

Programa de Doutoramento Interuniversitario de
Análise Económica e Estratexia Empresarial:
**CURSOS ESPECÍFICOS NA FRONTEIRA DA
INVESTIGACIÓN**

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Título:

**“Learning by doing, endogenous discounting and
economic development”**

Ponente:

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***Lugar: A Coruña, Facultade de Economía e
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Hora: 11:30h

Organiza:

Facultade de Economía e Empresa da UDC

Coa colaboración de:



Learning by doing, endogenous discounting and economic development

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Abstract

The present paper focuses on a growth model where the discount rate is decreasing in capital accumulation and endogenous growth is made possible through learning by doing. Knowledge accumulation being a by-product of gross investment. In such a model, the utility function has to be restricted to take positive values implying that the elasticity of marginal utility is lower than one. The presence of endogenous discounting generates the existence of a steady-state of stagnation which can be interpreted as a poverty trap. In the endogenous growth case, the fact that the elasticity of marginal utility is lower than one implies the existence of two asymptotic balanced growth path. The one with the higher growth rate being a saddle point while the one with the lower growth rate not being a saddle point. We also study the optimal solution which is characterized by a unique asymptotic balanced growth path which is saddle-path stable. The policy consists as usual in subsidizing investment in order to internalize the externality.