

# A Factor-Proportions Theory of Endogenous Firm Heterogeneity

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## Abstract

In the model where the choices of technology by firms endogenously determine productivity differences, we investigate the link between factor endowment and the productivity both in the firm and industry levels. We find among others that firms in capital-abundant countries tend to adopt new advanced technologies more in their production processes, and that opening to international trade increases the average adoption rate of new technologies although firms with intermediate productivity levels adopt less of new technologies than in autarky.

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