

Transportation Costs, Knowledge Spillovers and Regional Total Factor Productivity: an Empirical Study of Japanese Manufacturing Industries

(preliminary version)

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Abstract

In this paper, I investigate the effects of industrial geographic locations on regional productivity. I construct a tractable empirical framework directly derived from the theoretical models developed by Krugman (1980), Fujita, Krugman and Venables (1999) and others in New Economic Geography (NEG). The suggested framework, in the paper, makes it possible to decompose industrial location effects on productivity into transportation cost and knowledge spillovers effects, something not done in previous empirical studies. Then, I apply the framework to Japanese industrial/regional panel data, and evaluate the optimality of the location of manufacturing industry in Japan.

References

- Fujita, M., P. Krugman, and A. Venables (1999) *The Spatial Economy: Cities, Regions and International Trade*: MIT Press.
- Krugman, P. R. (1980) "Scale economies, product differentiation, and the pattern of trade," *American Economic Review*, Vol. 70, pp. 950-959.

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