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# Telecommunications Infrastructure and Economic Development: A Simultaneous Approach

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### Article Information

#### Abstract

In this paper we investigate how telecommunications infrastructure affects economic growth. We use evidence from 21 OECD countries over a 20-year period to examine the impacts that telecommunications developments may have had. We jointly estimate a micromodel for telecommunication investment with a macro production function. We find evidence of a significant positive causal link, especially when a critical mass of

telecommunications infrastructure is present. Interestingly, the critical mass appears to be lower for telecommunications infrastructure that is near universal service.

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## JEL Classification

**O47** Measurement of Economic Growth; Aggregate Productivity; Cross-Country Output Convergence

**L96** Telecommunications

**O33** Technological Change: Choices and Consequences; Diffusion Processes

**H54** National Government Expenditures and Related Policies: Infrastructures; Other Public Investment and Capital Stock

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