

Modelling green productivity spillover effects on sustainability

Modelling GP
spillover
effects

Elsadig Musa Ahmed

Faculty of Business, Multimedia University, Melaka, Malaysia

257

Abstract

Purpose – This study aims to explain the integration of innovation and climate with the economic growth Green Productivity (GP) concept. This is drawn from the integration of two important developmental strategies: productivity improvement and environmental protection. Productivity provides the framework for continuous improvement, while environmental protection provides the foundation for sustainable development. Therefore, GP is a strategy for enhancing productivity and environmental performance for overall socio-economic development.

Design/methodology/approach – Three variations of frameworks and econometric model were developed to measure green total factor productivity, green labour productivity and green capital productivity, and their contributions to green productivity and sustainable development; these were based on extensive and intensive growth theories.

Findings – The sustainability of higher economic growth will likely continue to be productivity driven. This will be through the enhancement of total factor productivity (TFP) as technological progress in nations that combined the three dimensions of sustainable development (economic development, environmental protection and social sustainable development via human capital development). Such an enhancement needs to emphasise the quality of the workforce, demand intensity, economic restructuring, capital structure, technical progress and environmental standards. It should be recalled that green productivity through green TFP demonstrates the sustainable development concept of progressing technologically. It will ensure the rights of the future, as well as current, generations for them to enjoy a better life.

Originality/value – The study fills the gaps in growth theories by developing three variations of frameworks and econometric models, and internalising pollutants emissions as private and unpriced inputs in the three models. Further, the green capital productivity model is the sole contributing model developed in this research; it has not been thought about in any previous studies. This study highlighted the green productivity that is ignored by the studies that have been awarded the Nobel Prize in economic sciences in 2018.

Keywords Sustainable development, Green productivity, TFP, Labour productivity, Capital productivity

Paper type Conceptual paper

Received 26 January 2020
Revised 1 February 2020
Accepted 1 February 2020

Introduction

In his focus on the fundamental endogeneity of technological change, Romer (1986, 1987a, b, 1990, 1993) emphasised how the economy can expand the boundaries, and thus the possibilities, of its future activities. In his focus on the fundamental challenges of climate change, Nordhaus (1974, 1975, 1977, 1994a, b, 2013, 2014, 2017, 2018) stressed the importance of the negative side, and thus the restrictions, of the endeavours in bringing about future prosperity. Both Romer and Nordhaus emphasise that the market economy, while a powerful engine of human development, has important imperfections; their contributions have thus offered insights into how government policy could potentially enhance our long-run welfare. In this respect, this study combined the fundamental findings of both the scholars in developing frameworks and models to measure the green productivity that should be used in measuring long-term sustainable economic growth in its dual dimensions (sustainable technological progress and environmental sustainability). The United Nations Environment Programme (UNEP) reported that sustainable development (SD) is likewise frequently well-defined as development that improves healthcare, education and social well-being. Such human development is now recognised as critical to economic development. Some authors have expanded the definition of sustainable development further to include a rapid transformation of the technological base of industrial civilisation. They point out that new



World Journal of Science,
Technology and Sustainable
Development
Vol. 17 No. 3, 2020
pp. 257-267

© Emerald Publishing Limited
2042-5945
DOI 10.1108/WJSTSD-01-2020-0009

technology that is cleaner (green technology), more efficient and more sparing of natural resources is needed in order to reduce pollution, help stabilise the climate and accommodate growth in populations and economic activity. Sustainable development is a process requiring concurrent global progress in a variation of dimensions: economic, human, environmental and technological progress.

Prior to the 1950s, the common business response to environmental pollution was to ignore such problems. This was possible when problems were relatively small in nature and the awareness of health and environmental impact was not high. In the 1960s, a common approach to pollution was to disperse concentration of the pollutants, for example, by constructing tall smokestacks and extending pipelines into the sea to dilute water pollutants. It was soon realised that many pollutants are toxic even at small concentrations, and some chemicals retain their toxicity for a very long period. These diluted pollutants accumulate in soil and water and eventually find their way into the food chain. When industries and communities began to exceed the capacity of the environment to assimilate their waste, there were efforts to establish environmental standards to regulate the discharge of pollutants. In the 1970s, this resulted in the use of treatment systems to ensure the discharge from industries and other enterprises met stipulated environmental quality standards (Ahmed, 2012).

Meanwhile, Ahmed (2012) states that Green Productivity (GP) was launched in 1994 in line with the 1992 Earth Summit recommendations, that both economic development and environmental protection would be key strategies for sustainable development. With support from the government of Japan, the Asian Productivity Organization (APO) introduced GP as a practical way of answering the challenge of sustainable development. The objective of the APO's GP programme is to simultaneously enhance productivity and reduce the negative impacts on the environment. It seeks to realise this objective by propagating GP consciousness. The APO pledges to continue the progress in the Asia-Pacific Region and, through cooperation, extend GP to accelerate an expanding green global marketplace. Moreover, Ahmed (2012) explains that GP is a forceful strategy to complement economic growth and environmental protection for sustainable development. It tenders small and medium businesses with an approach to achieve a competitive advantage by being better, but using less. It is therefore a realistic strategy to increase productivity and protect the environment at the same time. Conventional techniques of pollution control were not cost-effective. The concept of GP promises profitability and resource productivity. Businesses and communities get compound returns in the form of bottom-line savings, value-added products and services and environmental protection. The concept of GP is drawn from the integration of two important developmental strategies: productivity improvement and environmental protection. Productivity provides the framework for continuous improvement while environmental protection provides the foundation for sustainable development. Therefore, GP is a strategy for enhancing productivity and environmental performance for overall socio-economic development. GP is the application of appropriate techniques, technologies and management systems to produce environmentally compatible goods and services. It is not only applicable to the manufacturing sector, but also to other sectors, such as the agriculture and services sectors. GP also addresses the interaction between economic activities and community development. In addition, GP is also not only applicable to large industries but also to small and medium-sized industries (SMIs) in mobilising scarce organisation resources to increase productivity and protect the environment (Ministry of International Trade and Industry, 1998). The GP programme acts as a mechanism for disaster prevention in Asia, while its focus is on enhancing productivity and environmental protection. In the final analysis, the GP programme propagates disaster prevention through sound environmentally friendly production processes. As illustrated in the two cases (enhancing productivity and environmental protection), the GP programme actually enhances productivity by taking a

proactive stance in preventing disasters to the environment, as well as to the organisations and the society at large. With almost 50 GP-related projects in 1998, the concept of GP has been ingrained in the productivity movements of the 18 member countries of the Asian Productivity Organization. Coupled with other environmentally sound practices, such as green accounting and green purchasing, the GP programme is excellent for organisations and governments to become more responsible and accountable in pursuing sustainable development (APO, 2002).

However, the methods used to measure productivity growth generally ignore the pollutants that are produced by the production process. For example, pollutant emissions generated as undesirable output in addition to the main output of production are excluded from the productivity accounting framework. This study attempts to extend productivity measures by taking into account pollutant emissions into production functions as un-priced inputs. The pollutant emissions under consideration include carbon dioxide (CO₂) (which measures air pollution), biochemical oxygen demand (BOD) (which measures organic water pollution), and their combination in the form of total pollutant emission, which is combined air and water pollution. However, other pollutants should be considered, such as noise pollution and all other types of pollutants. It should be recalled that, in 2018, the Nobel Prize for Economic Sciences was shared between William D. Nordhaus and Paul M. Romer for research undertaken in the 1970s. That research addressed negative externalities, such as pollutant emissions, in achieving long-term economic growth through green development that sustains long-term economic growth. In this respect, Ahmed (2006, 2007, 2012) stated that the most obvious deficiency in the growth accounting models used in previous studies was found to be the exclusion of externalities, such as the pollutant emissions, that were generated by the manufacturing and other economic sectors. Ahmed's studies aimed to contribute to the available literature on the growth accounting method and econometric method, in that the research drew together both methods to calculate the total factor productivity (TFP) and TFP per unit of labour growth as residuals. This followed Solow (1955, 1957) by internalising the pollutant emissions together with the input terms used in conventional production functions. Consequently, TFP and TFP per unit of labour growth became indicators of green productivity. This takes into account economic development and environmental protection such as those in studies by Pittman and Romer (1983), Gollop and Roberts (1983), Baumol and Oates (1988), Chaston *et al.* (1997), Gollop and Swinand (1998), Gollop and Swinand (2001) and Harchaoui *et al.* (2002). Ahmed (2017) stated that: 'It has been documented in the Solow (1955, 1957) empirical work on economic growth that after accounting for physical and human capital accumulation, something else accounts for the bulk of output growth in most countries. Together, physical and human capital accumulations are definitely critical for economic growth. The development becomes more complex with the role of knowledge in the economic growth procedure'.

Methods and estimations procedures

This research reviews the studies undertaken on green productivity issues around the globe. Several methods have been used to measure green productivity issues; these include descriptive analysis, non-parametric analysis (such as data envelope analysis (DEA)), input output (I-O) analysis and dynamic computable general equilibrium (DCGE). To fill the gap in measuring GP, this research intends to use parametric analysis based on a combined method of parametric analysis. This method combines both growth accounting, that is non-parametric, and econometric and non-parametric estimation. This method will be applied in two steps: the first step is an econometric estimation to calculate the parameters (coefficients) of the variables, and the second step plugs these parameters into the model to calculate the productivity indicators. In this respect, three variation models have been used, extensive

growth and intensive growth (labour productivity and capital productivity), as explained by Ahmed (2009, 2010, 2017, 2018). In this research, a Cobb–Douglas production function estimation model and Solow’s residual model were used as a modified model; this is to fill the gaps in both models that cast doubts on the results generated. The framework (Figure 1) is a presentation of extensive growth theory for Model 1. The output (green gross domestic product) is the dependent variable, and capital, labour, carbon dioxide emissions (CO₂) for air pollution and biochemical oxygen demand (BOD) for organic water pollution are the explanatory variables based on their quantity. Moreover, the framework presents green total factor productivity (GTFP) that is expressed in the combined contribution of the quality of the inputs (explanatory variables). Meanwhile, the production function for an economy can be represented as follows:

$$GGDP_{t,i} = F(K_{t,i}, L_{t,i}, CO_{2t,i}, BOD_{t,i}, T_{t,i}) \tag{1}$$

where Country $i = 1, 2, \dots$ in years t , output real green gross demotic product (GGDP) is a function of real fixed physical capital input K , labour input L , CO₂, BOD that proxies for pollutant emissions, and time T that proxies for GTFP as a technological progress of the economies and sustainable development indicator.

Extensive growth theory

This subsection presents the extensive growth theory based on green gross domestic product (GGDP) that is decomposed into physical capital, employment of CO₂ and BOD. The present study attempts to close this gap by developing this model into a parametric model, and providing statistical analysis for it in the first step as follows:

$$\Delta \ln GGDP_{t,i} = a + \alpha \cdot \Delta \ln K_{t,i} + \beta \cdot \Delta \ln L_{t,i} + \lambda \cdot \Delta \ln CO_{2t,i} + \theta \cdot \Delta \ln BOD_{t,i} + \varepsilon_{t,i} \tag{2}$$

t = Number of years and i is number of countries

where

- α is the output elasticity with respect to capital
- β is the output elasticity with respect to labour
- λ is the output elasticity with respect to carbon dioxide emissions
- θ is the output elasticity with respect to biochemical oxygen demand emissions
- a is the intercept or constant of the model [1]
- ε is the residual term [2]

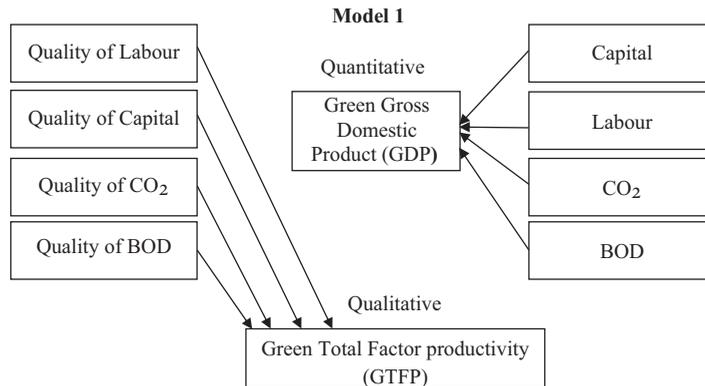


Figure 1.
Green productivity
framework, extensive
growth theory

ln is the logarithm to transform the variables

Δ is the difference operator denoting proportionate change rate

Since the intercept (a) in Eqn 2 has no position in the calculation of the productivity growth indicators, a second step was proposed. This step calculates the growth rates of productivity indicators, transforming Eqn 2 as an extension of the basic growth accounting framework. The Cobb–Douglas production function is specified in the parametric form of the above equation as follows:

$$\Delta \ln \text{GTFP}_{it} = \Delta \ln \text{GDP}_{it} - [\alpha \cdot \Delta \ln K_{it} + \beta \cdot \Delta \ln L_{it} + \lambda \cdot \Delta \ln \text{CO}_{2it} + \theta \cdot \Delta \ln \text{BOD}_{t,i}] \quad (3)$$

where the weights are given by the average value shares as follows:

$\Delta \ln \text{GGDP}_{it}$ is the growth rate of output

$\alpha \cdot \Delta \ln K_{it}$ is the contribution of the aggregate physical capital

$\beta \cdot \Delta \ln L_{it}$ is the contribution of the aggregate labour

$\lambda \cdot \Delta \ln \text{CO}_{2it}$ is the contribution of the CO₂ emissions

$\theta \cdot \Delta \ln \text{BOD}_{t,i}$ is the contribution of the BOD emissions

$\Delta \ln \text{GTFP}_{it}$ is the green total factor productivity growth

The framework decomposes the growth rate of GGDP into the contributions of the rates of growth of the aggregate physical capital, labour, CO₂ emissions and biochemical oxygen emissions, plus a residual term typically referred to as the growth rate of GTFP.

Intensive growth theory (labour productivity)

The second framework (Figure 2) is a presentation of intensive growth theory (labour productivity) for model two: the labour productivity or output per labour (gross domestic product)/labour is the dependent variable, and capital per labour, carbon dioxide emissions per labour and biochemical oxygen demand emissions per labour are the explanatory variables based on their quantity. Moreover, the framework presents the green total factor productivity per labour (GTFP/L) that is expressed in the combined contribution of the quality of the inputs (explanatory variables).

This subsection demonstrates the decomposition of labour productivity into capital deepening, increased usage of CO₂ per unit of labour and BOD per unit of labour. Moreover, following Dollar and Sokoloff (1990), Wong (1993), Felipe (2000) and Ahmed (2006, 2007), when constant returns $\beta = (1 - \alpha - \lambda)$ to scale is imposed, Eqn 2 becomes:

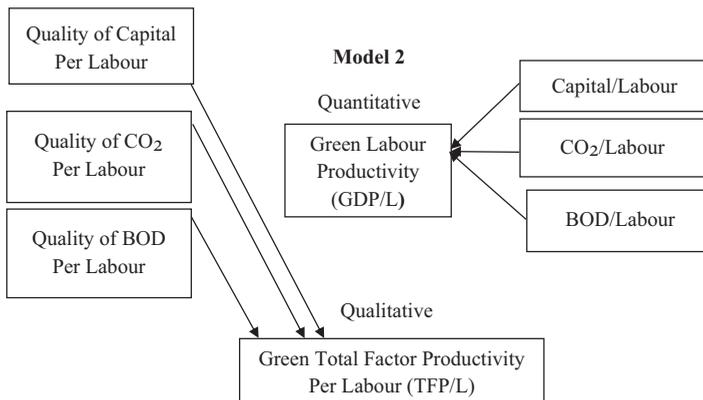


Figure 2.
Green total factor
productivity per
worker framework,
intensive growth
theory

$$\ln \text{GDP}_{t,i} = a + \alpha \cdot \ln K_{t,i} + \lambda \cdot \ln \text{CO}_{2t,i} + \theta \cdot \ln \text{BOD}_{t,i} + (1 - \alpha - \lambda - \theta) \cdot \ln L_{t,i} + \varepsilon_{t,i} \quad (4)$$

t = Number of years

However, there are two options for dividing the variables by L :

Dividing the variables (data) by L before the analysis, in which the equation is given as:

$$\ln(\text{GDP}/L)_T = a + \alpha \ln(K/L)_T + \lambda \ln(\text{CO}_2/L)_T + \theta \cdot \ln(\text{CO}_2/L)_T$$

This will not be used in this study.

Dividing the variables by L during the analysis through programming the variables that will be used in this study, as follows:

$$\begin{aligned} \ln(\text{GDP}/L)_T = a + \alpha_1 \ln(K/L)_T + \alpha_2 [\ln(K/L)_T]^2 + \lambda_1 \ln(\text{CO}_2/L)_T + \lambda_2 [\ln(\text{CO}_2/L)_T]^2 \\ + \theta_1 \ln(\text{BOD}_2/L)_T + \theta_2 [\ln(\text{BOD}/L)_T]^2 \end{aligned}$$

The output elasticity is calculated with respect to capital deepening and biotechnology intensity, that is, $\alpha = \alpha_1 + \alpha_2$, $\lambda = \lambda_1 + \lambda_2$ and $\theta = \theta_1 + \theta_2$, respectively. That has followed Dollar and Sokoloff (1990) and Ahmed (2006). The production function can be in the form:

$$\begin{aligned} \Delta \ln(\text{GGDP}/L)_{t,i} = a + \alpha_1 \cdot \Delta \ln(K/L)_{t,i} + \alpha_2 [\Delta \ln(K/L)_{t,i}]^2 + \lambda_1 \cdot \Delta \ln(\text{CO}_2/L)_{t,i} \\ + \lambda_2 [\Delta \ln(\text{CO}_2/L)_{t,i}]^2 + \theta_1 \cdot \Delta \ln(\text{BOD}/L)_{t,i} \\ + \theta_2 [\Delta \ln(\text{BOD}/L)_{t,i}]^2 + \varepsilon_{t,i} \end{aligned} \quad (5)$$

t = Number of years

Then, it follows that:

$\Delta \ln(\text{GDP}/L)_{t,i}$ is the labour productivity contribution (output per worker)

$\bar{\alpha} \cdot \Delta \ln(\bar{K}/L) = \alpha_1 \cdot \Delta \ln(K/L)_{t,i} + \alpha_2 [\Delta \ln(K/L)_{t,i}]^2$ is the contribution of the capital deepening

$\bar{\lambda} \cdot \Delta \ln(\bar{\text{CO}}_2/L) = \lambda_1 \cdot \Delta \ln(\text{CO}_2/L)_{t,i} + \lambda_2 [\Delta \ln(\text{CO}_2/L)_{t,i}]^2$ is the contribution of the CO₂ emissions intensity

$\bar{\theta} \cdot \Delta \ln(\bar{\text{BOD}}/L) = \theta_1 \cdot \Delta \ln(\text{BOD}/L)_{t,i} + \theta_2 [\Delta \ln(\text{BOD}/L)_{t,i}]^2$ is the contribution of the BOD emissions intensity

$\varepsilon_{t,i}$ is the residual term that proxies for GTFP intensity growth ($\Delta \ln(\text{GTFP}/L)_{t,i}$)

Δ is the difference operator denoting proportionate change rate

Again as has been mentioned in extensive growth theory, the intercept (a) has no position in the calculation of the productivity growth rate indicators; therefore, it becomes:

$$\begin{aligned} \Delta \ln(\text{GGDP}/L)_{t,i} = \bar{\alpha} \cdot \Delta \ln(\bar{K}/L)_{t,i} + \bar{\lambda} \cdot \Delta \ln(\bar{\text{CO}}_2/L)_{t,i} + \bar{\theta} \cdot \Delta \ln(\bar{\text{BOD}}/L)_{t,i} \\ + \Delta \ln(\text{GTFP}/L)_{t,i} \end{aligned} \quad (6)$$

Where $\bar{\alpha}$, $\bar{\lambda}$ and $\bar{\theta}$ denote the shares of capital deepening, CO₂ emissions intensity and BOD emissions intensity, and (GTFP/L) is the translog index of green total factor productivity (GTFP) intensity growth as an indicator of green productivity and sustainable development.

Further, to calculate the average annual growth rate of the GTFP intensity, as well as of other productivity indicators contribution in the model, Eqn 6 becomes:

$$\Delta \ln(\text{GTFP}/L)_{t,i} = \Delta \ln(\text{GDP}/L)_{t,i} - \left[\bar{\alpha} \cdot \Delta \ln(\overline{K}/L)_{t,i} + \bar{\lambda} \cdot \Delta \ln(\overline{\text{CO}_2}/L)_{t,i} + \bar{\theta} \cdot \Delta \ln(\overline{\text{BOD}}/L)_{t,i} \right] \quad (7)$$

Thus, Eqn 7 expresses the decomposition of green labour productivity growth into the contributions of capital deepening, increasing the production rate of CO₂ emissions intensity and BOD emissions intensity production as by-product or unpriced products besides the main products as well as the combined contribution of the quality of input terms. This is expressed as green total factor productivity (GTFP) per unit of labour (intensity) contribution.

Intensive growth theory (capital productivity)

The third framework (Figure 3) is presentation of intensive growth theory (green capital productivity) for model three, the green capital productivity or output per capital (green gross domestic product)/capital is the dependent variable, and labour per capital, CO₂ emissions per capital and BOD emissions per capital are the explanatory variables based on their quantity. Moreover, the framework presents the green total factor productivity per capital (GTFP/K) that is expressed in the combined contribution of the quality of the inputs (explanatory variables).

In this subsection, the capital productivity decomposition into labour, CO₂ emissions and BOD emissions per unit of capital are as presented in Ahmed (2017, 2018). When constant returns to scale [$\alpha(1 - \beta - \lambda - \eta)$] have been imposed, Eqn 2 becomes:

$$\ln \text{GDP}_{t,i} = a + (1 - \beta - \lambda) \cdot \ln K_{t,i} + \beta \ln L_{t,i} + \lambda \cdot \ln \text{CO}_{2,t,i} + \delta \cdot \ln \text{BOD}_{t,i} + \varepsilon_{t,i} \quad (8)$$

t = Number of years

For the purposes of this study, Eqn 8 has been transformed by dividing each term by K (capital input), and then the output elasticity was calculated with respect to labour deepening, CO₂ emissions per capital (intensity) and BOD emissions intensity, that is, $\beta = \beta_1 + \beta_2$, $\lambda = \lambda_1 + \lambda_2$, $\delta = \delta_1 + \delta_2$, respectively. According to Ahmed (2017, 2018), the production function can be in the form:

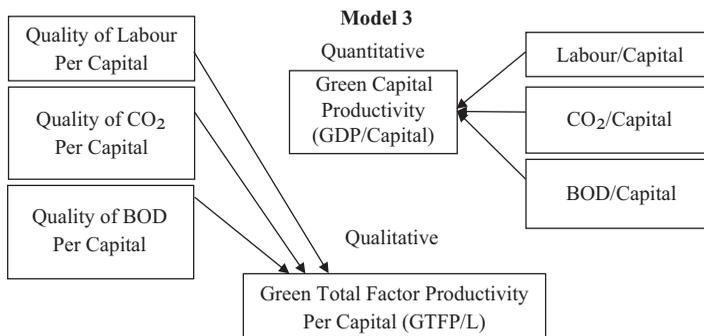


Figure 3.
Green capital
productivity
framework, intensive
growth theory

$$\begin{aligned} \Delta \ln(\text{GGDP}/K)_{t,i} = & a + \beta_1 \Delta \ln(L/K)_{t,i} + \beta_2 \left[\Delta \ln(L/K)_{t,i} \right]^2 \\ & + \lambda_1 \Delta \ln(\text{CO}_2/K)_{t,i} + \lambda_2 \left[\Delta \ln(\text{CO}_2/K)_{t,i} \right]^2 \\ & + \delta_1 \Delta \ln(\text{BOD}/K)_{t,i} + \delta_2 \left[\Delta \ln(\text{BOD}/K)_{t,i} \right]^2 \varepsilon_{t,i} \end{aligned} \quad (9)$$

t = Number of years

Then, it follows that:

$\Delta \ln(\text{GGDP}/K)_{t,i}$ is the green capital productivity contribution (output per capital)

$\bar{\beta} \Delta \ln(\overline{L/K}) = \beta_1 \Delta \ln(L/K)_{t,i} + \beta_2 \left[\Delta \ln(L/K)_{t,i} \right]^2$ is the contribution of the labour deepening (labour per unit of capital)

$\bar{\lambda} \Delta \ln(\overline{\text{CO}_2/K}) = \lambda_1 \Delta \ln(\text{CO}_2/K)_{t,i} + \lambda_2 \left[\Delta \ln(\text{CO}_2/K)_{t,i} \right]^2$ is the contribution of the CO₂ emissions intensity (CO₂ per unit of capital)

$\bar{\delta} \Delta \ln(\overline{\text{BOD}/K}) = \delta_1 \Delta \ln(\text{BOD}/K)_{t,i} + \delta_2 \left[\Delta \ln(\text{BOD}/K)_{t,i} \right]^2$ is the contribution of the BOD emissions intensity (BOD per unit of capital)

et, i is the residual term that proxies for GTFP intensity (GTFP per unit of capital)

growth $\left(\Delta \ln(\text{TFP}/K)_{t,i} \right)$

Δ is the difference operator denoting proportionate change rate.

It should be noted that the intercept (a) has no position in the calculation of the productivity growth rate indicators; therefore, it becomes:

$$\begin{aligned} \Delta \ln(\text{GGDP}/K)_{t,i} = & \bar{\beta} \cdot \Delta \ln(\overline{L/K})_{t,i} + \bar{\lambda} \cdot \Delta \ln(\overline{\text{CO}_2/K})_{t,i} + \bar{\delta} \cdot \Delta \ln(\overline{\text{BOD}/K})_{t,i} \\ & + \Delta \ln(\text{GTFP}/K)_{t,i} \end{aligned} \quad (10)$$

Where $\bar{\beta}$, $\bar{\lambda}$ and $\bar{\delta}$ denote the shares of labour per unit of capital, CO₂ emissions per unit of capital and BOD emissions per unit of capital, and (GTFP/K) is the translog index of green total factor productivity (GTFP) per unit of capital growth.

To calculate the average annual growth rate of the GTFP per unit of capital, as well as of other productivity indicators' contributions in the model, Eqn 10 becomes:

$$\begin{aligned} \Delta \ln(\text{GTFP}/K)_{t,i} = & \Delta \ln(\text{GGDP}/K)_{t,i} - \left[\bar{\beta} \cdot \Delta \ln(\overline{L/K})_{t,i} + \bar{\lambda} \cdot \Delta \ln(\overline{\text{CO}_2/K})_{t,i} \right. \\ & \left. + \bar{\delta} \cdot \Delta \ln(\overline{\text{BOD}/K})_{t,i} \right] \end{aligned} \quad (11)$$

Thus, Eqn 11 expresses the decomposition of green capital productivity growth into the contributions of labour per unit of capital, increasing production of CO₂ emissions per unit of capital and BOD emissions per capital as by-products or unpriced products as well as the green total factor productivity (GTFP) per unit of capital contribution based on the quality of inputs including the privates' inputs (CO₂ and BOD emissions).

Data sources

The data for this paper were collected from various sources. Real gross domestic product (GDP) in US dollars millions, real fixed physical capital in US dollars millions and number of

employment were collected from Asian Development Bank: key indicators of developing Asia and Pacific countries, Statistical and Data Systems Division, and international financial statistics of International Monetary Fund and World Development Indicators online database system. Due to lack of data on man-hours of work, the labour input index is constructed based on the number of persons employed. Data of CO₂ emissions (CO₂ in kilo tonne or Kt, and BOD in kilo gram or kg).

Conclusion and implications

This study combined the fundamental findings of Nordhaus and Romer's (2018) research findings. They were awarded the Nobel Prize in economics 2018 for suggesting frameworks and models to measure long-term sustainable economic growth through developing frameworks, and models to measure green productivity to be used in measuring long-term sustainable economic growth in its dual dimensions (sustainable technological progress and environmental sustainability). The concept of Green Productivity (GP) is drawn from the integration of two important developmental strategies: productivity improvement and environmental protection. Productivity provides the framework for continuous improvement, while environmental protection provides the foundation for sustainable development.

Therefore, GP is a strategy for enhancing productivity and environmental performance for overall socio-economic development. Green Productivity is a forceful strategy that can complement economic growth and environmental protection for sustainable development. It tenders small and medium businesses with an approach to achieve a competitive advantage by being better, but using less. It is therefore a realistic strategy to increase productivity and protect the environment concurrently.

This study fills the gaps in growth theories by developing three variations' frameworks and econometric models, and internalising the pollutants emissions as private and unpriced inputs (CO₂ and BOD emissions). Further, the green capital productivity model is the sole contribution of this study to the body of knowledge that has not been thought about in any study so far. Moreover, this study closed the gap of growth accounting theory model by providing statistical analysis in a parametric form that removed the doubt in the results generated. Further, the econometric model gap that did not calculate the productivity indicators used in the growth accounting studies has been filled in this study.

Notes

1. The intercept term, as usual, gives the mean or average effect on dependent variables of all the variables excluded from the model.
2. The residual term proxies for the total factor productivity growth that accounts for the technological progress of the economy through the quality of input terms.

References

- Ahmed, E.M. (2006), "Carbon dioxide emissions, impact on Malaysia's manufacturing productivity growth", *World Review of Science, Technology and Sustainable Development*, Vol. 3 No. 1, pp. 58-69.
- Ahmed, E.M. (2007), "Biochemical oxygen demand emissions impact on Malaysia's manufacturing productivity growth", *Global Economic Review*, Vol. 36 No. 4, pp. 305-319.
- Ahmed, E.M. (2009), "Capital productivity determinants: East Asian perspectives", *International Journal of Sustainable Economy*, Vol. 1 No. 3, pp. 245-254.
- Ahmed, E.M. (2010), "Human capital and ICT per capita contribution to East Asian productivity growth", *International Social Science Review*, Vol. 85 Nos 1-2, pp. 40-55.

- Ahmed, E.M. (2012), "Green TFP intensity impact on sustainable East Asian productivity growth", *Economic Analysis and Policy*, Vol. 42 No. 1, pp. 67-78.
- Ahmed, E.M. (2017), "ICT and human capital spillover effects in achieving sustainable East Asian knowledge-based economies", *The Journal of Knowledge Economy*, Vol. 8 No. 3, pp. 1086-1112.
- Ahmed, E.M. (2018), "Are bio-economy dimensions' new stream of the knowledge economy?", *World Journal of Science, Technology and Sustainable Development*, Vol. 15 No. 2, pp. 142-155, doi: [10.1108/WJSTSD-06-2017-0014](https://doi.org/10.1108/WJSTSD-06-2017-0014).
- Asian Productivity Organisation (2002), "Green productivity and sustainable development", *Report of APO 2nd World Conference on Green Productivity*, 9-11 December 2002, Asian Productivity Organisation, Tokyo.
- Baumol, W.J. and Oates, W.E. (1988), *The Theory of Environmental Policy*, Cambridge University Press, New York, NY.
- Chaston, K., Swinand, G., Gollop, F. and Arnott, R. (1997), *A Welfare-Based Measure of Productivity Growth with Environmental Externalities*, Boston College, Department of Economics, Boston, MA.
- Dollar, D. and Sokoloff, K. (1990), "Patterns of productivity growth in South Korean manufacturing industries 1963-1979", *Journal of Development Economics*, Vol. 33 No. 2, pp. 309-327.
- Felipe, J. (2000), "On the myth and mystery of Singapore's zero TFP", *Asian Economic Journal*, Vol. 14 No. 2, pp. 187-208.
- Gollop, F.M. and Swinand, G.P. (2001), "Total resource productivity: accounting for changing environmental quality", in Dean, E., Harper, M. and Hulten, C. (Eds), *New Directions in Productivity Analysis. Conference on Research in Income and Wealth*, University of Chicago Press, Chicago, MI.
- Gollop, F.M. and Swinand, G.P. (1998), "From total factor to total resource productivity: an application to agriculture", *American Journal of Agricultural Economics*, Vol. 80 No. 3, pp. 577-583.
- Gollop, F.M. and Roberts, M.J. (1983), "Environmental regulations and productivity growth: the case of fossilfuelled Electric power generation", *Journal of Political Economy*, Vol. 91 No. 4, pp. 654-674.
- Harchaoui, T., Kabrelyan, D. and Smith, R. (2002), *Accounting for Greenhouse Gases in the Standard Productivity Framework*, Micro-Economic Analysis Division, Statistics Canada, Ottawa.
- Ministry of International Trade and Industry (1998), *Productivity Report*, Government Printers, Kuala Lumpur.
- Nordhaus, W.D. (1974), "Resources as a constraint on growth", *The American Economic Review*, Vol. 64 No. 2, pp. 22-26.
- Nordhaus, W.D. (1975), "Can we control carbon dioxide?", IIASA Working Paper, Vienna, pp. 75-63.
- Nordhaus, W.D. (1977), "Economic growth and climate: the carbon dioxide problem", *The American Economic Review*, Vol. 67 No. 1, pp. 341-346.
- Nordhaus, W.D. (1994a), *Managing the Global Commons: The Economics of Climate Change*, MIT Press, Cambridge, MA.
- Nordhaus, W.D. (2013), "Integrated economic and climate modeling" in, Dixon, P.B. and Jorgenson, D. (Ed), *Handbook of Computable General Equilibrium Modelling*, Elsevier, Amsterdam, pp. 1069-1131.
- Nordhaus, W.D. (2014), "Estimates of the social cost of carbon: concepts and results from the DICE-2013r model and Alternative Approaches", *Journal of the Association of Environmental and Resource Economists*, Vol. 1 Nos 1-2, pp. 273-312.
- Nordhaus, W.D. (2017), "Projections and uncertainties about climate change in an Era of minimal climate policies", NBER Working Paper 22933, National Bureau of Economic Research, Cambridge, MA.
- Nordhaus, W.D. (2018), "Evolution of modeling of the economics of global warming: changes in the DICE model", 1992-2017, NBER Working Paper 23319, National Bureau of Economic Research, Cambridge, MA.
- Nordhaus, W.D. and Romer, P.M. (2018), *Integrating Innovation and Climate with Economic Growth, Scientific Background on the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2018*, The Royal Swedish Academy of Sciences Stockholm, Sweden.

-
- Pittman, R.W. (1983), "Multilateral productivity comparisons with undesirable output", *The Economic Journal*, Vol. 93 No. 372, pp. 883-891.
- Romer, P.M. (1986), "Increasing returns and long-run growth", *Journal of Political Economy*, Vol. 94 No. 5, pp. 1002-1037.
- Romer, P.M. (1987a), "Growth based on increasing returns due to specialization", *The American Economic Review, Papers and Proceedings*, Vol. 77 No. 2, pp. 56-62.
- Romer, P.M. (1987b), "Crazy Explanations for the productivity slowdown", in Fischer, S. (Ed.), *NBER Macroeconomics Annual*, Vol. 2, pp. 163-210.
- Romer, P.M. (1990), "Endogenous technological change", *Journal of Political Economy*, Vol. 98 No. 5, pp. S71-S102.
- Romer, P.M. (1993), "Two strategies for economic development: using ideas and producing ideas", *Proceedings of the World Bank Annual Conference of Development Economics 1992*, World Bank, Washington, DC.
- Solow, R.M. (1955), "The production function and the theory of capital", *Review of Economic Studies*, Vol. 23 No. 2, pp. 101-108.
- Solow, R.M. (1957), "Technical change and the aggregate production function", *Review of Economics and Statistics*, Vol. 39 No. 3, pp. 312-320.
- Wong, F.C. (1993), "Patterns of labour productivity growth and employment shift in the Singapore manufacturing industries", *The Singapore Economic Review*, Vol. 38 No. 2, pp. 231-251.

Further reading

- Nordhaus, W.D. (1994b), "Expert opinion on climate change", *American Scientist*, Vol. 82 No. 1, pp. 45-51.

About the author

Dr. Elsadig Musa Ahmed is a Professor of Economics and Technology Management at Multimedia University (MMU), a member of Senate, MMU research and ethics board, the board of postgraduates, the panel of research grants and students' disciplinary committees. He is currently teaching Advanced Research Methodology, Entrepreneurship and Commercialization, and Economics for Managers at the postgraduate level, as well as economic subject at the undergraduate level. His research interests include productivity analysis, knowledge-based economy, productivity and environment (green productivity) and bio-economy. He is the author of the book entitled *Green Productivity: Applications in Malaysia's Manufacturing*, and he has published more than 100 publications in international refereed journals and presented several papers at conferences. He has supervised more than ten Ph.D., two DBA, three MPhil and ten MBA students; he has completed five external research projects. He is a member of the editorial board for several journals and has been an external examiner for several postgraduate theses. Elsadig Musa Ahmed can be contacted at: elsadigmusa@yahoo.com

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgrouppublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com