

## Theorems of the Heckscher-Ohlin Model

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These theorems all assume the following typical assumptions of the 2-product, 2-country, 2-factor model:

**A: Countries have identical technologies**

**B: Countries have identical and homothetic preferences**

**C: Constant returns to scale in production**

**D: Perfect competition in both products/sectors**

**E: Full employment in both factors of production (that is, inputs such as capital or labor)**

**F: Factors of production are perfectly mobile across sectors in the country, but perfectly immobile across countries (that is, no migration across countries)**

**Heckscher-Ohlin Theorem: A country will export the product that intensively uses the country's abundant factor.** (Note that "intensively" is a relative comparison between the two product sectors, whereas "abundant" is a relative comparison between the two countries.)

**Factor Price Equalization: Free trade across countries will equalize not only product prices, but also factor prices.** (For example, if labor is a factor of production, trade will lead wages to be identical in both countries)

**Stolper-Samuelson Theorem (1941): A rise in the price of a product will raise the return to the factor that product uses intensively, and will lower the return to the other factor.**

**Rybczynski Theorem (1955): Holding the international price fixed, a rise in the endowment of one factor will raise production of the product that uses that factor intensively, and lower the production of the other product.**