Factor Endowments, Relative Commodity Prices, and Anything Goes

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Abstract

Fifty years ago T. M. Rybczynski published a frequently referenced note in which he inaugurated a systematic investigation of the comparative statics associated with a change in the endowment of a factor of production. The questions that he considered are fundamental: How do the prices and consumptions of final goods depend on factor endowments? How do factor prices and the wealth of consumers vary with changes in factor endowments? What are the welfare implications of changes in factor endowments? In this paper I extend Rybczynski's closed economy analysis to the 2 x 2 x 2 Heckscher - Ohlin model of international trade, and use a version of the Sonnenschein - Mantel - Debreu Theorem on the structure of excess demand functions to exhibit conditions under which Rybczynski's primary conclusions are reversed in that setting.