

# Growth effect of bubbles in a non-scale endogenous growth model with in-house R&D

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## Abstract

In this paper, we examine how bubbles affect economic growth by constructing a continuum overlapping generations model in which two type of technological innovation endogenously occur. Specifically, vertical innovation is induced by in-house R&D, whereas horizontal innovation is induced by potential entrants. Using this model, we find that the presence of bubbles on useless assets has positive effect on the steady state growth rate of economy in contrast to previous works. Furthermore, we also investigate the dynamic stability in this model.

*Keywords:* Bubbles, R&D, Overlapping generations

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