
Policies for Long-Run Economic Growth: A Summary of the Bank's 1992 Symposium

By George A. Kahn

The potential rate of economic growth in the industrialized countries is now only half what it was in the 1960s. Growth of world saving and productivity has also declined, suggesting continued low economic growth in the future. If these trends persist, standards of living in the industrialized countries will improve only marginally. This prospect has generated proposals for reversing the growth slump of the past two decades.

To explore policies to increase growth, the Federal Reserve Bank of Kansas City invited distinguished central bankers, academics, and financial market participants to a symposium entitled "Policies for Long-Run Economic Growth." The symposium was held August 27-29, 1992, in Jackson Hole, Wyoming. In opening comments, Federal Reserve Chairman Alan Greenspan underscored the importance of the topic by emphasizing the role of long-term forces in shaping short-term economic developments. "It has become ever more apparent . . . that what policy needs most at this stage are models that effectively tie down the developing long-term forces imping-

ing on our economies. For unless we have some insight into how current short-term aberrations will evolve into the long term, our overall policy posture will surely prove inadequate."

Throughout the symposium, most participants agreed that economic policymakers should pay more attention to long-run growth. But participants disagreed on specific policies to promote growth. While some of the participants, mostly from the United States, advocated government programs to increase growth, other participants emphasized increased reliance on free and open markets.

This article summarizes the papers presented at the symposium and the discussions they stimulated. The first section of the article reviews evidence on the growth slowdown and discusses traditional and new theories of economic growth. The second section examines economic policies to promote growth. The third section provides a synthesis of the issues from the perspective of overview panelists and others with a broad outlook.

THE ECONOMIC GROWTH SLOWDOWN: EVIDENCE AND THEORY

To set the stage for a discussion of policies to promote growth, the symposium began by exam-

George A. Kahn is a senior economist at the Federal Reserve Bank of Kansas City. Eric Thomas, an assistant economist, and Carol Manthey and Carrie Ross, research associates at the bank, helped prepare the article.

ining the causes of the growth slowdown and the contributions of new economic theories in explaining economic growth. Participants disagreed about the relative importance of various possible causes of the growth slowdown but agreed that economic theory had advanced considerably in recent years in explaining patterns of long-term economic growth.

Evidence

In a panel discussion, Michael Darby, Horst Siebert, and Kumiharu Shigehara addressed the causes of slower economic growth. Darby questioned the extent to which long-term growth had actually declined in the United States because he felt measures of growth were biased. While the other participants acknowledged the measurement problem, they viewed the growth slowdown as real. Siebert, focusing primarily on Germany, emphasized a wide variety of structural, supply-side, and other forces. Shigehara, focusing on countries belonging to the Organization for Economic Cooperation and Development (OECD), suggested that structural problems, not supply factors, explained the bulk of the slowdown.

Darby argued that much—if not all—of the economic growth slowdown in the United States was an illusion stemming from faulty measurement. Estimating the real value of a country's output has become more difficult as the share of services and high-tech goods in GDP has grown. For example, price changes are difficult to disentangle from quality changes in the high-tech sector. Official statistics likely overstate price increases of many high-tech goods, while underestimating improvements in quality. While increased quality of a good should be reflected in real GDP, a price change should not. Likewise, in the service sector, output is often measured by hours of input without accounting for possible increases in productivity. These two biases lead to estimates of GDP growth that are too low. Moreover, because the service sector has grown relative

to the goods sector over the last dozen years, the downward bias to real GDP growth has increased. Darby claimed that this downward bias accounts for most, if not all, of the decline in real economic growth in the United States.

Nevertheless, Darby still saw a problem. With the maturing of the baby boom generation and the assimilation of immigrants into the labor force, the quality of the labor force should have increased and contributed more to economic growth than it apparently did. Even if the entire growth “slowdown” was the result of measurement error, current growth rates would still be too low given recent developments in the labor force.

Most other participants disagreed with the view that the decline in growth in the United States or elsewhere could be attributed mostly to measurement problems. For example, Siebert argued that a variety of real economic forces caused Germany's growth rate to slow over the past 40 years, then pick up slightly in the late 1980s. These forces included variations in the growth of factors of production and their productivity, changes in the relative prices of natural resources, instability in trade and macroeconomic policy, and changes in the economy's fundamental structure.

Central to Siebert's argument was the relationship between growth in the labor force and growth in the capital stock. As growth in the labor force slowed after the 1950s in Germany, the productivity of the capital stock declined and labor productivity increased. Despite the increase in labor productivity, output growth declined. More recently, as both factors of production have increased simultaneously, output growth has begun to pick up. From this experience, Siebert concluded that diminishing returns to capital limit output growth when the labor force is stable. Only with both labor and capital growing together is overall GDP growth maximized.

Within this general framework, Siebert identified other factors that have contributed to the growth slowdown. First, the oil price shocks of 1973-74 and 1979-80 reduced the productivity of

capital and contributed to the slowdown in economic growth. Environmental regulation had similar effects. Second, whereas in the 1950s Germans viewed competition as the guiding force for economic institutions and policy, building safety nets for individuals became more important in later years. As a result, while Japan and the United States were creating jobs in the 1970s and early 1980s, Germany was losing jobs. Third, increased government spending and higher taxes contributed to slower growth in Germany. Finally, Siebert asserted that the rate of creation of new knowledge had slowed. Siebert concluded that to continue contributing to the German growth turnaround, policy should focus on improving institutional arrangements, rather than “influenc[ing] economic activities ad hoc.”

Shigehara rejected explanations of the growth slowdown that relied solely on “traditional” factors, emphasizing instead the role of “structural” factors. Shigehara surveyed a wide range of factors that have traditionally been identified as contributing to slower growth. Among these factors are higher oil prices, less investment in research and development, a less-skilled labor force, and greater instability in financial markets. Shigehara also identified the economic characteristics that newer economic research has associated with rapid growth: high saving, a well-educated labor force, the free flow of technology across countries, export orientation, low government spending, and political stability.

Shigehara argued that while these traditional factors may have contributed to the postwar growth experience of many industrialized countries, they are insufficient to explain all of that experience. Many of the traditional factors turned from negative to positive in the 1980s, yet economic growth in most countries remained sluggish or deteriorated. This observation led Shigehara to focus on structural problems. These problems include high and variable inflation, rigid labor and product markets, and instability of macroeconomic policy. According to Shigehara, these

structural problems hindered long-run decision making and reduced the competitiveness of markets. Only by addressing these structural problems, Shigehara argued, will the economic growth slowdown be reversed.

Theory

Until recently, economists questioned whether policymakers could influence an economy’s long-run growth rate. For example, economic theory held that higher rates of saving and investment could temporarily boost output growth, thereby permanently increasing long-run standards of living. But theory suggested that higher rates of saving and investment could not permanently increase output growth or the growth rate of living standards. In contrast, newer economic theories suggest a greater role for policy in determining long-run growth.

Charles Plosser provided a survey of both the old and the new growth theories. He concluded that the new theories had much to offer in explaining differences in growth rates across countries and across time. Gregory Mankiw, commenting on Plosser’s paper, agreed that the new theories had contributed to our understanding of the growth process. Nevertheless, he argued that the old theories could be resurrected as an explanation of growth if they were reinterpreted in a more general context.

Plosser explained why the old growth theories provide limited scope for policy, while new theories provide ample scope for policy. In the old theories, diminishing marginal returns to capital limit the role of increased saving and investment. An increase in investment, for example, temporarily boosts growth of the per-capita capital stock and growth of per-capita output. But, as the per-capita capital stock grows, the return to capital falls. Eventually, growth of the per-capita capital stock and of per-capita income slows to a rate proportional to the exogenous rate of technological progress. Increasing savings and investment

therefore raises the per-capita capital stock and eventually raises output per capita. It does not, however, lead to a permanent increase in the per-capita growth rate of either the capital stock or output.

Plosser described ways some economists have changed their thinking about growth and, in the process, have undone the constraint of diminishing marginal returns to capital. One way is to incorporate into theories of economic growth capital goods that can be produced without using nonreproducible inputs. Examples of such goods are human capital and the "state of knowledge." As long as the production of these capital goods has no limit, sustainable growth is possible. Another way is to incorporate capital goods—human or physical—with external effects and spillovers. If capital has these effects a case can be made for government subsidization of its production. For example, if one worker's education and training increase the productivity of other workers, subsidizing training and education may increase economic growth and welfare. In summing up the implications of the new growth theory, Plosser said, "societies that save and invest more will generally grow faster in the long run."

Mankiw agreed that the new theories had contributed to our understanding of economic growth but preferred to work within the framework of the traditional theory. By generalizing the traditional theory's concept of capital to include human capital, Mankiw estimated that capital's share of GDP would increase from one-third to four-fifths. Mankiw claimed this higher capital share could explain international differences in income per person within the framework of the traditional theory.

The more general version of the traditional theory led Mankiw to identify four "secrets" to fast growth. First, start from behind—countries with low initial standards of living tend to grow faster than countries with high living standards. Second, save and invest. Third, educate the young. And fourth, keep population growth low. Mankiw argued that these four secrets often go unexploited

because they involve sacrifice today for higher living standards tomorrow. Few politicians, Mankiw asserted, were willing to make that tradeoff.

POLICIES TO PROMOTE GROWTH

Evidence and theory suggest that economic policy affects long-term growth—sometimes for good, but also sometimes for bad. The possibility that policies can enhance or undermine an economy's potential for growth underscores the need for careful evaluation of policies to promote growth. Participants at the symposium focused on three types of policies—macroeconomic policies, human capital policies, and investment policies. Most participants agreed on the need for macroeconomic policies to create a stable economic environment and human capital policies to enhance labor productivity. But participants disagreed sharply about the desirability of investment policies.

Macroeconomic policies

Participants agreed broadly on the role of macroeconomic policy in promoting growth. J. Bradford De Long and Lawrence Summers argued that good macroeconomic policies are necessary—although not sufficient by themselves—for strong productivity performance. Although De Long and Summers thought macroeconomic policies could not explain the bulk of the growth slowdown, they still considered them relevant. In particular, they saw two important links between macroeconomic policy and long-run growth.

The first link is the contribution an independent central bank can make to growth. Countries with independent central banks committed to price stability are more likely to have low and stable inflation and therefore better functioning market systems. With more efficient markets, a country can potentially grow faster. De Long and Summers presented evidence to support this view. In particular, they showed that countries with the most independent central banks—Germany, Swit-

zerland, and the United States—had the lowest average rates of inflation and fastest average rates of growth. In contrast, countries with the least independent central banks—Italy and Spain—had higher inflation and slower growth.

The second link is the damage caused by recessions. Recessions reduce investment in physical capital. In addition, human capital deteriorates when unemployment rises for a prolonged period. De Long and Summers found no evidence that a monetary policy geared more to fighting recessions than inflation raises long-term growth. Still they questioned the benefits of an overzealous pursuit of price stability. They argued that a policy of low inflation—as opposed to no inflation—avoided the financial and real costs of pursuing further disinflation. Moreover, they argued that the benefits of reducing inflation from a low rate to zero were substantially less than the benefits of reducing it from a high rate to a low rate.

Allan Meltzer, commenting on the paper by De Long and Summers, questioned the view that central bank independence leads to stronger growth. He gave two examples where the relationship broke down. First, Germany did not have an independent central bank before 1971, yet the German economy grew rapidly. And second, the strong commitment to price stability of the United States and Britain under the gold standard did not result in rapid growth.

Lawrence Kudlow agreed with De Long and Summers that an independent central bank contributed to low inflation and, therefore, to faster growth. But, in his discussion of their paper, he emphasized the role of financial capital. Since the late 1980s, Kudlow argued, the macroeconomic environment in the United States has not been conducive to financial capital formation. Growth has suffered because of increases in capital gains tax rates, longer depreciation schedules, tighter regulations on banks, higher income and payroll taxes, and sharp increases in government spending and in the federal budget deficit. In addition, other features of the tax code have been unfavorable to

capital formation—for example, the double taxation of dividends and incentives favoring debt over equity finance. Kudlow's prescription for faster economic growth was to reverse these fiscal and regulatory disincentives to the formation of financial capital.

C. Fred Bergsten also agreed that macroeconomic policy was important but stressed fiscal policy rather than monetary policy. He argued that an important step to take was reducing the federal government budget deficit and, eventually, running budget surpluses. The 1980s saw a decline in both public and private savings. Bergsten argued that reducing budget deficits would help reverse this decline.

Human capital policies

Conference participants agreed that growth of human capital—that is, investment in education and training—contributes importantly to economic growth. Robert Barro offered international macroeconomic evidence supporting the idea that human capital is an important determinant to growth. Lawrence Katz provided corroborating evidence from microeconomic studies. And James Miller, III, presented several specific policy recommendations.

Barro found that growth was faster in countries with more human capital. He pointed to a number of channels through which human capital contributed to growth. First, human capital increases growth by spurring investment in physical capital. Second, accumulating human capital increases wages and therefore raises the opportunity cost of bearing children. As a result, families have fewer children but invest more human capital in each child. Finally, holding birth rates and investment in physical capital constant, human capital still contributes directly to economic growth. Barro argued that with more education people use new technologies more effectively, thereby raising productivity and output growth.

Katz, looking at the microeconomic evidence,

agreed with Barro. Katz summarized the findings of several studies that looked directly at the relationship between an individual's education and productivity. These studies attempted to isolate the effect of education on productivity, holding constant such variables as natural ability and family background. If education had no independent effect on productivity—apart from reflecting an individual's innate ability or family background—then investment in education would not, in itself, increase human capital or productivity. However, Katz's review of the microeconomic evidence demonstrated an independent role for education. In a study of identical twins reared in the same family, for example, schooling was shown to raise productivity, earnings, and thereby economic growth.

In addition, microeconomic research has also identified other ways human capital contributes to growth. First, research supports Barro's suggestion that education of the work force increases investment in physical capital. In a study cited by Katz, industries with highly educated workers were found to invest more heavily in new technology. Second, research reviewed by Katz supported the view that there are spillover effects to education. These spillover effects imply that educating one worker increases the productivity of other workers. Thus, the social returns to education exceed the individual returns. Finally, Katz provided evidence that education not only contributes to growth, but also contributes to a more equal distribution of the benefits of growth.

Miller, agreeing that education contributes to growth, suggested ways to improve education in the United States. Specifically, he suggested ways to improve "lower education"—kindergarten through twelfth grade—where he felt the United States compared unfavorably with other countries. Noting that spending per pupil had increased steadily in the United States while performance had deteriorated, Miller questioned the effectiveness of policies that simply spent more money on education. Instead, he suggested structural reforms. One suggestion was to increase competi-

tion in the provision of lower education by allowing parents greater choice in selecting schools for their children. Another suggestion was to rely more on private or quasi-private schools as providers of lower education. In this way, lower education in the United States might more closely resemble the U.S. system of higher education, which is the envy of the world.

Investment policies

While participants generally agreed on macroeconomic and human capital policies to promote growth, they disagreed sharply on investment policies. Three views about investment policies emerged. The first view held that programs should be adopted to stimulate specific forms of investment. The second view held that investment incentives would work better under some circumstances than under others. The third view held that policymakers should try to minimize their influence over markets, eliminating distortionary tax incentives across the board.

The case for investment incentives. De Long and Summers, looking at a cross-section of countries in the postwar period, found that countries with higher investment in machinery and equipment had faster rates of growth. Investment in equipment and machinery, they argued, carried substantial external benefits and could significantly boost productivity growth. For example, they found that total output rises 0.26 percentage points for each extra percentage point of total GDP allocated to investment in machinery and equipment. De Long and Summers argued that this strong relationship implied policymakers could boost growth by stimulating machinery and equipment investment. In particular, De Long and Summers advocated a permanent investment tax credit targeting equipment investment. In addition, they favored open trade policies without restrictions on capital goods imports and tighter fiscal policies to boost national savings.

Bergsten agreed that to boost growth in the

United States investment needed to be targeted in “strategic directions” that would earn a supernormal return. Bergsten estimated that to increase growth significantly, the overall investment rate would have to rise eight percentage points and be targeted in areas that yield substantial external effects. A one-percentage-point annual increase in the investment rate sustained for eight years would increase productivity growth from the 1-percent rate of the last decade to 2 percent in eight years. Bergsten also argued that investment needed to be stimulated without exacerbating the external deficit, which he thought should be eliminated. Bergsten therefore argued that the national savings rate needed to rise in lockstep with the national investment rate.

The qualified case for investment incentives.

Alan Auerbach argued that the link between investment in physical capital and economic growth is uncertain. Standard economic models do not clearly spell out how increased investment leads to faster long-term growth. Moreover, if investment’s contribution to growth comes largely from spillover effects, more needs to be learned about the nature of these spillovers and about which investments have the greatest spillover effects.

Assuming that investment has these effects and therefore makes a contribution to growth, Auerbach argued that tax incentives to investment would be an appropriate policy. Evidence suggests that tax policies do affect the amount and type of investment that takes place. Although little is known about which types of investment yield the highest social returns—other than De Long and Summers’ evidence for equipment and machinery—more is known about designing incentives for investment. Auerbach argued that these incentives should be designed to apply to new investment that would not otherwise have taken place. They should be permanent. And they should be directed primarily at encouraging investment not at savings. Tax incentives for savings are not always channeled into the most socially productive domestic investments. Some of the increased savings may be invested in foreign countries, in hous-

ing, or in other forms of investment that contribute less to growth.

Martin Feldstein agreed there was a case for investment incentives but disagreed with Auerbach’s view that incentives for investment were more important than incentives for savings. Feldstein argued both types of incentives were important and that investment incentives work best when accompanied by savings incentives. He suggested three reasons why savings incentives were needed. First, the savings rate in the United States is so low that even if all net savings were invested in physical capital, investment spending would still be inadequate. Second, the national savings rate constrains domestic investment in the long run. As a result, countries with high savings rates tend to have high investment rates. Third, savings incentives do not cost the government tax revenue. While the government loses personal income tax revenue through savings incentives such as Individual Retirement Accounts, it gains corporate tax revenue through the resulting increase in the capital stock. These increases largely or entirely offset the personal income tax losses.

The case against investment incentives. Other participants at the conference argued forcefully against tax incentives for investment or savings. Norbert Walter thought it would be too difficult to decide which types of investment were best for growth. The market, he said, is best suited to determine which investments promote growth. Government, he added, can most effectively promote growth by improving market conditions rather than pursuing “quick fixes.” Moreover, selective investment incentives complicate tax systems, which are already too complicated and unfair.

Walter offered two examples of how competitive and open markets are more important for growth than targeted investment incentives. A positive example is Europe 1992, which has resulted in deregulation, keener competition, and the redefinition and redistribution of markets. Businesses responded to these market incentives by investing long term in Europe. Looking forward to the com-

pletion of the single European market, they increased fixed capital formation 50 percent in the second half of the 1980s. A negative example is German unification. Large government-support measures for eastern Germany have not yet produced the desired results. East Germany demonstrates the low efficiency of strong tax incentives. From these examples, Walter concluded that Auerbach's analysis of the postwar United States is interesting but not very useful for the "urgent" cases in Europe.

Kudlow and Meltzer also argued for a free market approach. Kudlow argued that investment in equipment had in fact been quite strong during the 1980s. He pointed out that, relative to the 1959-90 period as a whole, the 1980s saw a surge in spending on equipment. Reacting to suggestions that tax policy target specific investments, Kudlow worried who would be choosing the targets and how those targets would be chosen. Rather than rely on policymakers to make these decisions, Kudlow preferred to let rates of return and relative prices determine the allocation of investment spending.

Similarly, Meltzer thought subsidies for equipment investment were unlikely to significantly boost long-term productivity. He argued that many "one-time" changes after World War II, such as sweeping reductions in trade barriers and the replacement of old capital, led to the strong productivity growth from 1950 to 1969. Thus, the rapid growth experienced during these early postwar years should be seen as an aberration. It is therefore unlikely that subsidizing capital accumulation can significantly raise the recent trend in productivity growth. Meltzer concluded that growth of productivity and living standards depend on the United States and other industrialized countries opening markets that have recently been restricted by quotas.

OVERVIEW OF THE ISSUES

A prominent academic and several high-level policymakers offered broad observations and pol-

icy prescriptions. Stanley Fischer examined why policymakers had not taken more positive steps to stimulate growth. Otmar Issing and W. F. Duisenberg provided policy prescriptions from a European central banking perspective. Domingo Cavallo and Jacob Frenkel focused largely on how to promote growth in economies that have suffered macroeconomic instability.

Why policy advice goes unheeded

Fischer argued that most of the policy prescriptions of the new growth theory are the same prescriptions that have been offered by the World Bank and the International Monetary Fund for years: Keep budget deficits small; keep inflation low and stable; do not overvalue the exchange rate; keep the economy open to international trade; deregulate; privatize; keep the tax system simple; and invest in physical capital, infrastructure, and human capital.

Why has this advice not been followed more closely? Fischer suggested that one reason is the advice is too general. For example, it offers no specifics on how to go about increasing investment or reducing budget deficits. Nor does the advice provide guidance on how to balance the short-run costs of policies to promote growth against the long-run benefits. Reducing inflation and budget deficits lowers growth in the short run but contributes to growth in the long run. Few policymakers, Fischer argued, would ignore short-run costs in addressing long-run problems.

According to Fischer, the best time to deal with inflationary and fiscal obstacles to growth is when the economy is strong. Then, monetary and fiscal policy tools will more likely be available for short-run stabilization when the economy is weak. Unfortunately, this advice has not been followed. In the United States, fiscal policy is unavailable to boost the economy in the short run because the budget deficit was not reduced when the economy was strong. In Germany, monetary policy has had to cope with fiscal stimulus stemming from unifi-

cation. Monetary policy has been tight because Germany did not pay for unification with fiscal policy. Given Europe's exchange rate mechanism, tight German monetary policy has led to an economic slowdown throughout Europe.

Perspectives of two European central bankers

Issing viewed monetary policy geared strictly toward achieving and maintaining price stability as contributing importantly to long-run economic growth. He rejected the view that monetary policymakers could stimulate economic growth in the short run while maintaining a credible commitment to price stability. Moreover, he asserted that an independent monetary policy geared toward price stability disciplines fiscal policy and labor markets. Excessive budget policies and struggles between labor and management for income shares, Issing argued, "will come up to the limits set by monetary policy." By imposing these limits, a monetary policy committed to price stability contributes further to economic growth.

Duisenberg largely echoed Issing's views on the role of monetary policy. Duisenberg argued that economic policy should be oriented primarily toward creating an environment conducive to growth, not toward giving special incentives to specific activities. Monetary policy's role in creating the proper economic environment is to ensure price stability. Price stability is the only monetary policy objective that can be sustained in the long run. And it is the only policy that minimizes the risk of sudden policy changes. Price stability therefore contributes the most to reducing macroeconomic policy uncertainty.

Economic stabilization as a prerequisite to growth

Cavallo and Frenkel emphasized the importance of stabilizing an economy before enacting policies to promote growth. Cavallo drew lessons

from Argentina's efforts to reorganize its economy. He argued that reorganizing the economy was "the basic prerequisite" to achieving faster long-term growth. In reorganizing economic activity, Argentina has emphasized "greater transparency and better planning in the public sector and greater competition and improved performance in . . . the private sector." Five key measures have been taken or are under way in Argentina. They include liberalizing trade, reforming the public sector and recreating a market economy, introducing currency convertibility, reforming fiscal and tax policies, and restructuring internal and external debt.

The program to restructure the Argentine economy is succeeding. For example, inflation has come down and interest rates have fallen. Tax receipts have risen sharply, and substantial privatization has occurred. The reorganization plan has helped stabilize the economy and allowed Argentina's productive resources to be used more efficiently. Only with this step largely accomplished, Cavallo argued, could Argentina now begin trying to increase investment to stimulate growth.

Frenkel reiterated Cavallo's views, arguing that promoting growth is like a two-stage rocket. The first stage requires stabilization of the economy. Only after the first stage has run its course can policymakers concern themselves with the second stage—growth. Frenkel argued the first stage—stabilization—is particularly problematic for many countries. He pointed to four "Achilles' heels." First, policymakers are impatient and sometimes try to move to the second stage before completing stabilization programs. Second, stabilization programs often lead to extremely high interest rates. Third, to the extent policymakers use the nominal exchange rate as a tool of stabilization, real exchange rates appreciate sharply. And fourth, when governments cut spending to reduce deficits, they often cut spending on infrastructure, exactly the kind of spending required for growth.

In summing up, Frenkel argued that stabilization and growth required looking at the composition of economic aggregates, not just at the

aggregates themselves. For example, not only is the size of the budget deficit important, but so is the composition of its components—government spending and tax revenues. Stabilization and growth require government spending oriented toward investment rather than consumption. Similarly, taxes should promote production, not consumption.

CONCLUSIONS

The slowdown in long-term economic growth in the industrial countries has sparked a debate about how policymakers can promote faster

growth. Participants at the symposium generally agreed that increasing savings and investment, building human capital, and pursuing stable economic policies would contribute to faster growth. Participants disagreed, however, about specific policies. While some participants, mostly from the United States, favored various tax incentives for investment and possibly savings, other participants favored greater reliance on free and open markets. But these differences did not overshadow the consensus of the participants that economic growth is a critical policy issue that can no longer be ignored.