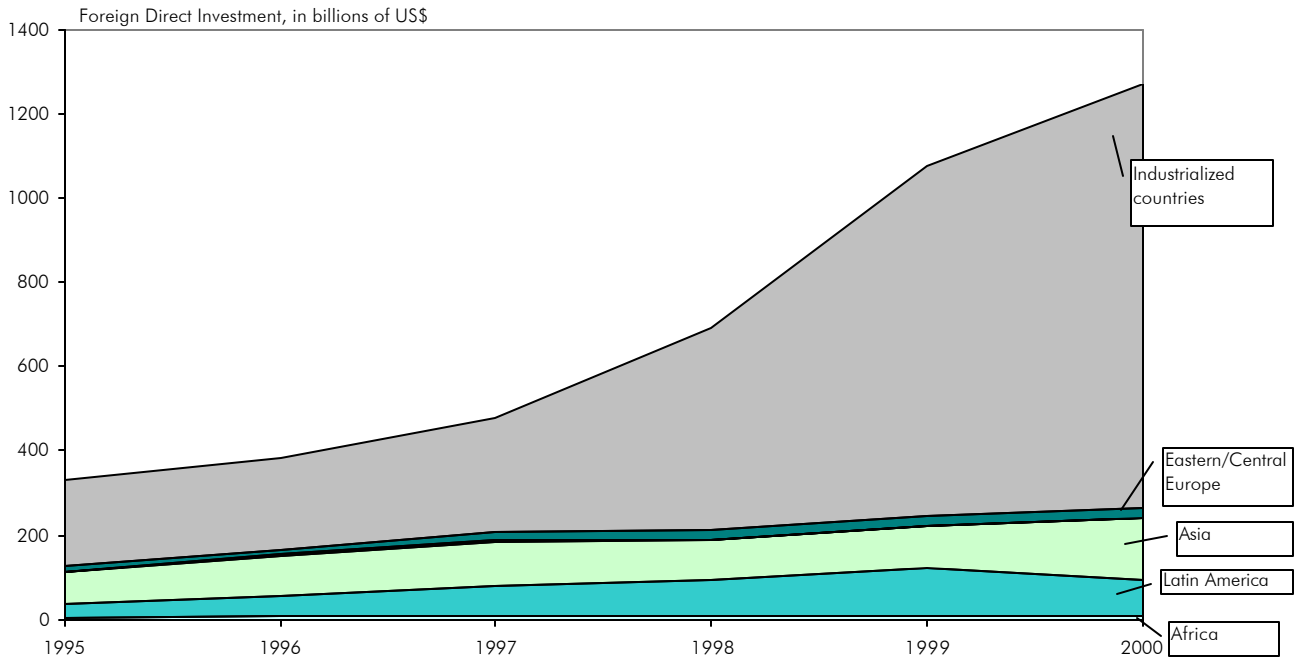


Capital flows to where it is already most abundant.



Note: This figure highlights the enormous growth of international investment in the world during the late 1990s. However, it also highlights the fact that most of this investment has taken place where capital was already most abundant. This illustrates a phenomenon sometimes known as the "Lucas paradox"—in places where capital is already abundant, we might expect that adding more of it would have a smaller impact than it would in places where capital is more rare. However, investors are choosing to place their capital in places where it is already abundant. There are many alternative explanations for this phenomenon, but the fact itself is sometimes overlooked in general discussions about "globalization." The data underlying the graph were taken from the World Investment Report, published by the UN Conference on Trade and Development.