Re: Shaking Up Trade Theory

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From: Igor (*jjweatherby_at_houston.rr.com*)
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Tim Keating wrote:

>>No it is not. It is a statement of what happens when there is no
>>technological growth. The Solow model has many problems but it does show
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>
> Dependency on technology to support your growth theories has it's
> short comings.
>
> Most of us who work in the tech industry have noticed a dramatic
> slowing of technological innovation. I can think of several factors
> which come to play.
>

That is not what the data show. The tech industry is not the only source of R&D. Over 80% of R&D is in manufacturing. That being said there are diminishing returns shown to R&D and it is accounted for in growth models. Well perhaps the problem is that price indexes do not account fully for quality adjustment so there is some debate that about constant growth rate and therefore diminishing returns to R&D.

> 1. Replacing the most skilled with less skill, results in inferior
> products. Outsourcing, importing of cheap labor, etc.. A
> substantial number of new products aren't worth buying. Usually,
> they can fool customers a few times, and then their reputation for
> inferior products spreads.
>

Like what? Data does not support this.

> 2. At the root of all technological advances is a ROI
> calculation. This applies down to the consumer level.
> The dramatic lowering of first world labor compensation shifts the ROI
> curve and eventually removes much of the demand for new products and
> services.

No it raises rates of return if you can manufacture it with cheap labor. Third world labor is hardly an issue. Patents and secrecy insure corporations enough time to recoup the investment.

> The spiral down feeds on itself. Less compensation equals
> less disposable income equals less demand, repeat, repeat, repeat.
> P.S. Don't let the government stats fool you. Consumer spending is