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REPORT
WORLDS IN TRANSITION

MEASURING DEVELOPMENT IN THE 21ST CENTURY

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Volume 1 – The Economic Dimension

Executive Summary

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WORLDS IN TRANSITION

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I have long learned, through sovereign risk analysis, to be cautious of overly simple categories. They offer reassurance, but rarely explanation. Describing a country as "developed" or "developing" often freezes a moving reality, whereas the robustness of a development model is ultimately revealed over time, under constraints, and in the face of both domestic and external shocks.

This is why I find SKEMA Publika's report Measuring Development in the 21st Century, written by a multidisciplinary team led by Amaury Goguel, particularly valuable and original. The report does more than challenge the limits of GDP, per capita income, or international classifications. It proposes another way of understanding development: not as a status, but as a capacity for resilience. In my view, this is one of its most valuable contributions. A developed economy is not simply a wealthy economy; it is an economy capable of financing its strategic choices, preserving macroeconomic and financial stability, maintaining market access, investing in its productive base, ensuring a balanced distribution of the gains from growth, and absorbing shocks without systemic disruption.

The methodological, multifactorial, and comparative approach adopted by the report sheds light on the structural differences between the United States, France, and China. It shows that the former benefits from exceptional financial centrality; the second illustrates stabilising institutional and social maturity; while the third combines industrial power, state-directed capital allocation, and an ongoing process of financial maturation. One of the study's distinctive strengths lies in recognising that no development trajectory is universally optimal and that all models rely on trade-offs.

In this respect, the report offers an innovative perspective and contrasts with predominantly quantitative approaches to country risk analysis: it places greater emphasis on long-term dynamics and reintroduces internal coherence and vulnerability into the assessment of development. For policymakers, investors, analysts, and students alike, this framework offers far more than a classification system. It provides a method for understanding how nations sustain themselves, adapt, and at times transform in an uncertain world.

WHY THIS STUDY?

This report seeks to reconsider the concept of the "developing country" by focusing on the economic dimension. We argue that the legal category of "developing country" no longer necessarily aligns with the economic reality of the states that claim or contest that status. The binary classifications opposing developed countries and developing countries have become largely obsolete, insofar as the global economy is now structured by hybrid powers.

This report proposes a structured assessment of the degree of development based on a coherent set of criteria. The aim is to compare the maturity and resilience of the national economic trajectories of three major economies: China, the United States and France. This is done by evaluating the capacity of these economies to produce, finance, stabilise and increase the complexity of their productive systems, based on a coherent set of ten macroeconomic, financial and trade criteria.

In this context, the question is no longer simply which status a state claims, but **what it now means to be a developed or developing country within a global economic order undergoing reconfiguration**.

In this first volume, the analysis focuses on the economic dimension of development. This is done by evaluating the capacity of these economies to produce, finance, stabilise and increase the complexity of their productive systems, based on a coherent set of ten macroeconomic, financial and trade criteria. This dimension constitutes the analytical foundation of the index proposed here, which will later be complemented by the human, institutional, technological, strategic and environmental dimensions.

This approach builds on earlier work that questioned the relevance of traditional classifications, particularly the SKEMA Publika note by Thomas Deconstanza on China's status within the WTO[1] and Amaury Goguel's research on the limitations of quantitative models for sovereign risk management[2]. It reflects the same central insight: that legal categories or isolated indicators are no longer sufficient to determine the actual degree of development.

After presenting the conceptual and methodological foundations of the multifactorial index adopted here, the report applies this analytical framework to the three countries studied and derives a score for each, before concluding on the theoretical contributions revealed by this new approach.

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[1] Deconstanza (T.), *China's developing-country status: an anachronism in 2025?*, SKEMA Publika, July 2025, https://publika.skema.edu/chinas-developing-country-status-an-anachronism-in-2025/.

[2] Bouchet (M.-H.) & Goguel (A.), "The shortcomings of models in country risk management", *Journal of Risk Management in Financial Institutions*, Henry Stewart Publications, Vol. 12, No. 2, March 2019, pp. 125-144. https://ideas.repec.org/a/aza/rmfi00/y2019v12i2p125-144.html

KEY POINTS

1. CONSTRUCTING AN ECONOMIC DEVELOPMENT INDEX

Constructing a comparative economic development index requires looking beyond isolated indicators. Neither gross domestic product, the growth rate, nor even the Human Development Index is sufficient to capture the complexity of contemporary economic trajectories.

Economic development cannot be reduced either to the level of wealth or to short-term economic performance alone. It refers to a structural capacity to produce, innovate, finance, stabilise, withstand shocks and convert growth into sustainable improvements in living conditions.

From this perspective, development is best understood as a **coherent set of complementary indicators** covering:

- standard of living,
- macroeconomic stability,
- productive capacity,
- external financial soundness,
- structural sophistication.

No single indicator taken in isolation can determine the actual degree of development.

The selection of the ten criteria forming the economic dimension of development is based on the assumption that advanced economic development emerges at the intersection of three complementary dimensions: the level attained, the quality of the productive structure and the capacity for systemic resilience. The criteria selected are therefore not simply juxtaposed but are intended to cover these three dimensions.

The aggregation of criteria is based on explicit weighting, acknowledging that not all indicators carry the same structural significance. A qualitative hierarchy (low, moderate, strong or very strong) is assigned to each criterion according to its ability to distinguish sustainably between advanced economies and economies in transition.

2. SUMMARY OF SCORES AND OVERALL INDEX

Criterion	Criterion weighting (/5)	China	United States	France
Standard of living and socio-economic effectiveness (/10)	4	6	8.5	7.5
General price level (/10)	1	6.5	7	8
Growth dynamics (/10)	2	8	7.5	6
Productive efficiency (/10)	3	7.5	8.5	6.5
External balances (/10)	2	6.5	5	7.5
Financial credibility (/10)	4	7	9	8.5
Debt sustainability (/10)	3	6.5	7	6
Access to international finance (/10)	4	6	9.5	8.5
Trade and monetary power (/10)	2	8.5	9	7.5
Economic sophistication (/10)	5	8.5	9	8
Economic development score (/10)	**30**	**7.10**	**8.32**	**7.52**

Summary of the economic development score.

3. WHAT THE INDEX REVEALS: TYPOLOGIES, PRESSURES AND TRAJECTORIES

a. The United States: A "Frontier" Advanced Economy

The results of our index confirm that the United States holds a singular position in the contemporary hierarchy of economic development. It stands out for its high level of wealth and the large size of its economy, but also for its capacity to position itself at the technological, financial and organisational frontier of the international system.

The term "frontier economy" refers here to a stage of development in which growth stems more from creation than from catch-up or imitation. The United States accounts for a major share of breakthrough innovation in the fields of artificial intelligence, biotechnology, quantum computing, digital platforms and finance. Its hourly productivity remains among the highest in the world, and its capacity to turn innovation into economic value is underpinned by an ecosystem combining universities, venture capital, financial markets and transnational firms.

This frontier position is evident in several dimensions of our index. The United States dominates the criteria relating to financial credibility, access to international finance, trade power and, above all, monetary power, as well as structural sophistication. The international role of the dollar affords it a unique systemic advantage. The country is able to sustain external and budget deficits over time on favourable terms. This "exorbitant privilege" is a multiplier of economic and geopolitical power, allowing the United States to absorb imbalances that would be unsustainable for other economies.

However, the frontier model has its own internal pressures. The United States combines a high level of public debt, persistent current account deficits, and a structural dependence on household consumption. The scale of its financial markets and the centrality of the dollar make these imbalances sustainable in the short and medium term, but they create a potential vulnerability in the event of an erosion of monetary confidence or international financial fragmentation. In addition, social polarisation, income inequality and the high cost of essential services, such as healthcare, place a strain on internal cohesion and may limit the diffusion of productivity gains across the population as a whole.

The US frontier economy is therefore characterised by constant tension between innovative dynamism and distributive weaknesses. It maximises efficiency and innovative capacity, at the cost of accepting greater budgetary and social imbalances. This configuration reflects a structural trade-off in favour of performance and systemic centrality.

The United States is the contemporary benchmark of "systemic" advanced development. Its economy is capable of producing and innovating, while also imposing the financial and monetary rules of the international economy. US leadership seems to rest less on the absence of weaknesses than on its capacity to absorb them without any immediate loss of centrality.

b. **France: A "Mature" Advanced Economy**

Unlike the US model, France embodies a form of development that can be described as "mature". This term refers neither to decline nor to mechanical stagnation, but rather to a stage of institutional and social consolidation where the priority lies in optimising an already high level of economic and social balance rather than in rapid expansion or continuous technological breakthroughs.

France clearly belongs to the group of developed economies with a high standard of living. Its GDP per capita in PPP remains high and, more importantly, its capacity to convert wealth into social wellbeing results in a very high Human Development Index. This relatively homogeneous transformation of wealth into health, education and social protection is one of the distinctive features of its model.

The "mature" nature of the French economy is also reflected in the structure of its growth. This is more moderate than in catch-up economies and less driven by major technological breakthroughs than is the case in the United States. The productive base

remains sophisticated, with clearly identified areas of excellence (aerospace, luxury goods, pharmaceuticals, energy, high value-added services), but movement up the value chain relies more on the consolidation of existing segments than on the creation of new globally dominant sectors.

On the financial and institutional front, France benefits from strong external credibility, underpinned by its membership of the euro area. Its access to international finance is stable, financial flows are transparent and institutional strength is high. However, this robustness is partly pooled at European level. The country's monetary autonomy is indirect and its adjustment capacity relies largely on a collective framework. France therefore has real financial power, but this is less autonomous than that of the United States, as the country is embedded in the EU framework.

The model's main limitations appear on two fronts. On the one hand, productivity growth remains moderate and potential growth is constrained by structural rigidities, less favourable demographics and a relatively narrower industrial base than that of the major manufacturing powers. On the other hand, high public debt gradually reduces fiscal room for manoeuvre, even if sustainability remains assured in the short and medium term.

The French economy is thus characterised by a structural trade-off in favour of inclusion and stability. The model prioritises social cohesion and quality of life, at the cost of more measured productive dynamism and less pronounced international centrality. It is a stabilised form of economic development, institutionally robust, but whose ability to maintain its relative position will depend on its capacity to reconnect industrial competitiveness, technological innovation and fiscal sustainability.

France embodies an advanced and stabilised form of economic development. Its model is mature, balanced and resilient, but faces the constant challenge of renewing its growth drivers without undermining its social model.

c. China: A "Hybrid" and "Systemic" Advanced Economy

China holds a singular position in the typology derived from our index. It fits neither the classic emerging economy model nor the fully post-industrial advanced economy model. It lies in an intermediate configuration that could be described as a hybrid and systemic advanced economy. Hybrid, because it combines characteristics typical of developed economies with features still associated with economies in transition. Systemic, because its productive, trade and financial weight is now such that its internal imbalances produce global effects.

On the productive front, China has crossed a critical threshold. Its ECI is now comparable to that of the major industrial powers. Its manufacturing base is one of the most diversified in the world, spanning the entire industrial spectrum, from capital goods to green technologies. It has established itself as a central player in global value chains, particularly in strategic sectors such as batteries, electrical equipment, rail infrastructure and certain digital technologies. This industrial move up the value chain gives China the profile of a

"partial frontier" economy. It is at the leading edge in certain technological segments, yet in others remains dependent on standards and infrastructures established elsewhere. Innovation is massive in volume, but still unevenly diffused and territorially concentrated.

However, this productive power coexists with a still intermediate standard of living. GDP per capita remains significantly lower than that of Western economies. The gap between industrial sophistication and average income per capita is one of the central paradoxes of the Chinese model. It reflects uneven development, in which technological density has not yet been fully converted into a homogeneous standard of living. Vulnerabilities also appear on the financial and demographic fronts. Total non-financial debt is high and concentrated in certain segments, particularly real estate and local authorities. While this debt is overwhelmingly domestic and denominated in national currency, which limits the risk of a classic external crisis, it nevertheless weighs on the efficiency of capital allocation and on future productivity growth. Moreover, the country's demographic slowdown constitutes a structural headwind, mechanically reducing long-term growth potential.

On the international monetary and financial front, China remains in an intermediate position. It has considerable foreign exchange reserves and substantial capacity for intervention. However, its currency has not yet acquired an international status comparable to that of the US dollar or even the euro. China does have access to international finance, but it does not have safe-haven status. In periods of global stress, capital tends to flow out rather than in spontaneously.

China thus embodies an advanced economy in transition. The density and diversification of its productive structure have taken it beyond the stage of classic emergence, but it has not yet reached the level of institutional, financial and social maturity of fully developed economies. Its model rests on a delicate balance between industrial power, state control and the pursuit of a gradual expansion of domestic consumption.

China represents a new contemporary form of development. It is a major industrial power with incomplete maturity, endowed with considerable systemic capacity, but still engaged in a process of internal transformation whose outcome will depend on its ability to simultaneously resolve its financial, demographic and social pressures without weakening its productive base.

4. THE CONVERGENCE OF PRESSURES AND THE HYBRIDISATION OF THE MODELS

The "triangle of incompatibilities" describes relatively stable structural trade-offs. However, since the early 2020s, these national balances have come under increasing pressure. Development models are no longer shifting solely as a result of domestic political choices, but under the effect of a **convergence of exogenous pressures**, which tends to reduce the scope for trade-offs. This is no longer merely a theoretical trilemma; it reflects a

systemic environment in which climate, technological, geopolitical and demographic constraints interact and reinforce one another.

a. Climate, Technology and Geopolitics: Cumulative Constraints

On the one hand, the energy transition simultaneously requires public planning, a massive mobilisation of private capital, and social acceptability. Decarbonisation requires strategic public investment (sovereignty), rapid innovation (efficiency), and compensation for households to offset the costs incurred (inclusion). No single vertex of the triangle is sufficient on its own to address the climate challenge.

On the other hand, artificial intelligence, automation and dual-use technologies are profoundly reshaping potential productivity gains. They require a high-performing entrepreneurial ecosystem (efficiency), strategic control over critical infrastructure (sovereignty), and management of distributional effects (inclusion). The technological race between the world's major powers makes a purely liberal or purely state-controlled model unviable.

Finally, the fragmentation of value chains, mutual sanctions and the securing of strategic supplies are leading to a return of the strategic state. Full globalisation is giving way to selective globalisation. This reconfiguration requires the combination of protection, competitiveness and internal cohesion.

These pressures overlap, and their simultaneity creates a multiplier effect that amplifies structural vulnerabilities in economies. A property crisis can turn into a financial crisis and then a political crisis, while a trade war can amplify a demographic vulnerability. The concept of "polycrisis" captures this dynamic of interdependence.

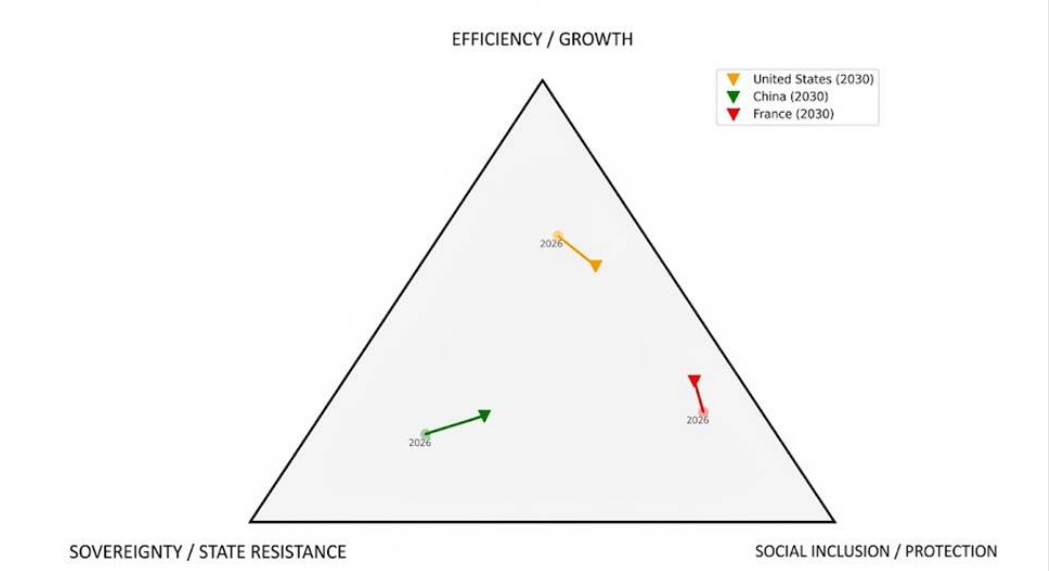
b. Towards a Constrained Convergence of Development Trajectories

As a result of this convergence of pressures, the three national models are tending to move towards a more central position within the triangle.

While historically its position has leaned more strongly towards efficiency, the United States is reintroducing elements of economic sovereignty via industrial policies, export restrictions on critical technologies, and strategic subsidies. The objective is to secure the country's productive base without relinquishing technological leadership.

China, whose position is anchored in sovereignty, is seeking to broaden the social foundations of its model through "common prosperity" and an attempt to shift the balance towards domestic consumption. The challenge is to stabilise the social foundations without weakening productive dynamism.

France, strongly anchored in the inclusion vertex, is attempting to increase its competitiveness and industrial capacity in a constrained fiscal context. Its challenge is thus to increase efficiency without eroding social cohesion.



Evolution of the triangle of incompatibilities (2020-2035).

The convergence of models does not imply their uniformisation. Rather, it reflects a process of strategic adaptation in which each country seeks to partially incorporate the strengths of its competitors without abandoning its core identity.

c. The Outlook to 2030: Hybridisation or Instability?

By 2030-2035, three major forces are likely to reinforce this dynamic. First, the "climate wall" requires planning, innovation and social acceptability to be addressed simultaneously. Second, the need for economic security is compelling even the most liberal economies to strengthen their sovereign instruments. Finally, increasing domestic political pressures, including inequalities, populism and demographic shifts, are making it increasingly difficult to neglect the social pillar of public policy.

The central area of the triangle is thus becoming a strategic space of resilience, characterised by a form of permanent compromise aimed at minimising the risk of systemic disruption. The shift from a logic of maximising one vertex of the triangle to one of seeking balance is a significant change for economies and is not without risk. In attempting to increase efficiency, sovereignty and inclusion simultaneously, states might increase institutional complexity, blur fiscal responsibility and reduce strategic clarity. Resilience therefore requires close coordination of public policies and the ability to make rapid trade-offs.

In this context, the classical view of economic development as a linear trajectory towards a theoretical end state appears increasingly outdated. Economic development becomes a process of continuous adjustment in the face of multiple constraints. The most successful models will therefore be those capable of maintaining a dynamic balance between productivity, financial stability and social cohesion.

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