YOUR LOGO

MEASURING ECONOMIC GROWTH AND DEVELOPMENT

FACULTY OF ECONOMICS, THAMMASAT UNIVERSITY

MODULE 2

Semester 2 2022

EE463 Globalization and International Development

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

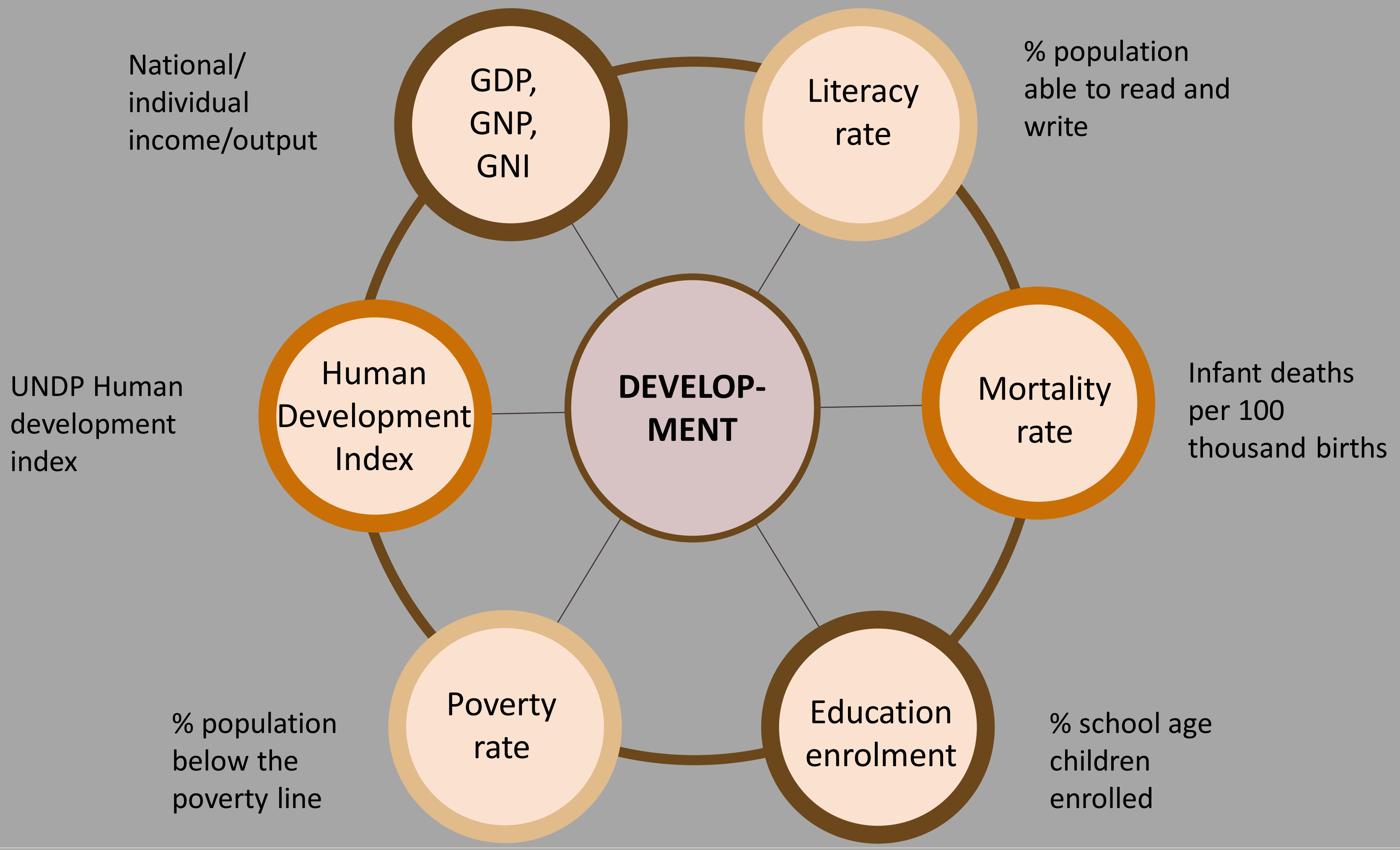
Economic growth

a rise in national output
(or per capita income)

Economic development

a rise in national output <u>and</u>
improvements in human
well-being

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 per 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 → Cotton threads → Cotton shirts → Packaged product

tax tax tax

Difference between GDP, GNP, GNI, and HDI

GDP	GNP	GNI	HDI
Total value of goods produced within the country; includes foreign investments but excludes citizens living abroad	Total value of goods produced by citizens of a country; includes remittances from abroad; excludes foreign investments	GNP + product taxes (minus subsidies) not included in the valuation of output + net receipts of primary income from abroad	Developed by the United Nations to quantify the essential elements of human development, which are not captured in GDP

Limitations of GDP and HDI

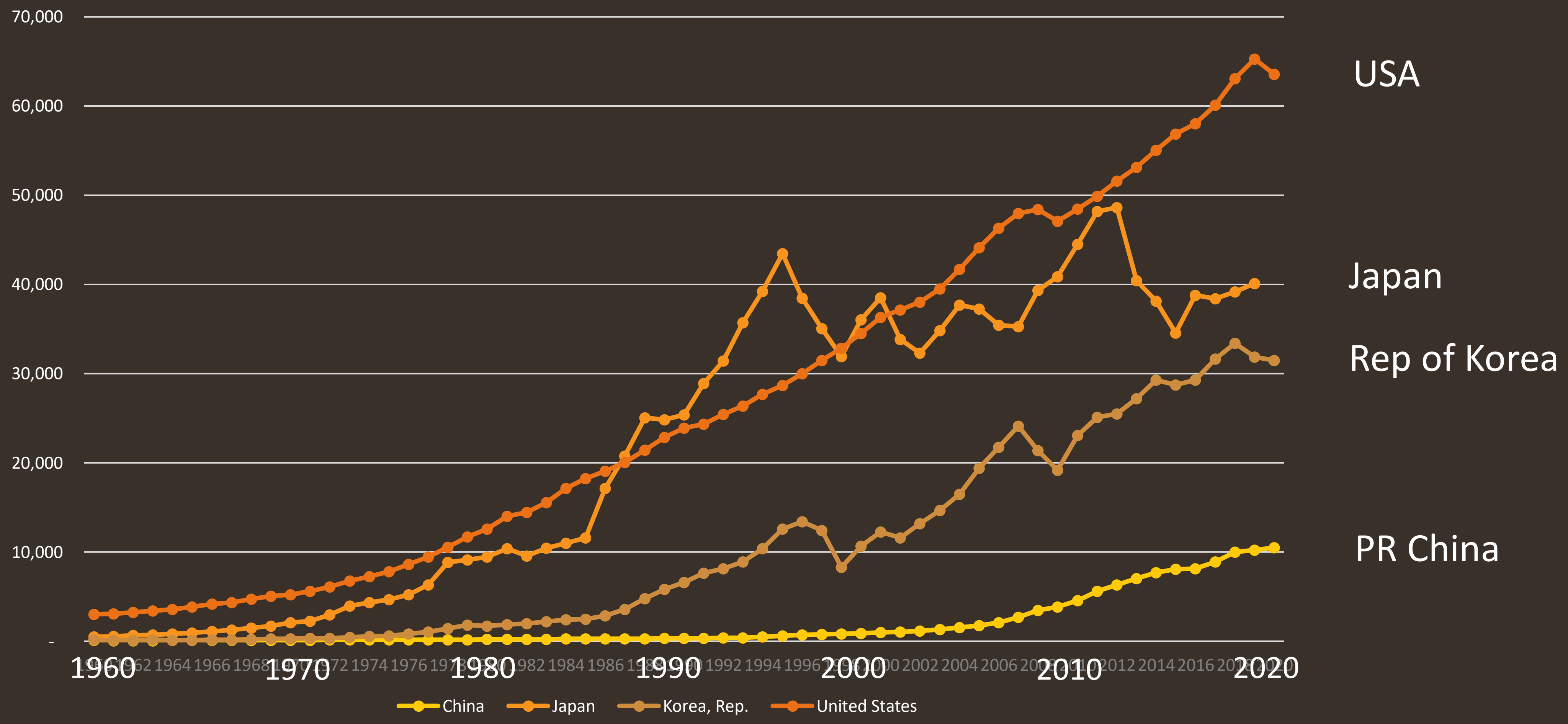
- **GDP** does not measure non-market activities, negative externalities and quality of life
- **HDI** captures only three dimensions of human development and difficult to compare across countries

Economic growth

Economic growth = rise in national output

Rapid economic growth is a relatively recent phenomenon; until 500 years ago, most people in the world were poor

Economic growth: rise of GDP/capita over time

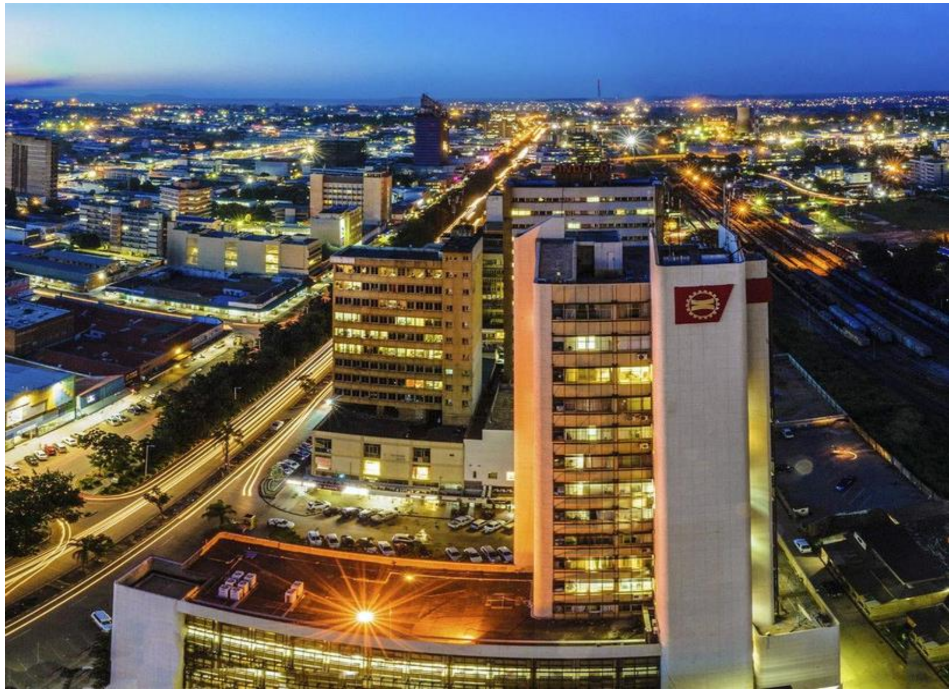


Case study: two countries, different experiences

- Thailand

- Zambia

Thailand



Thailand

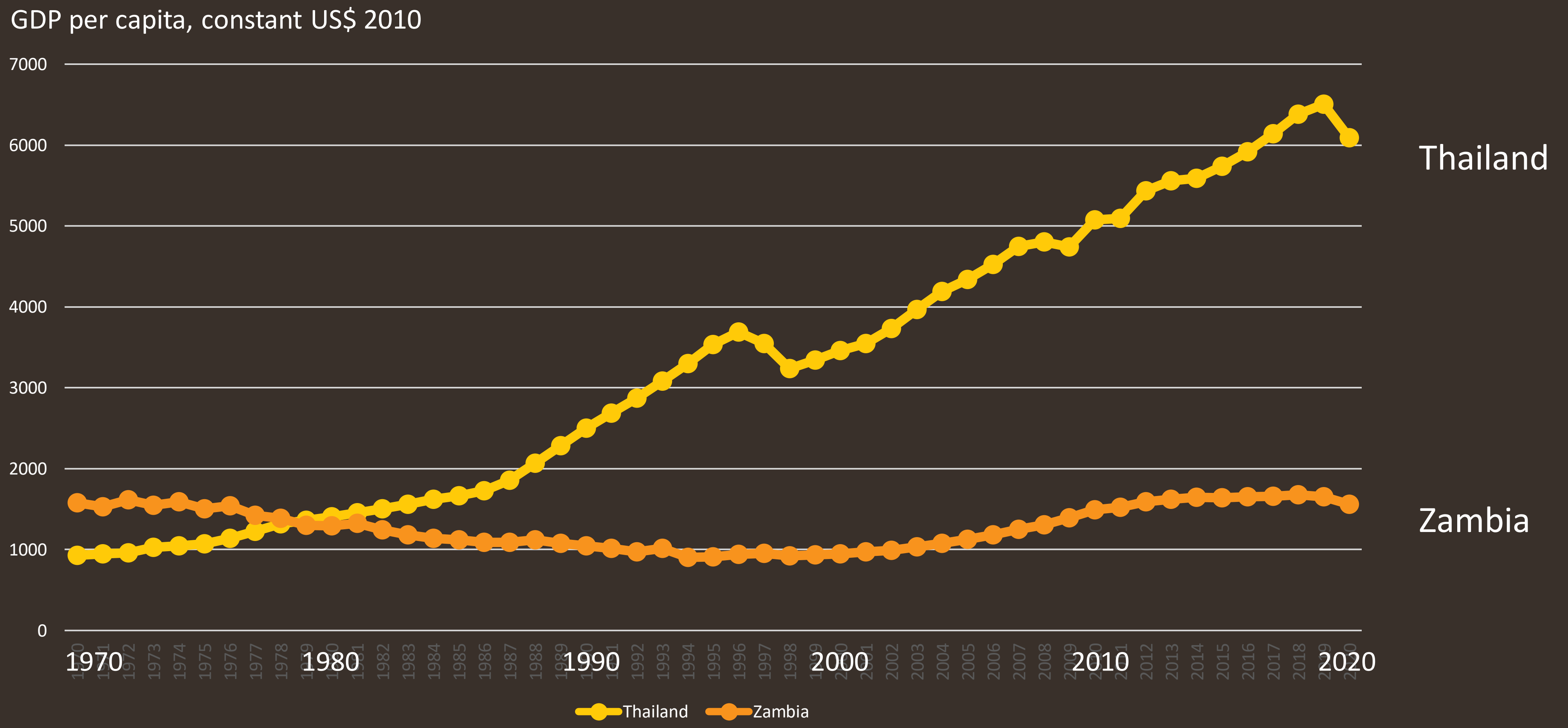
Indicator	1970	2020
GDP per capita	$929	$7,189
Life expectancy	54 years	69 years
Infant mortality (per 1,000 births)	103	12
Literacy rate	80	94

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



Source: World Bank Open Data

Summary

- Economic growth is the rise in national output
- 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

THANK YOU!