Exogenous or Endogenous Growth? The Industrial Revolution Reconsidered

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Crafts in his article “Exogenous or Endogenous Growth? The Industrial Revolution Reconsidered”, goes over some historical facts and data and explores a number of different theories that try to explain the industrial revolution and growth pattern seen in the Britain during the 18th and 19th century.

Craft explain the important elements of each theory what the missing factors are, strength and weaknesses and where we need to do more research to improve these models. He warns the reader of possible misleading picture of the industrial revolution resulted from strong presumptions and unreliable data however, he does not suggest a model of his own or a solution to the so far unexplained features of the industrial revolution. It seems to be very difficult to elaborate on the mentioned theories and follow his recommendations due to the lack of good data.

He tries to differentiate between two endogenous type growth theories one noted as the Rebelo model that considers a role for human capital but not raw labour and looks at investment as the main stimulus for economic growth. The other type of growth model he refers to as “endogenous innovation and growth approach” seems to better relate to historical literature but when it comes to explaining the rapid TFP and economic growth of the industrial revolution this type of indigenous growth model is also fallible.

He finally appreciates the new growth theories for formalizing theories that has been discussed by economic historians asserts that “thinking in terms of bread capital as the determinant of growth is blind alley.”