

Road to Growth

How Lagging Economies
Become Prosperous

Fred McMahon

Atlantic Institute for Market Studies
Halifax, Nova Scotia
2000

© 2000 Atlantic Institute for Market Studies

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means without prior permission from the copyright holder.

Published by Atlantic Institute for Market Studies
1657 Barrington Street, Suite 521
Halifax NS B3J 2A1

Telephone: (902) 429-1143
Fax: (902) 425-1393
E-mail: aims@aims.ca
Web site: www.aims.ca

Canadian Cataloguing in Publication Data
Fred McMahon,

Road to Growth

Includes bibliographical references and index
ISBN 1-896928-02-1

1. Economic development — Case studies. I. Atlantic Institute
for Market Studies. II. Title.

HD87.M318 2000 338.9 C00-950005-7

Printed and bound in Canada

Cover illustration: Edgar Beals
Page Layout: EE Editorial Services

Acknowledgements

A generous grant from the Donner Canadian Foundation made this work possible. I can only hope it matches in merit the many other contributions to public-policy debate across Canada that the foundation has supported.

I need to thank two AIMS presidents, Brian Lee Crowley and Don Cayo, whose patience was also required for the completion of the work. At almost every point in the process, I have been behind schedule, and they both cheerfully suffered through incessant delays.

Former Irish Prime Minister John Bruton generously contributed the insightful foreword. Mr. Bruton, of course, played a key role in Ireland's powerful economic growth in recent years. His words go well beyond the standard introductory piece and contribute genuine value to this volume.

Numerous people in the jurisdictions examined in this book were extremely generous with their time and insight in helping a stranger from far away try to understand what makes their economies tick.

The many advance reviewers of the book, particularly from the AIMS Board of Research Advisors, generously helped with insightful comments and strong criticism where I went wrong. Any remaining errors are my responsibility.

Elizabeth Eve has ably led the production team. Peter King has carefully copy-edited the book. And Edgar Beals provided the delightful cover illustration.

My mother, Phyllis McMahan, turned 80 just as this book entered into production. I would like to dedicate it to her.

Fred McMahan
Senior Policy Analyst
Atlantic Institute for Market Studies

Contents

Foreword by John Bruton	5
Introduction by Brian Lee Crowley	10
Executive Summary	12
Chapter 1 Policies That Work	19
Chapter 2 The Celtic Tiger	49
Chapter 3 The Dutch Miracle	97
Chapter 4 Growth and Recovery in the United States	141
Chapter 5 Conclusion	201
Appendix 	214
References 	215
Index 	221