Parente and Prescott have analyzed data on 102 of the world's economies during the 1960-85 period.[2] They offer four stylized development facts:

- In every year studied, there existed great real per capita income disparity between countries. In 1985, the highest output countries produced about 29 times the per capita output of the lowest output countries.

- The disparity of income has not increased or decreased. The relative distance between the richest and poorest countries has remained essentially stable over the 1960-85 period.

- The entire per capita income distribution has shifted up. In general, the rich have become better-off in real terms, but so have the poorer countries.

- The upward movement of the income distribution, however, masks intra-group movements within rich and poor countries. There have been countries that have increased their position in the relative income distribution, but an equal number of countries have seen their relative income decline. For example, countries such as Saudi Arabia, South Korea, Thailand and Taiwan have had increases in real GDP per capita, but others such as Mozambique, Ghana and Nicaragua saw their relative wealth decline.

Thus, what we observe is that the distribution of world real per capita income has remained relatively unchanged, although there has been a secular shift up in the distribution itself along with some movement within the distribution. What are the economic and political factors responsible for this divergence in growth rates? Why have some countries such as those in Southeast Asia been successful in expanding their economies and improving their standards of living, while other countries, most notably those in sub-Saharan Africa, have fallen behind. The purpose of this paper is to attempt to answer some of these questions. The following section discusses traditional growth theory and provides the theoretical foundation for the subsequent empirical evidence. Section 3 will look at the more recent theoretical and empirical evidence on economic growth which attempts to overcome the perceived inadequacies of traditional growth theory. Section 4 concludes and briefly discusses the implications of the findings

[2]Stephen L. Parente and Edward C. Prescott, "Changes in the Wealth of Nations," *Federal Reserve Bank of Minneapolis Quarterly Review*, Vol. 17, No. 2 (Spring 1993), 3-16.