

**USAID ECONOMIC GROWTH OFFICERS CONFERENCE**  
**OCTOBER 15-19, 2007**  
**WASHINGTON, D.C.**

Session Title: Global Trends in Economic Growth

Date and Time: October 15, 2007, 10:45 a.m. – 12:15 p.m.

Type of Session: Plenary

Speaker(s): Mike Crosswell, USAID-OFDA

Moderator: Bob Aten

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**Overview of Session:**

Mike Crosswell has written a paper entitled “The Not-So Elusive Quest for Growth,” to get at the facts about recent trends in economic growth and to test the validity of the pessimistic assessments from the “right” (Easterly), the “left” (Sachs) and the “center” (Collier) on the prospects for growth in the least developed countries. Crosswell finds that the data present a more positive picture than has been suggested and that the performance and prospects of developing countries are much more positive than is generally believed. The increase in number of countries, especially in Sub-Saharan Africa, that have begun to sustainably attain per capita growth rates of 2% or more is very encouraging. Crosswell also presents the results of an econometric analysis that shows a strong and statistically significant positive relationship between economic freedom and economic growth.

**Speaker’s Remarks:**

Mr. Crosswell structured his presentation in three parts:

1. Background and context;
2. Results on performance and prospects; and
3. Linking economic freedom with economic growth.

**Background and context:** Many analyses, for a variety of reasons, have been overly pessimistic especially about the prospects for economic growth in Africa in the 1980s and 1990s. But, since the 1990s things in Africa were improving steadily as is shown in Crosswell’s tables. The left, right and center analysts, for different reasons, have missed the positive trends in growth. He sees both Easterly on the right (“The Elusive Quest for Growth”), Sachs on the left (“poverty traps”), and Collier in the center (who talks about people being stuck in poverty) as being more pessimistic than the data warrant.

**Performance and Prospects:** Crosswell’s presentation focused on counting and understanding which countries and regions have attained at least a per capita annual growth rate of 2%, which he considers to be a critical measure of whether countries are on the right track. He has four reasons for this: 1. this level of growth is a major accomplishment; 2. such a growth rate over 25 years will achieve a 50% reduction in poverty; 3. such a growth rate will lead to “catching up” with major industrial countries; and 4. a 2% per capital growth rate is the threshold for economic take-off. He noted that 80% of the population of the 40 African countries reviewed live in economies that have had per capita growth rates of 2% or better.

**Links:** There appears to be a significant and strong link between economic freedom and economic growth throughout the developing world. The trends are positive, but middle income countries don’t show as good results as others partly because of the financial crisis of the early 1990s. If the results of his analysis are true they strengthen the need to promote regulatory reform. There does seem to be causation between regulatory reform and economic growth.

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**Key Points Discussed During Question & Answer Segment:**

Q&A was combined for all three presentations in this section. None of the questions were directly posed to Mike's presentation. He did respond to a general question about attribution of USAID and foreign assistance in general.