DE-CARITAS JOURNAL OF MANAGEMENT and SOCIAL SCIENCE {DJMSS} {Quarterly}

PUBLISHED BY
DE-CARITAS CENTRE FOR STUDIES ON HUMAN DEVELOPMENT IN AFRICA (DECSHDA)
www.bdecaritas.org
ALL RIGHTS RESERVED

No part of this publication may be reproduced or transmitted in any form without a due permission from DECSHDA. However, each of the contributors is liable to their papers. Thus, you can contact them for more details, information or clarification on their papers with their addresses or email address written on their respective papers.

Printed by
De-Caritas Publishers, Port Harcourt.

De-Caritas! Love conquers.
THE EDITORIAL BOARD

EDITOR-IN-CHIEF
Dr. Okechukwu S. Amadi: Department of Political/Admin. Studies, University of Port Harcourt, Port Harcourt, Nigeria.

ASSISTANT EDITOR-IN-CHIEF
Rudra P. Pradhan: Assistant Professor, Vinod Gupta School of Management, Indian Institute of Technology Kharagpur, West Bengal-721 302, India.

CONSULTING EDITORS
Professor E.C. Ndu: Department of Political and Administrative Studies University of Port Harcourt, Port Harcourt, Nigeria
Professor P.E. Agbebaku: Head of Political Science Department, Ambrose Alli University, Ekpoma.
Professor Cecilia G. Miskel: Oklahoma State University, U.S.A.
Professor Anyanwu Peter A.: Department of Accounting & Financial Management School of Management, FUT Owerri.
Prof. Eunice Boardman: University of Illinois at Urbana-Champaign, U.S.A.
Prof. Norman Dezin: University of Illinois at Urbana-Champaign, U.S.A.

ASSOCIATE EDITORS
Egbe Solomon Ph.D: Department of Accounting, Faculty of Management Sciences, University of Port Harcourt, Port Harcourt Nigeria
Dr. Pazzi Perci Moyatsi: University of Botswana
DR. Nkewerewem Ekpenyong: Niger Delta University Bayelsa State
Dr Roland Igwe: Rivers State University of Education Rumuolumeni Port Harcourt
Dr. Innocent Ogbuji: Ebonyi State University, Abakiliki
Dr. ELOM, N. I: School of Applied Sciences, Northumbria University, Ellison building, Newcastle upon Tyne, UK.

COORDINATING EDITOR
OTUIWU VITALIS U.: De-Caritas Centre for Studies on Human Development in Africa; Rivers State University of Education, Port Harcourt.
GUIDELINES FOR CONTRIBUTORS

De-Caritas Journal of Management and Social Sciences (DJMSS) is a publication of the De-Caritas Centre for Studies on Human Development in Africa (DECSHDA). DJMSS is a reference journal and is published quarterly. The mission of the Journal is to inform, educate, challenge and stimulate interest and debate among practitioners and scholars of all aspects of human, educational, sustainable development and related issues as it affects Africa and the entire world. The journal publishes original empirical materials concerned with all aspects of management, social sciences and related issues. It is multi-disciplinary in nature hence human development permeates all facets of life. Contributions in the form of articles, research notes, review essays and book reviews will be considered for publication. All contributions must be either in the English or French language. However, articles in French language should have a brief preamble in English Language.

Presentation

1. Manuscripts should be submitted (in English or French) on a diskette (5.4" or 3.5") preferably in Microsoft Word accompanied by two hard copies, typed double-spaced. Font 12 should be used with a margin of at least one inch (2.5cm) at the top, bottom, left and right of each sheet. You can send your paper through email: africjournal@yahoo.com

You are to pay a non refundable assessment fee of N2, 000.00 to
Acct no. 052601010016551
Bank: Fidelity Bank, Ikoku Branch, Port Harcourt.

2. All headings should be left un-numbered and un-lettered. A main heading should be in bold, upper case. A sub-heading should also be in bold, lower case (with initial caps) full out.

3. Write dates as, February 9, 1995 or February 9, 1995 and NOT February 9th, 1995

4. Non-English formal words phrases should be in italics.

5. A full-length article should not be more than fifteen pages, all double line spaced. The Abstract should not exceed 200 words.

6. The authors name, affiliation, rank and address should be on a separate sheet detached from the manuscript.

7. References;

i. Books and articles cited in the write up should be indicated in the text, for instance, Otuiwu (2004) or Otuiwu (2004:95), where 95 is the page number. If there are many authors, it can be as follows; Anyanwu (1985), Obianuju (2008) and Duru (2000). If it is a co-authored work it will be, Anyanwu, Obianuju and Duru (2008).

ii. References to book and articles should be written as follows:

<table>
<thead>
<tr>
<th>S/N</th>
<th>TITLES</th>
<th>PAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>VALUE STREAM COSTING AND PROFITABILITY IN NIGERIAN MANUFACTURING</td>
<td>1-12</td>
</tr>
<tr>
<td></td>
<td>COMPANIES. By <strong>EGBE SOLOMON PH.D &amp; DR. NWAIWU, J. N</strong></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>THE IMPACT OF THE CHARACTER OF THE NIGERIAN STATE ON THE PROBLEM</td>
<td>13-21</td>
</tr>
<tr>
<td></td>
<td>OF HUMAN RIGHTS ABUSE IN THE NIGER DELTA, 1990-2014. By **OSARO,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ALALE OBARI</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>THE NIGERIAN STATE AND BOKO HARAM TERRORISM. By **IWARIMIE B.</td>
<td>22-33</td>
</tr>
<tr>
<td></td>
<td>URANTA &amp; SUNNY J. PEPPLE</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>LEADERSHIP AND COUNSELLING ROLE OF THE TEACHER. By <strong>Dr. ABIE SAMUEL</strong></td>
<td>34-38</td>
</tr>
<tr>
<td>5</td>
<td>ADOPTION AND IMPLEMENTATION OF ACTIVITY BASED COSTING AND</td>
<td>39-45</td>
</tr>
<tr>
<td></td>
<td>CORPORATE PERFORMANCE IN NIGERIA. By **DR. OGBONNA, G. N. (PhD) &amp;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nankanbia-Davies, L. O</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>HUMAN RIGHTS ABUSE IN THE NIGER DELTA: A STUDY OF SELECTED STATES</td>
<td>46-54</td>
</tr>
<tr>
<td></td>
<td>IN THE NIGER DELTA, 1990-2014. By <strong>OSARO, ALALE OBARI</strong></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>CUSTOMER SATISFACTION AND SALES GROWTH OF FIRMS; A SURVEY OF</td>
<td>55-65</td>
</tr>
<tr>
<td></td>
<td>SELECTED FIRMS IN PORT HARCOURT. By <strong>ANUCHA VICTOR CHIMA</strong></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>IMPACT OF VALUE FOR MONEY AUDIT ON THE PERFORMANCE OF RIVERS STATE</td>
<td>66-72</td>
</tr>
<tr>
<td></td>
<td>GOVERNMENT PARASTATAL IN NIGERIA FROM 2010-2015. By **DR. OGBONNA, G.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N. (PhD) &amp; PRINCE DORDUM YAAKOO</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>LOCAL GOVERNMENT PERFORMANCE AND THE ACTUALIZATION OF MILLENNIUM</td>
<td>73-82</td>
</tr>
<tr>
<td></td>
<td>DEVELOPMENT GOALS (MDGS): A CASE STUDY OF KHANA L.G.A IN RIVERS STATE.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>By <strong>DEEDAM DORKA GODBLESS &amp; WABAH GOODNEWS</strong></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>DISTRIBUTION PRACTICES AND PERFORMANCE OF FOOD AND BEVERAGE FIRMS</td>
<td>83-94</td>
</tr>
<tr>
<td></td>
<td>IN RIVERS STATE. By <strong>ANUCHA VICTOR CHIMA</strong></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>INSTRUCTIONAL AND ORGANIZATIONAL SKILLS OF THE TEACHER. By **Dr.</td>
<td>95-100</td>
</tr>
<tr>
<td></td>
<td>ABIE SAMUEL</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) AND POVERTY IN</td>
<td>101-108</td>
</tr>
<tr>
<td></td>
<td>RIVERS STATE. By <strong>ADAH RICHARD UDO</strong></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>THE INFLUENCE OF COMMUNICATION SKILLS OF CO-OPERATIVE EDUCATION/</td>
<td>109-122</td>
</tr>
<tr>
<td></td>
<td>PROJECT ON POVERTY REDUCTION AMONG RURAL DWELLERS IN RIVERS-EAST</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SENATORIAL DISTRICT. <strong>DOKUBO CHIDINMA; Ph.D</strong></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>AN ANALYSIS OF NEOCLASSICAL GROWTH MODEL WITH FOREIGN CAPITAL</td>
<td>123-129</td>
</tr>
<tr>
<td></td>
<td>CLOSE LINKAGES. By **TAIWO VICTOR, OJAPINWA &amp; LATEEF ALANI,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ODEKUNLE</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>KNOWLEDGE MANAGEMENT AND ORGANIZATIONAL SURVIVAL (A STUDY OF</td>
<td>130-147</td>
</tr>
<tr>
<td></td>
<td>SELECTED MANUFACTURING FIRMS IN PORT-HARCOURT). By **NWOGU CHINWE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>JOY, EDWINNA AMAH (Ph.D) &amp; GODWIN IKPE UMOH (Ph.D)</td>
<td></td>
</tr>
</tbody>
</table>
AN ANALYSIS OF NEOCLASSICAL GROWTH MODEL WITH FOREIGN CAPITAL CLOSE LINKAGES

By

TAIWO VICTOR, OJAPINWA
Department of Economics, University of Lagos, Akoka Yaba-Lagos Nigeria

LATEEF ALANI, ODEKUNLE
Department of Economics, University of Lagos, Akoka Yaba-Lagos Nigeria

Abstract
This paper shows that the relevance of foreign capital inflow in boosting economic growth and prosperity originated from both classical and neoclassical theories of growth which postulate that foreign capital inflow can supplement domestic investment funds to enhance the capacity of the economy to grow. Foreign capital inflows can provide the financial system with substantial resources if they are saved in form of deposits which could lead to a greater allocation of investments such as credits among not only the foreign capital-receiving population but also the non-receiving, in the long run. Foreign capitals that pass through the financial system are generally needed to fill the prevailing gap, so that countries can grow more rapidly than their internal resources would otherwise allow.

Introduction
In the introduction to his paper that forms the foundation of neoclassical growth theory, Robert Solow (1956) criticises the Harrod-Domar model by identifying its assumption of fixed proportions of labour and capital as the cause of an equilibrium growth that in fact balances on a knife's edge (Solow 1956, p. 65). As a tendency toward instability is particularly dissatisfying for any approach dealing with long run problems, Solow (1956) and Swan (1956) turn to neoclassical production functions with varying shares of labour and capital inputs. These two approaches provide the first neoclassical model of long run economic growth and mark the starting point for most studies on economic growth up to the present day. The most basic proposition of Solow and Swan growth theory is that in order to sustain a positive growth rate of output per capita in the long run, there must be continual advances in technological knowledge in the form of new goods, new markets, or new processes. This proposition can be demonstrated using the neoclassical growth model developed by Solow (1956) and Swan (1956), which shows that if there were no technological progress, then the effects of diminishing returns would eventually cause economic growth to cease. The basic building block of the neoclassical model is an aggregate production function exhibiting constant returns in labor and reproducible capital. The basic outline of neoclassical growth models as first developed by Solow (1956) and Swan (1956) is presented in Section 2. The familiar but nonetheless special case of a Cobb-Douglas production function is examined in Section 3 in connection with the international capital flows.

The Basics of Foreign Capital Inflow and the Neoclassical Growth Models
The relevance of foreign capital inflow in boosting economic growth and prosperity originated from both classical and neoclassical theories of growth which postulate that foreign capital inflow can supplement domestic investment funds to enhance the capacity of the economy to grow...
An Analysis of Neoclassical Growth Model

Ojainwa & Odekunle

(Fashola, 1998). The theories emphasize the role of foreign saving in financing investment. Harrod-Domar model as expanded in the Chenery and Strout two-gap model is premised on the neoclassical growth theory. While the extended neoclassical growth theory argue that there are three main causes of economic growth: increase in the stock of capital; technological progress and growth in labour input due primarily to population growth; economic growth analysis within the framework of open economies posits that economic growth in capital-scarce economies is possible when inflows of capital are channelled through the financial system (Bencivenga & Smith 1991). The theory posits that capital flows through financial system could steady growth rate through increased allocation efficiency. Banks accordingly can achieve this result by offering their individual depositors highly liquid assets and using these resources to fund investments that, while yielding high returns, require a long period to mature. They are able to do this essentially by pooling the idiosyncratic liquidity shocks that their depositors face into an aggregate liability portfolio from which liquidity shocks are effectively eliminated (Agenor & Montiel, 2008, p. 581). Growth which therefore can be constrained either by a shortage of domestic savings (the savings gap) or by a shortage of exports earnings (the trade gap) can then be facilitated by increased foreign savings through financial system. Foreign capital inflows are therefore crucial determinant of growth, thus adding to domestic savings to generate a higher rate of investment allowing less developed countries to grow faster than the more developed ones (Aghion & Howitt, 1998). Foreign capital inflows can therefore provide the financial system with substantial resources if they are saved in form of deposits which could lead to a greater allocation of investments such as credits among not only the foreign capital-receiving population but also the non-receiving, in the long run. Foreign capitals that pass through the financial system are generally needed to fill the prevailing gap, so that countries can grow more rapidly than their internal resources would otherwise allow (Solow-Swan, 1956; Diamond & Dybvig, 1983; Bencivenga & Smith 1991).

Analysis of the Neoclassical Growth Model: A Cobb-Douglas Production

Solow-Swan mathematical growth model can be represented in a Cobb-Douglas production function type for any economy such as

\[
Y = AK^\phi L^{1-\phi} \quad 0 < \phi < 1
\]

Where \(Y\) is output, \(A\) is technological progress and \(L\) is labour. The model assumes that output per worker \((y = Y/L)\) depends only on capital per worker \((k = K/L)\), as

\[
y = Y/L = A(K/L)^\phi \equiv Ak^\phi
\]

Equation (2) implies that for output per worker to change, capital per worker must change. The model assume that gross capital accumulation is equal to saving in a closed economy \((I=S)\) and net capital accumulation is savings \((S=sy)\) minus compensation for labour force growth \((nk)\) such that

\[
\Delta k = sy - nk, 0 < s < 1
\]

Combining (1) and (2) one can derive the growth rate of capital and output per worker, such that,

\[
g_k = sAk^{\phi - 1} - n \quad \text{and} \quad g_y = \phi g_k
\]
Where n is the rate of growth of population. The model assume that in steady state, \( g_k = g_y = 0 \). Based on the above the following total output growth rate in a weighted average of the growth rates of the three factors: capital \( (g_K) \), labour \( (g_L) \) and technology \( (g_t) \) can be derived

\[
g_y = g_A + \phi_K g_K + \phi_L g_L
\]

Equation (5) is known as growth accounting framework. This means that even if an economy has not reached the steady state (i.e., is not in balanced growth), it is possible to determine the contribution of labour, capital and technical changes to economic growth. Meanwhile, endogenous theorists (Rebelo, 1991; Lucas, 1988; Mankiw et al., 1992) have questioned the relevance of the exogeneity prediction of Solow-Swan model. Rebelo (1991) in particular argued that all input are reproducible and in particular the state of knowledge takes the form of human capital building (Bernanke & Gertler, 1995) such that

\[
y^1 = A k^1
\]

Where \( y^1 \) is the output and \( k^1 \) represents a broad measure of capital (i.e., composite of capital and labour). Using the accumulation of capital in equation (6), the steady state rate of growth of capital per worker is

\[
g_y = g_k = sA - n
\]

Equation (7) \((sA > n)\) implies that an increase in savings rate permanently raises the rate of growth of capital and output per worker.

Lucas (1988) and Mankiw et al. (1992) introduces externalities in the production process such that labour is endogenously determined. This implies that households can save by investing in human capital and in physical capital. They therefore present a production function which is similar to Solow's but with human capital endogeneity thus

\[
y = k^\phi h^{1-\phi}
\]

with \( y \) and \( k \) are the same as in the Solow but \( h \) is human capital per worker. That is, there is quality of skill effect in Lucas (1988) and Mankiw et al. (1992) model. A fraction \( s \) of output is saved for capital accumulation

\[
\Delta k = sy, \quad 0 < s < 1
\]

and a fraction \( q \), to increase human capital quality,

\[
\Delta h = qy, \quad q > 0
\]

The model posits that, \( y, k \) and \( h \) which grow at the same rate is determined by the savings rate \( s \) and the propensity to invest in human capital, \( q \) and that if \( r \) is the ratio of human to physical capital \((K/H)\) their respective long-run growth rates can be presented as

\[
g_k = sr^{1-\phi} \quad \text{and} \quad g_h = qr^{-\phi}
\]

which are equal. Then,

\[
r = q/s
\]

and based on the equilibrium definition for \( r \), the growth rates of physical capital and output
An Analysis of Neoclassical Growth Model

Ojainwa & Odekunle

per worker can be given as

\[ g_k = s r^{1-\phi} = s^\phi q^{1-\phi} = g_y \]  

Equation (13) implies that both savings rate have growth rate effects and not just level effects (Mankiw et al, 1992).

All the growth models described above do not have financial intermediation explicitly modelled. The models simply assume that the share of aggregate output saved by the economy is available for investment. While it is true that financial intermediation does increase the transfer of funds across agents it is certainly not costless and several types of leakages can occur between savers and investors. For instance, financial intermediaries allow for investments into higher return projects because some high return projects are also long-term projects and require long-term commitment from investors. Savers, however, tend to prefer liquid investments, that is investments they can disengage from quickly in case of unexpected circumstances. This type of mismatch in liquidity preferences may prevent major investments from taking place because there is no possibility to foresee the needs of savers for liquid assets. Banks, for example, alleviate the problem because they can offer demand deposits to savers and invest in a mixture of short and long-term investments thereby satisfying the demand for short-term deposits and for high return investments. While financial intermediaries help improve efficiency in the distribution of capital, it is not without cost. Financial market transactions are affected by three categories of problems: uncertainty, information asymmetries and transaction costs. All three can be linked back to information that prices are unable to reflect. However, financial intermediation can reduce some of the inefficiencies resulting from these three sources of imperfect information. Financial intermediation and cost can be introduced into this model in the spirit of the AK-model through the saving function. This study therefore differ from the usual equality assumption between savings and investment (I=S) and assume that a proportion of savings (1-f) is lost such that only \( s Y \) is available for investment such that

\[ I = \beta S = \beta s Y \]  

Then, it can be shown that the growth rate of capital and output is

\[ g_k = g_y = \beta s A - n \]  

This equation differs from equation (7) by the fact that only a fraction \( f \) of collected savings contributes to the growth rate of capital and output per worker. Hence, the introduction of costly financial intermediation in the endogenous growth model, leads to a direct effect on the growth rates as only savings collected through financial intermediaries matters (Pagano, 1993).

However the differences in the role of domestic savings on economic growth both predict that domestic capital formation can be constrained either by a shortage of domestic savings (the savings gap) or by a shortage of export earnings (the trade gap) (Chenery & Strout, 1979). This implies that capital which is fundamental in all the growth models can be financed by foreign saving through capital inflow. The opening up of the economy will put it on a temporary adjustment path if the domestic interest rate is not equal to the world interest rate and investment (or dis- investment) will take place (Pagano, 1993). Stark (1991) argue that the potential gains from foreign capital mostly driven by household economic need can be large and permanent. The ability of financial system to mobilize and channel foreign capital savings to
illiquid investment is crucial for growth (Aggarwal et al., 2006). Hence efficient savings mobilization can therefore greatly improve resource allocation and boost economic growth (Sirri & Tufano, 1995).

\[ Y = AK^\alpha N^\beta, \quad \alpha + \beta = 1 \]  

Where \( N \) consists of unskilled labour (\( L \)) and Skilled labour defines as human capital (\( H \)) which implies that labour is endogenously determined (Lucas, 1988; Grossman & Helpman, 1991; Mankiw et al, 1992). Suppose \( N = L^a H^b \) it implies that \( L = (N H^{-b})^{1/a} \). Following Solow-Swan (1956), we assume that \( L \) evolves at an exogenous rate (\( n \)) equal to the rate of growth of \( N \), thus:

\[ L = e^{nt} (N H^{-b})^{1/a} \]

Since capital can be heterogenous, we therefore assume that \( K \) consists of physical capital (\( K_p \)) and foreign remittance capital (\( K_r \)), drawing heavily from Duczynski (2003) who extends Solow-Swan model to three types of capital; physical, human and foreign capital (2003), thus

\[ K = K_p^m K_r^n \]

Given (17) and (18), (16) becomes

\[ Y_{i,t} = A K_p^\alpha m K_r^\alpha n e^{\beta_1 n H} e^{\beta_2 m} e^{\beta_1 m} e^{\beta_2 m} \]

Transforming equation (19) into a log-log form, it becomes

\[ \log Y_{i,t} = \log A + (\alpha m) \log K_p + (\alpha n) \log K_r + \beta_1 \log n + \frac{\phi(a \beta_2 - b \beta_1)}{a} \log H \]

Where \( A = \) productivity shifter, \( \alpha m = \) elasticity of capital not related to remittances, \( \alpha n = \) elasticity of remittances capital, \( \beta_1 = \) elasticity of raw labour, \( \beta_2 = \) elasticity of \( H \) and \( n = \) natural rate of \( N \) over time \( t \). Lucas (1998) argues that (21) understates the level of \( H \) and overstates its statistical importance. He proposes the correct evolution of \( H \) should be based on the economically active population (\( \mathcal{N} \)), thus

\[ H = e^{q_i t} N \]

where \( q \) is the vector of processes and activities that refine \( N \) such as education, training, experience, health, nutrition, and mortality-fertility. Also, \( n \) is the rate of growth of \( L \) which is equal to the rate of growth of \( N \) based on the exogenous neoclassical growth model.

Given (21), (19) becomes

\[ Y_{i,t} = AK_p^\alpha m + K_r^\alpha n e^{\beta_1 m} + e^{\left(\frac{\phi(a \beta_2 - b \beta_1)}{a}\right) q + \beta_2 m} \]

Equation (22) becomes our core model. It enables us to find out the relationship between economic growth and its determinants such as domestic capital formation, remittances as a form
of foreign capital, population growth and human capital formation. Beside, this equation can be expanded to accommodate other determinants of growth which are relevant to this study. These variables include financial development and other variables which according to the literature, are said to perform key economic functions.

Conclusion
An important issue in growth economics is what contributions of different factors, namely, capital, labour and technology make to economic growth. In other words, what is relative importance of these different factors as sources of economic growth? Solow and Swan have attempted to study the relative importance of the various sources of economic growth by using the concept of Cobb-Douglas production function. The rate of economic growth in an economy and differences in income levels of different countries and also their growth performance during a period can be explained in terms of the increase in sources of economic growth including foreign capital inflows in this model. The study emphasizes the role of financial system and argues that growth which may be constrained either by a shortage of domestic savings (the savings gap) or by a shortage of exports earnings (the trade gap) can be facilitated by increased foreign savings through financial system. Foreign capital inflows are therefore crucial determinant of growth, thus adding to domestic savings to generate a higher rate of investment allowing less developed countries to grow faster than the more developed ones. One basic conclusion of this study is that in order to sustain a positive growth rate of output per capita in the long run, there must be continual advances in technological knowledge in the form of new goods, new markets, or new processes and that foreign savings must pass through financial system.

Reference
An Analysis of Neoclassical Growth Model


