

of technical change between countries. While these approaches provide a firm theoretical foundation to advance hypotheses about the causes of divergent growth rates, they do not have a firm empirical basis and therefore remain untestable. These theories have, however, prompted economists to think again about the factors behind economic growth, exploring elements in addition to those in the traditional growth theory.

Human capital is one variable that tends to affect growth rates. Various proxies for human capital have proved to be highly significant in empirical studies. In addition, the type of human capital developed is also important. If society offers rewards to those engaged in rent-seeking activities, for example, then talented people will enter these occupations and growth prospects will be diminished.

Empirical evidence does not offer unqualified support for an export-expansion policy, as higher exports do not always lead to higher growth rates. More important may be export diversification and the movement away from an economy dependent mainly on commodity exports.

The role of government in the growth process is complex. There is support for the positive relationship between economic growth and the degree of autonomy the government exercises in sustaining long-term goals, such as investment policies, over short-term goals, such as pork-barrel populism or cronyism. Government fiscal policy, for example, can enhance growth if directed toward infrastructure rather than current consumption expenditures. Likewise, a stable monetary policy is desirable to keep inflation in check and minimize speculative, non-productive activities. The degree of political stability is also an important determinant of long-term growth.

Although economic growth is a complex process that is not yet completely understood, there are a number of broad measures that Canada can implement, both bilaterally and multilaterally, to enhance the growth prospects of the world's poorest nations. These include: better targeting and coordination of aid resources, including a greater focusing of assistance on countries that are providing macroeconomic stability, exploring the long-term implications of current IMF and World Bank structural adjustment programs, and the reduction of the trade barriers of OECD countries against imports from developing countries. The full implementation of the MTN results on time would make an important contribution in this regard.