GROWTH, DISTRIBUTION AND INTERNATIONAL TRADE IN CAPITAL GOODS

Topic: International Trade 2
Author: Rajas Kamalakar Parchure
Co-Authors: Rajas Kamalakar Parchure, Ujwala Sakharam Kamble

GROWTH, DISTRIBUTION AND INTERNATIONAL TRADE IN CAPITAL GOODS

Abstract

Starting in 1977 Steedman, Metcalfe and others launched critique of the standard trade theory in the context of the Sraffa, critique of the neoclassical theory of value and distribution. The main contention of this critique is the standard theorem of the Heckscher-Ohlin-Samuelson tradition will fail to hold in a world where capital goods are produced and a positive rate of profit is paid on the value of capital goods used in the production of goods. The effect of mutually gainful trade in capital goods on the prices and outputs of commodities as well as on the distributional variables and growth rates have been illustrated. Specifically, it is shown that international trade in capital goods has the effect of lowering the costs of production in the trading countries and consequently has the effect of increasing both the rates of profit as well as the real wage rates in them.