

# Developed and Developing Economies: A Synthesis of First and Second Natures\*

Lili Tan<sup>†</sup>      Dao-Zhi Zeng<sup>‡</sup>

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## Abstract

This paper investigates the joint impact of two different kinds of first-nature forces, Ricardian comparative advantage and the Heckscher-Ohlin advantage, and the second-nature forces on industry location and income inequality. We extend a new economic geography model without a traditional sector so that the wage is endogenous in our framework. We find that, interacting with the second nature, the impact of the first nature related to technology and that related to capital endowment are unequal and nonuniform along with the integration process. Moreover, by combining these three kinds of trade causes, we generate various patterns of relationship between spatial income inequality and trade integration, providing a better explanation for the diverse empirical studies.

**Keywords:** First nature, Second nature, Developing economy, Developed economy, Inequality, Globalization

**JEL classification:** F12, F15, R12

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<sup>†</sup>Center for Research of Private Economy, Zhejiang University, Zhejiang 310027, China. E-mail: [tanlili@zju.edu.cn](mailto:tanlili@zju.edu.cn)

<sup>‡</sup>Corresponding author. Graduate School of Information Sciences, Tohoku University, Sendai 980-8579, Japan. E-mail: [zeng@se.is.tohoku.ac.jp](mailto:zeng@se.is.tohoku.ac.jp)