

Aggregate Economic Growth: Theories and Evidence

"The consequences for human welfare involved in questions like these are simply staggering: Once one starts to think about them it is hard to think of anything else." Robert E. Lucas Jr.

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Key Questions

- 1 What accounts for cross-country differences in GNP per capita and labour productivity ?
- 2 To what extent do per capita incomes diverge or converge over time, and what determines this ?
- 3 What are the fundamental causes of persistent differences in economic activity across countries ?
- 4 How do economic institutions and policies impact upon growth ?

The Harrod–Domar Growth Model

- The Basic Model
- The financing gap
- Problems

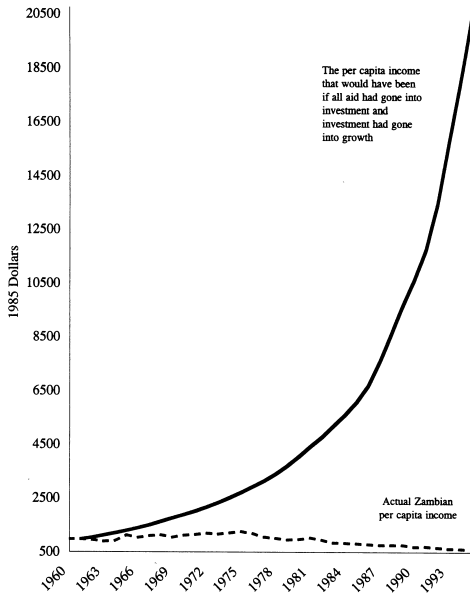


Figure 2.1
The gap between the financing gap model and the actual outcome in Zambia