

the picture, but it is clearly not central to the story of convergence or lack thereof.

Nor, properly considered, can it be concluded that development is primarily about the characteristics of individual nations ("initial conditions"), notwithstanding the intellectual capital that has been invested in this opinion. Socio-economic engineering aimed at establishing the right conditions has not had success, implicitly calling into question what can be learned from this approach. And the longer the set of necessary conditions grows, the less likely it becomes that any country could ever develop pursuant to the implied policy prescription.

And that returns us to the original puzzle: why has the explosion of trade and investment as well as direct technology transfer (not to mention policy emphasis by national governments and international financial institutions on education and savings and investment) failed to ignite catch up growth more widely? Why is it possible to do a taxonomy of nations, as Jeffrey Sachs has done, that sorts countries into: (a) a "technological first world of innovators"; (b) a second world of "technological adopters" which tend to be clustered around the technological innovators, receive FDI and export technology-intensive goods; and (c) the rest of the world, which is described as "technologically stagnant"?<sup>20</sup>

For the record, Sachs argues that the technologically stagnant tend to be geographically more distant from the technological innovators and afflicted with collapsing social structures due to disease (especially AIDS) and/or reliance on primary commodities, which are continuously being "innovated against" and hence face a long-term decline in terms of trade that makes them a very weak basis for development.

Yet, given the steep decline in transportation and communications costs—which obviously was not limited to certain regions and which has sometimes even be called the

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<sup>20</sup> See Jeffrey D. Sachs, "A New Framework for Globalization," paper delivered at the conference *Efficiency, Equity and Legitimacy: The Multilateral Trading System at the Millennium*, Harvard University (June 1-2, 2000).