

# Endogenous Technological Change with Leisure Dependent Utility

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This paper investigates the effect of introducing leisure-dependent utility into two models of endogenous technological change. The incorporation of leisure-dependent utility is important, since it allows labour supply to respond to changes in economic variables. Due to this flexibility in the labour supply the dynamics of the model change significantly. The paper mainly focuses on the possible emergence of multiple balanced growth paths. It shows that if agents attach enough value to leisure in comparison to consumption two balanced growth paths may exist. This implies that economies with the same preferences and the same technology may experience different long-run growth rates. The lower growth equilibrium is a situation of zero or close to zero growth, which can be interpreted as a poverty trap or growth trap. This low growth equilibrium is characterized by a high level of leisure and zero or very small research effort.

**Keywords:** Endogenous technological change; Leisure-dependent utility; Multiple equilibria

**JEL classification:** E2, O3

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