

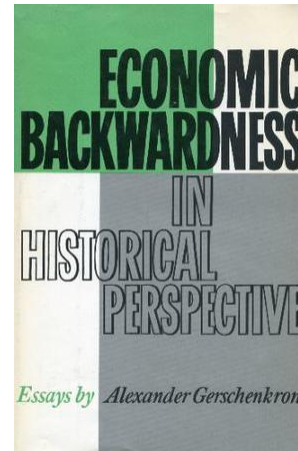
Development Policy
Lecture 6

**Manufacturing as the Engine of
Growth**

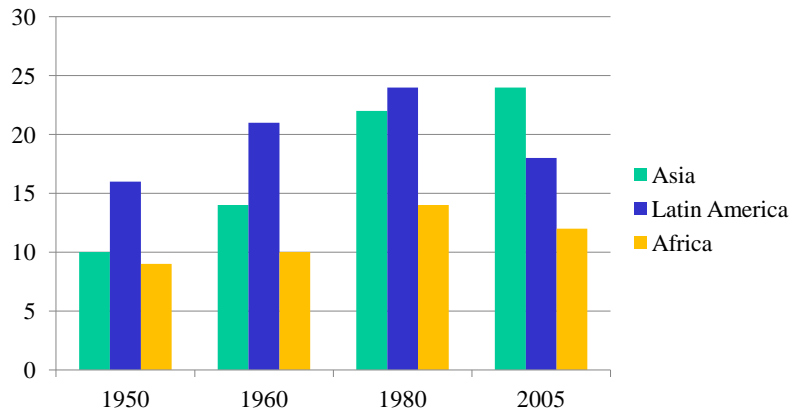


Alexander Gerschenkron

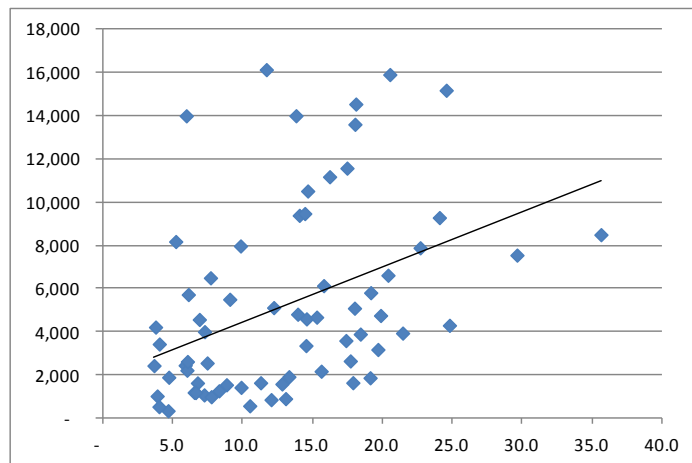
- “Advantages of backwardness”: late industrializers can import technologies from advance countries.
- They can industrialize more quickly because they do not need to invest in research and development.



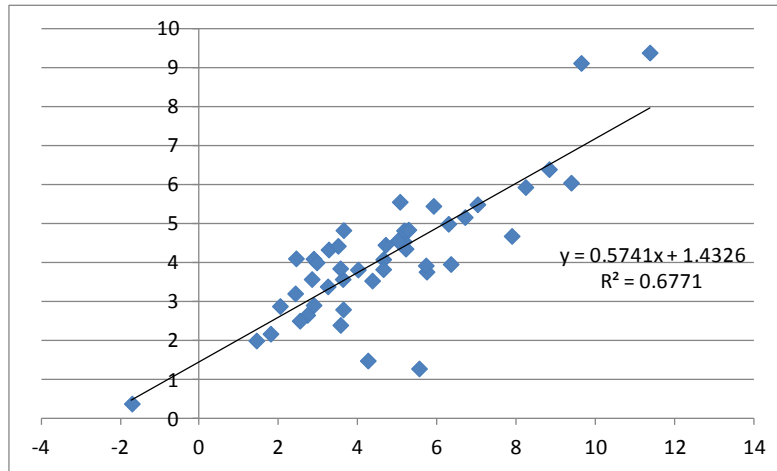
Share of manufacturing in GDP



Share of manufacturing in VA and GDP per capita (PPP)

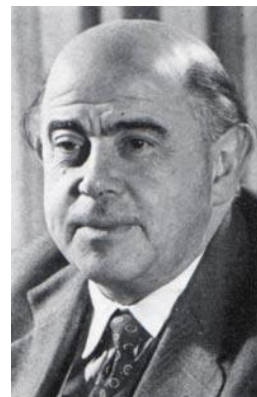


Growth of GDP and growth of value added in manufacturing, 1970-2010

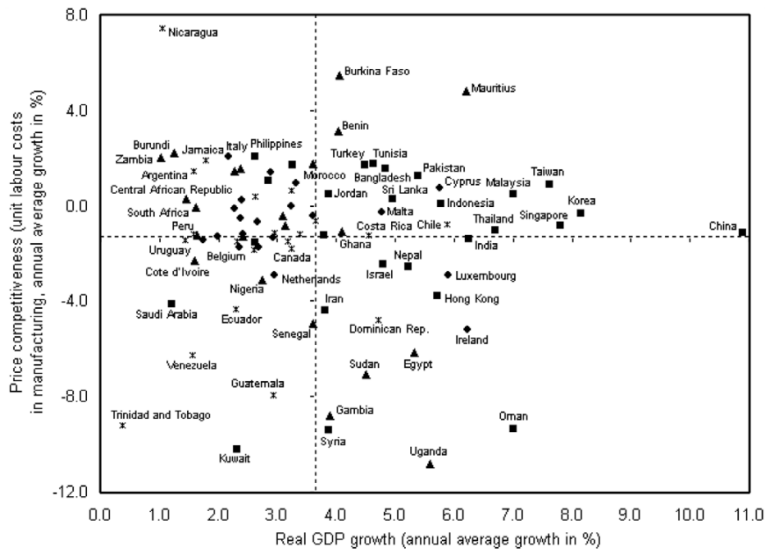


Nicholas Kaldor

- Economies of scale more readily realized in manufacturing than in agriculture and services
- Verdoorn's Law: the rate of productivity growth in manufacturing is related to the growth of the manufacturing sector.
- Learning by doing: technological capabilities develop more rapidly as the sector expands.

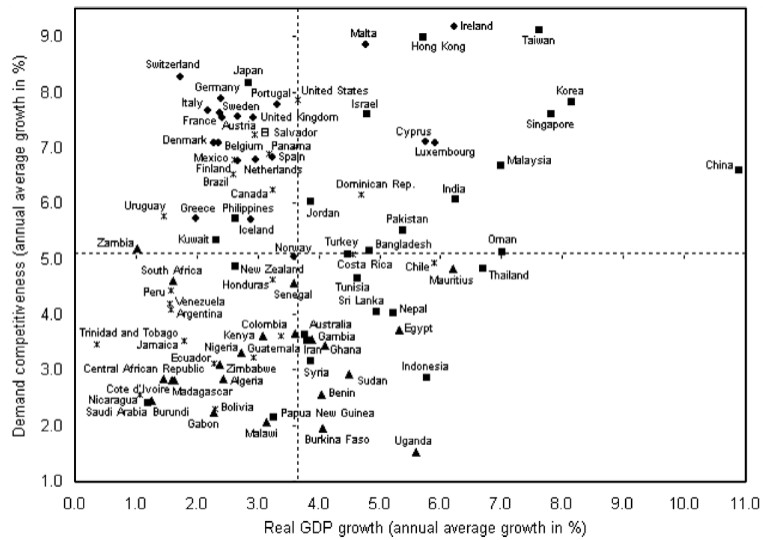


Price competitiveness 1980-2002



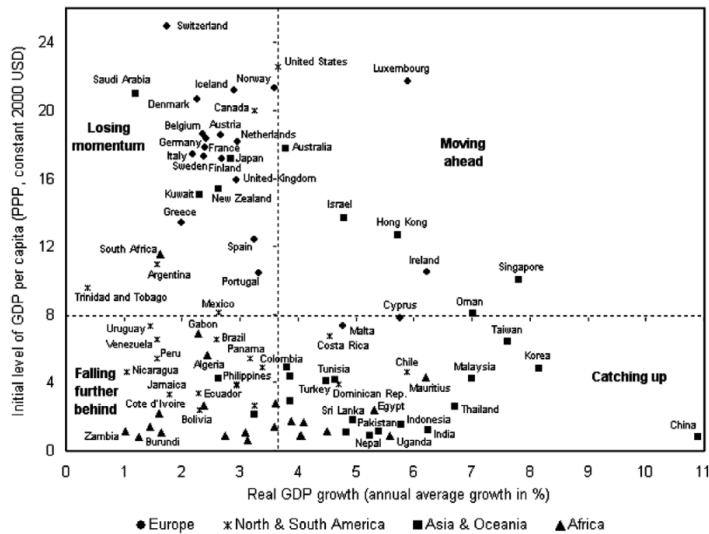
Fagerberg, Srholec and Knell (2007)

Demand competitiveness 1980-2002



Fagerberg, Srholec and Knell (2007)

GDP Growth 1980-2002

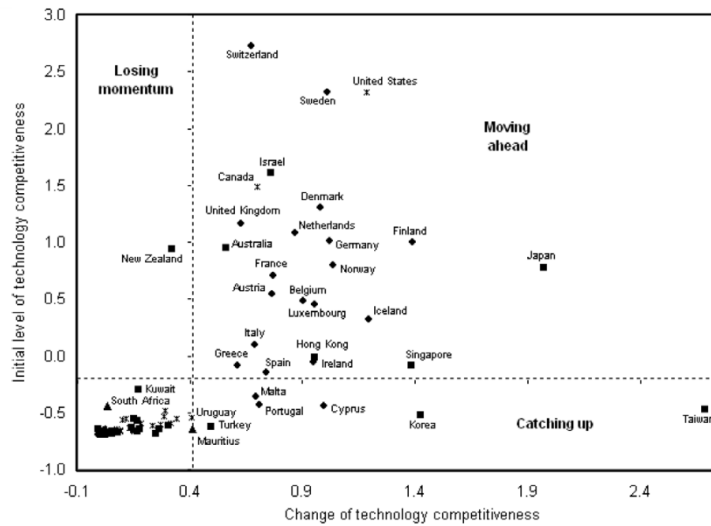


Fagerberg, Srholec and Knell (2007)

Fagerberg, Srholec and Knell

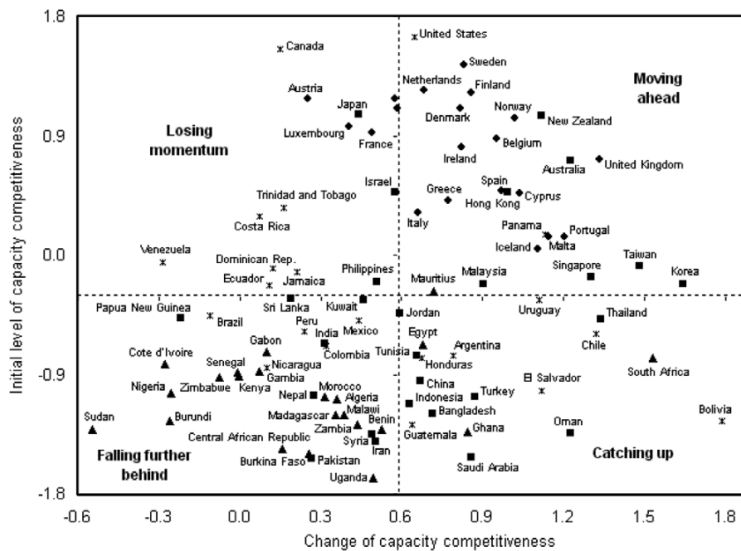
	Dependent variable: GDP growth
Constant	0.002 (0.03)
Log of initial GDP per capita	-0.82 (8.45)
Technology (patents, scientific journal articles)	0.41 (2.61)
Capacity (education, financial depth, rule of law)	0.36 (3.90)
Price (unit labor costs)	-0.18 (3.99)
Demand (ranking of exports by world growth of demand)	0.31 (3.22)
$R^2 = 0.53$	
Observations = 80	

Technology competitiveness 1980-2002



Fagerberg, Srholec and Knell (2007)

Capacity competitiveness 1980-2002



Fagerberg, Srholec and Knell (2007)