CONTENTS

Preface Glossary of Symbols			xiii
U	1088a1	y of Symbols	XV
1	Alter	native Perspectives on Trade and Development	1
	1.1	The questions to be answered	1
	1.2	Smith, Ricardo, Marx and modern trade theory	2
	1.3	Trade and development strategy and the role of	
		the state	5
	1.4	Some excluded considerations	7
	1.5	The organisation of the book	8
	Note	rs ·	10
2	Ricardo's Brilliant Run		
	2.1	The Ricardian vision	11
	2.2	Ricardo's theory of comparative advantage	12
	2.2.1	The static model	12
	2.2.2	A simple dynamic model: single country	13
	2.2.3	A simple dynamic model: two countries	18
	2.2.4	Gains from trade for the world	20
	2.2.5	The pattern of trade	21
	$2.2.\epsilon$	1	
		distribution of the gains from trade	21
	2.3	Some extensions to the Ricardian system	23
	2.3.1	Many countries and many commodities	23
	2.3.2	Additional general and specific factors	27
	2.3.3	Generalised intermediate inputs	30

viii CONTENTS

	2.3.4 Transport costs and non-traded commodities Appendix 2.1 The Jones inequality and the	33
	assignment problem	37
	2.2 The net output frontier with	31
	intermediate inputs	41
	Notes	43
	Notes	73
3	Ricardian Applications and Perspectives	46
	3.1 Introductory remarks	46
	3.2 Ricardo and his precursors	46
	3.2.1 The mercantalists and the physiocrats	46
	3.2.2 Trade theory in the light of Smith and Ricardo	48
	3.3 Trade and surplus labour	49
	3.4 Some comparative static results	56
	3.5 Diminishing returns in agriculture	61
	3.6 Ricardo in the light of the neo-classical	
	revolution	68
	Appendix 3.1 The Marshall-Lerner condition and	
	some comparative statics	69
	Notes	77
4	Neo-classical Theory: The Basic Elements	78
	4.1 The neo-classical vision	78
	4.2 The static H–O–S model: two countries, two	
	commodities and two factors	79
	4.2.1 The model	79
	4.2.2 Some properties of the model	84
	4.3 Some complications	89
	4.3.1 Many countries (m) , commodities (n) and	
	factors (q)	90
	4.3.2 The Jones–Samuelson specific factors model	96
	4.3.3 Intermediate inputs and the concept of	
	effective protection	99
	4.3.4 Non-traded commodities and transport costs	101
	Appendix 4.1 The factor content form of the	
	Heckscher-Ohlin theorem	106
	4.2 Intermediate inputs in the H–O–S	
	model	109
	Notes	112

5	Neo-ci Grow	assical Theory: Some Perspectives on Trade and	113
	5.1	Introduction	113
	5.2	Some comparative static results	114
	5.2.1	Magnification effects	114
	5.2.2	Immiserising growth	117
	5.2.3	Balanced growth	119
	5.2.4	Export-led growth	120
	5.2.5	Import-substituting growth	122
	5.2.6	Tariff-induced import substitution	123
	5.3	Effective protection and resource reallocation	125
	5.4	Dynamic models of trade and growth	128
	5.4.1	The open two-sector dynamic H–O–S growth	
		model	128
	5.4.2	Protection in the dynamic context	137
	5.4.3	Wealth holding as a motive for saving	139
	Appe	ndix 5.1 Magnification effects	141
		5.2 Effective protection and resource	
		allocation	147
		5.3 Optimising conditions over time	151
	Notes		157
í	Neo-R	icardian Theory	159
	6.1	Which way from Ricardo?	159
	6.1.1	The neo-Ricardian and neo-classical routes	159
	6.1.2	On the definition of equilibrium and on	
		causality in the theory of comparative	
		advantage	160
	6.1.3	An analytical Marxian perspective	162
	6.2	Alternative theories of income distribution	164
	6.3	Labour and circulating capital in the two-	
		country, two-commodity case	168
	6.4	Labour, resource and circulating capital in the	
		two-commodity case	178
	6.5	Some properties of the circulating capital models	183
	6.5.1	The basic theorems in the labour and	200
		circulating capital model	183
	6.5.2	The basic theorems in the labour, resource	100
	<u>.</u>	and circulating capital model	188