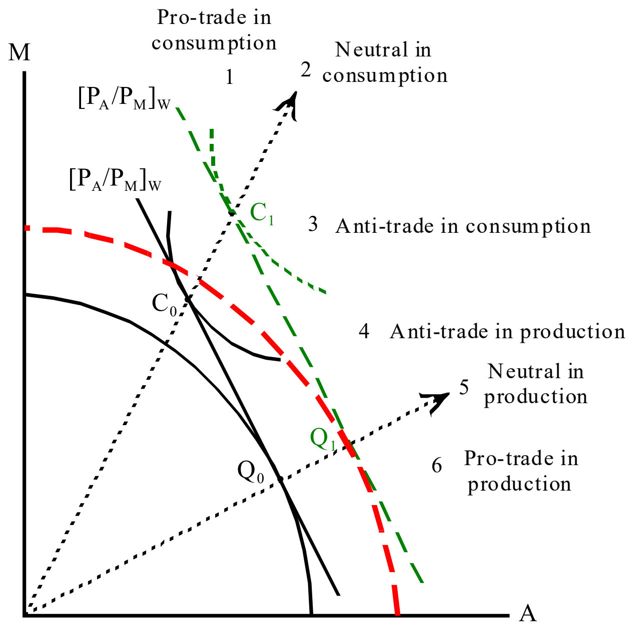
Sessions 9-11. General equilibrium trade analysis, continued, and economic growth

6. Summary of the H-O-S model
   - 6.1 Theoretical expectations
   - 6.2 Labor market performance - readings on issues related to 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 Historical context
   - 8.2 Basic scenario: developing country agricultural exporter; developed country manufacturing exporter
     - 8.2.1 Proposition 1. TOT of South worsens in long run because ↓ P_A relative to P_M
     - 8.2.2 Proposition 2. Instability in P_A on the world market
     - 8.2.3 Avoid dependence on commodity specialization: industrialize or diversify the economy
   - 8.3 Reasons why TOT of South might worsen over time
     - 8.3.1 Demand-side factors
     - 8.3.2 Supply-side factors
   - 8.4 Reasons why P_A might be unstable on world markets
     - 8.4.1 Demand-side factors
     - 8.4.2 Supply-side factors
   - 8.5 Evidence and counterarguments to Prebisch-Singer Hypothesis
     - 8.5.1 Evidence: commodity prices, income
     - 8.5.2 Counterarguments: immiserizing growth is not systematic; TOT comparisons are complex
     - 8.5.3 Other issues: renewable vs non-renewable commodities, Dutch disease, institutions, risk
   - 8.6 Debate over export-led growth versus inward import-substitution industrialization
     - 8.6.1 Specialization and trade reliance
     - 8.6.2 Short-term economic effects of trade
     - 8.6.3 Role of domestic / foreign investment
     - 8.6.4 Long-term economic effects of trade

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