component.[7] Dowrick and Nyugen studied the growth experience of the OECD countries in the post-war period.[8] They noted that increases in total factor productivity (TFP), which are often used as an explanation of diverging growth rates, have occurred in non-OECD countries that were relatively well-off in 1950. One reason for the poor historical performance of Argentina, Chile and Venezuela has been the low rates of investment relative to population growth rates.

● Does the Neoclassical Model Adequately Explain Growth?

Looking at initial GDP per capita, population growth and the investment to GDP ratio in isolation show only limited support for the neoclassical model of growth. Taking all of these variables into consideration, however, offers stronger support for the theory. Table 1 shows the effect that each of these variables has on real per capita GDP growth, reflecting what was shown in the above three figures. When real GDP per capita is regressed on all three of the variables taken

Table 1
116 Country Regression Results

Independent Variable	Coeff. (t-stat)	Coeff. (t-stat)	Coeff. (t-stat)	Coeff. (t-stat)
Constant	1.57 (6.48)	3.27 (8.25)	-0.22 (-0.62)	0.98 (1.47)
1960 GDP per Capita	0.16 (2.06)			-0.14 (-1.94)
Population Growth		0.64 (3.71)		-0.38 (-2.20)
Investment/GDP			0.12 (6.74)	0.11 (5.15)
R-squared (adj)	0.03	0.11	0.28	0.29

Note: From Brander, op. cit., p. 803. Brander uses and earlier version of the Penn World Tables (PWT 5) utilizing data on 116 countries over the 1960-88 period. The dependent variable is real GDP per capita growth (annualized).

[7] J. Bradford De Long and Lawrence H. Summers, "Equipment Investment and Economic Growth," *Quarterly Journal of Economics*, Vol. 106, No. 425 (May 1991), 445-502.

[8] Steve Dowrick and Duc-Tho Nyugen, "OECD Comparative Economic Growth 1950-85: Catch-Up and Convergence,", *American Economic Review*, Vol. 79, No. 5 (December 1989), 1010-30.