

THE EMPIRICAL VARIFICATION OF
HECKSCHER-OHLIN THEOREM
(A SURVEY OF LITERATURE)

Mrs. M.D. JOSHI

GOKHALE INSTITUTE OF POLITICS AND ECONOMICS

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AN EMPIRICAL VERIFICATION OF
HECKSCHER-OHLIN THEOREM
- A Survey of Literature

Mrs. Madhura D. Joshi

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Gokhale Institute of Politics
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INTRODUCTION

The Heckscher-Ohlin (H-O) theorem which was developed by Eli Heckscher (1919) and then by Bertil Ohlin (1933) attempts to give a fundamental cause of variations in relative commodity price among industries. The theory achieved a wide acceptance. Leontief in 1955 tried to test the theorem empirically for America. After this, many attempts were made to verify H-O theorem empirically. The present work is a survey of some important studies in this respect.

In the first chapter the H-O theorem itself is stated with its assumptions. Even though the theorem obtained wide acceptability, it was criticised because of its rigid and unrealistic assumptions.

The other important reason for the decline of the H-O theorem is its failure to receive substantial empirical validity. In 1953, Leontief obtained results in case of America, which were contrary to H-O theorem. This fact is known in literature as 'Leontief's Paradox'. Leontief developed an input-output model to get the labour and capital requirements of different products. The same method has been used by other researchers who tried to verify the H-O theorem.

Chapter two discusses the methodology developed by Leontief.

Leontief in 1956, retested the theorem, in order to take into account various criticisms on his first study. In chapter three, Leontief's second study and the other attempts, especially by Ichimura and Tatemoto (1959), Wahl (1961), Stolper and Roskamp (1961), Bharadwaj (1962), are discussed.

Leontief's results led to a number of criticisms either on theoretical basis or on statistical basis which are discussed in the fourth chapter.

Chapter five is a concluding chapter which also mentions some of the near approaches in international trade which have been developed recently.

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