

## ABSTRACT

In this paper we examine the effects of publicly financed infrastructure and R&D capital on the cost structure and productivity performance of twelve two-digit U.S. manufacturing industries. A general framework is developed to measure contribution of demand, relative input prices, technical change, as well as publicly financed capital on total factor productivity growth. The magnitude of the contribution of these sources vary considerably across industries: in some changes in demand dominates while in others changes in technology or relative prices are the main contributors. Publicly financed infrastructure and R&D capital contribute to productivity growth. However, the magnitudes of their contribution varies considerably across industries and on the whole they are not the major contributors to TFP in these industries.

M. Ishaq Nadiri  
Department of Economics  
New York University  
New York, NY 10003  
and NBER

Theofanis P. Mamuneas  
Department of Economics  
New York University  
New York, NY 10003