

# Preface

Modern economies today have undergone a dramatic change. There has been a shift from large-scale material manufacturing to the design and application of new technology with R&D and human capital. The new information age has introduced significant productivity gains through increasing returns and learning by doing. This has challenged the traditional growth models based on competitive market structures. Institutions outside the traditional markets and the genetic principle of survival of the fittest have dominated the current theory of industry growth. This volume coordinates and integrates the two strands of economic growth and development: the endogenous theory of growth and the extra-market models of evolutionary economics dominated by innovation efficiency.

A systematic treatment of the new paradigms of growth and development is attempted in this volume. The discussion is nonmathematical and nontechnical but analytic and synthetic. New paradigms of growth theory today have emphasized three basic features of endogenous growth: technology and innovations, institutions and extra-market dynamics, and core competence of evolutionary dynamics. This volume presents this new paradigm in terms of both theory and historical experiences.

Four key features of this volume are: role of innovations and human capital, impact of information technology, institutions as mechanisms of evolutionary economies, and the experiences of Asian growth miracles. Two extra-market forces are discussed here in some detail. One is the dynamic role of institutions and agencies of governance, which can reduce the large transaction costs and facilitate economic change. The second is the view of economic growth as an evolutionary process, where dynamic flexibility and creative competence play crucial roles. Traditional economic theory of growth has neglected these institutional and evolutionary systems of economic change. The present volume integrates the endogenous growth theory with the evolutionary models of economic change.

We attempt here a synthesis of modern economic theory of growth and recent models of evolutionary economics, which emphasizes the structural process of development. Growth and development complete the two phases: one complements the other.

The volume developed out of my long research in the area of economic growth and development. The microtheoretic foundations of economic growth are integrated here with the macroscopic foundations of economic change. Here nonmarket

institutions play roles as important as the capitalistic markets. The new innovations disrupt the traditional static equilibria and bring new profits, which then augment further innovations. Growth is viewed as a cumulative process. The miracles can be repeated. The mantra is to learn, coordinate, and integrate.

Santa Barbara, CA

Jati Sengupta

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Sengupta, J.

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