

ABSTRACT

Endogenous and exogenous factors in growth theory

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New Growth Theory (NGT) aims at endogenizing the determination of the growth rate. This has established a new approach in the field, so that we speak now of endogenous growth. The paper analyzes this claim within the broader issue of exogenous vs. endogenous factors in growth theory therefore adding this aspect to the assessment of NGT contribution and to the analysis of its relationship with Classical theory.

In the first section the paper examines two critical accounts of NGT that have an opposite view with respect to its Classical or Neoclassical legacy, highlighting where the argument touches on the issue of endogenous vs. exogenous variables.

It then considers the notion of endogeneity contained in NGT. Of particular relevance is the argument recently put forward by F. Hahn (1998). He argues that the analysis of growth maintains many exogenous elements. He stresses the limits under which we can speak of endogenous growth. The main issues concern the acquisition and use of knowledge, externalities, information flows, and a broad category of exogenous factors implied in the nature of the growth literature which “in one form or another is macroeconomic”.

The assessment affords a clarification of the relationship between theoretical arguments and problems they address, therefore of the contribution of NGT to the understanding of the basic mechanism of growth and the extent in which it may be a guide for the analysis of long-term growth patterns. From this point of view it is noticeable the stress laid on production and accumulation of immaterial resources, such as knowledge, and the role played by certain pivotal activities (R&D) and the education system.

Based on the seminal contributions (Romer 1986, Lucas 1988, Barro 1989) which deal with these themes and the Schumpeterian perspective of Aghion and Howitt the paper examines in section 3 the treatment of these underlying issues and their formal specifications.

The paper highlights the main advances but calls into question the claim that they represents a decisive step forward for the analysis of the growth process and that NGT can be the basis for a theory of economic history.

In this respect it then reconsiders the basic scheme presented by Schumpeter in *The Theory of Economic Development* (1934) This is rather illuminating with respect to what should be endogenous and exogenous in the theory of growth. That suggests a way to keep separate exogenous determinants from the central mechanism of the growth process as a way to contribute to the analysis of long term growth.

