

# The role of public capital on economic development

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## **The Role of Public Capital on Economic Development**

Yoseph Yilma Getachew

1. The distributional effect of public capital depends on its elasticity of substitution to private capital.
2. Inequality is bad to growth when access to credit is limited because more productive investment could be forgone by the poor due to diminishing returns to factors.
3. By relaxing resource constraints of the poor through factor substitution, an infrastructure expansion could help to mitigate inequality.
4. The relationship between public capital and growth is nonlinear. So why do we estimate linear models?
5. The important question is not whether public investment is important but how big should it be.
6. Policy matters much more in environments with poverty traps than they do in those without. In an economy with a poverty trap, even a temporary policy shock may bring a permanent growth miracle.
7. The purpose of a model is not to be realistic but to provide insights about a particular reality. We already possess a model that is perfectly realistic – the world itself. *David Romer*
8. When the world seems large and complex, we need to remember that great world ideals all begin in some home neighborhood. *Konrad Adenauer*
9. Ideals survive through change. They die through inertia in the face of challenge. *Tony Blair*
10. We did not come to fear the future, we came here to shape it. *Barack Obama*