

Responses to referee report 2

Chung-hui Lai (2013). (In)Determinacy, Bargaining, and R&D Policies in an Economy with Endogenous Technological Change. Economics Discussion Papers, No 2013-14, Kiel Institute for the World Economy.

<http://www.economics-ejournal.org/economics/discussionpapers/2013-14>

Many thanks to the referee for helpful comments.

I would like to further clarify the main contribution, main point and motivation of the paper.

In addition, I shall revise my paper according to these comments. Here I quickly respond to two issues.

1. I think some misunderstanding exists.

There is no misleading about both bargaining and the structure of government interventions. Both bargaining and the structure of government interventions are needed to generate indeterminacy. Please see Proposition 1 and its proof in page 13-14. There are the necessary and sufficient conditions, Eqs. (45) and (46), lead the economy to indeterminacy. It may limit the relevance of the results from the model, but it is not peculiar. A lot of literature research the theory of indeterminacy, especially AK growth model, has to find the necessary and the sufficient conditions to support their models process indeterminacy in economy. Authors work hard to fine the source of indeterminacy in an economy, and want to solve the problem of economic growth. Although it may limit the relevance of the results from the model, this paper is still an original finding that both the bargaining and government R&D policies are the source of indeterminacy in an R&D-driven growth model. It is really interesting finding in this paper. Because there is no one finds this source of indeterminacy in an endogenous technological changing economy, it is interesting results.

2. Minor comments

(a) Regarding many small English writing errors, I will look for a native speaker to improve the grammar to help me revise the paper.

(b) Thank you for your valuable reminding. Footnote 8 on p. 16 will be corrected in revision.

(c) The referee cited Antras and Helpman (2007), Antras and Chor (2013) which mentioned contractual frictions and relationship-specific investments among vertically connected firms. This is useful to improve the motivation of this paper,

and I will cite them in revised version. And Acemoglu et al (2010) also is a useful reference, I will cite it too in revised version. Thank you.

(d) Thank you very much for you advices. I change “his results” into “her results” in revised version.

(e) I modified the wrong use of “dual economy”. And follow your suggestion to use “multiple equilibria for the economy” as a whole in revision.

(f) Thank you for your reminding. I change “sing” into “sign” in Eqs. (55)-(60) in revision.

(g) I modified “low equilibrium (“high equilibrium”)” to “low share of labor hired in intermediate goods production” and “high share of labor hired in intermediate goods production” overall in revised version.