

Contents

PREFACE	xi
1 INTRODUCTION	1
1.1 The Production Function	1
1.2 Technical Progress	6
1.3 The Transformation Curve	11
2 STRUCTURE OF PRODUCTION IN AUTARKY	18
2.1 Introduction	18
2.2 Assumptions and the Model	18
2.3 Equations of Change	22
2.4 Commodity and Factor Prices	27
2.5 Factor Endowment and Commodity Prices	32
2.6 Technical Change and Commodity Prices	34
2.7 Other Properties of the Model	35
2.8 Autarky Equilibrium	40
2.9 The Community Indifference Curve	40
2.10 Summary	44
3 THE BASIS OF INTERNATIONAL TRADE	46
3.1 Introduction	46
3.2 Conditions for the Absence of Trade	47
3.3 The Ricardian Theory	47
3.4 The Heckscher-Ohlin Theory	58
3.5 A Comparison	67
3.6 Equilibrium in International Trade	68
4 GAINS FROM TRADE	81
4.1 The Optimality of Free Trade	84
4.2 Higher Trade Intervention versus Lower Trade Intervention	89

4.3	Trade Intervention versus No Trade	94
4.4	Tariffs, Subsidies and Taxes	97
4.5	The Terms of Trade and Welfare	99
4.6	Discriminatory Tariffs: The Theory of Customs Union	101
5	THE THEORY OF NOMINAL TARIFFS	110
5.1	The Analytical Framework	110
5.2	Tariffs and the Terms of Trade	113
5.3	Tariffs and the Domestic-Price Ratio	118
5.4	Tariffs and the Distribution of Income	122
5.5	The Optimum Tariff	123
5.6	The Symmetry between the Import and Export Taxes	126
6	ECONOMIC EXPANSION AND THE TERMS OF TRADE	129
6.1	Introduction	129
6.2	Economic Expansion	131
6.3	Immiserising Growth	136
6.4	Factor Accumulation	139
6.5	Technological Change	145
7	INTERMEDIATE PRODUCTS: THE INTER-INDUSTRY FLOWS	154
7.1	The Model with Inter-Industry Flows	155
7.2	The Transformation Curve	158
7.3	Some Standard Trade Theorems	165
7.4	Technical Progress	167
7.5	The Gains from Trade	169
7.6	Appendix	174
8	PURE INTERMEDIATE PRODUCTS	180
8.1	The Model with Pure Intermediate Goods	181
8.2	The Structural Relations	185
8.3	Some Properties of the Model	186
8.4	The Standard Trade Theorems	187
8.5	Technical Progress in the Final Good	188
8.6	Technical Progress in the Intermediate Product	189
8.7	Trade in Intermediate Products	192
8.8	Appendix	199

9	THE THEORY OF EFFECTIVE PROTECTION	202
9.1	The E.R.P. Concept and the Partial Equilibrium Approach	204
9.2	Negative Value-Added	208
9.3	Effective Protection in General Equilibrium	210
9.4	Effective Protection and Real Wages	215
9.5	The E.R.P. and Resource Allocation	218
9.6	Effective Protection and the Gains from Trade	231
10	FACTOR MARKET IMPERFECTIONS	240
10.1	The Model with the Wage Differential	241
10.2	Factor Intensities and the Wage Differential	243
10.3	Factor and Commodity Prices	246
10.4	The Slope of the Transformation Curve	247
10.5	The Price-Output Response	249
10.6	The Shape of the Transformation Curve	250
10.7	The Heckscher-Ohlin Theorem	251
10.8	The Implications of the Wage Differential	254
10.9	The Wage Differential and Welfare	257
10.10	The Wage Differential and the Terms of Trade	259
10.11	The Wage Differential and the Gains from Trade	263
10.12	The Wage Differential and Immiserising Growth	270
10.13	Other Types of Factor Market Distortions: Factor Immobility and Factor-Price Rigidity	274
10.14	Concluding Remarks	279
11	PRODUCT MARKET IMPERFECTIONS: THE THEORY OF MONOPOLY IN GENERAL EQUILIBRIUM	281
11.1	The Model with Pure Monopoly	282
11.2	The Consumer-Producer Equilibrium	284
11.3	The Price-Output Response and the Nature of Autarky Equilibrium	290
11.4	The Standard Trade Theorems	293
11.5	Monopoly and the Gains from Trade	296
11.6	Concluding Remarks	301
11.7	Appendix	302
12	NON-TRADED GOODS	305
12.1	The Model with Non-Traded Goods	305

Contents

12.2	The Price–Output Response of Traded Goods	309
12.3	The Stolper–Samuelson Theorem	312
12.4	The Rybczynski Theorem	313
12.5	The Gains from Trade Once Again	315
13	INTERNATIONAL INVESTMENT	322
13.1	Capital Mobility as a Substitute for International Trade	322
13.2	Optimal Tariffs and Taxes	325
14	INTERNATIONAL TRADE IN A DYNAMIC ECONOMY	334
14.1	Assumptions and the Model	334
14.2	The Uniqueness of Momentary Equilibrium	336
14.3	The Stability of the Long-Run Equilibrium	342
	AUTHOR INDEX	351
	SUBJECT INDEX	353