

Follow the Leader: On Growth and Diffusion

by

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**Abstract**

Do countries whose firms and industries have a technological lead over others have an "advantage"? Or, in a competitive environment, is it better to be a laggard that takes advantage of technology diffusion while the leaders are expending resources pushing at the frontiers of knowledge? We will present an equilibrium model of growth and diffusion, with competitive firms and free trade, which suggests that consumers in the follower country can indeed be strictly better off when the diffusion rate of technology is above some threshold.

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