



A Simple Endogenous Growth Model of Financial Intermediation with Multiplicity and Indeterminacy

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Résumé en anglais

This paper analyzes the role of financial intermediation in a simple endogenous growth model. The results suggest that multiple endogenous growth paths can exist in connection with various levels of financial development, due to the reciprocal externality between financial and real sectors. According to multiplicity, the growth effects of shocks on the technology of intermediation are opposite, depending on the balanced growth path. Furthermore, transitional dynamics is examined, and reveals that the high equilibrium is a saddle path, while the low-growth is locally stable. Therefore, the model presents local and global indeterminacy. These theoretical results support the large empirical literature on the relationship between financial development and growth which depicts conflicting impacts.

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