

Infrastructure Investment and Economic Growth

(September 19 Session)

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INFRASTRUCTURE

- **Bundle of Property Rights (review)**

OWNERSHIP	CONTROL RIGHTS
USE RIGHTS	EXCLUSION RIGHTS
INHERITANCE RIGHTS	TAXATION RIGHTS
DESTRUCTION RIGHTS	OCCUPANCY RIGHTS
GRAZING RIGHTS	LEASING RIGHTS
WATER RIGHTS	MINERAL RIGHTS
AIR RIGHTS	
etc.	

- **Infrastructure, Economic Stimulus, and Development**

INFRASTRUCTURE INVESTMENT

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

INFRASTRUCTURE INVESTMENT

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.

INFRASTRUCTURE INVESTMENT

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?

INFRASTRUCTURE INVESTMENT

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?

INFRASTRUCTURE INVESTMENT

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?

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