Foreword

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Why are some countries richer than others? What factors cause some regions to grow faster than other regions? Few questions in economics are as urgent as these. For the period from 1960 to 1980 for example, the annual rate of growth of per capita GNP was 7.1 percent for Japan, 7 percent for Korea, while only 3.4 percent for Egypt, 2.3 percent for the United States, and 1.4 percent for India. The power of compound interest is well known. If these rates of growth persist, the average Indian's grandchildren will be twice as well off as she is; the average Korean's grandchildren 32 times as well off. The need for theories which explain enormous differences of this kind is self-evident. Growth models were extensively studied and analyzed in the fifties and sixties. Recently there has been a resurgence of interest in such models. Recognizing this interest and the importance of this topic, the Federal Reserve Bank of Minneapolis thought this to be an appropriate time to hold a conference bringing together a number of researchers in the area.

The contributors to this conference present a diverse variety of models to address questions in economic growth. Two unifying themes can be discerned. All the papers show a commitment to rigorous and internally consistent general equilibrium models. In addition, the papers emphasize the central role of capital accumulation in economic growth and the use of capital theory to understand economic development. Such models seem essential if we are to understand the effects of tax policy, patent policy, antitrust law, or trade policy among others on growth rates.

While the Federal Reserve Bank of Minneapolis does not necessarily endorse any of the views expressed at the conference or in this volume, we hope that the conference aids future researchers in developing better models of economic growth and policymakers in designing better policies for economic development.

We are grateful to all conference participants, especially V. V. Chari and Lawrence Christiano who planned and organized the conference.