

Agglomeration, Segmentation and Technology choice

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Abstract

This paper presents a simple, analytically tractable new economic geography model in which firms choose a technology level (high or low). We show how trade integration and productivity differential affect technology choice clearly. In particular, if productivity of high technology is medium, firms locating in developed region employ high technology and other firms in developing region do low technology. In this case, increasing productivity of high technology makes the welfare of a consumer in small region decrease.

JEL Classification: F10; F12

Key words: Agglomeration; Firm heterogeneity; Technology choice

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