

“On persistency of unequal exchange free trade equilibria in pre-industrial capitalist world economies”

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Abstract: This paper analyzes the persistency of unequal exchange of labor (UE) in international trade. An intertemporal model with the leisure preference profile and no discount factor is set up, and every incompletely specialized free trade equilibrium is characterized in terms of the persistency of UE. In particular, the paper shows the existence of equilibria in which the equilibrium sequence of the real interest rates does not converge to zero, but UE tends to disappear as a distribution of capital assets tends to be equalized in the long run. It gives us an interesting contrast with the observation of non-persistency of UE in Veneziani (2007).