

Technology Choice and Wage Inequality

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Abstract

This paper examines the relationship between technology choice and types of labor. We develop the two-country model with monopolistic competition where firms choose production technologies using different types of labor. We show that a proportion of entrepreneur and productivity of technology determine technology choice. If productivity is medium and entrepreneur distribution is asymmetric, technology gap arises. In technology gap case, while falling trade cost lowers wage gap between the countries, wage gap remains.

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