Economic Growth, Well-Being and Happiness, Capitalism or Communism?

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Economics Book.

Thanks for reading the author's work.

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I. INTRODUCTION

I. INTRODUCTION

In order to reveal the complex relation between economic growth, well-being and happiness, and at the same time, answer these questions: a) Is economic growth the basis of human progress and development?, b) Why is capitalism successful, while communism has failed?, and c) What is the link between economic growth, well-being and happiness, considering the Easterlin paradox (there is no robust direct relation between GDP and happiness)?; this literary work has been structured in three parts:

A. The Economic Growth.
B. Capitalism and Communism.
C. Well-Being and Happiness.

A. The Economic Growth:

It is the increase of production, in a region, country, state, city, municipality or locality, during a determined period. However, this process doesn´t guarantee an optimal economic development. On the one hand, the economic growth can improve the quality of citizens' life, and on the other hand, it is accompanied by unfavorable impacts (inequities, poverty, inflation, pollution, destruction of the environment, loss of non-renewable resources, damages to third parties, enjoyment of superfluous necessities, hyperconsumption, etc.).

The Chapter II. The Economic Growth is divided into these sections: II.1 Growth and Economic Development (What is economic growth? What is economic development?), II.2 The Mystery of Economic Growth (What are the main theories of economic growth? Why is the process of economic growth considered as "mysterious"? What are the relevant results of economic growth studies?), II.3 The Role of the World Bank and the International Monetary Fund (What are the efforts of both institutions to solve the mystery of economic growth? What are the strategic orientations of the WB and IMF?), and II.4 The Economic Dilemmas (What are the problems of economists and policy makers? Why don´t the economic policies always generate the best results?).

In general terms, economic growth is a concept different from economic development (this notion is more social and human than economic).

The economic growth theories are exogenous and endogenous, while the latest studies on this theme, endorse the endogenous view, recognizing the influence of non-traditional determinants on economic growth (institutions, innovation, competitiveness, etc.).

Despite the results of the models and studies of economic growth, there are no satisfactory explanations about short and long-term income differences between countries. Moreover, it is difficult to justify why some nations have grown considerably during certain periods and at other stages, their rate of economic expansion is markedly reduced. For this reason, a "mysterious" quality is attributed to the economic growth process.

The World Bank (WB) has led three economic growth studies and the International Monetary Fund (IMF) supports its policies, in the neoliberal program of the Washington Consensus. In that sense, the strategic orientations of both institutions differ considerably.

Even more, there are contradictions between the foundations of the main economic schools and some economic policies aggravate other problems (for example, a greater economic growth tends to raise inflation, but reducing it can create more unemployment and contract the economic expansion), and the application of various successful policies doesn´t always generate the expected or ideal results (these are affected by the internal and external circumstances of the historical moment).

B. Capitalism and Communism:

Both models are antagonistic. In capitalism, there are liberties, human rights and legal-economic guarantees, while the communism constitutes a social, political, economic, philosophical, anti-electoral, anti-democratic and anti-religious doctrine, supported in part by the implicit unawareness of human rights and the transformation of the system (from capitalist to communist).

The Chapter III. Capitalism and Communism is divided in these sections: III.1 Refutations of the Communist Ideology (What are the flaws of the communist foundations?), III.2 Differences between Capitalism and Communism (What are the significant discrepancies between the two approaches?), III.3 The Great Systemic Failure of Capitalism (What has caused criticism against capitalism and the rise of communism?), III.4 The Rise of Capitalism (What is Globalization? How does it work?), and III.5 The Fall of Communism (How does communism arise? How is communism supported? How does the communist system deteriorate? How does communism end?).

Broadly speaking, the communist ideology and its foundations suffer from serious errors that lead to the loss of human rights, liberties and opportunities. This situation doesn´t happen, if there is a capitalist democratic government, with efficient autonomous institutions, which protects human rights and grants legal-economic guarantees to citizens.

In addition, the conditions of the capitalist environment (valuation of work and products, the prices system functioning, the risk-incentive relation, among others) are better than those of the communist regime.

However, capitalism tends to generate more inequities between the social classes. This fact has provoked criticisms against it, favoring the establishment of communist governments.

On the one hand, capitalism has reached its maximum expression, called globalization (development, integration, accelerated expansion and functioning of world markets), and on the other hand, communism has failed. Currently, there are few authoritarian communist governments in the world. Moreover, communism isn´t established in a natural or gradual way, it depends on immense funding (massive exploitation of natural resources and/or financial help from a powerful ally), deteriorates by its own dynamics (increasing public spending, indebtedness and fiscal deficit vs. progressive reduction of incomes) isn´t sustainable, and ends up collapsing.

C. Well-Being and Happiness:

Again: What is the link or relation between the economic growth, well-being and happiness? It is difficult to inquire about well-being (insatiable state of full satisfaction). Therefore, no one can achieve a “maximum satisfaction” and prevails an endless cycle of need-achievement-need (characteristic of human rationality). In the same way, it is also complex to deduce what is happiness (a consequence of well-being, which constitutes a certain level of "general satisfaction", diffuse, difficult to define, delimit and accomplish). Moreover, many economists support the Easterlin paradox (there is no robust direct relation between GDP and happiness), although the results of several studies on these topics seem contradictory (in some there are high positive correlations between economic growth and happiness, and in others, the opposite case is presented).

The Chapter IV. Well-Being and Happiness is divided in these sections: IV.1 Well-Being and Human Needs (What are the human needs? How is well-being influenced by these needs?), IV.2 Well-Being and Motivation (What is motivation? Does it affect well-being?), IV.3 The Pursuit of Happiness (What is happiness? How do humans achieve it?), and IV.4 Economic Growth, Well-Being, and Happiness (What is the relation between economic growth, well-being and happiness?); in addition to: IV.5 Conclusions on Well-Being and Happiness.

In general terms, there are five human needs or requirements (physiological, safety, belongingness, esteem and self-actualization). Attending them has a positive effect on well-being. While the motivation (strength, energy or an extraordinary disposition difficult to define), also contributes to improve well-being.

Even more, happiness is an ideal state that confirms the complacency of well-being and human beings try to reach it, by satisfying their needs and fulfilling their aspirations and desires.

The relation between economic growth, well-being and happiness depends on the human rationality (reflected in an optimizing microeconomic behavior) and the level of economic development.

In this regard, if the economic development level is low or medium, the link between economic growth, well-being and happiness is robust and positive.

Nonetheless, when the economic development level is high, the aforementioned relation isn´t significant (faithfully fulfilling the Easterlin paradox).

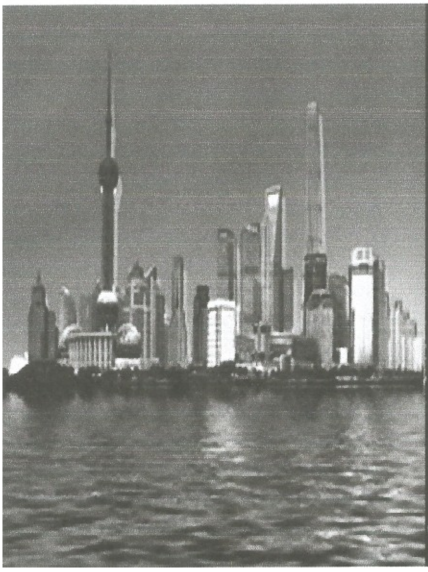
It should be noted that this publication constituted an impressive challenge.

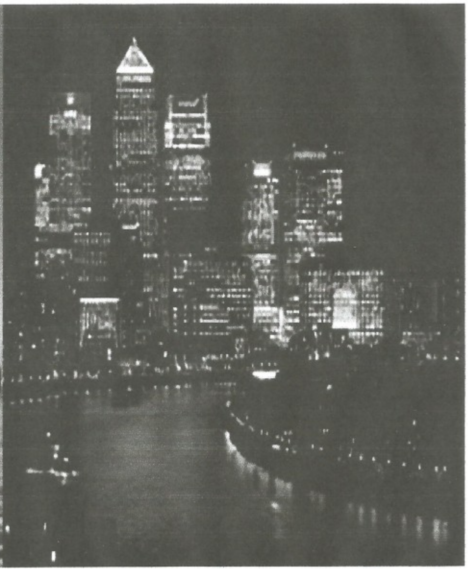
In order to present these issues (Economic Growth, Capitalism and Communism, and Well-Being and Happiness), and provide valid answers to the referred questions (Is economic growth the basis of human progress and development? Why is capitalism successful, while communism has failed? What is the link between economic growth, well-being and happiness, considering the Easterlin paradox?), it is necessary to consider the microeconomic (rationality and human behavior) and the macroeconomic principles (final results).

Even if this literary work provides doubts, additional questions and objections to the exposed positions, this will contribute to achieve the primary goal: reflect about economic growth and its effect on well-being and happiness, in a world politically radicalized to the right or left, and ideologically oriented to capitalism or communism.

Finally, despite the imperfections of capitalism and its injustices, it is confirmed that communism is a serious historical mistake. In the capitalism, there are opportunities to solve social problems and fight against poverty, whereas the communism (based on the flagrant violation of human rights) doesn´t allow to stimulate human progress and development. Moreover, during the early years of a communist regime, the powerful and authoritarian Welfare State can satisfy the basic demands of society, creating the illusion that this system really works, but in the long-term, it becomes unsustainable. **Summarizing, capitalism is successful and communism has definitely failed...**

II. THE ECONOMIC GROWTH





II. THE ECONOMIC GROWTH

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II.1 GROWTH AND ECONOMIC DEVELOPMENT

These two concepts are different. Economic growth is the increase of production in a region, country, state, city, municipality or locality, during a determined period. While economic development includes the process of industrialization, and the optimal functioning of the productive apparatus and government institutions.

In this competitive and globalized world, nations need to maintain or increase their rate of economic growth, seeking to provide an adequate living standard to their citizens, but there are certain criticisms against the economic growth process, mainly considering its adverse effects. In addition, economic growth doesn´t guarantee economic development.

II.1.1 THE ECONOMIC GROWTH

The increase of production, in a region, country, state, city, municipality or locality, during a certain period, which reflects variations in the quantity, value and quality of goods and services, measured through Gross Domestic Product (GDP) and GDP per capita is known as economic growth.

This process also represents the augment in productive potential and the possibility of achieving or maintaining an optimal economic situation, related to the efficient use of the production factors (capital, labor, technology, land and natural resources).

On the one hand, economic growth is extremely beneficial to society, since it contributes to improve the citizens' life quality.

The great differences between countries, in terms of wealth, welfare and living standards are explained as the result of several periods of economic growth. The classic comparison is the industrialized nations vs. the poor African countries.

Likewise, poverty has been declining in developed[1] and emerging economies[2], while its reduction is insignificant or non-existent in those countries with little or no economic growth.

Obviously, the economic growth is the result from the efficient use of: a) human capital, b) physical, financial and natural resources, and c) appropriate technologies. Also, it is the consequence of productive practices and appropriate economic policies. This is demonstrated in the increase of production, consumption, investment and employment. Even more, the economic growth process can lead to considerable improvements in the following problems:

1. Economic:

Inequities and poverty.

2. Financial:

Lack of liquidity and resources.

[1] The characteristics of developed nations are explained in the next section (II.1.2 The Economic Development).

[2] The concept of emerging countries, although diffuse, confuse and imprecise, refers to those developing nations that for five or more years grew rapidly and can continue expanding, for at least a decade.

In these countries, the investments in education, health, technology and infrastructure have risen sharply, while industrial and/or service sectors continue growing and international reserves levels are "acceptable". In the global environment, the emerging countries have strengthened their leadership and political-economic authority, establishing their operations in other nations and increasing their participation in the world trade.

3. Labor:

Unemployment, underemployment and informality.

And on the other hand, there are certain criticisms against economic growth:

1. It doesn´t support a fair distribution of incomes and tends to raise inflation.

If there are many inequities in incomes and access to education and health (in broad sectors of the population), the economic boom and the liberalization of markets can contribute to raise the inequities, generating more poverty.

2. It creates more negative externalities[3], such as contamination or loss of non-renewable resources, primarily due to the decreasing availability of natural resources (intensively exploited) vs. the high global population growth.

According to the United Nations (UN) GEO-4 Report, (2007), humanity is living beyond the capacity of the environment: the global demand in terms of natural resources is approximately 21.9 hectares per capita, while the environmental production capacity is 15.7 hectares per capita (UN, 2008).

[3] Situations or activities whose costs and/or unfavorable impacts affect third parties.

3. It promotes the enjoyment of superfluous needs, attachment to fashions, the adoption of questionable materialistic customs and hedonistic practices of hyper-consumption.

4. It doesn´t guarantee progress, nor human development. Possibly, a country with an impressive economic growth, may not develop satisfactorily. In that sense, there are two different concepts: <u>economic growth and economic development</u>.

II.1.2 THE ECONOMIC DEVELOPMENT

This notion is broad, complex, diffuse and subjective. There is no consensus about its exact definition. In general terms, it includes the successful process of economic growth (the emerging country is transformed into industrialized or developed) and the capacity to create, maintain and optimize the generation of wealth, well-being and life quality. It encompasses these principles:

1. Effectiveness of the national productive apparatus:

The nation has agricultural, industrial and advanced service sectors.

2. Existence of a democratic government:

Institutions are autonomous and efficient, there are human rights, liberties, and legal-economic guarantees.

3. Economic and geopolitical leadership:

The country has presence in international markets and operations in other nations.

4. A stable macroeconomic environment:

The currency is strong, international reserves are at high levels and financial markets are developed.

Even more, there are huge investments in education, health, technology and infrastructure.

5. Identification and national interpenetration:

A certain degree of commitment and satisfaction with the country prevails. Most citizens can fulfill their main professional-personal aspirations.

6. High level of income and development:

The annual GDP per capita is greater than or equal to US. $. 20,000 and the Human Development Index (HDI), based on the aforementioned average per capita income, education and health is 85% or higher[4].

Although the concept of economic development is more qualitative (subjective, sustained in perceptions) than quantitative (objective, based in indicators), if these criteria are strictly applied, the only developed countries are those of the G-7 (Canada, France, Germany, Italy, Japan, United Kingdom and USA), and others such as: Australia, Austria, Belgium, Denmark, Finland, Iceland, Ireland, Israel, Netherlands, New Zealand, Norway, South Korea, Spain, Sweden and Switzerland.

[4] These values are approximate. The precise quantitative limit between a developing and a developed country, is unknown. Moreover, this value of GDP per capita of US. $. 20,000, can be adjusted according to GDP PPP (GDP modified by purchasing power parity).

II.1.3 CONCLUSIONS ON GROWTH AND ECONOMIC DEVELOPMENT

Broadly speaking, the economic growth or the increase of production is the key to improve citizens' life quality and achieve economic development, despite its potential adverse effects (inequities, poverty, inflation, pollution, environmental destruction, destruction of non-renewable resources, damages to third parties, enjoyment of superfluous needs, hyperconsumption, etc.). On the other hand, the longed economic development transcends the previous definition, including an optimal functioning of the national productive apparatus and the governmental institutions, which strengthens the economic and geopolitical leadership of the country and its macroeconomic environment, allowing citizens to feel proud of their nation and meet their main personal and professional goals. The economic development is evidenced by an impressive annual GDP per capita (approximately, greater than or equal to US. $ 20,000) and an extraordinary HDI (since 85%). In other words, economic development refers to the ability of generating wealth and maintaining high standards of life quality, in an environment characterized by: a) the protection of human rights and liberties, and b) the existence of stable macroeconomic conditions. The concept of economic development is more social and human than economic.

II.2 THE MISTERY OF ECONOMIC GROWTH

The economic expansion or growth is an extremely complex, fascinating and mysterious process. It isn´t easy to explain why there are differences between per capita incomes of different nations (short-term) or in a country for extended periods (long-term). Likewise, it is difficult to justify why some nations have grown considerably during certain stages and at other times, their rate of economic expansion is markedly reduced.

The economic growth theories have attempted to identify the main causes of economic expansion and to analyze short and long run income discrepancies. These have been oriented towards the production factors (capital, labor, technology, land and natural resources), and since the mid-1980s, several economic growth studies identified certain determinants, that are difficult to measure and evaluate (knowledge or technology, human capital, institutions, human rights, liberties, legal environment, guarantees, property protection, innovation, competitiveness, policies, etc.).

Currently, there are no definitive answers to this mystery. Many economists confirm that the main determinants of the economic growth are: physical, financial, natural and human capital, labor, knowledge or technology, institutional-legal environment and policies.

II.2.1 THE ECONOMIC GROWTH THEORIES

The economic expansion or growth is a complex and fascinating process, which is influenced by several factors such as: capital, labor force, knowledge, technology, natural resources, productivity, institutions, macroeconomic environment, policies and the influence of other economies, among others.

The history of economic growth theories is as extensive as that of economic thought.

Since the 18th century, the founders of the Classical school, the Scottish economist and philosopher Adam Smith, the English economist David Ricardo, and the British demographer and priest Thomas Malthus, examined the causes of economic expansion.

Adam Smith argues that the division and specialization of labor is the main cause of the economic growth. David Ricardo indicates that the accumulation of capital (productive investments) is the most relevant determinant of the economic boom. Thomas Malthus states that the presence of the resources, needed for subsistence in conjunction with population growth, allows the persistence of the long-term economic expansion.

In the early 20th century, the British mathematician and philosopher Frank Ramsey and the American economist Allyn Young, analyzed the determinants of economic growth rates and technological progress.

Ramsey's economic growth model is based on consumption and saving. While Allyn Young, a supporter of Adam Smith's ideas, argues that the economic boom depends on: a) the growth of markets, b) the increase in demands (consumption), and c) the division of labor.

However, the focus of the Classical school is sustained primarily on a philosophical reason (Why does economy exist?) and not on the causes of economic expansion.

At the end of the 1930s and in the next decade, two Keynesian economists from the United Kingdom, Roy Harrod, 1939, and Evsey Domar, 1946, independently developed the Harrod & Domar model, which is characterized by:

1. Incorporating some instability and uncertainty into the production process.

2. Assuming the existence of many difficulties, which undermine the possibilities of arriving to an equilibrium situation[5].

3. Affirming that in a situation of equilibrium, all machines are used and all workers are hired.

[5] A macroeconomic equilibrium is characterized by: a) the optimal use of production factors (capital, labor, technology, land and natural resources), b) an acceptable economic growth (in most cases), and c) a situation of full employment (unemployment between 4% and 6%).

Nonetheless, these events prevent substitution in capital and labor. Therefore, the economy tends to grow with missing machines and unemployed people. This confirms that an equilibrium, without regulations or government controls is unsustainable in the long-term[6].

4. Concluding that uncertain and unpredictable events lead to an economic depression, which encourages underutilization of resources and unemployment.

5. Accepting only the Keynesian Theory, rejecting the Classical postulates and justifying government intervention, in order to reactivate the economic growth process and achieve or maintain an ideal macroeconomic equilibrium.

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[6] The Harrod & Domar equilibrium isn´t appropriate. In this case: a) the use of production factors of is not optimal, and b) full employment (unemployment between 4% and 6%) is replaced by hyperemployment (unemployment lesser than 4%).

Although this conception doesn´t contradict the Keynesian Theory (according to John Keynes, in the economy there are multiple equilibriums), it refutes the foundations of the Classical school, because:

a) It isn´t feasible to use all machines and hire all workers. It is impossible to achieve this equilibrium, unless the government forces employers to use more equipments and hire more personnel, and also the public sector acquires more machines and increases its workforce.
b) If all industrial equipments were used and all workers were recruited, overutilization of resources would create economic distortions (exaggerated manufacturing of new machines and an atypical generation of more jobs, or simply "artificial demands"). In that sense, as some producers have incentives to build unnecessary equipments and others must employ people that they don´t require (economic inefficiency), the equilibrium situation ends. Therefore, it is impossible to maintain this kind of equilibrium.

Summarizing, in an equilibrium situation, the agents don´t have incentives to change their attitudes and behaviors (Classical microeconomic principle). However, these alterations (use of all machines and employment of all workers), will create incentives to manufacture more industrial equipments, and obligations of hiring more personnel (change in the behavior of producers and employers). These facts will generate higher costs and the loss of productivity, ending the equilibrium situation.

In 1956, the Classic economists, Robert Solow[7] (American) and Trevor Swan (Australian), implemented the first analytical model that explains the long-term economic growth, obtaining extraordinary results:

1. The economic growth depends on capital, labor and "variable A" (a broad and diffuse factor that can be: knowledge, technology, specialization or work effectiveness).

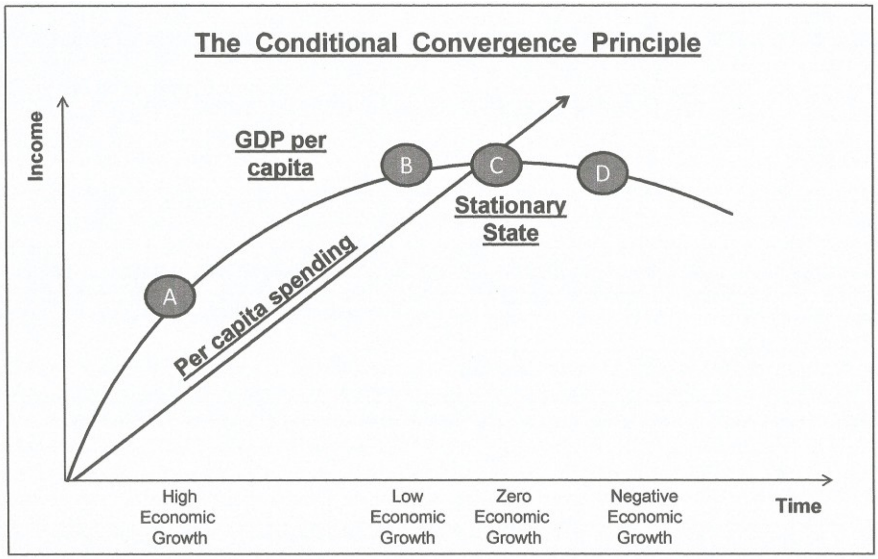
2. The economic expansion of the United States (1900-1950) is based mainly on the contribution of the controversial "variable A" (87%). In other terms, the American economic growth is sustained primarily on knowledge, technology, specialization or work effectiveness (87%), more than other determinants such as capital and labor (13%).

3. **The conditional convergence principle:** when the economy is far from its "stationary state"[8], it grows faster, but when the economy approaches this equilibrium situation, its rate of expansion diminishes, as shown in the following graph:

[7] Winner of the Nobel Prize in Economics 1987.

[8] When this model was developed, prevailed this idea of Harrod & Domar: there is some paralysis in the equilibrium.

Therefore, Solow & Swan used this notion of stationary state, referring to an atypical equilibrium situation, in which the economy reaches the maximum of its productive capacity, and the GDP growth rate is equal to the population growth rate. For this reason, the GDP per capita doesn´t increase (it remains constant).



Per capita spending = (population growth rate
+ growth rate of variable A
+ depreciation rate of capital)
x per capita capital.

Source: Own construction based on the Solow & Swan model.

(A) High Economic Growth:

GDP per capita and per capita spending are low => GDP per capita grows faster. This is the case of China, India and the emerging economies.

(B) Low Economic Growth:

GDP per capita and per capita spending are high => GDP per capita increases slowly. This is the situation of the developed nations.

(C) Zero Economic Growth:

The stationary state is reached. GDP per capita is equal to per capita spending => GDP growth rate is equal to population growth rate => GDP per capita growth rate is zero => GDP per capita remains constant.

The economic expansion stops and there are no possibilities of improving the incomes. In addition, the tendency is to go towards the decrease phase (D), instead of returning to another stage of economic expansion (A or B).

(D) Negative Economic Growth:

The economy falls into recession. GDP per capita is lower than per capita spending => GDP per capita decreases.

Although the conditional convergence principle isn´t accepted by many economists (especially by the neo-Keynesians), it explains why industrialized nations have grown at low rates since the 1970s, while some emerging economies are expanding rapidly.

Likewise, this assumption is logical and intuitive. Obviously, a country with a very high annual GDP per capita (for example, greater than US. $ 40,000) tends to grow at a low rate (less than 2%), while an emerging country with a small annual GDP per capita (less than US $ 6,000), can expand at a high rate (between 6% and 10%).

This instrument, commonly known as the Solow growth model, was the benchmark for the next economic growth studies.

However, in 1986, several neo-Classical American economists, led by Paul Romer, Robert Barro and Robert Lucas[9], expressed their dissatisfaction with the results of the Solow growth model, indicating that the economic boom can´t be explained by a diffuse and exogenous[10] determinant (knowledge, technology, specialization or work effectiveness).

As a result of this debate, academics and researchers rescued those studies that since the 1960s have included technology as an integral part of the economic growth (not as an exogenous variable) and developed other models, formulating the New Theory of Economic Growth. A division was established between the economic growth models:

1. Exogenous:

Variable A (knowledge, technology, specialization or work effectiveness) is diffuse and exogenous.

Some representative models are:

[9] Winner of the Nobel Prize in Economics 1995.

[10] The exogenous variables are those that: a) can´t be controlled, or b) affect the prices or the demand of goods and services (without having a direct relation with these products or the conditions of the markets). For example, technology is an exogenous variable, it can´t be directly related to the markets conditions.

1.1 Economic Growth of the economists Robert Solow & Trevor Swan, 1956.

1.2 Infinite Horizon of the British mathematician and philosopher Frank Ramsey, 1928, taken up by American economists David Cass & Tjalling Koopmans, 1965.

1.3 Overlapping Generations of the American economist Peter Diamond[11], 1965.

2. Endogenous:

These incorporate the variable A as endogenous[12], defining it precisely as knowledge or technology, and arguing that it can grow without limits (unlike capital). Some important models are:

2.1 AK models (absence of reduced capital returns).

2.2 Research and Development (R&D), designed by the Japanese economist Hirofumi Uzawa, 1965, the American economists: Karl Shell, 1966 and 1967, Edmund Phelps[13], 1966, Paul Romer, 1987 and 1990, Gene Grossman & Elhanan Helpman, 1991; and the French economist Philippe Aghion & the Canadian economist Peter Howitt, 1992.

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[11] Winner of the Nobel Prize in Economics 2010.

[12] The endogenous variables are those that can control or affect the prices or the demand of goods and services, preserving a direct relation with the products or the markets conditions. For example: consumer preferences are endogenous variables.

Although in these endogenous models, the variable A is "endogenized", using a production function of knowledge or technology, which depends on other variables (capital, labor, the same generation of knowledge, etc.).

These studies conclude that economic expansion depends on physical, financial, natural and human capital, variable A (knowledge or technology), institutions and social, political and legal structures.

In this regard, the economic growth models of both approaches try to answer these questions:

Why are there differences in the GDP per capita of several countries (short-term)?

Why are there discrepancies in the GDP per capita of the same nation, over extensive periods (long-term)?

Explanations of the exogenous models:

These demonstrate that economic growth is due to: diffuse variable A, capital accumulation and labor (in order of priorities).

Therefore, differences in output and income, in the short and long run, are explained more by the effect of an exogenous and imprecise variable (Knowledge? Technology? Specialization? Work effectiveness?), that by the own accumulation of capital or the intensive use of the labor force.

[13] Winner of the Nobel Prize in Economics 2006.

Explanations of the endogenous models:

Taking into account the weakness of the exogenous models, the endogenous are aimed to correct this unsatisfactory result, based on these premises:

1. The engine of economic growth is the accumulation of knowledge and technological advancement.

2. The accumulation of capital also boosts the economic expansion (this concept is extended to include human capital or specialized labor force).

3. Another key element is the social, political and legal structure (influence of institutions, human rights, liberties, legal environment and legal-economic guarantees).

In that sense, the successful combination of several relevant factors (knowledge, technology, physical, financial, natural and human capital, institutions, human rights, liberties, legal environment and legal-economic guarantees) promote the economic growth process, and can justify the levels of production and income, in the short and long-term.

II.2.2 THE MISTERY OF ECONOMIC GROWTH

Although both macroeconomic perspectives (exogenous and endogenous) offer some explanations to the questions about income differences in the short and long-term, these aren´t totally satisfactory. In this regard, these facts support the opinion of Helpman (2004), who attributes a "mysterious" character to the economic growth.

It isn´t easy to explain why there are significant discrepancies between per capita incomes of different nations (short-term) or even in the same country over extensive periods (long-term). Moreover, the external and internal circumstances, at any moment, and the expectations of the agents, intervene in the decisions of production, commercialization, consumption, saving and investment, among others. Therefore, the macroeconomic outcomes depend on microeconomic behaviors, needs, preferences, aspirations and decisions of citizens, corporations and institutions (which vary continuously).

In addition, unlike microeconomics theories (whose principles have been formulated in a complete way), macroeconomics and economic growth theories continue in development.

The latest discussions on the determinants of the economic expansion are directed towards the influence of human capital, the institutional environment, innovation and competitiveness as engines of economic growth.