Initial Resource Allocation, Improvement of Social Welfare and Comparative Advantage: Based on the Investigation of Economic Anthropology

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ABSTRACT This paper aims to deal with the influence of initial resource allocation on the comparative advantage and trade gain of entering countries. Firstly, a generalized theoretical model is constructed from which generalized trade terms are inferred. Based on the model, method of numerical analysis is used to embody the trade terms and derived relations. It is shown that under the circumstances of complete specialized division of labour, if a country allocates more resources to its disadvantaged industries, this resource mismatch when corrected will produce more trade gains to the country; if initial resource allocations of both countries are correct, the country of which trade term is closer to its domestic autarkic exchange price will obtain less benefit; if at least initial resource allocations of one country is wrong, it does not mean that the country of which trade term is closer to its domestic autarkic exchange price will obtain less benefit.