Exporter Dynamics and Productivity: Editor's Overview

Dan Ciuriak

The linkage between economic growth and openness to international trade and investment has long been subject to controversy.

Traditional trade theory promises efficiency gains to nations that partake in the international division of labour but not necessarily a higher rate of growth. The advent of endogenous growth theory provided theoretical models that do promise higher growth for more open economies (Romer, 1990). In these models, trade stimulates growth-enhancing technological change by increasing returns to innovation and/or by facilitating the absorption of technology developed abroad (e.g., through knowledge spillovers)[1], a particularly important consideration for smaller economies.

A number of studies sought to demonstrate the empirical validity of the connection between openness and growth on the basis of cross-country comparisons, including Sachs and Warner (1995), Edwards (1998), Frankel and Romer (1999), Dollar and Kraay (2002), and Wacziarg and Welch (2003). While influential, the claims made in these papers to have established a general link between greater openness and higher rates of growth were disputed on methodological grounds (Rodriguez and Rodrik, 2001; Easterly, 2005; and Rodriguez, 2007).

A more recent effort by Estevadeordal and Taylor (2008) to settle the controversy by explicitly addressing the various critiques reached the narrower conclusion that liberalizing

[1] Paul Romer's 1990 "Endogenous Technological Change" paper explicitly linked international integration to higher growth. Rivera-Batiz and Romer (1991) emphasized knowledge spillovers internationally through economic integration as a driving force.