How Strongly Do Developing Economies Benefit from Equipment Investment?*

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ABSTRACT

We extend and improve the database used in De Long and Summers [1991] and, focusing on developing economies, find that there is a very strong growth-equipment investment association even when rich, industrialized economies are not considered. Rapid growth is found where equipment investment is high, and slow growth where equipment investment is low. If there is a region where the post-WWII growth-equipment nexus is weak, it is the well-integrated and very rich region of western Europe—not the developing world.

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