[Glossary]

International Trade and International Inequality

Subject:	Business Economics
Course:	B. A. (Hons.), 6th Semester, Undergraduate
Paper No. & Title:	Paper – 641 Elective PaperE2 – Economic Growth and Policy
Unit No. & Title:	Unit – 4 Technological Progress
Lecture No. & Title:	Lecture – 3 International Trade and International Inequality

Glossary

Comparative cost advantage in trade: When one country can produce certain goods at a lower cost in comparison with another country but the cost advantage is significantly lower in some of these goods than others; then this country has a comparative cost advantage over the other country in some of these goods which she can produce at significantly lower cost. This country then specializes in the production and exports of goods in which she has a comparative cost advantage.

Factor price equalization: It is a deduction of the neo-classical trade theory that the prices of factors and products are equalized in the trading countries because free trade promotes perfect mobility of factors across boundaries.

Factor weight effect: factor weight effect means that in a constant return production function, if exports are produced by using more of the abundant and faster growing factor in the country then rate of growth of exports will be much higher as the surplus units of the abundant factor are used to produce the exportable goods.

Staple resources: The abundant and predominant resources of a country are called staple resources.

Terms of trade: Terms of trade (TOT) refers to the relative price of imports in terms of exports. In other words, TOT express the amount of import goods an economy can purchase per unit of export goods. It defined as the ratio of export prices to import prices.