**Revisiting Neoclassical Growth Theory: A Survey in the Literature**

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Abstract

During the second half of the twentieth century economists have build newer models of economic growth that consider policy influences of growth and divergent outcomes among countries. These models address issues concerning economic growth, operation of financial markets, trade policy, government expenditures, and taxation. In this essay we have revisited the interdependence of political and economic institutions, taking the neoclassical growth model of Solow (1956) as a point of departure, which maintains that long run economic growth can be explained by capital accumulation, population growth and technological progress. We first discuss the evolution of the neoclassical school of economics in a historical context, and the role of various institutions in engendering economic growth. Subsequently the role of government spending, political stability, property rights and special interest groups (SIG’s) affect economic growth have been discussed, and how these institutions can explain different countries to grow at divergent rates and achieve different levels of wealth.

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