

Growth in the Presence of Inter-linkages Across Sectors

Pushkar Maitra

This paper examines the following question: does the presence of inter-linkages across sectors lead to higher growth rates in the economy? We develop a two sector economy where the output of one sector is used as input in the other sector. The equilibrium growth rates in this economy depend only on the aggregate time spent in work and not on the allocation of labour between the two sectors. We compare these growth rates to those obtained in a one-sector economy without inter-linkages. We find that there exist a range of feasible parameter values for which the growth rates are higher in the economy with inter-linked sectors. Finally we illustrate our results by choosing a set of numerical values for the parameters.

Key words: Endogenous Growth, Multi-sector Growth Model, Inter-linkages

JEL Classification: O41, E13

Correspondence:

Dept. of Economics

University of Sydney

Sydney, NSW 2006

Australia

Email: pushkarm@econ.usyd.edu.au