1. Introduction

The study of economic development is a relatively new sub-discipline within economics. When World War II ended, the task of rebuilding a devastated Europe began. A year earlier, in 1944, representatives of the industrialized world met in Bretton Woods, New Hampshire to plot the desired course of the world economy. The successful development of the Bretton Woods institutions meant that the restrictive trade practices and dismal economic performance that characterized the world economy in the 1920s and 1930s would unlikely be repeated to the same degree. Furthermore, the Keynesian idea of government involvement in the economy was accepted by most economists and was thought to mean that the turbulent swings of the business cycle could largely be mitigated by government involvement in the economy.

Broadly speaking, this optimism proved to be justified. Economic growth in the industrial countries was high, bolstered by the pent-up purchasing power of citizens who were unable to purchase consumer goods during the war. Growth was aided by the transformation of the economy from a wartime posture, to one based on satisfying consumer demands. At the same time, many countries in Africa, Asia and the Caribbean were joining Latin America in becoming independent from their colonial masters. Given the economic growth successes of the industrialized world, it was thought that these experiences could easily be transferred to the developing world.

Despite the optimism that surrounded the post-war period, 50 years later we must ask ourselves what, in fact, has been the growth experience of the developing world in the post-war period? The growth experience of different countries since 1955 has been strikingly divergent. Real per capita gross domestic product (GDP) between 1955 and 1989 increased by a factor of 5 or 6 for such countries as Taiwan, Japan and South Korea, compared to a factor of about 2.5 for Canada and 2 for the United States. Other countries, mainly in Africa, did not fare as well. Per capita real output actually declined over the 34 year period in Zaire, Zambia and Ghana.[1]

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[1]These results utilize the updated data set (PWT 5.5) contained in Robert Summers and Alan Heston, "The Penn World Table (Mark 5): An Expanded Set of International Comparisons, 1950-88," *Quarterly Journal of Economics*, Vol. 106, No. 425 (May 1991), 327-68. Some 71 countries are studied over the 1955 to 1989 period. See the Appendix for details and a complete list of the 71 countries.