



[Summary]

Extension of H.O. Theory

Subject:	Business Economics
Course:	B. A. (Hons.), 5 th 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

Summary

As we know according to H-O theory: A capital-abundant country will export the capital-intensive good, while the labor-abundant country will export the labor-intensive good.

But due to H-O model's highly restrictive assumptions it fails to explain the impact of changes in other factors such as changes in factor endowments, tastes, transport costs, technology, etc.

Thus friends we have seen in today's session that changes in factor endowments, differing tastes, transport costs, technology etc. do have an impact on output, volume of trade, income, employment, terms of trade and gains from trade between the two trading countries.