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Determinants of Economic Growth in East Asia

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DETERMINANTS OF ECONOMIC GROWTH IN EAST ASIA

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Economic growth in East Asia over the past 20 years has reached unparalleled rates. Many countries and numerous economists have unsuccessfully tried to determine what factors have contributed to this growth in an attempt to mimic it in other developing countries. On one hand, theory suggests that private markets along with increased human and physical capital can account for most of the growth in East Asia. However, others argue that government intervention and distortion are the driving force for growth. Somewhere in the middle lies the market friendly theory which suggests that government policy has been structured in the best way to encourage such goals as privatization and strong labor markets. Using OLS regression analysis and panel data, this paper will look at the effects of outward orientation, government intervention and macroeconomic stability on economic growth rates in East Asia. By examining only a few key variables, we can determine which ones have the greatest impact on growth. It is anticipated that a combination of many factors and a view most closely linked to the market friendly theory has led to the economic success in East