The MAIN RESULTS

ASSUMPTIONS

1. 2 goods, 2 factors
2. Fixed Endowments of the factors, full employment
3. Identical, linear homogenous production functions with diminishing marginal products.
4. Goods are internationally freely mobile; factors are immobile
5. No factor intensity reversals
6. Incomplete specialization
7. No demand bias
8. Goods prices determined in international markets(exogenous)
9. Competitive equilibrium (price taking.)

THEOREMS:

Heckscher-Ohlin Theorem

A country exports that good which uses relatively intensely the factor which is relatively abundant. (Price and supply definitions of abundant.)

Factor Price Equalization

The relative and absolute returns to factors are equalized internationally.

The Stolper Samuelson Theorem

The real return of the scarce factor will increase if the relative price of the imported good increases.

The Rybczynski Theorem

If the supply of one factor increases while the other is held constant, output of the product intensive in the growing factor increases, and output of other product decreases.

Jones' Magnification Result: The percentage increases in outputs exceeds the percentage increases in factor supplies.

The Samuelson Reciprocity Relations

The Stolper-Samuelson derivatives equal the Rybczynski derivatives.