

# Principles of Economic Growth

Thoryaldur Gylfason  
Research Professor of Economics,  
University of Iceland

**OXFORD**  
UNIVERSITY PRESS

# Contents

1	Growing Apart	1
	Burma and Thailand	4
	Botswana, Nigeria, and Ghana	6
	Uruguay, Argentina, and Spain	8
	Madagascar and Mauritius	11
	Roots and branches	13
	Quantity and quality	14
	The importance of being efficient	14
	Reforms and growth	15
2	Roots and Branches	18
	The first revolution: Adam Smith	18
	Adam Smith's followers	22
	Enter mathematics: Harrod and Domar	24
	The second revolution: The neoclassical model	26
	The third revolution: Endogenous growth	28
	Summary	29
3	Quantity and Quality	33
	Endogenous growth and technology	34
	Endogenous growth accounting	37
	The level of income per head with endogenous growth	41
	The neoclassical model again	45
	How strong? How long?	50
	Exogenous growth illustrated	53
	How much to save	56
	Optimal growth in figures	59
	Summary	65
4	The Importance of Being Efficient	69
	Growing together? Or growing apart?	71
	Absolute vs. conditional convergence	75

Poverty traps		79
Case 1: Liberalization	•	83
Case 2: Stabilization		90
Case 3: Privatization	,	98
Case 4: Education; health, and distribution		101
Case 5: Natural resources and geography		106
Summary		110
<b>5 Reforms and Growth</b>		<b>116</b>
Unemployment and growth		118
Some obstacles to reforms and growth		121
In conclusion		123
<b>Appendices</b>		<b>127</b>
2.1 The-Harrod-Domar Model		129
2.2 The Solow Model: Exogenous Growth		131
2.3 Endogenous Growth		135
3.1 More on Endogenous Growth		137
3.2 More on Exogenous Growth		141
3.3 Optimal Saving and Growth		143
4.1 Liberalization, Efficiency, and Growth		146
4.2 Stabilization, Efficiency, and Growth	•	149
4.3 Privatization, Efficiency, and Growth	•	152
4.4 Education, Taxes, and Growth	•	155
References	•	157
Cast of characters	•	163
Name and place index		179
Subject index	•	183