Infrastructure Investment and Economic Growth

(September 19 Session)

Professor Karen R. Polenske
INFRASTRUCTURE

• Bundle of Property Rights (review)
  OWERSHIP
  USE RIGHTS
  INHERITANCE RIGHTS
  DESTRUCTION RIGHTS
  GRAZING RIGHTS
  WATER RIGHTS
  AIR RIGHTS
  etc.

  CONTROL RIGHTS
  EXCLUSION RIGHTS
  TAXATION RIGHTS
  OCCUPANCY RIGHTS
  LEASING RIGHTS
  MINERAL RIGHTS

• Infrastructure, Economic Stimulus, and Development
Relationship between infrastructure investment and economic growth

Total output = f (labor, capital, land, technology)

What role does productivity play and why does it vary over time?
Why do some people and firms in developing countries not avail themselves of the latest technologies?

- government failure—lack of proper incentives
- excessive intervention
- lack of appropriate regulations (property rights and legal enforcement
- role of credit constraints
- problems in insurance markets
- local externalities

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Why do people pay interest rates of 20-100% or more?

What problems arise from the use of chemical fertilizers on land in developing countries?

Why would increases in education, health, and nutrition increase productivity?

Are investment rates higher in poor countries than in rich countries? (Does investment respond to high rates of return?)

The family and incomplete contracts within and across generations.

Behavioral issues.
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Do the authors of the readings for this session have different or similar opinions on the relationship between infrastructure investment and economic growth?

What data and methods do they use, respectively?

Does that affect their conclusions?
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What factors distort efficient allocation of resources (in this case, resources for infrastructure construction and maintenance) in developed countries?

In developing countries?

Which factors are similar in both types of countries?
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After doing today’s readings, do you have any new ideas on what type of economic activities should be regulated by the government, and what type should be left to the market?

If the government fails to define and protect property rights, what effect might it have on infrastructure investment?

Is the effect always negative?