

Cost-Reducing R&D investment, Occupational Choice, and Trade *

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Abstract

In this paper, I construct a two-country general equilibrium model in which oligopolistic firms export goods and undertake cost-reducing R&D investment. Each country imposes tariffs. When the cost of education is sufficiently high, an increase in the tariff rate decreases the level of R&D investment. However, when the cost of education is sufficiently small, an increase in the tariff rate increases the level of R&D investment.

Keywords: R&D, Occupational Choice, Trade, Oligopoly

JEL classification: F12, F13

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