About the Speaker:

Dr Jesus Felipe has been Advisor in the Asian Development Bank’s Economic Research and Regional Cooperation Department since 2012. He has been with ADB since 1996, and he is the Managing Editor of the Asian Development Review. He has also held academic positions with the Georgia Institute of Technology and the Hong Kong University of Science and Technology. He holds a Ph.D. from the University of Pennsylvania. His research interests spread across areas such as longrun growth in Asia, the dynamics of structural transformation, industrial policy, inclusive growth and full employment, the impact of technology on employment, productivity, technological progress, the functional distribution of income, business cycles, and the path of profit rates. He has published extensively in academic journals on different aspects of Asia’s development, productivity and structural transformation; as well as books on labor markets, structural transformation, industrial policy and the foundations of the aggregate production function.

Abstract:

This paper reviews what the profession has learned during the last 25 years about East Asia’s growth using growth accounting exercises and estimations of production functions. The publication of Alwyn Young’s (1992, 1994, 1995) and Jongil Kim and Lawrence Lau’s (1994) studies, and Paul Krugman’s (1994) popularization of the “zero total factor productivity growth” thesis, led to a very important debate within the profession. The paper demystifies this literature by pointing out a major methodological problem inherent in these approaches. This is that the variables used, namely, output, employment, the stock of capital, and the factor shares, are related definitionally through an accounting identity in value terms. As a consequence, results that are believed to reflect a true technological or production relationship are no more than the outcome of manipulating this identity. We show that total factor productivity calculated with value data is not a measure of productivity. We conclude that the debate about the sources of growth in East Asia was much ado about nothing.