

**Structural change with bounded learning by doing :
Some demand-side implications of income distribution for growth
(communication en français)**

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Abstract

Stylized facts relevant to the analysis of economic growth traditionally focus on the supply-side of the economy. Little reference is made to mass consumption which has accompanied both industrial revolutions and which is today a key feature of economic development in large emerging countries. This paper provides an endogenous growth model where middle class consumption and changes in the composition of production interact to bring out a multi-sector flying-wild-geese development pattern. In particular, we study the implications of income distribution on both the range of sectors and the speed with which learning by doing takes place in a set up where middle class consumption and its environmental impact arise as a consequence of horizontal demand complementarities. The rate of growth and the size of the middle class are closely intertwined and determined simultaneously by the income distribution which creates the conditions for mass consumption, scale economies and learning by doing as sources of sustainable long-term growth. Our framework exhibits an inverted-U relationship between inequality and growth which reflects a trade off between learning across a wide range of sectors and the length of the apprenticeship period in each sector.

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IEDES, Campus du Jardin d'agronomie tropicale de Paris
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