

## Abstract

This thesis examines the impact of diverging productivity gains across industries in the Czech Republic and identifies their effect on other economic indicators. Using methods standard in the literature about Baumol's model, we analyze yearly sectoral data in the Czech Republic for the period 1995-2015 and examine the presence of Baumol's diseases. Using the econometric concept of fixed effects model, our findings are in line with the predictions of Baumol (1967) as relative prices decline in progressive sectors; and sectoral growth of wages is rather independent of the productivity growth. Additionally, sectoral growth of labour productivity is accompanied by a diminishing share of working hours. Opposite to what Baumol's model suggests, we rejected the hypothesis of the 'constant real share' as productivity growth tend to raise real output. And because the volume of this effect is relatively stronger than the decline in the prices, technological advancement has resulted in nominal output growth. Finally, we have demonstrated that sectoral shifts towards stagnating industries have tended to lower aggregate labour productivity growth. Although the results of our study show the presence of Baumol's cost and growth diseases in the Czech Republic, their magnitude differs considerably from the current literature.

**JEL Classification** O41, 047, D24, E24, J24, C12

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