



**There's no impediment, other than a failure of imagination, that will keep us from delivering on a truly global win-win solution.**

## Paul Romer

□ *World-class economist — specialist on the theory of growth and innovation.* □

What sustains economic growth in a physical world characterized by diminishing returns and scarcity? Answer: the discovery of new ideas in the form of both new technologies and new rules. The founder of New Growth Theory explains the dynamics of innovation-driven growth and how rules can foster and enhance the impact of greater innovation.

Henry Kaufman Visiting Professor, NYU Stern School of Business.

# Ahead of the Curve

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## Highlights

Paul Romer is the primary developer of New Growth Theory, which provides a fresh foundation for how businesses and governments **think about wealth creation**. He is also the president and founder of Charter Cities, a research non-profit focused on the interplay of rules, urbanization, and development. For his work on charter cities, Paul was chosen for *Foreign Policy's* Top 100 Global Thinkers of 2010.

Paul's research addresses one of the oldest questions in economics: **What sustains economic growth** in a physical world characterized by diminishing returns and scarcity?

The answer: **the way societies deal with advances in technology**.

Economic **growth is driven by the coevolution of two sets of ideas**, technologies and rules. **Governments can increase the rate of growth**—in ways that benefit all citizens—by creating systems of rules that are both encouraging of and responsive to new technologies.

Romer is an expert on how rules, both formal laws and informal social norms, affect innovation and growth. For a developing country, the most important rules are those that determine the rate of technology transfer from the rest of the world. For an advanced economy, the most important rules may be the ones that influence the rate of technological innovation in the private sector.

Paul M. Romer is an entrepreneur who has successfully applied technology to higher education —

He founded Aplia, Inc. in 2000, which offers a web-based technology for changing the way we teach by requiring from students the effort necessary for them to succeed while raising the productivity of instructors.

For his work in **New Growth Theory**, he received the prestigious Horst Claus Recktenwald Prize in Economics for outstanding achievement and contributions to the field of economics and to the improvement of society as a whole.

## Charter Cities

Dr. Romer's current research focuses on the concept of **charter cities** —

"We will not understand the deep dynamics of technological ideas until we understand the dynamics of...the rules that people follow. The patent system is a set of rules that encourages the discovery of new technologies. So is our system of open science. Rules that limit direct foreign investment can keep ideas from spreading to poor countries. So can rules (and systems of enforcement) that allow high levels of crime. As we interact with more people, the rules become more important and more complicated.

"In my current work on rules, I'm starting with a pressing policy concern: How can people living in places like Haiti, the Democratic Republic of the Congo, or Cuba get access to rules that protect them and let them engage in mutually beneficial exchange with others from all over the world?"

To create better options for people in the developing world, Romer advocates building **charter cities** — special reform zones that allow governments to quickly adopt innovative systems of rules that can differ markedly from those in the surrounding area. Charter cities give government leaders more options for improving governance, give investors more opportunities to finance socially beneficial infrastructure projects, and give people more opportunities to improve the quality of their lives.

## • Credentials

- Henry Kaufman Visiting Professor, NYU Stern School of Business
- Former Senior Fellow, Institute for Economic Policy Research, Stanford
- Former Senior Fellow, Stanford Center for International Development
- Former Professor of Economics, Stanford Graduate School of Business
- Former Senior research fellow, Hoover Institution