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CDMA05/07

Finance and Growth: A Critical Survey^{*}

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ABSTRACT

We present a survey of the finance-growth nexus that raises a number of qualifications to the mainstream interpretation. Doubts regarding empirical consensus are investigated and we consider the prevalence of cross-section econometrics as dominant in shaping the present theoretical consensus. To facilitate a quantitative understanding of the theoretical literature we develop a model capable of capturing a number of key conclusions from theoretical research. The core implications of many finance and growth theories are shown to be disconnected not only from their modern empirical counterparts, but also from the historical literature.

JEL Classification: O11, O16, O40, N23.

Keywords: finance and growth, endogenous growth, economic history.

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