

National competitiveness and absolute advantage in a global economy

Parrinello, Sergio (2006): *National competitiveness and absolute advantage in a global economy*. Published in: Working Paper Dipartimento di Economia Pubblica , Vol. 95, (November 2006): pp. 1-23.



Abstract

Distinguished trade theorists maintain that a national economy cannot be uncompetitive as a whole, contrary to the frequent statements of many politicians, because a country must possess a comparative advantage in some sector according to Ricardo's principle. In this paper the author argues that such a criticism addressed to the notion of national competitiveness neglects a bottom line of a national economy engaged in a global market. In this context, characterized by free capital movements and possible unemployment, absolute productivity and absolute advantage may prevail over relative productivity and comparative advantage and can affect the competitiveness of all productive sectors of a single country. Such a reappraisal of international equilibrium offers a theoretical foundation to the intuitive idea that national competitiveness can be a source of possible economic conflict among the national members of a global economy. Final version of this working paper : S. Parrinello, "The notion of national competitiveness in a global economy" chapter 4, pp. 49-68, in *Economic Theory and Economic Thought, Essays in Honour of Ian Steedman*, J. Vint, J. Metcalfe, H. Kurz, N. Salvadori and P.A. Samuelson (eds.). London and New York: Routledge, 2010.

Item Type:	MPRA Paper
Original Title:	National competitiveness and absolute advantage in a global economy
Language:	English
Keywords:	National competitiveness, Globalization, International Trade
Subjects:	F - International Economics > F1 - Trade > F15 - Economic Integration F - International Economics > F1 - Trade > F10 - General F - International Economics > F0 - General > F01 - Global Outlook
Item ID:	30807
Depositing User:	Sergio Parrinello
Date Deposited:	09 May 2011 15:40
Last Modified:	27 Sep 2019 14:30
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