[Glossary]

Extension of H.O. Theory

Subject:	Business Economics
Course:	B. A. (Hons.), 5th Semester, Undergraduate
Paper No. & Title:	Paper – 541 International Economics
Unit No. & Title:	Unit – 4 New Topics in International Trade
Lecture No. & Title:	2 (Two) Extension of H.O. Theory

Glossary

terms of trade: the ratio of an index of a country's export prices to an index of its import prices.

- **labour –intensive:** The degree of labor intensity is typically measured in proportion to the amount of capital required to produce the goods or services; the higher the proportion of labor costs required, the more labor intensive the business.

- **capital –intensive:** Capital intensive refers to a business process or an industry that requires large amounts of money and other financial resources to produce a good or service.

- **production possibility curve(PPC).**

- **national income:** National income is the total value a country's final output of all new goods and services produced in one year. Understanding how national income is created is the starting point for macroeconomics.

- **Equilibrium:** as the point at which supply equals demand for a product, with the equilibrium price existing where the hypothetical supply and demand curves intersect.

- **Economies of scale:** When more units of a good or a service can be produced on a larger scale, yet with (on average) less input costs.

- **constant returns to scale:** it occurs when increasing the number of inputs leads to an equivalent increase in the output.

- **increasing returns to scale:** it occurs when the output increases by a larger proportion than the increase in inputs during the production process.

- **Decreasing returns to a scale:** This occurs when an increase in all inputs leads to a less than proportional increase in output.