

Public Infrastructure and Private Sector Productivity, Tasmania 1990-2015

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Abstract

The study utilises the recent advances in development of capital stock data at subnational level for Australian states and applies the series for analysis of the effect of the public infrastructure on the private sector productivity in Tasmania. The study employs a version of an aggregate production function to estimate the elasticity of private capital productivity with respect to the public infrastructure. The results of analysis indicate that, in the long run, contrary to the expectations, the public infrastructure contributes negatively to the private sector productivity in Tasmania. There is also some evidence that Tasmanian government is engaged in countercyclical public investment activities.

Keywords: Public capital stock, Multifactor productivity, Australia

JEL Classification: R11, C1, O56, H74