

**Home or Market: Relative Importance of Learning Places
on the Process of Economic Development
(Preliminary Draft)**

HE DU † and HIROSHI FUTAMURA †

† Graduate School of Social Sciences

Hiroshima University

Abstract

In this paper, we show that the relative importance of learning places (home or market) matters for the process of economic development. Under the assumption that home technology is more labor intensive than the market technology (as presumed in many preceding researches), when market activity is more important for human capital accumulation, then multiple steady states emerge in dynamic general equilibrium. Some economies converge toward a higher growth steady state, while the others toward a lower growth steady state. Furthermore, the divergence may depend on initial condition and self-fulfilling expectation.

Address for Communication

Hiroshi Futamura
Graduate School of Social Sciences
Hiroshima University
1-2-1 Kagamiyama,
Higashi-Hiroshima, 739-0047 JAPAN
011-81-82-424-7281 (Office)
011-81-82-424-7212 (FAX)
futamura@hiroshima-u.ac.jp

JEL Classification: O11, O15, O41

Keywords: economic growth, human capital, multiple equilibrium.