NONHOMOTHETIC PREFERENCES, GROWTH, TRADE AND LAND

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Nonhomothetic preferences with minimums of subsistence imply rates of investment that increase with the level of income, and thus a positive correlation between growth rates and the level of income, at low levels of income. The existence of this positive correlation for a closed economy was already shown in a previous paper. The purpose of this paper is to show that, if we introduce land -a scarce resource that cannot be accumulated- in the model, this positive correlation exists for an open economy as well.

**KEYWORDS:** Subsistence Minimums; Investment Rates.