

Chapter 7

Conclusion

The purpose of this chapter is to discuss and present conclusions based upon the results obtained in the empirical testing of the hypotheses. The chapter starts with a summary and conclusion of the research findings. Then, the study's limitations to the literature are presented and this chapter also offers suggestions for further research.

7.1 Summary and Conclusion

The purpose of this dissertation is to analyze factors that are determined economic output of developed and developing countries. The factors that are interested can separate to two types which are macroeconomic indicators (such as money, interest, exchange, inflation, save, trade, exports/imports, FDI inflow, capital, labour, tourism) and socio-political indicators (such as life expectancy, school enrolment, lack of freedom, transparency, crime, HDI).

Firstly, we consider the standard macroeconomic model or the model which include only the macroeconomic variables (such as money supply, interest rate, inflation rate, exchange rate) and then we introduce the social and political variables (such as crime rate, lack of freedom, transparency) to the model which is called "Sufficiency Economy Inspired Model" inspired by the King of Thailand's Sufficiency Economy Philosophy. This dissertation also aims to test whether a simple macroeconomic model or a model enriched by social and political variables is adequate for implication to the developed and developing countries.

The findings of this research suggest that macroeconomic variables and social-political variables unequivocally significant determinants of economic output in both the developed and developing nations. The result implies that the Sufficiency

Economy Inspired Model is suitable to apply for both of the developed and developing countries.

Moreover, this dissertation separate to two parts. First, we interest in the economic output model for developing countries are presented in Chapter 4 and 5 and second part provides result for developed countries are discussed in Chapter 6.

In chapter 4, this dissertation examines the long run relationship among growth in gross domestic product and key macroeconomic variables in 95 developing countries for the period 1996-2008. The evidence implies that the money supply could potentially be used as one indicator of future movements in gross domestic product in a developing economy. However, the results may be incomplete and may not have been consistent when broken down by regional grouping of low- and middle-income economies. Therefore, we classified the data for 95 countries into 11 distinct regions based on continent, climate and sea-lane access and attempted to account for heterogeneity by including country-specific effects such as dummies and the results are shown in Chapter 5.

The results from chapter 5 indicate that there are significant differences in both the growth intercept and causal interaction terms by region compared with the benchmark region (Southeast Asia). This implies the need for different policy weightings by developing region. The results also indicate that some variables (e.g. money) manifested the same direction of impact on gross domestic product across all regions; while the results varied across regions for such other variables as the exchange rate and inflation rate. Moreover, the inflation rate was significant only in South East Asia and Northern Coastal Africa; suggesting the need for specific policies in these two regions. Adding the socio-political variables schooling, political freedom, transparency (i.e. absence of corruption), and criminality to create the sufficiency economy-inspired model revealed the somewhat surprising result that social indicators play no important role in determining GDP in less than half of the regions (5 of 11).

More generally, our results indicate that macroeconomic, social and political variables can all significantly determine output and that their impacts can be used to

differentiate 11 regions presumed all to belong to the “developing” world. Therefore, to truly understand output growth in developing economies and to elaborate macro policies that spur, sustain and stabilize growth, the results of this study should be taken carefully into account by both planners and donors.

Chapter 6 analyses the factors that affecting to economic growth in developed countries. However, there is selectively biased in the selection of the developed countries from the overall countries when we use only income per capita to be indicator of level of development and that is not ,sometime, reflex the true development. Therefore, the result from the traditional approach or OLS can be incomplete result. This study employs sample selection model to account the selection bias. The results present in Chapter 6, consistently indicate that there exists selection bias in our model which could lead to significant changes in the results of economic output analysis if we interest only the traditional results. The dissertation identifies the variables that influence whether a country be developed country or not. The results indicate that being high in GNI per capita, export/import ratio and high in political and economic freedom will lead to country to become a developed country. Finally, the result of the economic output equation shows that increases in money supply, labour supply, tourism expenditure and life expectancy can encourage economic output in developed countries, at a 10 percent level, or better, which implies that policy makers in developed countries should focus on money supply, labour supply, tourism expenditure and life expectancy.

7.2 Further Studies and Extension of the Research

Our study expands the scale of the research on the factors effecting economic output in developed and developing countries. However, there are still some limitations in this study.

This dissertation focus only on the economic growth issues but not aim to reduce the income gap or poverty which is also be the main objective of economic development. Therefore, this issue should be interested in the next research. In addition, the analysis of the factors affecting the level of development of the country, that not sufficient. There may be some factors that are not taken into account in the equation such as trade development factor, woman involve in parliament, or culture difference which should be focus and interested in the further research.

Dividing countries by continent, climate and access to sea-lane may not enough. We have to note that Islamic countries are to be found in several regions, including South Asia (Pakistan, Bangladesh), SE Asia (Malaysia, Indonesia), Central Asia (Kazakhstan), and several parts of Africa (e.g. Mali). There is a whole economic system and theory related to Islamic economics. This is probably true for other cultures as well, for example in nations where the population is predominantly Chinese. So further research could try to see whether a modified set of regions adjusted for culture improve the fit results.