

# Natural Externalities of Economic Growth Stabilization in XXI Century: Geography Seeking Revenge

*by* Muryani Muryani

---

**Submission date:** 15-Apr-2019 05:31PM (UTC+0800)

**Submission ID:** 1112752178

**File name:** PAPER\_DENIS\_1.pdf (209.54K)

**Word count:** 2240

**Character count:** 12696

# Natural Externalities of Economic Growth Stabilization in XXI Century: Geography Seeking Revenge

Muryani<sup>1</sup> and D. Ushakov<sup>2</sup>

Faculty of Economics & Business Universitas Airlangga  
Campus B - Airlangga Street Number 4 Surabaya 60286 - Indonesia  
Email : muryani2008@yahoo.co.id

<sup>2</sup>International college, Suan Sunandha Rajabhat University,  
1 U-Thong Nok rd., Dusit, Bangkok, Thailand, 10300;  
Email : fintaliano@yandex.ru

## ABSTRACT

*Studying the factors of national economic growth stabilization is especially topical and relevant under the conditions of growing economic interdependence of the states which objectively limits the regulatory functions of national governments, in parallel to which regionalization gradually establishes oneself as an alter-trend to globalism. In our research we stem from the analysis of the macroeconomic statistics and of the dynamics of economic progress in the selected countries of the world, so that to determine the correlation between the indicators of economic growth stability for a selected group of countries with their integration into the world markets. Conclusions of our analysis outline the regularities in stable economic growth strategies' implementation along with the key factors contributing to economic stabilization under contemporary conditions. The important role of geography is emphasized, inter alia, since geography is the key precondition for development and implementation of the long-term strategies of economic progress for world regions.*

**Keywords:** economic growth; foreign trade; export & import; stabilization; sustainable development; externalities of economic stabilization

**Journal of Economic Literature (JEL) Classification :** F02, F49, O10

## INTRODUCTION

Stabilization of economic growth has always belonged to top priorities of any nation, therefore, all related issues have often become the subject of numerous research studies, worldwide. Moreover, this research interest can be also explained by the rapidly changing economic conditions and newly arising problems of the world economy, including, first of all, the obvious limits of the resource potential and the limitedness of consumer markets.

According to the objective set, we will perform the following research tasks:

- to determine the stability index for both export and import growth and also for the trade balance of the contemporary state in the recent 15 years;
- to determine the correlation between the indicators of economic growth stability and external trade intensity. Countries will be again classified according to their dynamics of economic growth;
- to reveal and explain what are the current factors of national economic growth stabilization in the context of external trade dynamics.

## LITERATURE OVERVIEW

The fundamental problems of economic growth have been studied always, from the day of economics' emergence as a science. However, today, under the escalating instability of global economy many issues behind the essence of economic growth as such and the factors predetermining this growth are being reconsidered, sometimes radically, like, for example in (Gillis et al., 1992). Pritchett (2000) has carried out the historical analysis of growth stages in domestic production of the USA and therefore has proved that development of national socioeconomic system is cyclical in nature. King and Levine (1994) were looking at economic growth from the standpoint of financial determinism and thus they critically evaluate the roles of investment and physical capital accumulation for economic growth and development. Isham et al. (2005) illustrated how countries which are dependent on point source natural resources (those extracted from a narrow geographic or economic base, such as oil and certain minerals) and plantation crops heightened economic and social divisions and weakened their institutional capacity.

J. C. Dissart (2003) concentrated on several issues in this regard such as: theoretical foundations for increased economic diversity as a development goal; common empirical measures of economic diversity, and empirical study on economic diversity and its effect on regional economic stability. For example, John F. Helliwell (1994) evaluated the two-way linkage between democracy and economic growth to find that it is still not fully possible to identify any systematic net effects of democracy on subsequent economic growth.

A wide variety of factors contributing to the dynamics and stability of economic growth has been studied, for example, by Frenken, Van Oort & Thijs Verburg (2007). Quite a lot of research has been also carried out to determine the impact of foreign investments on the rate and stability of national economic growth. For example, E. Borensztein et al. (1998) tested the effect of foreign direct investments (FDI) on economic growth in a cross-country regression framework, utilizing data on FDI flows from industrial countries to 69 developing countries over the last two decades and suggested that higher productivity of FDI holds only when a host country has the minimum threshold stock of human capital. Chinese researchers Xiaoying Li and Xiaming Liu (2005) found significant endogenous relationship between FDI and economic growth from the mid-1980s onwards. At this, they grounded that FDI has mostly indirect impact on economic growth dynamics, same impact, in their view, is also observed for the role of

country's human potential which serves as an additional factor making foreign investment efficient. Blomstrom et al. (1993) examined the shares of fixed capital in GDP and the rates of economic growth for more than 100 countries over successive 5-year periods. And they have found more evidence to prove that increases in growth precede rises in rates of capital formation than that increases in capital formation precede increases in growth.

## RESEARCH METHODOLOGY

In our research we have been operating mostly the statistical information of the World Bank (from the [worldbank.org](http://worldbank.org)) for the period from 2000 to 2015. We have extracted data on 150 countries worldwide, and in the course of our research we have classified them into 9 geographical/geopolitical (to some extent) groups: English-speaking countries on both sides of the Pacific – the USA, Canada, Australia and New Zealand (together – ECPAC); Asian Pacific countries – 16 countries in total; South Asian countries – 7; African countries – 41; Latin America – 21 countries; Western Europe – 18 countries; Middle East and North of Africa – 14 countries; Eastern Europe – 15 countries; former USSR – 14 countries.

Additionally to that, the countries have been divided by the income level: super rich (over 25000 USD GDP per capita) – 18 countries; rich countries – from 18000 to 25000 USD of GDP per capita – 15 countries; middle level of GDP per capita – 11000-18000 USD – 23 countries; poor countries – 5000-11000 USD of GDP per capita – 30, and finally hardcore poor countries – with GDP per capita being less than 5000 USD – 64 countries.

In order to determine the stability index for economic growth we have applied the statistical method of calculating the mean square deviation of economic growth dynamics as well as the indicators of national export and national import growth for all analyzed countries throughout the period of 15 years.

Analyze shows that the most stable economic growth during the whole 15 years has been demonstrated by the English-speaking countries on the both sides of the Pacific ocean. Next but with a significant gap inbetween the groups go the countries of South Asia. Despite all the economic stereotypes, economic stability of Latin America is very much comparable with that of Western Europe. While political instability, fluctuations at the world markets of raw materials and poor diversification of the economies have made Middle East and post-Soviet countries the outsiders in terms of national economic growth and its stability. However, considering the stability of national exports separately we can observe that the positioning and ranks of geographical/geopolitical regions change significantly. For example, Eastern Europe and Pacific Asian region move upward in the global ranking, while African countries as well as South Asia become the global outsiders. Same low positions these regions actually get when it comes to national imports: Pacific Asia is again not among the leaders which are represented mostly by the import-dependent countries of Latin America and Eastern Europe.

Very similar analysis we have also carried out for the second type of groups – countries divided by the level of their internal welfare. From this division and analysis it becomes quite obvious that stability of

economic growth as well as active involvement in global trade are peculiar mostly for developed countries of the world. And with the decreasing level of material welfare chances for stable economic development of a country as well as changes for active participation in export-import operations are also decreasing.

## CONCLUSIONS AND RECOMMENDATIONS

Analysis of stability indicators by geographical groups of countries, overall, confirms what we have expected to see here: regions with maximum stability of economic growth in the early years of the 21st century are the ECPAC – English-speaking countries of the Pacific region, and also Western Europe. Quite impressive and growing indicators also demonstrate the intensively industrialized and also export-dependent countries of South Asia, Latin America and Asian Pacific region.

Even though earlier we have already determined and demonstrated lack of correlation between the stability of economic growth and stability of national export/import growth on the global sale, after classifying the countries by geographical principle and also by the level of their material welfare, we also got some empirical evidence that inside the geographical groups of countries there is indeed a correlation between stability of economic growth on the one side and growth of external economic operation on the other (that is, level of country's participation at the world commodity markets). Moreover, this correlation tends to be rather high (for all geographical groups apart from former USSR and Eastern Europe, though this fact, again, has its quite logical explanation: both these groups today are too artificial, they are uniting the countries which have very little in common in terms of economic growth factors in general and their trade patterns in particular).

Consequently, considering separate countries as parts of geographical groups (and supposedly these groups have certain social and economic similarities), we can outline certain regularities of regional economic development, regional stabilization patterns, certain specific factors and preconditions which are peculiar for a particular region and/or even unique, that is, having nothing to do with common global trends. Therefore, the research carried out here is yet another proof of the escalating regionalization of the world economy and formation, within the global markets and world economy, of regional clusters and groupings which are capable, already today, to guarantee economic stability for every country within its specific geographic group, even under the growing instability at world markets.

Lack of correlation between the economic growth stability on the one hand and national external trade on the other, when analyzed under material welfare level division, indirectly confirms that there are no common patterns and/or regularities in economic stabilization for the countries of the so-called "golden billion", or for "catching-up economies" or for the groups of poor countries, known as "hungry billion" etc. If a country reaches a certain level of economic progress (or regress) in the course of its development – this does not necessarily make it similar to other, very different countries, in totally different parts of the world, which for some reason managed to reach the same level of economic development. For example, economic growth of Mexico, in all its preconditions, would be, mostly probably, similar to the growth of Honduras or Nicaragua – and least probably would be similar to that of Bulgaria or Tunisia (even though

Mexico and these two latter countries happen to be in the same group once the countries are divided by the welfare level).

Consequently, despite the growing globality of economic, social and cultural processes in the recent 30 years and seemingly common socioeconomic space, unification of market rules and standards etc., geography, just as centuries ago, remains to be a vitally important factor in economic development of countries. Geography is able to determine not only the positioning at external markets but also the efficiency of the whole national economic system, its stability in relation and comparison to geographical neighbors. Thus, regionalization which is essentially based on the geographical principles, is gradually becoming a new alternative to globalization, since it is regionalization that is able to provide stability and sustainability of external competitive advantages of countries worldwide.

## REFERENCES

- Blomstrom, M., Lipsey, R., Zejan, M. 1993. Is Fixed Investment the Key to Economic Growth? *NBER Working Paper* No. 4436
- Borenszteina, E., Leec, W. 1998. How does foreign direct investment affect economic growth? *Journal of International Economics* Volume 45, Issue 1,1 June 1998, Pp. 115-135
- Dissart, J. C. 2003. Regional Economic Diversity and Regional Economic Stability: Research Results and Agenda. *International Regional Science Review*, 26,4, Pp. 423-446
- Frenken K., Van Oort F. and Verburg T. 2007 Related variety, unrelated variety and regional economic growth, *Regional Studies*, 41, 685–697.
- Gillis, M.; Perkins, D. H.; Roemer, M.; Snodgrass, D. R., 1992. *Economics of development*. W.W. Norton & Company, Inc.
- Helliwell, J. 1994. Empirical Linkages Between Democracy and Economic Growth. 24,2 (April), pp. 225-248
- Isham, J., Woolcock, M., Pritchett, L., Busby, G. 2005 The Varieties of Resource Experience: Natural Resource Export Structures and the Political Economy of Economic Growth *The World Bank Economic Review*, 19,2, 1 January 2005, Pp. 141–174
- King, R. Levine, R. 1993. Finance and Growth: Schumpeter Might Be Right. *The Quarterly Journal of Economics*, 108.3, 1 August 1993, Pp. 717–737, doi.org/10.2307/2118406
- King, R., Levine, R. 1994. Capital fundamentalism, economic development, and economic growth. *Carnegie-Rochester Conference Series on Public Policy*. 40, June, Pp. 259-292
- Pritchett, L. 2000. Understanding Patterns of Economic Growth: Searching for Hills among Plateaus, Mountains, and Plains. *The World Bank Economic Review*, 14.2, 1 May, Pp. 221–250
- Xiaoying Li, Xiaming Liu, 2005. Foreign Direct Investment and Economic Growth: An Increasingly Endogenous Relationship *World Development*. Volume 33, Issue 3, March, Pp. 393-407

# Natural Externalities of Economic Growth Stabilization in XXI Century: Geography Seeking Revenge

## ORIGINALITY REPORT

20%

SIMILARITY INDEX

14%

INTERNET SOURCES

16%

PUBLICATIONS

0%

STUDENT PAPERS

## PRIMARY SOURCES

1	Krongthong Khairiree, Denis Ushakov. "chapter 1 Budgeting Administration and Economic Growth Dynamics in Conditions of National Markets' Integration", IGI Global, 2019 Publication	6%
2	<a href="http://mpra.ub.uni-muenchen.de">mpra.ub.uni-muenchen.de</a> Internet Source	3%
3	<a href="http://estructuraehistoria.unizar.es">estructuraehistoria.unizar.es</a> Internet Source	2%
4	<a href="http://irx.sagepub.com">irx.sagepub.com</a> Internet Source	1%
5	<a href="http://journals.cambridge.org">journals.cambridge.org</a> Internet Source	1%
6	<a href="http://aisberg.unibg.it">aisberg.unibg.it</a> Internet Source	1%
7	<a href="http://www.ru.ac.za">www.ru.ac.za</a> Internet Source	1%

8	Internet Source	1%
9	<a href="http://www.tci-thaijo.org">www.tci-thaijo.org</a> Internet Source	1%
10	<a href="http://idl-bnc-idrc.dspacedirect.org">idl-bnc-idrc.dspacedirect.org</a> Internet Source	1%
11	<a href="http://www.u-bourgogne.fr">www.u-bourgogne.fr</a> Internet Source	1%
12	<a href="http://www.tandfonline.com">www.tandfonline.com</a> Internet Source	<1%
13	<a href="http://dspace.cuni.cz">dspace.cuni.cz</a> Internet Source	<1%
14	<a href="http://www.esaf.llu.lv">www.esaf.llu.lv</a> Internet Source	<1%

Exclude quotes Off

Exclude matches Off

Exclude bibliography On

# Natural Externalities of Economic Growth Stabilization in XXI Century: Geography Seeking Revenge

---

## GRADEMARK REPORT

---

FINAL GRADE

**/0**

GENERAL COMMENTS

**Instructor**

---

PAGE 1

---

PAGE 2

---

PAGE 3

---

PAGE 4

---

PAGE 5

---