

On Growth Accounting and Growth Theory: With an application to East Asian Growth.

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It is shown how the partial growth accounting components of growth accounting studies can be re-interpreted in terms of their general equilibrium contributions, using the neoclassical growth model. This is achieved by formally demonstrating the relationship between partial and general equilibrium contributions. An alternative decomposition of the sources of growth across countries is suggested. This decomposes aggregate growth into the relative contributions of variables which are exogenous in standard growth theory. The method is applied to studies of the East Asian economies by Young (1995) and Collins and Bosworth (1996). Contrary to the usual interpretation of these data, it is shown that the data support the argument made by King and Rebelo (1993). Capital deepening through the transitional dynamics explain only a small fraction of growth in the East Asian region.

JEL Classification; O00, O1, O30, O47, O53.

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