

Endogenous Growth and International Technology Diffusion

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This Version: February 2012

ABSTRACT

This paper studies international technology and idea flows and their effects on growth and the welfare gains from openness. We analyze a model where producers decide either to acquire productivity-increasing ideas through search or to produce domestically and potentially for export with their existing productivity. These choices (both domestically and abroad) jointly determine the distribution of productivity-increasing ideas available which in turn affect search and exporting decisions. We characterize the balance growth path and transition dynamics for this economy, thereby allowing us to provide a theory as to how openness changes search decisions, growth, and the welfare gains from openness.

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