



YOUR LOGO

# MEASURING ECONOMIC GROWTH AND DEVELOPMENT

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13 January 2022

# ECONOMIC GROWTH

is contingent upon:



- **factor accumulation:** increasing the size of the capital stock and/or increasing the labor force
- **productivity growth:** improving efficiency and introducing technological change

# Link between economic growth and development



- Economic growth is a necessary but not sufficient condition for economic development
- Economic development includes having education, a healthy life, not being poor, safe from crime, citizen participation

# Economic growth and development

## Economic growth

a rise in national or per capita output/income

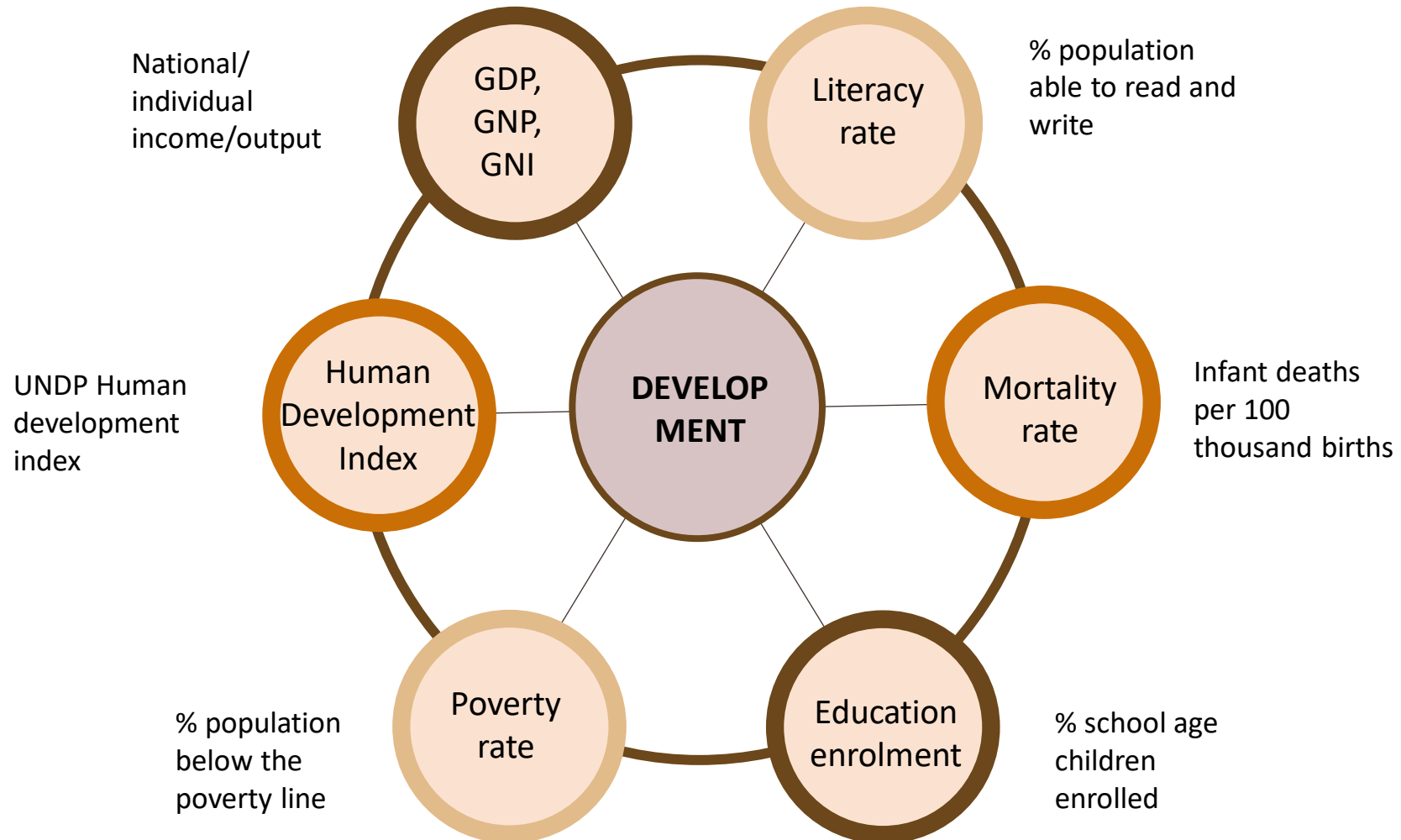


## Economic development

a rise in national output and improvements in human well-being; which requires structural change



# Development indicators



# What is GDP? How is it calculated?

GDP = sum of value of finished goods and services produced by society within a given year

GDP pr capita = GDP/population

Contribution of a sector of GDP = measured by the value added by the sector

$$GDP = C + I + G + (X - M)$$

whereby:

GDP = gross domestic product (national income)

C = consumption

I = investment

G = government spending

X = exports

M = imports

# Value added

Incremental gain to the price of a product at a particular stage of production



Cotton balls



tax

Cotton threads



tax

Cotton shirts



tax

Packaged product

# Difference between GDP, GNP, GNI, and HDI

## **GDP**

Total value of goods produced within the country; includes foreign investments but excludes citizens living abroad

## **GNP**

Total value of goods produced by citizens of a country; includes remittances from abroad; excludes foreign investments

## **GNI**

GNP + product taxes (minus subsidies) not included in the valuation of output + net receipts of primary income from abroad

## **HDI**

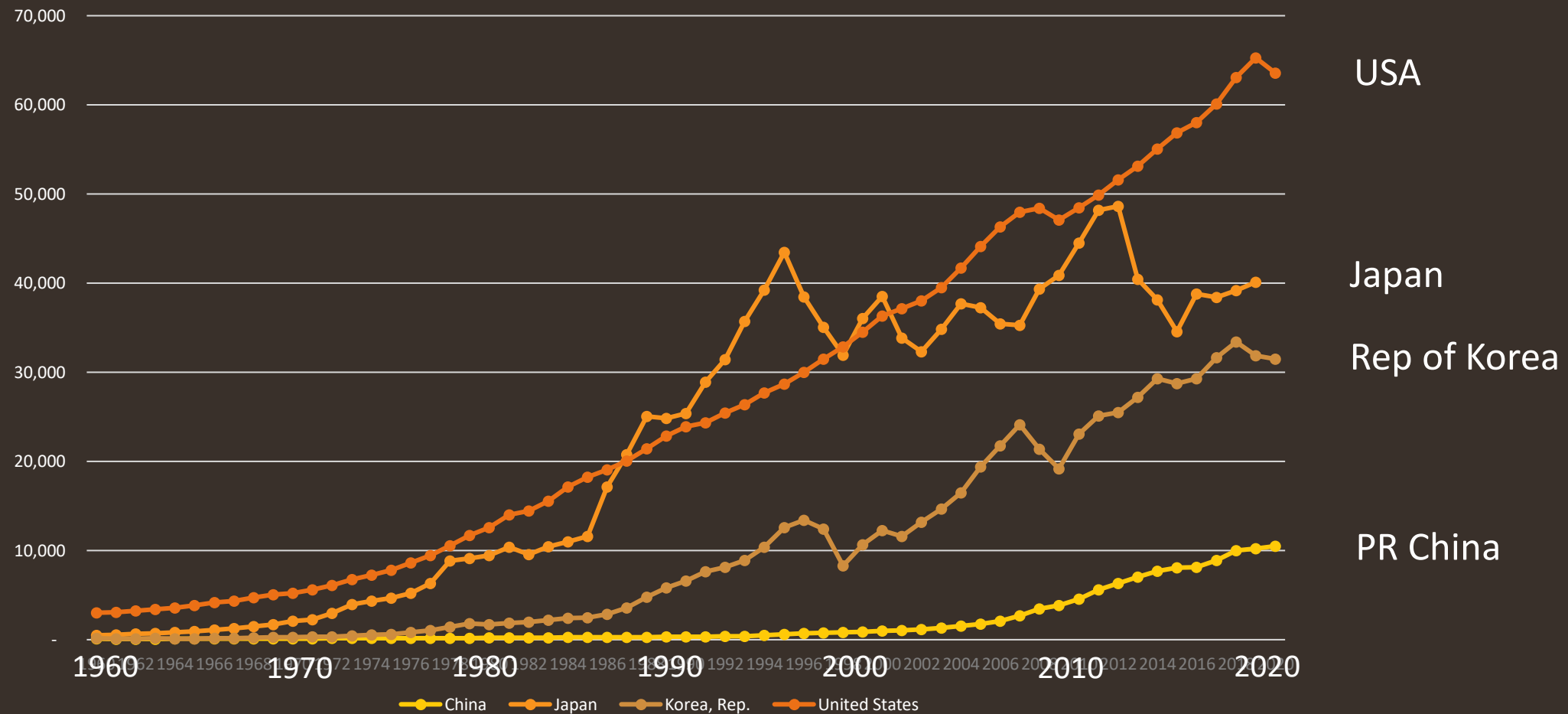
Developed by the United Nations to quantify the essential elements of human development, which are not captured in GDP

# Limitations of GDP and HDI

- **GDP** does not measure non-market activities, negative externalities and quality of life
- **HDI** captures only three (3) dimensions of human development and difficult to compare across countries



# Economic growth: rise of GDP/capita over time

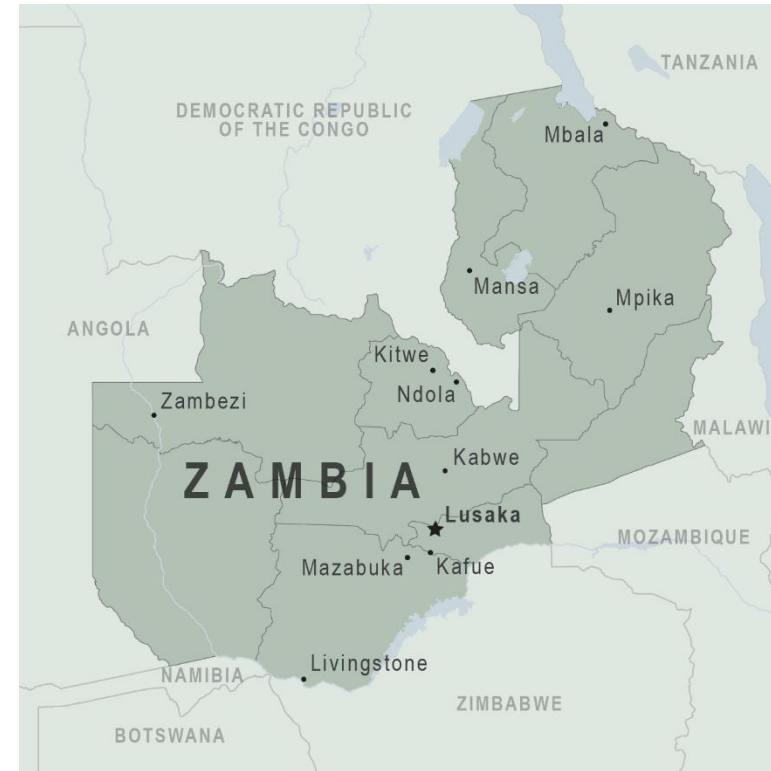


# Case study: two countries, different experiences

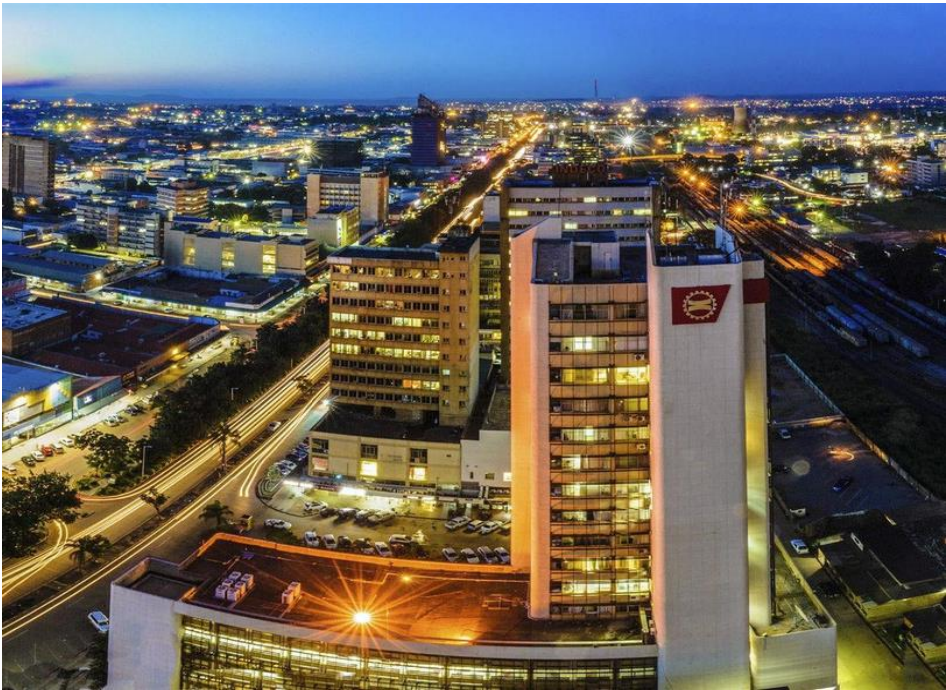
- Thailand



- Zambia



# Thailand



# Thailand

Indicator	1970	2020
GDP per capita	\$929	\$7,189
Life expectancy	54 years	69 years
Infant mortality (per 1,000 births)	103	12
Literacy rate	80	94



# Zambia



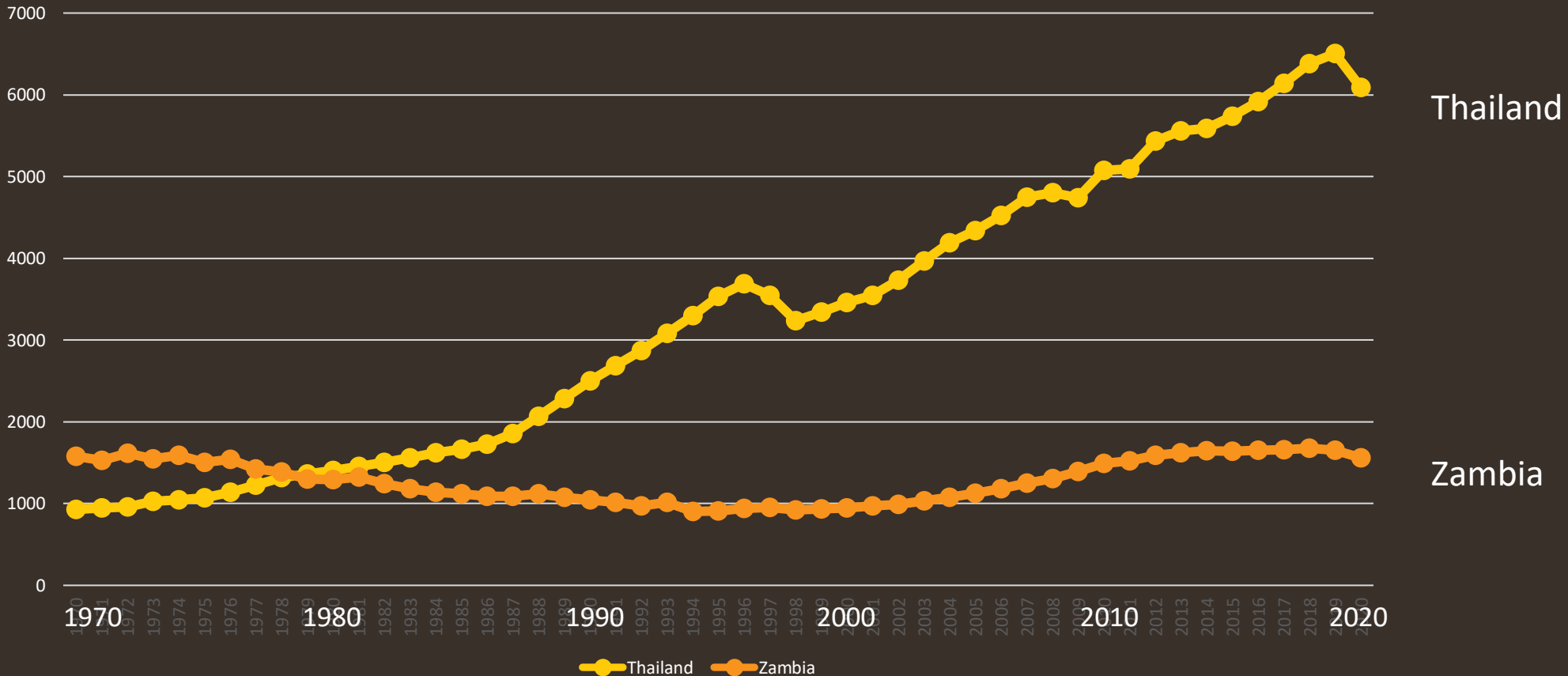
# Zambia

Indicator	1970	2020
GDP per capita	\$1,581	\$1,051
Life expectancy	45 years	45 years
Infant mortality (per 1,000 births)	126	86
Literacy rate	48	71



# Economic growth comparisons

GDP per capita, constant US\$ 2010



Source: World Bank Open Data

# Summary

- GDP, GNP or GNI can be used to measure economic growth; each measure has its limitations
- Development: measured through: economic output, health, education, reduction poverty and HDI
- Development = output growth + improved human well-being



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