

-2-

$$w = w^*$$

"ASSUME IT IS POSSIBLE TO
"TRANSFER TECHNOLOGY"

i.e. A FIRM IN 1 COUNTRY
COULD "BUY" KED FROM
ANOTHER COUNTRY -

SPECIFICALLY IF $F < F^*$
FIRMS IN COUNTRY FOREIGN
COULD "IMPORT" THE KED
FROM THE HOME COUNTRY

WE WILL LOOK AT THE
EQUILIBRIUM WITH FREE
TRADE & TECH. TRANSFERS.

ALL OTHER ASPECTS OF
MODEL COINCIDE WITH
THE MONOP. COMP. MODEL
COVERED IN CLASS -

Equilibrium

PROFIT MAX + CONS. MAX +
FREE ENTRY OF FIRMS

⇒ SAME EQUATIONS
AS BEFORE BUT NOW
"F" / "F*" CAN BE BOUGHT

OVERSEAS ⇒
ALL FIRMS WILL "BUY"
REQD FROM THE MOST
EFFICIENT PRODUCER (LOWER
COST SELLER). THAT IS
EVERY FIRM WILL ONLY
PAY π FOR FIXED
COST.

⇒ H

$$q_i^p = \frac{\alpha F}{1-\alpha}$$

$$p = \frac{1}{\alpha}$$

$$q_i^{*p} = \frac{\alpha F}{1-\alpha}$$

$$p^* = \frac{1}{\alpha}$$

QUESTION: n ? n^* ? , T. TRANSFER?

LABOR MARKET EQUILIBRIUM

FOREIGN : NO NEED PERFORM

$$L^* = N^* [C \cdot q_i^{*P}] = N^* \cdot q_i^{*P}$$

$$= N^* \frac{\alpha}{1-\alpha} F \qquad \leftarrow \frac{\alpha}{1-\alpha} F$$

$$\Rightarrow \boxed{N^* = \frac{L^*}{F} \cdot \frac{(1-\alpha)}{\alpha}} \quad (\otimes)$$

HOME : NEEDS TO PERFORM
 NEED FOR FIRM AT
 HOME & ABROAD

$$L = N [F + F q_i^P] + N^* \cdot F$$

$$= F [N + N^*] + N \left(\frac{\alpha}{1-\alpha} \right) F$$

$$= F \left[N^* + \frac{N}{1-\alpha} \right] = \boxed{\frac{FN^* + FN}{1-\alpha}}$$

$$\Rightarrow \frac{[L - FN^*](1-\alpha)}{F} = N$$

\Rightarrow USING (\otimes)

$$\boxed{N = \frac{1-\alpha}{F} \left[\frac{L - (1-\alpha)N^*}{\alpha} \right]}$$