Contents

List of Figures	ix	
List of Tables	хi	
Preface xiii		
General Notation		xxi

1 Theories of International Trade 1

- 1.1 Assumptions 2
- 1.2 The Basic Trade Theorems 3
- 1.3 The Effects of Departures from Assumptions 11

2 Testing the Theories of International Comparative Advantage 45

- 2.1 What Are the Hypotheses? 46
- 2.2 Measuring the Accuracy of the Heckscher-Ohlin Predictions 48

3 Formation of the Trade Aggregates 60

- 3.1 Cluster Correlations 61
- 3.2 Examination of 3-Digit Data 72
- 3.3 Why Are There Clusters? 78

4 Data Preview 84

- 4.1 Net Export Data 84
- 4.2 Resource Data 90
- 4.3 Trade Dependence and Resource Abundance Profiles 94
- 4.4 Notes on Data Accuracy 108
- 4.5 Cross-Country Correlations 114

5 Econometric Methods 117

- 5.1 Heteroscedasticity, Gross Errors, and Nonlinearities 118
- 5.2 Chronic Measurement Errors 127
- 5.3 Prior Information and the Collinearity Problem 136
- 5.4 Beta Coefficients as Measures of Significance 152

viii Contents

6 Estimates of the Trade Dependence Model 155

- 6.1 Purposes of the Empirical Analysis 155
- 6.2 Choice of Model 158
- 6.3 Econometric Strategy 160
- 6.4 Discussion of the Estimates 161
- 6.5 Nonlinearities 180
- 6.6 Conclusions 187

7 Counterfactuals 188

- 7.1 Most Important Resources 189
- 7.2 Tariffs and the Functional Distribution of Income 207

Appendix

- A Factor Market Distortions in the 2×2 Model 215
- B Data Sources and Methods 220
- C Scatter Diagrams and Statistical Results 244
- D Trade Dependence and Resource Abundance Profiles 277

Notes 337 Bibliography 341 Index 351