

# STAGES OF GROWTH IN ECONOMIC DEVELOPMENT\*

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## Abstract

The paper analyses a two-sector model of endogenous growth with two common features of economic development: stages of sustained growth and underdevelopment traps. The model also demonstrates the transitional issues of a *temporary underdevelopment trap*, *seemingly sustainable growth*, and a *slowdown in productivity growth*. The temporary underdevelopment trap occurs when the economy exhibits a regime of extensive growth (i.e. slowly declining growth in physical capital with no growth in human capital) but then starts a transition to a sustained growth. The seemingly sustainable growth occurs when the economy exhibits a regime of intensive growth (i.e. both capitals are growing) but the growth of human capital ceases and the economy eventually finishes in a zero growth trap. The slowdown in productivity growth occurs when the transition from low growth stage to high growth stage is not monotonic.

## Abstrakt

Prce se zabv dvousektorovm modelem se dvma charakteristickmi znaky ekonomickho rozvoje: stadiem trvalho rstu a past nerozvjejc se ekonomiky. Model tak demonstruje pechodov procesy *doasn pasti nerozvjejc se ekonomiky*, *zdnliv trvalho rstu a zpomalen rstu produktivity*. Doasn past nerozvjejc se ekonomiky se projev v ppadech, kdy se ekonomika rozvj zprvu extenzivn (t.j. fyzick kapitl roste klesajcm tempem a lidsk kapitl nulovm tempem), pak vak nhle nastane pechod k trvalmu rstu. Reim zdnliv trvalho rstu se projevuje u ekonomik, kter rostou intenzivn (t.j. roste fyzick i lidsk kapitl), pak se vak nhle zastav rst lidskho kapitlu a ekonomika konverguje do pasti s nulovm rstem. Zpomalen rstu produktivity se projevuje v ppadech, kdy pechod ze stdia s malm rstem do stdia s vysokm rstem nen monotonn.

**Keywords:** Two-Sector Growth Models, Economic Growth and Aggregate Productivity, Macroeconomic Analysis of Economic Development, Human Resources, Human Capital Formation

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