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.

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

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