Specialization And Trade A Re Introduction To Economics

"An endogenous growth model is developed demonstrating both static and dynamic gains from trade for developing nations due to the beneficial effects of trade on imitation and technological diffusion. The concept of learning-to-learn in both imitative and innovative processes is incorporated into a quality ladder model with North-South trade. Domestic technological progress occurs via innovation or imitation, while growth is driven by technological advances in the quality of domestically available inputs, regardless of country of origin. In the absence of trade, Southern imitation of Northern technology leads to asymptotic conditional convergence between the two countries, demonstrating the positive effect of imitation on Southern growth. Free trade generally results in a positive feedback effect between Southern imitation and Northern innovation yielding a higher common steady-state growth rate. Immediate conditional convergence occurs. Thus, trade in this model confers dynamic as well as static benefits to the less developed South, even when specializing in imitative processes"--Federal Reserve Bank of New York web site.

Since the end of the second World War, economics professors and classroom textbooks have been telling us that the economy is one big machine that can be effectively regulated by economic experts and tuned by government agencies like the Federal Reserve Board. It turns out they were wrong. Their equations do not hold up. Their policies have not produced the promised results. Their interpretations of economic events -- as reported by the media -- are often of-the-mark, and unconvincing. A key alternative to the one big machine mindset is to recognize how the economy is instead an evolutionary system, with constantly-changing patterns of specialization and trade. This book introduces you to this powerful approach for understanding economic performance. By putting specialization at the center of economic analysis, Arnold Kling provides you with new ways to think about issues like sustainability, financial instability, job creation, and inflation. In short, he removes stiff, narrow perspectives and instead provides a full, multi-dimensional perspective on a continually evolving system.

In 1920, Ludwig von Mises proclaimed that all attempts to establish socialism would come to grief, for reasons of informational efficiency. At first, socialists and economists took Mises's argument seriously, but by the end of the Second World War, a consensus prevailed that Mises had been discredited. More recently, that consensus has been rapidly reversed: it is now widely agreed that 'Mises was right'. Yet the momentous implications of the Mises argument - for economics, politics, culture, and philosophy - remain largely unexplored. From Marx to Mises is a clear, penetrating exposition of the economic calculation debate, and a scrutiny of some of the broader issues it raises.

This paper investigates the nature and pattern of export specialization in Lithuania. The aim of this paper is to estimate the nature and pattern of Lithuanian export specialization under existing conditions. Seeking to define the nature and pattern of export specialization, the basic methods of export specialization measurement and the nature and pattern of export specialization in trade between Lithuania and the EU are determined. For measurement the pattern of export specialization in Lithuania two approaches are adopted. The index of export specialization is used to determine the pattern of comparative advantage. Secondly, trade dissimilarity index is used to predict

structural changes in Lithuanian exports. Using these methods of measurement and standard international trade classification (SITC) was determined the nature and pattern of Lithuanian export specialization. It was found that the biggest flows from Lithuania to the EU are in such groups: food, drink and tobacco; raw materials; mineral fuels, lubricants and related materials. These calculation results show the main directions of nature and pattern of export specialization. This research could be useful for preparing and forecasting the possibilities of Lithuanian export development.
The traditional flow of goods from primary production through to manufacturing and consumption has expanded across international borders conterminously with globalization. Vertical specialization (VS) in processing and manufacturing in China has driven export growth. In particular, intra-industry and intra-product trade between China, the US and East Asia has increased China's trade surplus over the long term. Vertical Specialization and Trade Surplus in China aims to measure the level of VS in the Chinese manufacturing industry to provide a more accurate representation of China's trade surplus, and gives empirical analysis on provinces and products with important VS activities in order to assess China's trade value-added. Exploring the vertical division of labour, and foreign direct investment (FDI) driving China's import and export imbalance, the book is divided into eight chapters, each covering an aspect of VS in China. The first chapter outlines the aims and method of the study. Chapter two covers VS trade pattern and trade surplus. Chapter three looks at FDI and the import and export imbalance, and chapter four covers the relationship between VS and import and export of foreign invested enterprises. The fifth chapter considers the causes and prospects for growth in China-US and China-Japan trade. Chapters six and seven give an empirical analysis of VS and trade surplus, and a breakdown of VS per industry in China's provinces. Finally, chapter eight considers rebalancing imports and exports in China. Measures VS across China including the developed provinces based on the newest input-output table Presents the main provinces and products closely related to VS Gives evidence on global VS trade patterns from China's national data
This volume represents a uniquely thorough investigation of trade and financial policy as it impacts upon Third World development. A broad range of international case studies (including Indonesia, Uruguay and Tunisia) offer a wealth of empirical material and statistical information. Thematic discussion chapters build on these case studies, offering important analysis of topics such as trade specialization and industrial change.
Heterogeneity in factor endowments and the degree of specializations induced by comparative advantages are among the crucial factors that affect the overall productivity of the economy. Few studies, however, investigate what strengthens such endowment-related specialization patterns in the agricultural sector in low-income countries, although such evolutions have profound effects on the role of factor endowments in households' behaviors. This is in contrast to well-established international trade theory, such as the Heckscher–Ohlin theorem which describes how heterogeneity in endowment across countries gives rise to comparative advantages for specialization and trade. We partly fill this critical knowledge gap by providing a set of evidence from Nepal, which is a country that has historically been dominated by smallholder farmers and yet has recently been experiencing rapid structural transformation within the agricultural sector. Specifically, we show the following: the agricultural sector in Nepal has experienced a significant increase in returns-to-scale

(RTS) in production in recent years during the process of growing adoptions of agricultural mechanization through the custom-hiring market. Such increase in RTS has primarily strengthened the linkages between factor endowment heterogeneity (across farm households) and their specialization behaviors in labor, land, and the agricultural capital market. Both cross-section and panel-data of households in Nepal extracted from Nepal Living Standards Surveys are used to generate this evidence. We find that rising RTS associated primarily with tractor use growth has been inducing greater exploitations of comparative advantages; agricultural households have been increasingly specializing in exchanges of production factors, services, and outputs, in ways consistent with predictions based on their relative factor endowments. Specifically, the rise in RTS has induced households with more labor, land, and capital endowments to rent out their labor, land, and credit, respectively, within the agricultural sector, while increasingly renting-in the other factors with which they are less endowed. The results suggest that understanding factor endowments heterogeneity among agricultural households is becoming increasingly important for effective agricultural policy designs in countries like Nepal, where employment shares in the agricultural sector remain high despite the growth in mechanization.
Examines the role of international Ricardian specialization in economic development processes. Laursen (Copenhagen Business School) considers whether countries converge or diverge in terms of specialization patterns over time; if the role of technology can explain the direction of national trade specialization; and the implications of international specialization patterns and their changes for economic growth. Appreciative theories, neo-classical theories, post-Keynesian approaches, and evolutionary approaches are discussed in relation to each of the three issues. Annotation copyrighted by Book News Inc., Portland, OR
"Classic trade questions are reconsidered by generalizing a factor-proportions model to multiple countries, multi-stage production, and country-specific trade costs. We derive patterns of production specialization and trade for a matrix of countries that differ in relative endowments (columns) and trade costs (rows). We demonstrate how the ability to fragment production and/or a proportional change in all countries' trade costs alters these patterns. Production specialization and the volume of trade are higher with fragmentation for most countries but interestingly, for a large block of countries, these variables fall following fragmentation. Countries with moderate trade costs engage in market-oriented assembly, while those with lower trade costs engage in export-platform production. These two cases correspond to the concepts of horizontal and vertical affiliate production in the literature on multinational enterprises. Increases in specialization and the volume of trade accelerate as trade costs go to zero with and without fragmentation"--National Bureau of Economic Research web site.
This book deals with the dynamics of international specializations during the present period of trade globalization. It discusses international trade as a network linking countries, and uses structural techniques to analyze the evolving structure of this network. It offers a new approach to address the economic emergence of countries. Using these structural methods, the book also explains knowledge exchange. Indeed, the structure transformation of the international trade is partly due to an exchange of competencies between regions. Many concrete examples are proposed.
In this chapter, a generalization of the Ricardian model of international trading is

presented. Unlike the original Ricardian analysis, the presented model takes into account the producers entrepreneurial activities, their specialization factor (the improvement factor in production due to specialization) and the countries taxes (tariffs). The main result of this model is that for a given entrepreneurial activity culture and a given specialization factor, there exists a critical taxation level, above which specialization and all entrepreneurial activities are suppressed and international commerce is ceased. The transition from a working international market to a trade-less one is an abrupt one and resembles a phase transition.

Seen from a methodological point of view, the practice of economic science includes critical and theoretical thinking. The specific nature of these fields of study, their limitations and mutual adjustment have been covered by us l elsewhere. It became apparent that critical thinking aims at reaching a logical data description, simplifying social economic reality. Based on these data, it is the task of theory to discover logical laws in economic activity, if this is realized in a rational manner - and this is naturally a theoretical analytical condition. Economic science according to this structure can be seen in the diagram below. A more extensive summary is provided in the synopsis of 'valuation of economic science', at the end of this study. 1. appraisal of economic reality; 2. a logical consistent description of data as a basis to theory; 3. formulation of tendencies in economic process. A science pursued with this objective may fall short in two ways. In the first instance, it is possible that the critical thinking is too far divorced from reality. The data from which in this instance conclusions are made, are un realistic; they are probably too idealistic. In this way a basis is laid for the 1. See our study Waardering van het economisch denken. More particular Chapter IV. 2 INTRODUCTION futile formulation of laws in a presupposed economic process, because the conclusions of science are very far from reality.

The paper investigates the determinants of business cycles synchronization across regions. It uses both international and intranational data to evaluate the linkages between trade in goods, trade in financial assets, specialization and business cycles synchronization using a system of simultaneous equations. The results are as follows: (i) Simultaneity is important, as both trade and financial openness have a direct and an indirect effect on cycle synchronization. (ii) A variety of alternative measures of financial integration suggest that regions with strong financial links are significantly more synchronized, though they are also more specialized. (iii) Specialization patterns have a sizable effect on business cycles, beyond their reflection of intra-industry trade, and of openness to goods and assets trade. (iv) The estimated role of trade is in line with existing models once intra-industry trade is controlled for. The results relate to a recent strand of international business cycle models with incomplete markets and transport costs, and, on the empirical side, point to an important omission in the usual criteria defining an optimal currency area, namely specialization patterns.

In a 24/7 world and a global economy, there is no doubt that relationships impact virtually every economic transaction. In Relationship Economics, Lindon Robison and Bryan Ritchie argue that what needs to be understood is not just whether relationships matter (which, of course, they do), but also, how much, and in what circumstances they should matter. Providing a rigorous and measurable definition of the way that relationships among individuals create a capital, social capital, that can be saved, spent, and used like other forms of capital, Robison and Ritchie use numerous examples and insightful analysis, to explain how social capital shapes our ability to reduce poverty, understand corruption, encourage democracy, facilitate income equality, and respond to globalization. The first part of the book explains how social capital can be manipulated, stored, expended, and invested. The second part explores how levels of social capital within relationships influence economic transactions both positively and negatively, which in turn shape poverty levels, economic efficiency, levels and types of political participation, and institutional structures.

The core subjects of trade theory are the pattern and volume of trade: which goods are traded by which countries, and how much of those goods are traded. The first part of the paper discusses evidence on comparative advantage, with an emphasis on carefully connecting theory models to data analyses. The second part of the chapter first considers the theoretical foundations of the gravity model, and then reviews the small number of papers that have tried to test, rather than simply use, the implications of gravity. Both parts of the paper yield the same conclusion: we are still in the very early stages of empirically understanding specialization and the volume of trade, but the work that has been done can serve as a starting point for further research

Global patterns of production and trade in manufactures have changed tremendously over the past two decades. The growth of world trade has been accompanied by a rapid increase in the number of products, suppliers and buyers involved in international markets. At the same time, the means by which manufacturers compete and collaborate have been changing. The great challenges that these developments pose for policy makers and practitioners provide the basic motive for this comprehensive assessment of the underlying forces and determinants that are reshaping the world's industrial map. Based upon an empirical approach, the analysis is closely interwoven with key elements of economic theory. the Heckscher-Ohlin model provides the framework for most of the book's interpretation, but less formal models focusing on economies of scale, product differentiation and other aspects of imperfect competition also figure prominently. The extensive research with access to UNIDO's vast body of unpublished information and contributions from specialists, has resulted in a blend of theoretical and empirical material which yields new insights into the way firms and industries compete in international markets.

A collection of papers on the issues of European economic integration and its consequences for the Nordic countries. It addresses historic and future effects of integration - on trade, specialization and industrial structure, competition and market concentration, and other aspects.

What role did economics play in leading the United States into the Civil War in the 1860s, and how did the war affect the economies of the North and the South? Tariffs, Blockades, and Inflation uses contemporary economic analyses such as supply and demand, modern market theory, and the economics of politics to interpret events of the Civil War. Simplifying the sometimes complex intricacies of the subject matter, Thornton and Ekelund have penned a nontechnical primer that is jargon-free and accessible. Tariffs, Blockades, and Inflation also takes a comprehensive approach to its topic. It offers a cohesive and a persuasive explanation of the how, what, and why behind the many factors at work on both sides of the contest. While most books only delve into a particular aspect of the war, this title effectively bridges the gap by offering an all-encompassing, yet relatively brief, introduction to the essential economics of the Civil War. This book starts out with a look at the reasons for the beginning of the Civil War, including explaining why the war began when it did. It then examines the economic realities in both the North and South. Also covered are the different financial strategies implemented by both the Union and the Confederacy to fund the war and the reasons behind what ultimately led to Southern defeat. Finally, the economic effect of Reconstruction is discussed, including the impact it had on the former slave population. Thornton and Ekelund have contributed an overdue examination of the Civil War that will impart to students a modern way to better comprehend the conflict. Tariffs, Blockades, and Inflation offers fresh, penetrating insights into this pivotal event in American history.

Exploiting a large migration of farmers to the West of Brazil between 1950 and 2010, we study how migration shapes aggregate and regional comparative advantage. We document that farmers emigrating from regions with high employment in an activity are more likely to work in that activity and have higher income than other migrants doing so. We incorporate this heterogeneity into a quantitative model and find that, by reshaping comparative advantage, declines in migration costs contributed substantially to Brazil's rise as a leading commodity exporter. Opportunities to migrate, moreover, account for a substantial share of the gains from trade.

The thesis consists of three empirical essays on trade, specialization and development. The first chapter studies the impact of greater economic integration (namely monetary unions) on trade, specialization and location of firms. Cost reductions due to greater economic integration may have substantial impact on the firms and industries of the countries involved. When analyzing the relationship between trade and monetary union, existing studies concentrate mainly on the volume effects of monetary unions and ignore the potential restructuring in trade and production within and between the member countries. The first chapter takes the case of the Eurozone and tests several predictions identified on the behavior of firms and industries. In this framework, it studies the export behavior of small and medium sized enterprises, adjustments in specialization and concentration of export, and location of differentiated and high-tech industries. In all cases, it provides important empirical evidences and thus contributes to the literature.The next chapter focuses on a relatively rarely studied topic and investigates the association between crisis and trade. There are papers analyzing the impact of trade on crisis and few others studying the impact of crisis on the level of trade. Post-crisis developments, on the other hand, did not attract much attention and no persuasive link has yet been established on the effects of crises on trade. By placing particular emphasis on the nature of crises, this second essay attempts to fill this gap in the literature by providing the first evidence on the potential impacts of crises on trade structure. Welfare impacts of trade and trade liberalization is well documented in the literature. Recent empirical works highlight the importance of trade structure in economic development as well. The channels through which trade structure may improve economic performance are, however, widely ignored. Productivity growth is one of the salient channels contributing to better economic performance. Finally the last chapter scrutinizes the role of export diversification as a cost discovery process on productivity growth. There is again no study conducted in investigating the relationship between export diversification and productivity growth and by providing early evidence and thus contributes to the literature. Trade; specialization; monetary union; economic crises; export diversification; productivity growth

David Dollar and Edward Wolff look at claims that a deindustrialized United States ison the road to secondrate status in the global marketplace and find them to be both unfounded andsimplistic. Their systematic and empirical investigation of the mechanisms through which countrieslike Japan and Germany have caught up with the United States in terms of productivity and standardof living will inform public debate about which government policies are likely to improve a nation'scompetitiveness.Looking at productivity convergence from the industry and subindustry level, Dollarand Wolff also examine questions of the relationship of productivity growth in individual industriesto convergence of overall productivity in developed countries, the identification of industriescrucial for aggregate productivity growth, the sources of productivity growth within industries, therelationship between international trade and productivity convergence, and whether the samemechanics of convergence are at work in developing countries.The authors' findings reveal, amongother things, that the slowness of U.S. productivity growth relative to other nations is largely dueto forces pushing for convergence of aggregate productivity levels. Although other countries havebeen catching up with the U.S., there is no evidence that they will surpass the US. or that the U.S.has deindustrialized.Perhaps most important, Dollar and Wolff find that countries catch up byraising their productivity levels in all manufacturing industries, not by large shifts of theiremployment and output from low- to high-value-added sectors. The growing similarity of advancedeconomies in terms of overall productivity masks a continued high degree of specialization inparticular industries. Today different countries are the productivity leaders in differentindustries. Accordingly, the authors recommend that public policy focus on institutions and policiesto promote innovation in general, rather than in key industries, and on free trade rather thanprotectionism.David Dollar is Senior Economist at the World Bank. Edward N. Wolff is Professor ofEconomics at New York University.

Since the late 1980s and the beginning of the 1990s, the Commonwealth of Independent States (CIS) and Central and Eastern European Countries (CEECs) have been involved in the transition process. This book compares the progress of some of these economies in transition and analyses their growth potential. The focus lies on the special role that foreign trade liberalisation and foreign direct investment plays in economic growth. Since foreign trade and foreign direct investment are important channels of technology transfer they can substantially contribute to a higher level of economic growth. Based on the gravity model this book investigates potential in foreign trade and foreign direct investment for selected CIS and CEECs with developed OECD economies. Policy options for some of these countries are discussed including issues of foreign trade, foreign direct investment, structural adjustment, and economic growth.

"Multi-stage production is widely recognized as an important feature of the modern global economy. This feature has been incorporated into many state-of-the-art quantitative trade models, and has been shown to deliver significant additional gains from international trade. Meanwhile, specialization across stages of production, or "vertical specialization," has been largely ignored in these models. In this paper, I provide evidence that vertical specialization is a salient feature in the international trade data, which implies that the assumption made in standard models is inaccurate. I then develop a model with multi-stage production where country-level productivity differences provide a basis for vertical specialization and additional global gains from trade beyond those currently accounted for in standard models. I quantify the gains from vertical specialization according to the model. Despite the importance of vertical specialization in the data, I find that the average gains from trade are only slightly higher than the gains suggested by standard models with multistage production. Moreover, much of the impact of across-stage specialization is largely offset by across-sector intermediate input linkages. These results suggest that vertical specialization is not the source of missing gains from trade that have recently confounded trade economists"--Abstract, p. ii.

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This study analyzes trade specialization patterns in the enlarged European Union with a special focus on the new EU member states and the cohesion countries. Empirical findings on revealed comparative advantage and a broader picture of competitiveness on the single market are presented from a sectoral trade point of view. Further, the author analyzes whether trade specialization patterns converge within the enlarged EU. The economic system is generally understood to operate on the premise of exchange. The most important factor in economic development has always been technology, as a way to expand a limited resource base. Such increase in technology and knowledge is generally accepted by economists, but the mechanisms of exchange through which this happens are much less studied. Generally, a static analysis of product exchange, incorporating new technology, has been undertaken. This book explores the transition of trade in ideas from an exchange largely within firms and nations to an exchange between firms and nations. This process has been going on since the beginning of the patent system, where importing (trading) technology was made policy in 1474, more than 500 years ago. However, during the past 25-30 years, a growth in exchange of technology between specialized firms, cooperating based on patent licensing, has been phenomenal, with annual licensing transactions exceeding a trillion dollars, not counting value of cross-licensing. Such specialized exchange has been seen in history but not at this scale and level of coordination. Using principles of experimental economics, the author investigates the licensing contract and mechanisms of exchange (rules of trade) as this exchange moves towards organized markets with prices. A key issue concerns the effect of introducing demand side bidding, through which the patent system introduces specialization and multiple use of the same technology in different new products, thus expanding the use of technology a firm has to more actors, products, and consumers. The risk and uncertainty in market access for cheaper, better and unique products and services are reduced through new and competitive technology. Questions raised are related to the “optimal” integration of information and rules in dynamic exchange of patents through institutions. The view presented shows how inventors and traders can sell their intellectual property to buyers in a producer market, in this case in licensing contracts on patents, to diversify risk and monetize value based on an experimental economic study where the performance and behavioral properties of these institutions is the object of investigation. More fundamentally the work illustrates the theoretical, design, and patent system policy issues in a transition from personal to impersonal trade in ideas. This book explores the transition of trade in ideas from an exchange largely within firms and nations to an exchange between firms and nations. This process has been going on since the beginning of the patent system, where importing (trading) technology was made policy in 1474, more than 500 years ago. However, during the past 25-30 years, a growth in exchange of technology between specialized firms, cooperating based on patent licensing, has been phenomenal, with annual licensing transactions exceeding a trillion dollars, not counting value of cross-licensing. Such specialized exchange has been seen in history but not at this scale and level of coordination. Using principles of experimental economics, the author investigates the licensing contract and mechanisms of exchange (rules of trade) as this exchange moves towards organized markets with prices. A key issue concerns the effect of introducing demand side bidding, through which the patent system introduces specialization and multiple use of the same technology in different new products, thus expanding the use of technology a firm has to more actors, products,

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Excerpt from Competition and Human Capital Accumulation: A Theory of Interregional Specialization and Trade Marshall (1920) posits instead that the external economies arise from proximity to specialized inputs. As noted by Helpman and Krugman (1985), unless there is a natural comparative advantage for the production of these inputs in the region, this explanation is incomplete. The puzzle is simply rolled back to the previous production stage: Why do the producers of inputs locate in the region? Our theory is that the location decisions of the firms and their input suppliers are interdependent. Input suppliers find it advantageous to be located where they have several potential customers because competition among their downstream customers assures them a fair return. In the absence of such competition, the relatively immobile suppliers would be subject to the monopsony power of the downstream firms. Foreseeing that monopsony power would be used to drive down input prices, potential input suppliers would not choose to invest ex ante in the accumulation of the capital necessary to supply the inputs efficiently. This critical role of competition in securing a return to suppliers is one of the elements in Porter's (1989) broad treatise on regional agglomeration. For concreteness, the particular input we focus on is industry specific human capital which is costly for individuals to acquire, such as the specific hand-eye coordination needed to cut diamonds or the skills which facilitate the creation of a new chocolate concoction. If trained workers can choose among several potential employers, they will be paid as a function of their marginal product. By contrast, if there is only one potential employer, and it is impossible to write contracts that specify the level of training, there is no reason for this monopeonist to pay trained employees any more than untrained employees earn (in this industry or elsewhere). The hold-up problem described by Williamson (1975) arises. Confronted with the prospect of a single potential employer, workers do not find it worthwhile to accumulate human capital. Moreover, if entry by firms is costly, firms will themselves refrain from entering if they can expect to be the only firm in the industry. The industry cam only exist with several closely located competitors. About the Publisher Forgotten Books publishes hundreds of thousands of rare and classic books. Find more at www.forgottenbooks.com This book is a reproduction of an important historical work. Forgotten Books uses state-of-the-art technology to digitally reconstruct the work, preserving the original format whilst repairing imperfections present in the aged copy. In rare cases, an imperfection in the original, such as a blemish or missing page, may be replicated in our edition. We do, however, repair the vast majority of imperfections successfully; any imperfections that remain are intentionally left to preserve the state of such historical works.

As the world economy becomes more integrated, and industry becomes more globalised, constituent parts of products are made all over the world. This volume explores the theoretical implications and empirical manifestations of this phenomenon.