An Input-Output model linking Pasinettiâ€™s and Prebischâ€™s theories of international trade between developed and underdeveloped countries. The case of Mexico and the US

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Abstract
In this work we build an Input-Output model based on Luigi Pasinettiâ€™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 RaÃºl Prebischâ€™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 Pasinettiâ€™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 Prebischâ€™s ideas against unrestricted free trade proved right, despite Mexico being no longer a primary goods exporter as it was in the past.