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## A Nonlinear Control Model of Growth, Risk and Structural Change

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### Author(s)

P. E. Petrakis, S. Kotsios

### ABSTRACT

Uncertainty is perceived as the means of removing the obstacles to growth through the activation of Knightian entrepreneurship. A dynamic stochastic model of continuous-time growth is proposed and empirically tested, including equilibrating and creative entrepreneurial activity. We find that uncertainty affects economic growth and the rate of return, and causes structural changes in portfolio shares for the two types of entrepreneurial events. Structural change depends mainly on the intertemporal rate of substitution, productivity ratios, and finally intersectoral difference in return and risk.

### KEYWORDS

Growth, Risk, Entrepreneurship, Structural Change

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