SEMINARIO

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The Resource Effect in the Core-Periphery Model

Abstract: This paper develops an extension of the Core-Periphery (CP) model (Krugman, 1991), by considering the traditional sector as a competitive primary sector that makes use of a renewable natural resource. The natural resource can be consumed or used as a raw material in the industrial sector. The dynamics of the resource and its use as a raw material give rise to new dispersion forces: the resource and the primary price index effects. If the primary good is not tradable, the pattern that arises reverts the usual stability behavior in CP models. Different types of bifurcations arise, resulting in different patterns of agglomeration-dispersion. If the primary good is tradable, under certain conditions, for high and low transport cost dispersion takes place, and for intermediate levels of transport cost, agglomeration is the outcome. In addition to transport costs, the extractive productivity in the primary sector plays a key role in the bifurcation diagrams.

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