

THE PLACE OF AGRICULTURE IN ECONOMIC GROWTH

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Abstract

Agriculture - economic growth relationship is the subject of many studies, with different methodology, content and perspectives. In this context, the paper presents an econometric analysis of macroeconomic level in order to measure the contribution of agriculture to economic growth equation and evaluating the causal relationship with industry. The econometric analysis undertaken, using OLS method (Ordinary Least Square or the method of least squares) and TSLS method (Two Stage Least Square or the method of least squares in two-stage). Contribution of agriculture is defined in terms of the agricultural GDP (gross domestic product) and the economic growth in terms of evolution of real GDP. The results reveal that agriculture occupies a secondary place in economic growth. Regarding the links between agriculture and industry, they are in favor of industry. Why? Because, in the agricultural GDP equation, the industrial GDP coefficient has a negative sign (-), and in the industrial GDP equation, the agricultural GDP coefficient is positive (+). Therefore, the industrial sector has greater benefits from industry-agriculture relationship and by effect of agriculture-growth relationship. Developing the agricultural sector deserves a priority position since growth in this sector helps the industry to grow further. However, capital investment in agriculture releases farm labor that often is not absorbed by the economy and emphasizes the degree of rural poverty. Thus, encouraging the industrial development by increasing agricultural sector, the position of rural poverty can increase. This reality indicates that agricultural development should not be hampered in favor of concentrating resources for industrial development and must be found an optimal balance between industry and agriculture, so the rural poverty to be alleviated and the economy to record a sustainable growth.

Key words: agriculture, economic growth, gross domestic product, benefits
