Asian Tigers

The four “Asian tigers” are

- Hong Kong
- Singapore
- South Korea
- Taiwan.

In recent decades, each Asian tiger has had rapid economic growth.

Growth Accounting

For each Asian tiger, what has caused national income and product to grow so rapidly?

Krugman [1] discusses the research of Young [2], who carries out a detailed Solow growth accounting for each country.

Disaggregation

A salient aspect of Young's research is *disaggregation*. Rather than analyzing just aggregate labor and aggregate capital, Young disaggregates the inputs into many categories. Labor is classified by age, sex, and education. Capital is also disaggregated into several types.

In Solow growth accounting, the contribution of each input to growth is measured by its share of national income multiplied by its growth rate.

Capital

Except for Hong Kong, in each country the saving rate (saving/income) has been very high, much higher than in the United States. Consequently the measured contribution of capital to growth is high.

Labor

Labor growth has been high.

The labor force participation rate has increased greatly. In particular, the fraction of women in the labor force has grown significantly.

A much higher fraction of the population is now educated.

The population has grown slightly.

Consequently the measured contribution of labor to growth is high.

Solow Residual Measure of Technical Change

The Solow residual measure of technical change has been positive, but no higher than for the United States or Europe.

Summary

The rapid growth of inputs has been the primary cause of the rapid economic growth in the Asian tigers.

Forecast

The future growth of the Asian tigers will not match the past growth, as maintaining the rapid past growth of inputs is not feasible.

The labor force participation rate cannot rise much further.

The population is now quite educated, so a further significant increase will be difficult.

Comparison with the Soviet Union

Krugman argues that the situation is comparable to that of the Soviet Union in the 1950's. The Soviet Union achieved rapid economic growth by rapid input growth, especially by high saving. Commentators wrongly predicted that this growth would continue and that the national product of the Soviet Union would soon exceed the national product of the United States.

In fact, the Soviet Union did not pass the United States, and its high rate of economic growth declined.

References

[1] Paul Krugman. The myth of Asia's miracle. *Foreign Affairs*, 73(6):62–78, November/December 1994. D410F6.

[2] Alwyn Young. The tyranny of numbers: Confronting the statistical realities of the East Asian growth experience. *Quarterly Journal of Economics*, CX(3):641–680, August 1995. HB1Q3.