

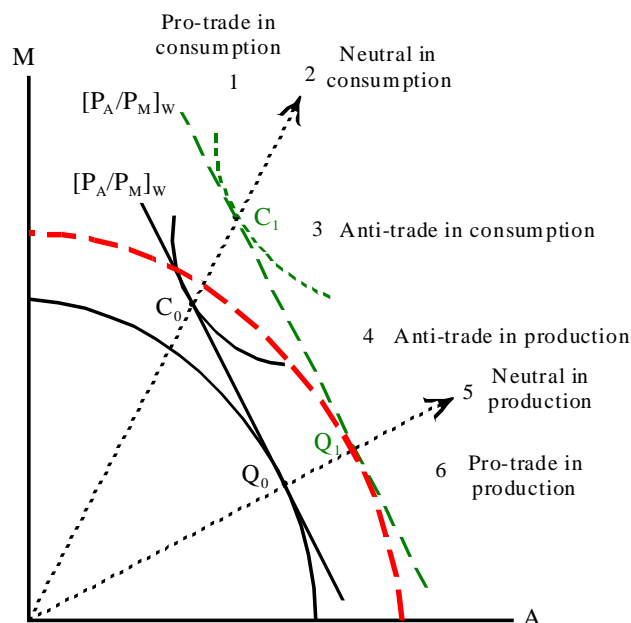
Sessions 9-10. General equilibrium trade analysis, continued, and economic growth

6. Summary of the H-O-S model

- 6.1 Theoretical expectations
- 6.2 Labor markets and readings on trade and wages
- 6.3 Limitations of the H-O-S model
 - 6.3.1 Adequacy of the assumptions (e.g., no international factor mobility)
 - 6.3.2 Concept of comparative advantage is static
 - 6.3.3 Factor endowment differences cannot explain intra-industry trade
 - 6.3.4 Demand-side factors are not given enough attention to trade behavior

7. Economic growth and trade

- 7.1 Growth
 - 7.1.1 Factor endowments
 - 7.1.2 Technology and productivity
- 7.2 Growth effect across sectors
 - 7.2.1 Non-sector specific
 - 7.2.2 Sector specific
- 7.3 Growth effect on consumption
 - 7.3.1 Pro-trade in consumption (1)
 - 7.3.2 Neutral in consumption (2)
 - 7.3.3 Anti-trade in consumption (3)
- 7.4 Growth effect on production
 - 7.4.1 Anti-trade in production (4)
 - 7.4.2 Neutral in production (5)
 - 7.4.3 Pro-trade in production (6)
- 7.5 Growth effect on trade as percent of GDP
 - 7.5.1 Greater self-sufficiency
 - 7.5.2 Greater trade dependence
- 7.6 Growth in a large-country context
 - 7.6.1 Real wealth effect from growth
 - 7.6.2 Terms of trade effect from growth
 - 7.6.3 Net effect on welfare
 - 7.6.4 Case of immiserizing growth



Growth is neutral in consumption (production) when the mix of consumption (production) maintains the proportion of GDP that existed prior to the growth.

8. Prebisch-Singer Hypothesis (1950s): dependency theory

- 8.1 Basic scenario: developing country agricultural exporter; developed country manufacturing exporter
 - 8.1.1 Proposition 1. TOT of South worsens in long run because $\downarrow P_A$ relative to P_M
 - 8.1.2 Proposition 2. Instability in P_A on the world market
- 8.2 Reasons why TOT of South might worsen over time
 - 8.2.1 Demand-side factors
 - 8.2.2 Supply-side factors
- 8.3 Reasons why P_A might be unstable on world markets
 - 8.3.1 Demand-side factors
 - 8.3.2 Supply-side factors
- 8.4 Counterarguments to Prebisch-Singer Hypothesis
 - 8.4.1 Immiserizing growth is not systematic
 - 8.4.2 TOT comparisons: aggregation issues, supply and relative productivity, demand factors, policy
 - 8.4.3 Other issues: non-renewable commodities, Dutch disease, export earnings and effect on political institutions, risk management strategies, graduation along value chain
- 8.5 Debate over export-led growth versus inward import-substitution industrialization
 - 8.5.1 Specialization and trade reliance
 - 8.5.2 Short-term economic effects of trade
 - 8.5.3 Role of domestic / foreign investment
 - 8.5.4 Long-term economic effects of trade

Key concepts: growth, pro-trade and anti-trade effects, immiserizing growth, Prebisch-Singer Hypothesis, export-led growth, import substitution industrialization, role of government, investment; Dutch disease