

## Abstract

This paper examines the impact of R&D and share of merchandise exports on total factor productivity in the 15 OECD countries through 1996-2009. The paper also discusses the inclusion of the human capital variable in influencing the TFP. The domestic R&D stocks are based on domestic industry-specific R&D. The share of merchandising exports is sector-invariant. We use the random effects to control for unobserved heterogeneity. In this case, the unobserved heterogeneity reflects the differences in trade and R&D policies. The main findings we have obtained are: i) the R&D stocks have a positive impact on TFP based on the random effects model, ii) the exports have a positive and significant impact on TFP, especially in the manufacturing sector.