# CES Production Functions and Economic Growth

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## Abstract

We examine inconsistencies and controversies related to the use of CES production functions in growth models. First, we show that not all variants of CES functions commonly used are consistently specified. Second, using a simple growth model, we find that a higher elasticity of substitution leads to a higher steady state and makes the emergence of permanent growth more probable. It is also pointed out that the effect of a higher elasticity of substitution on the speed of convergence depends on the relative scarcity of the factors of production. Finally, we discuss possible explanations of variations in the elasticity of substitution.

JEL classification: $O41$; $O11$

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