

# THEORIES OF COMPARATIVE ECONOMIC GROWTH

---

KWANG CHOI

*Senior Fellow*

*Korea Developmental Institute*

*Seoul*

The Iowa State University Press / Ames

# Contents

---

Preface, vii

- 1 / INTRODUCTION, 3  
Subject of the Study, 3 Defining Economic Growth, 6 Distinction between Economic Growth and Economic Development, 7 Comparative Study of Economic Growth, 8 Scope and Organization of the Study, 10
- 2 / REVIEW OF THEORIES OF ECONOMIC GROWTH, 15  
Classical Theory of Economic Growth, 16 Harrod and Domar Models of Growth, 21 Neoclassical Theory of Economic Growth, 27 Neo-Keynesian Theory of Economic Growth, 33 Sources-of-Growth Analysis, 50 Conclusions, 56
- 3 / TECHNOLOGICAL CHANGE, CATCH-UP, AND ECONOMIC GROWTH, 62  
Technology, Technological Change, and Economic Growth, 63 Catch-up Hypothesis, 69 Criticisms and Conclusions, 86
- 4 / THE INVESTMENT-LED GROWTH HYPOTHESIS, 92  
Theoretical Explanations, 93 Empirical Evidence, 101 Conclusions, 114
- 5 / THE EXPORT-LED GROWTH HYPOTHESIS, 120  
Theoretical Explanations and Mechanisms, 121 Historical Trends and Existing Empirical Studies, 130 Some Additional Tests, 138 Conclusions, 143
- 6 / THE KALDOR APPROACH, THE VERDOORN LAW, AND THE DUAL ECONOMY MODEL, 148  
Two-Sector Model of Macrodynamics: Manufacturing as an Engine of Growth, 149 Verdoorn's Law, 155 Controversy between Kaldor and Rowthorn, 164 Dual Model of Economic Growth, 167 Further Evidence and Conclusions, 171

- 7 / THE PUBLIC SECTOR AS A GROWTH RETARDANT, 181  
Statistical Findings on the Growth of the Public Sector, 182  
The Growing Public Sector and Economic Growth, 190 The  
Crowding-Out Controversy, 203 Effects of High Taxes on In-  
centives and Efficiency, 205 Inefficiency and Low Produc-  
tivity of Government, 210 An Empirical Test, 213 Conclu-  
sions, 221
- 8 / THE POLITICAL ECONOMY OF COMPARATIVE ECONOMIC GROWTH, 229  
Common-Interest Groups: Fundamental Features, 229 Ultimate  
Patterns of Organized Interest Groups, 232 Effect of Com-  
mon-Interest Groups on Economic Growth, 233 Operational Hy-  
potheses, 243 Observations of Olson's Theory against Coun-  
try and Regional Experiences of the United States, 244 Con-  
clusions, 247
- 9 / EMPIRICAL TESTING WITH CROSS-NATIONAL DATA, 251  
Preliminary Discussion, 251 Construction of an Index of In-  
stitutional Sclerosis, 253 Testing with an Index of Insti-  
tutional Sclerosis, 260 Testing with Sources-of-Growth  
Data, 262 Measurement of Power and Empirical Testing Based  
on Indicators, 266
- 10 / EMPIRICAL TESTING WITH U.S. REGIONAL DATA, 274  
Determinants of Growth, 277 Formation of a Common-Interest  
Organization, 278 Effects of Common-Interest Groups on Eco-  
nomic Growth, 279 Testing with Industry Data and SMSA Data,  
281