

## **An Input-Output model linking Pasinetti's and Prebisch's theories of international trade between developed and underdeveloped countries. The case of Mexico and the US**

Topic:

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### **Abstract**

In this work we build an Input-Output model based on Luigi Pasinetti's pure production model and price system, for analyzing trade between the United States and Mexico, in the period 2013-2018. It is viewed as a case of international trade between an advanced and an undeveloped country, as studied by Pasinetti in 1981, associated to Raúl Prebisch's pioneer ideas on this subject in 1959. We base our analysis on Input-Output tables and National Income Account data provided by official Mexican and US agencies.

We find that Pasinetti's trade theories fully apply to the US-Mexico case. In the period 2013-2018: there is a worsening of the terms of trade Mexico to the US; there are not gains from trade in terms of productivity for Mexico and the wage gap remains between the two countries. We show that Prebisch's ideas against unrestricted free trade proved right, despite Mexico being no longer a primary goods exporter as it was in the past.