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Abstract:
The breakdown of single-factor price equalization, or a single-cone
world, is one of the central concerns in various fields of economics.
This paper examines the empirical validities of the following two
claims: 1) the multiple-cone Heckscher--Ohlin (HO) model fits better
than the single-cone HO model; 2) increases in the number of cones
improve the fit of the model. One of the contributions of this paper
is that it focuses simultaneously on factor endowments, production
patterns, and wage disparities across economies. My empirical results
support the first claim but not the second claim. The results suggest
that although the multiple-cone model performs better than the
single-cone model, a small number of cones may be optimal.