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AN APPLICATION OF KALDOR'S GROWTH LAWS IN SOUTH EAST ASIA: A TIME SERIES CROSS SECTION ANALYSIS

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Abstract

This study revisits Kaldor's growth laws and provides some empirical views of the sources of South East Asian growth for the last 30 years. In particular, the results suggest that manufacturing output growth is prominent in influencing the total output growth as compared to other sectors in the process of growth and development in Indonesia, Malaysia, Philippines, Singapore and Thailand. Besides, it is found that the growth of the manufacturing sector will lead to the transference of labour from other sectors in the economy which raises productivity in these sectors. However, the agricultural and service sectors do not offer the same scope for the division of labour and specialisation within the sectors themselves. Various factors have been postulated as factors manufacturing output growth. It is suggested in this study that the governments of South East Asian should encourage the transfer of resources from agriculture to industry in order to move into higher stage of growth and development.

Keywords: Kaldor's growth laws; South East Asia; Manufacturing; Agriculture; Economic growth; Time series cross section

1. Introduction

One of the most important factors to economic growth and lead to higher per capita income is that the industrialisation process. There is even evidence in most countries that manufacturing sector is an engine of growth. To what extent is the growth performance of South East Asian economies related to the industrial characteristics? Two types of empirical studies have been conducted in most previous literature on the growth and development process in East Asia. The first type of study involves cross-country regression covering a large number of countries. The second type of study has been growth accounting exercises, which calculate total factor productivity (TFP) growth using country specific time-series. However, none of these approaches pick out any one particular sector as the driving force behind growth, yet in practice the

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