

# Sources of TFP Growth: Occupational Choice and Financial Deepening

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This paper explains and measures the sources of TFP by developing a method of growth accounting based on an integrated use of transitional growth models and micro data. We decompose total factor productivity (TFP) growth into the occupational-shift effect, financial-deepening effect, capital-heterogeneity effect, and sectoral-Solow-residuals. Applying this method to Thailand, which experienced rapid growth with enormous structural changes between 1976 and 1996, we find that 73 percent of TFP growth is explained by occupational shifts and financial deepening, without presuming exogenous technical progress. Expansion of credit is a major part. We also show the role of endogenous interaction between factor price dynamics and the wealth distribution for TFP.