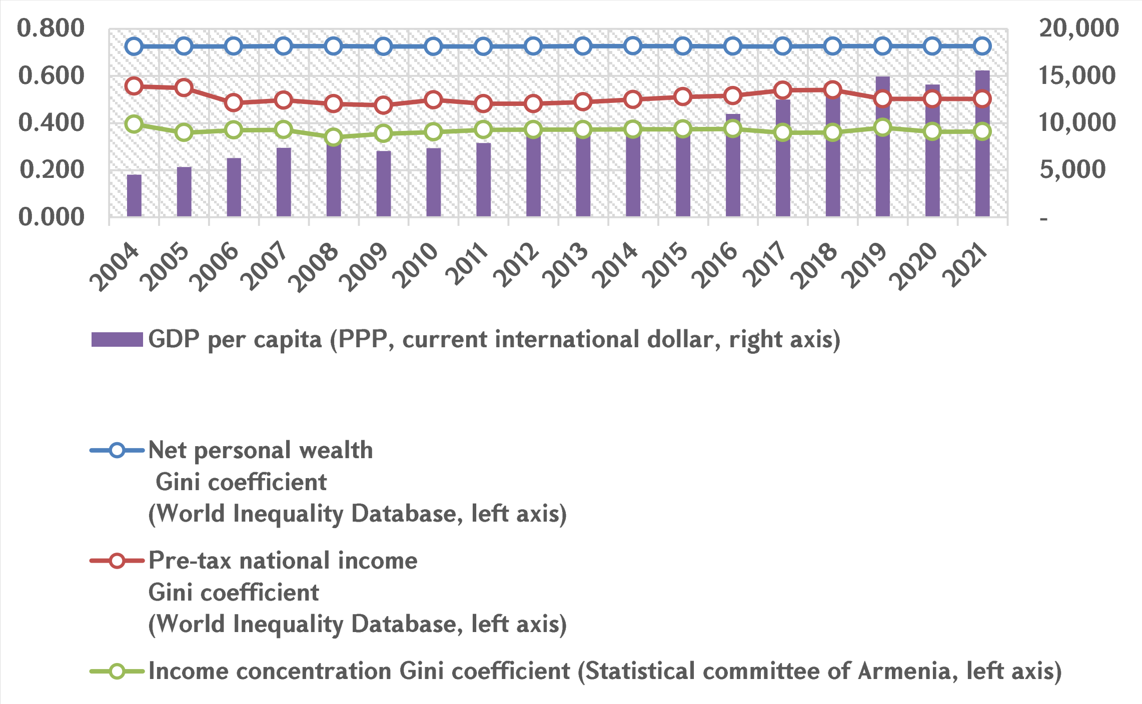

Chart 3. The dynamics of absolute per capita income and inequality (according to Gini coefficients calculated by different regimes) in RA 2004-2021 [sources: https://wid.world, https://data.worldbank.org/indicator/NY.GDP.PCAP.CD, www.armstat.am]

Comparing the indicator of economic growth in the observed period with the Gini coefficient calculated by different regimes and the information obtained from other sources, it turns out that such a relationship is highly relative and does not always become reality. Chart 4 presents the series of real GDP growth indicators recorded in RA in the period 2004-2021, from which it can be seen that there was almost no connection between economic growth and the movements of the Gini coefficient (that is, poverty reduction).

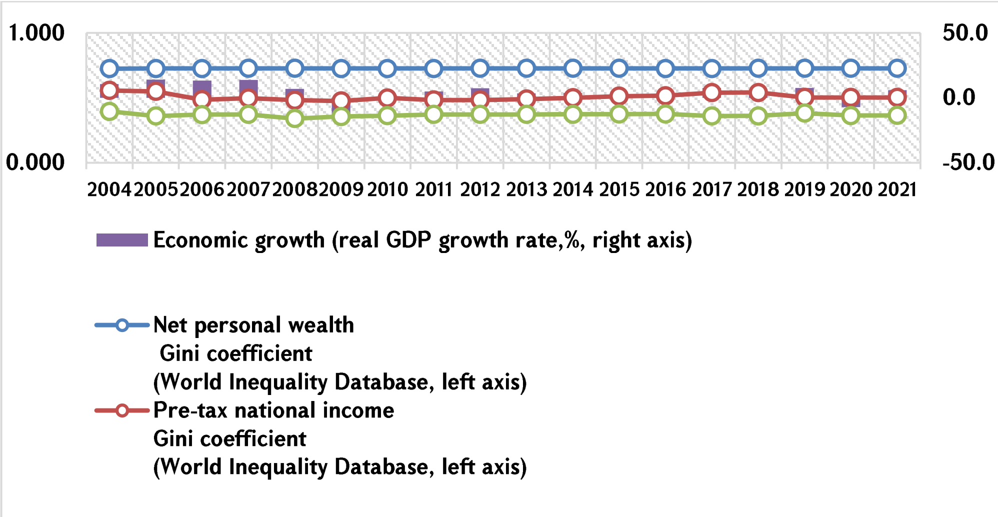

Chart 4. The dynamics of real GDP growth and inequality (according to Gini coefficients calculated by different regimes) in RA in 2004-2021 [sources: https://wid.world, www.armstat.am].

The analysis described above shows that the extractive paradigm of economic growth, being problematic not only in economic, but also in social and environmental aspects, requires a fundamental revision at the level of both global and national economies. For this reason, it is necessary to make a transition to an inclusive paradigm of economic growth, which implies, instead of quantitative stimulation of economic growth at any cost (often an end in itself), the introduction of a comprehensively justified mechanism for the redistribution of income and the economical use of natural resources. These mechanisms are primarily associated, on the one hand, with the implementation of innovative and inclusive fiscal policy schemes, on the other hand, with a focus on social justice in spending policy and an increase in transfer contributions to socially vulnerable segments of the population.

Conclusion. In order to ensure the inclusiveness of economic growth, a fundamental review of the policy of income redistribution is needed, primarily through effective and inclusive taxation reforms and social transfer policies. Current economic and technological developments show that the main emphasis in tax policy should be placed on increasing the progressiveness of income tax rates, raising real estate and accumulated property tax rates, applying more flexible and differentiated tax rates for non-wage income, introducing the practice of inheritance taxation mechanisms. On the other hand, in terms of tax inclusiveness, one might consider introducing new approaches in tax policy aimed at encouraging the economic initiative of socially disadvantaged and vulnerable classes or establishing income tax incentives to increase labor involvement, or establishing corporate tax incentives in case of employment of this category of people.

Finally, one of the steps to increase the level of inclusiveness of the tax system should be the increase of environmental tax rates in order to compensate for the environmental damages according to the production activity. From the point of view of developing and strengthening the inclusiveness of economic growth, it is also extremely important to implement the most up-to-date mechanisms for encouraging business initiatives and promoting small and medium-sized businesses.

The challenges of inclusiveness of economic growth in post-covid and global financial turbulence conditions require first of all the most serious structural and functional reforms related to equal opportunities, removal of barriers to access to resources, policies of serious social targeting, as well as the development and implementation of effective policies in order to provide adequate responses to aggravated environmental problems.

In modern conditions, modern high technologies, in particular, the development of the internet and digitalization, can become one of the important factors and driving forces for the growth of inclusiveness. It can have a serious impact, primarily through the education sector, in the direction of raising the level of education and developing the human capital, which is possible from the point of view of forming the competitive abilities of people at the lowest social level and those who are below the poverty line and participate more actively in the labor market.

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On the modern methodological issues of transition to the paradigm of inclusive economic growth

Key words: economic growth, inclusiveness, inclusive growth, extractive growth, Gini coefficient, paradigm

This article discusses the methodological issues of changing the paradigm of the content of economic growth in modern conditions. In particular, the standpoint was substantiated according to which the previous period of economic growth was a discriminatory, monopoly (mining) period of economic growth based on an extensive, quantitative increase in the involvement of minerals, energy carriers and other material resources in the public economy. On the other hand, the benefits of such economic growth were distributed extremely unevenly both on the scale of the world and national economies. In the course of the analysis, the thesis was substantiated, according to which the successive crises of recent decades are forcing the transition to an inclusive paradigm of economic growth, which is characterized by balanced development based on a reasonable balancing of economic, social and environmental components. In order to identify the main trends at the global level, a sample of 176 countries was formed and a comprehensive analysis was carried out. As a result, we came to the conclusion that the level of economic development still has its positive impact in terms of a proportional distribution of income and wealth and is largely manifested by the presence of effective mechanisms of fiscal-redistributive policy. Based on results of the research, policy measures aimed at contribution to a tax system progressiveness and inclusiveness were proposed.