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Plant-Size Distribution and Cross-Country Income Differences

by [Laura Alfaro](#), Andrew Charlton and Fabio Kanzcuk

Abstract

We investigate, using plant-level data for 79 developed and developing countries, whether differences in the allocation of resources across heterogeneous plants are a significant determinant of cross-country differences in income per worker. For this purpose, we use a standard version of the neoclassical growth model augmented to incorporate monopolistic competition among heterogeneous plants. For our preferred calibration, the model explains 58% of the log variance of income per worker. This figure should be compared to the 42% success rate of the usual model.

Keywords: [Wages](#); [Equality and Inequality](#); [Resource Allocation](#); [Macroeconomics](#);

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