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TITLE: POWER LAWS IN A SPATIAL ECONOMY: A MODEL OF MONOPOLISTIC COMPETITION WITH ASYMMETRIC FORWARD AND BACKWARD LINKAGES

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ABSTRACT:

This paper introduces asymmetric forward and backward linkages (IO coefficients) in a model of monopolistic competition. It departs from the New Economic Geography models proposing a spatial economy with industrial sectors where firms have asymmetric product and process technologies, and the demand side has consumers with heterogeneous tastes. The agents (firms and consumers) take decisions of production and consumption in an adaptive way, such as in a self-organizing system. Some simulations are presented to illustrate the ability of the model to reproduce some stylized facts of industrial organization and city size distributions, such as the power laws.