



American Economic Journal: Macroeconomics

ISSN 1945-7707 (Print) | ISSN 1945-7715 (Online)

≡ Menu

Intermediate Goods and Weak Links in the Theory of Economic Development

Charles I. Jones

AMERICAN ECONOMIC JOURNAL: MACROECONOMICS

VOL. 3, NO. 2, APRIL 2011

(pp. 1–28)

Download Full Text PDF

Article Information

Comments (0)

Abstract

What explains the enormous differences in incomes across countries? This paper returns to two old ideas: linkages and complementarity. First, linkages between firms through intermediate goods deliver a multiplier similar to the one associated with capital in a neoclassical growth model. Because the intermediate goods share of output is about one-half, this multiplier is substantial. Second, just as a chain is only as strong as its weakest link, problems along a production chain can sharply reduce output under complementarity. These forces considerably amplify distortions to the

allocation of resources, bringing us closer to understanding large income differences across countries (JEL: D57, E23, O10, O47)

This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept

Jones, Charles I. 2011. "Intermediate Goods and Weak Links in the Theory of Economic Development." *American Economic Journal: Macroeconomics*, 3 (2): 1–28.

DOI: 10.1257/mac.3.2.1

Choose Format:



Additional Materials

[Replication Package \(3.54 MB\)](#)

[Online Appendix \(70.48 KB\)](#)

JEL Classification

D57 General Equilibrium and Disequilibrium: Input-Output Tables and Analysis

E23 Macroeconomics: Production

O10 Economic Development: General

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

Copyright 2024 American Economic Association. All rights reserved.

[Terms of Use & Privacy Policy](#)

This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept