

Abstract

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The relationship between infrastructures and productivity has been the subject of an ongoing debate during the last two decades. The available empirical evidence is inconclusive and its interpretation is complicated by econometric problems that have not been fully solved. This paper surveys the relevant literature, focusing on studies that estimate aggregate production functions or growth regressions, and extracts some tentative conclusions. On the whole, my reading of the evidence is that there are sufficient indications that public infrastructure investment contributes significantly to productivity growth, at least for countries where a saturation point has not been reached. The returns to such investment are probably quite high in early stages, when infrastructures are scarce and basic networks have not been completed, but fall sharply thereafter. Hence, appropriate infrastructure provision is probably a key input for development policy, even if it does not hold the key to rapid productivity growth in advanced countries where transportation and communications needs are already adequately served.

Key words: infrastructures, public capital, productivity

JEL Classification: H54, O47

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