

performance, while good macroeconomic policies are a necessary, but insufficient, condition for productivity growth.⁵⁵

4. Conclusions and Canadian Policy Implications

The recipe for economic growth in developing countries, as in all countries, is complex and not yet fully understood. We generally know that high rates of investment in physical and human capital have a positive impact on growth rates, while high population growth rates tend to have detrimental effects. The political type of government does not appear to be critical over the medium-term, although its size and its ability to create a stable political environment and pursue non-market distorting economic policies are important determinants of high economic growth rates. The expansion of exports *per se* does not appear to be as important as the kinds of products being exported, diversification of exports and the degree to which export markets are free of distortions. A number of intangibles also appear to be important in determining growth rates, although these are not very well understood. For example, well-defined property rights tend to foster innovation since innovators are able to capture temporary economic rents from the development of new products.

It is clear that the fundamental impetus for change must come from within the developing countries themselves. Credible and permanent economic policy changes cannot be dictated from the outside. This means that the opportunities for the international community to promote economic growth in these countries are limited. Still, Canada does have an opportunity to promote positive change through its development assistance and trade policies.

The mission of the Canadian International Development Agency (CIDA) is to support sustainable development in developing countries.⁵⁶ Although economic growth and sustainable development are not synonymous owing to the frequent trade-offs between the two, real economic growth per capita must occur if

⁵⁵J. Bradford De Long and Lawrence H. Summers, "Macroeconomic Policy and Long-Run Growth," *Federal Reserve Bank of Kansas City Economic Review*, Vol. 77, No. 4 (4th Quarter 1992), 5-29.

⁵⁶For a review of Canada's development policy, as enunciated in the late 1980s, see Canadian International Development Agency, *Sharing our Future: Canadian International Development Assistance*, Ottawa: Minister of Supply and Services, 1987.