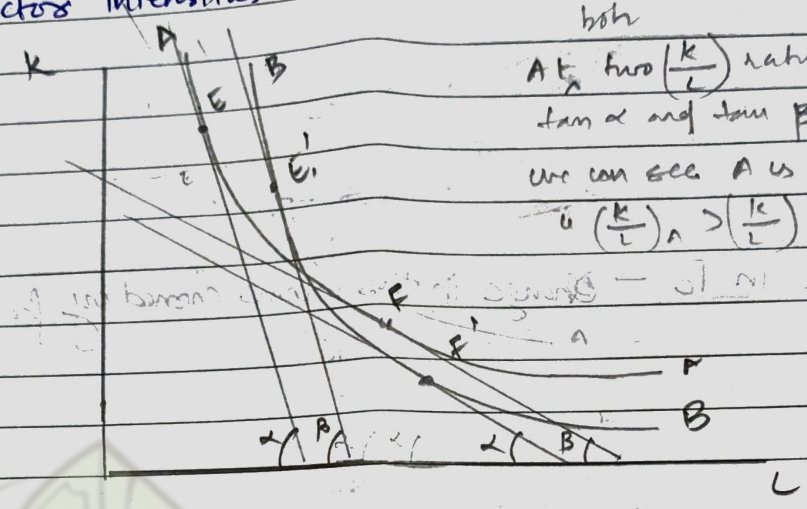
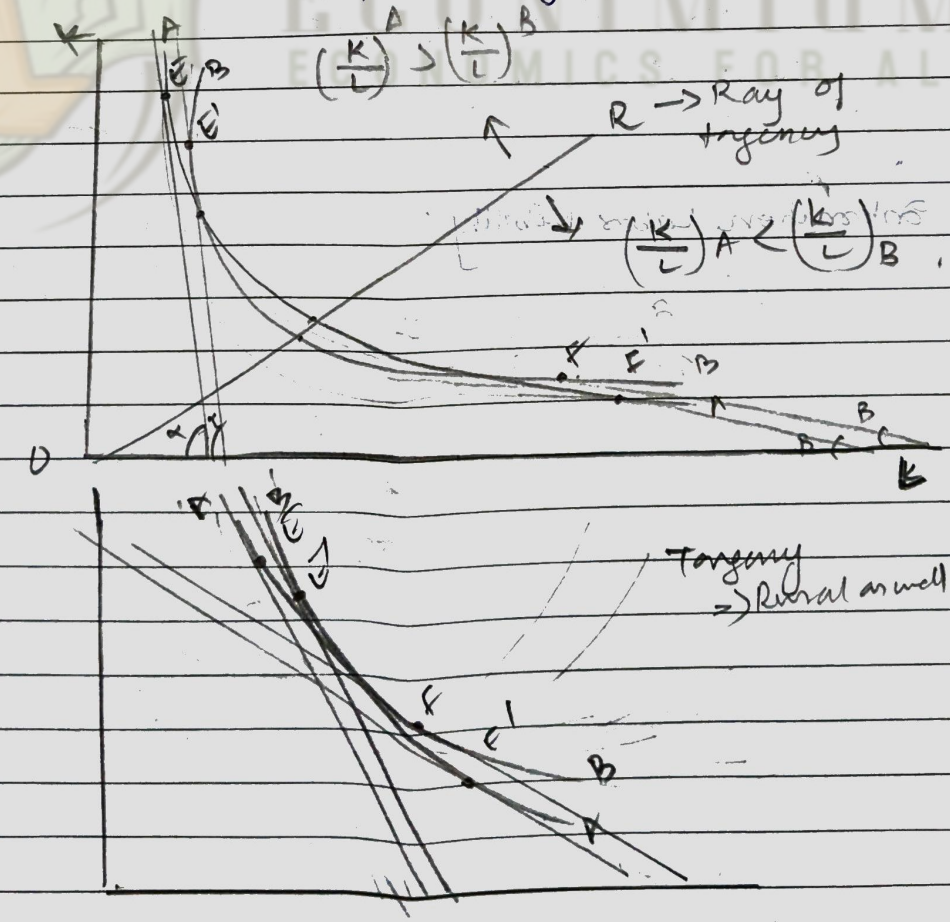
H O Model.

Factor intensities - absence of reversals

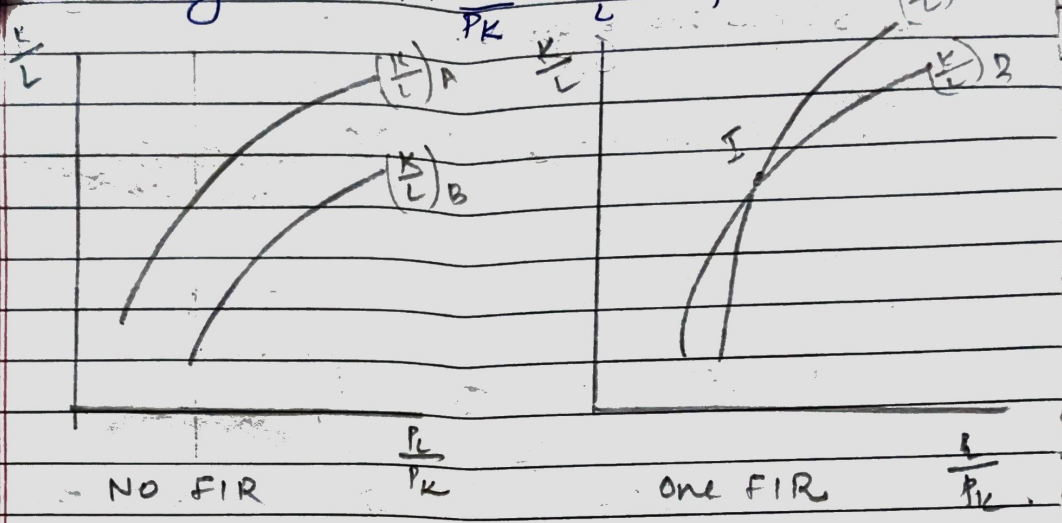


both
At two $\left(\frac{k}{L}\right)$ ratios
tan α and tan β,
we can see A is capabun
ii $\left(\frac{K}{L}\right)_A > \left(\frac{k}{L}\right)_B$.

Factor intensities - presence of reversals.

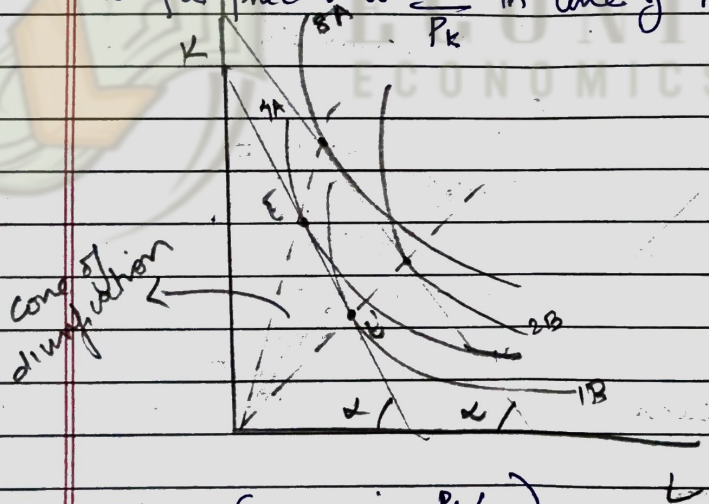


Behaviour of FIR in $\frac{P_L}{P_K}$ $\frac{K}{L}$ space.

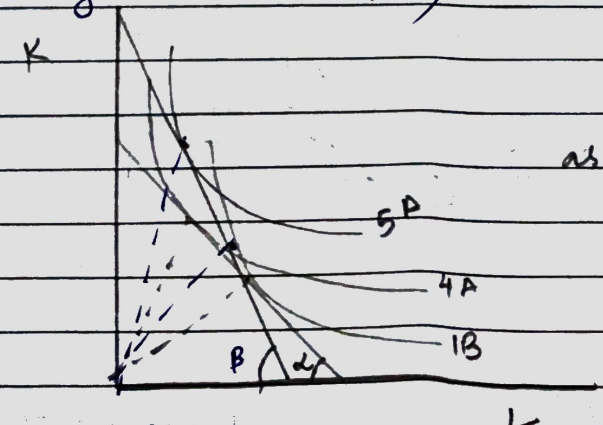


NO FIR — ONE FIR

For a given commodity price ratio $\frac{P_B}{P_A}$, there is an unique price ratio $\frac{P_L}{P_K}$ in case of no FIR.



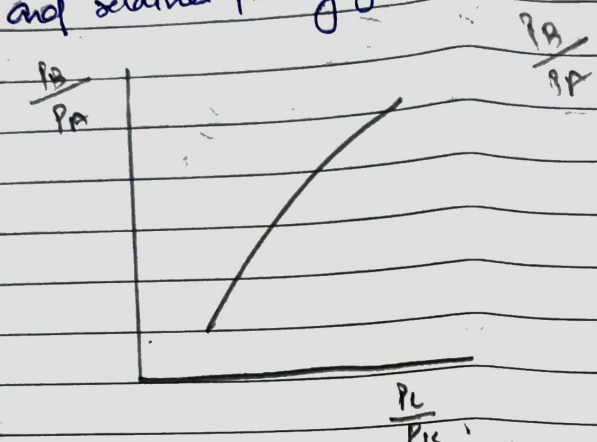
Change (arise in P_L/P_K)



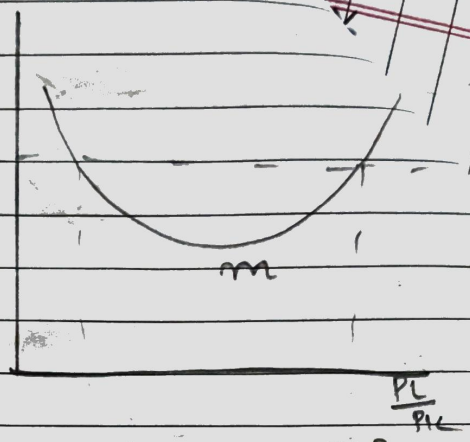
as $\frac{P_B}{P_A}$ ↑ $\frac{P_L}{P_K}$ ↑

as tan β > tan α in case of no FIR

Various relationships between relative price of and relative price of goods.

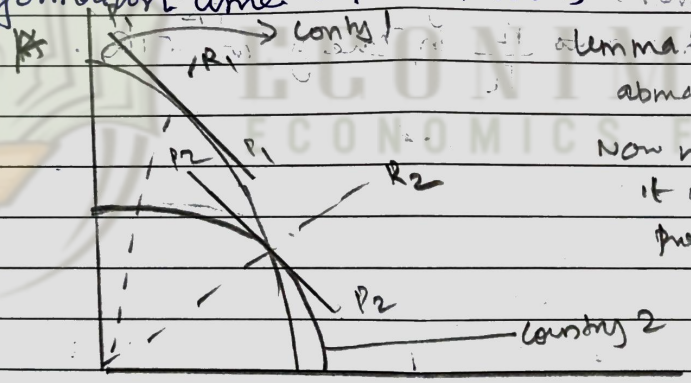


Case of no FIR



Case of one FIR

Transformation Curve and HO Theorem



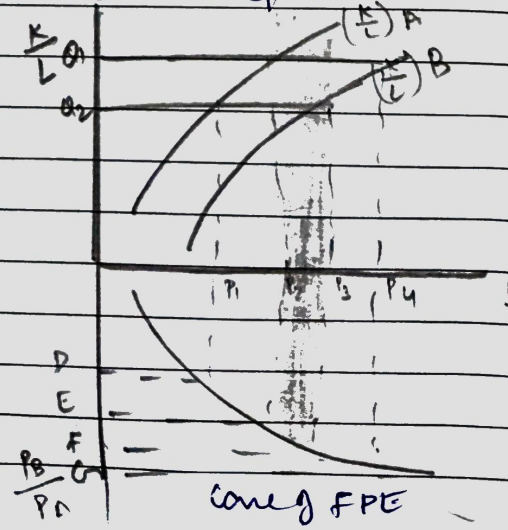
Lemma: Country 1 - cap abundant i.e. $\left(\frac{K}{L}\right)_1 > \left(\frac{K}{L}\right)_2$

Now we can see that it produces A i.e. this product with K/L more more.

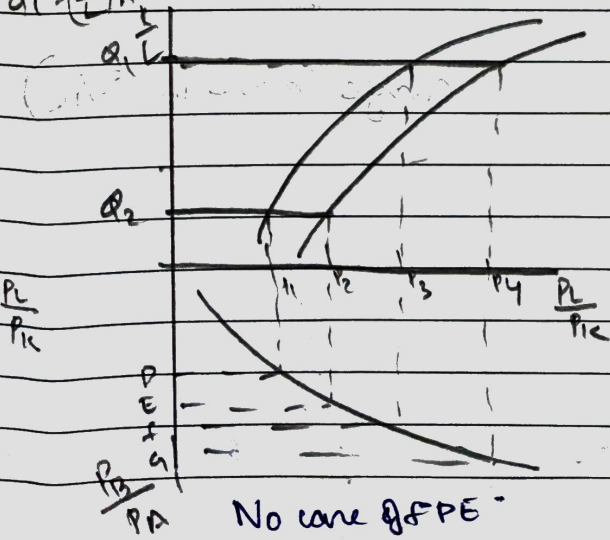
B.

Factor Price Equalisation

$a_1 > \left(\frac{K}{L}\right)_A$, $a_2 > \left(\frac{K}{L}\right)_B$.

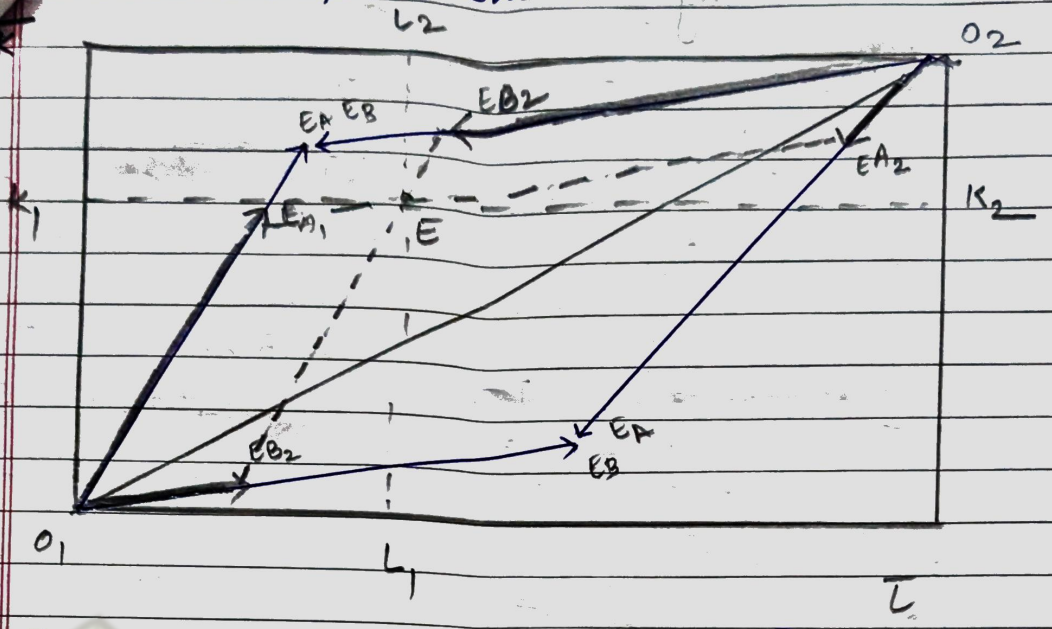


Case of FPE

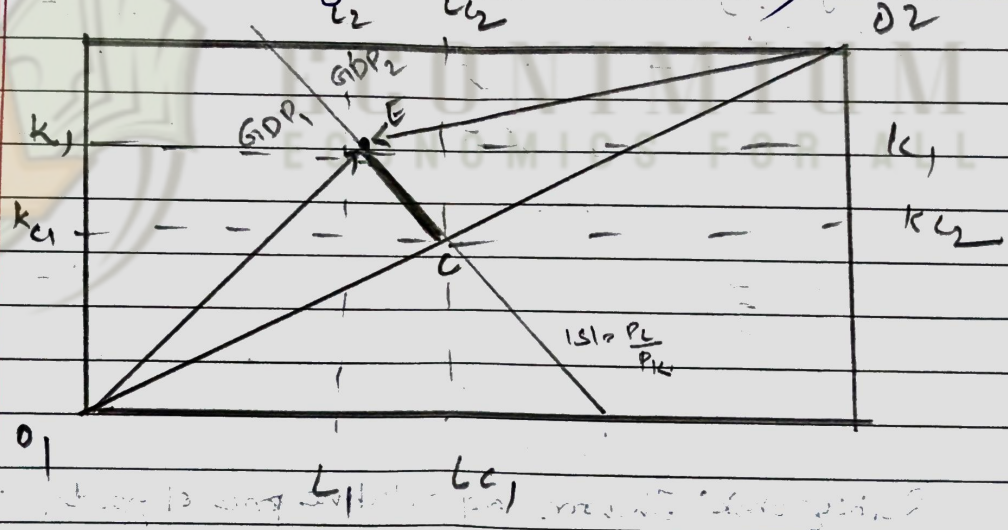


No case of FPE.

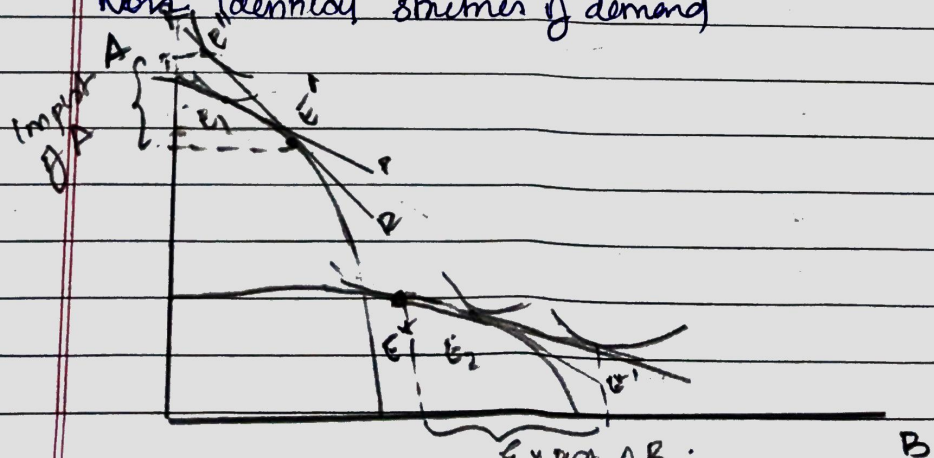
Factor Price Equalisation Set.



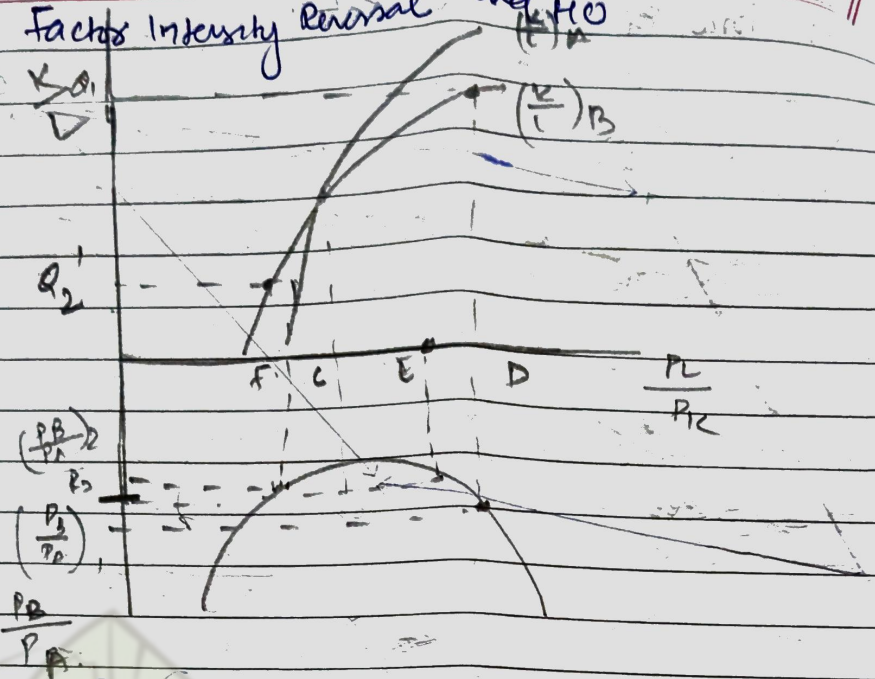
Factor content of Trade (HOV Theorem)



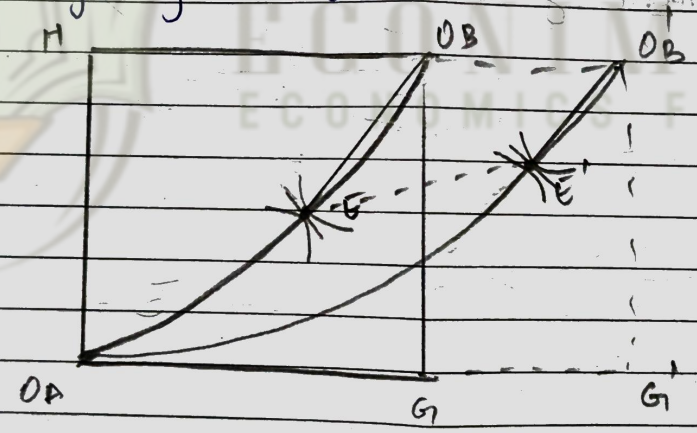
Nong identical structures of demand



Factor Intensity Reversal and HO



Rybczynski Theorem



Rybczynski Theorem and relative price of goods