Tech-Driven Secular Low Growth: Cross-Country Evidence*

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Abstract

The average labor productivity, ALP, growth rates have declined among developed countries since around 2005. We argue that the declines were caused by the universal technological stagnation, which is reflected in the relative investment price movements. Since around 2005, the declines of the relative investment prices have slowed down or completely stopped in various countries. We construct a simplest-possible growth model and apply a growth accounting decomposition in order to quantify the effects of the technological stagnation on growth. The steady-state analysis reveals that this estimated technological stagnation explains almost all the declines of the ALP growth rate across the developed countries. Our analysis implies that the Japanese secular stagnation is a part of the global technological stagnation.

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