



Why Doesn't Capital Flow from Rich to Poor Countries? (Hardback)

By Padraig Belton

Macat International Limited, United Kingdom, 2017. Hardback. Condition: New. Language: English . Brand New Book. Robert Lucas is known among economists as one of the most influential macroeconomists of recent times - a reputation founded in no small part on the critical thinking skills displayed in his seminal 1990 paper 'Why Doesn't Capital Flow from Rich to Poor Countries?' Lucas's paper tackles a puzzle in economic theory that has since come to be known as the 'Lucas paradox, and it deploys the author's brilliant problem solving skills to explain why such an apparent paradox in fact makes sense. Classical economic theory makes a simple prediction of how capital flows between countries: it should, it states, flow from rich to poor countries, because of the law of diminishing returns on capital. Since poor countries have so little capital invested in them, the returns on new investment should be proportionally far better than investment in rich countries. This should mean that investors seeking new opportunities will invest in poorer countries, making capital consistently flow from rich nations to poorer ones. But, problematically, this is not in fact the case. Having defined the problem, Lucas did what any good problem...



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