

## **Determinants of Economic Growth in Jamaica in the Formal and Informal Economies**

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*Jamaica has made advances in development, in terms of education, health and poverty alleviation; however, economic growth (in terms of GDP) has been difficult. What has made Jamaica's economic growth so sluggish? This paper hypothesizes that the vibrancy of the informal economy is at fault. A large informal economy suggests the underestimation of GDP. To date, no study has been done to show what influences economic growth in both the formal and informal sectors. Therefore, this study aims to fill this gap by using data for the 1970-2010 period, an endogenous growth model representation and Engle-Granger cointegration estimation techniques. Results indicate that growth in the informal economy has been influenced by trade openness, education, debt to GDP ratio and the political change in 1989. On the other hand, growth in the formal sector has been determined by the same factors with the exception of trade openness and inclusive of monetary policy and trade liberalisation in 1991.*

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