Chapter 6
Growth Accounts of the Asian Economies

ABSTRACT
This chapter develops the growth accounts of sampled Asian countries and confirms that high rates of output growth in these countries are input driven. The analysis shows that the role of productivity growth has been minimal, accounting for at most 30% of the average rate of growth. For China, the contribution of productivity is slightly higher. These estimates reflect two important conclusions: (1) there is a need to better estimate TFP growth rates, and (2) despite the higher TFP’s contribution, the hypothesis that growth in these economies are input driven cannot be rejected. Like Senhadji (2000), estimated TFPs were used to investigate deeper into sources of growth, and it was found that for China, India, and the Philippines, government spending seems to have been important. For most of the countries, it was hard to find a unilateral support for financial deepening. Alternative measures of openness to trade, however, seem to be positively associated with growth in China, Malaysia, Singapore, and India. Except for Thailand, Indonesia, and Taiwan, investment seems to have either negligible or negative growth effects. These results are not unexpected and could be due to a number of reasons: (1) some variables may only have short-run effects, (2) there could be possible multi-collinearity among the included variables, and (3) it cannot be argued that these are proper proxies of the hypothesized determinants. Further, for the short-run, neither the direction nor the magnitude of these effects can be generalized. Such issues are taken-up more seriously in the following chapters.

DOI: 10.4018/978-1-4666-5848-6.ch006
INTRODUCTION

This chapter undertakes a preliminary assessment of sources of growth in the selected Asian economies by constructing their growth accounts. Following a brief review of the growth accounting literature, the chapter is partitioned into two major components. The first employs original Solow (1957) approach, but using the insights from Senhadji (2000) and Bosworth and Collins (2003), conducts growth accounting exercise using alternative assumptions about the share of capital. In the second section, tests on growth effects of a limited set of variables are conducted by relating them to alternative estimates of TFPs as in Senhadji (2000). The latter method produced useful insights in Senhadji’s experiments, as detailed in the theoretical survey chapter. The results obtained in this chapter confirm the dominant role of factor mobilization, but fail to show any univocal summary on the sources of growth. Therefore, with some reservations, it is suggested that government spending, trade openness and investment are important sources of growth in most of these Asian countries. It is suggested that despite the shortcomings, this methods of inquiry into sources of growth is refreshing and must be pursued as in Senhadji (2000) and Bosworth and Collins (2003).

BACKGROUND

Growth accounting is the first and a useful step into the inquiry on sources of growth. As will be seen later in the chapter, it involves decomposing the rates of growth of output (or output per worker) into the growth rates of inputs and technology. Studies on growth accounting date back to the 1960s reflecting works of Solow (1957), Kendrick (1961), Denison (1962) and Jorgenson & Griliches (1967), amongst the others. Previous studies on growth accounting especially for EAEs surveyed earlier in this book have shown that growth rates in these countries are input driven. Tactful interpretation of the residual, the most controversial element on GAEs, is due to Solow (1957) who also provided a systematic analysis of sources of growth. Other important issues in growth accounting that must be considered are emphasized towards the end of this chapter.

The Asian sample of the aforesaid 10 countries and Solow (1957) framework, provide further support to the fundamentalists’ arguments that growth in these countries are little to do with productivity enhancement but much of it is due to factor mobility. The results imply that the high rates of growth noted in these economies are unsustainable. While the GAEs do produce preliminary insights, Senhadji (2000) has shown how the estimates from the GAEs can be used to determine the impact of variables on the long-run growth rate. Using his method (also adopted
Related Content

Real-Time Monitoring of Intercity Passenger Flows Based on Big Data: A Decision Support Tool for Urban Sustainability
www.igi-global.com/chapter/real-time-monitoring-of-intercity-passenger-flows-based-on-big-data/215759?camid=4v1a
The Relationship Among Military Expenditure, High Technological Product Exports, and Economic Growth: An Econometric Analysis for Selected Economies
www.igi-global.com/chapter/the-relationship-among-military-expenditure-high-technological-product-exports-and-economic-growth/206676?camid=4v1a

“Female Charm”: Women’s Role in Tourism Internationalization, Innovation, and Networking Strategies
www.igi-global.com/chapter/female-charm/218011?camid=4v1a

Dynamics of Public Expenditure on Defense and Economic Growth Pattern in Developed and Developing Countries
www.igi-global.com/chapter/dynamics-of-public-expenditure-on-defense-and-economic-growth-pattern-in-developed-and-developing-countries/206679?camid=4v1a