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Review of

Bertil Ohlin, A Centennial Celebration (1899-1999). Edited by Ronald Findlay, Lars Jonung, and Mats Lundahl, Cambridge and London: MIT Press, 2002.

887 words

Bertil Ohlin is one of the most influential international economists of the twentieth century. His writings enriched the factor proportions theory of comparative advantage that was formulated by Heckscher and earned him the Nobel Prize in 1977. Ohlin's debate with Keynes about German reparations also redefined the transfer problem and revived the income-expenditure approach to the balance of payments. This conference volume celebrates the centennial of Ohlin's birth. Its contributors, including 2 Nobel laureates, highlight Ohlin's many-faceted life and illustrate the scope and continuing relevance of Ohlin's work.

The 22 articles are classified thematically in five Chapters. The 6 articles of Chapter I revolve around the parent, politician and colleague. They make Ohlin's path-breaking academic accomplishments all the more remarkable. Ohlin spent only a decade, mainly the 1920s, on international trade theory and just another five years, the early 1930s, on macro-economic issues. Most of his lifetime, however, was devoted to Swedish politics as he, the leader of the Swedish Liberal Party, defended a social form of liberalism with an active government, yet opposed the central planning tendencies of the ruling Social Democrats.

Chapter II studies the early Ohlin and provides an English translation of Ohlin's licentiate thesis. This early thesis is best read with Flam and Flanders' article that traces Ohlin's thinking to his seminal 1933 monograph, Interregional and International Trade. Already here, one discerns the essence of his magnum opus: factor endowments driven patterns of trade; the equalizing impact of trade on factor prices. Reading the original also shows how much we have come to see Ohlin through the eyes of his modern translator Samuelson. Ohlin's wordy text is a far cry from Samuelson's stylized 2 (country) x 2 (factors) x 2 (sector) model. Moreover, it (surprisingly) gives particular attention to increasing returns as a cause of trade, which only in the 1980s played a central role in the trade literature.

Chapter III discusses Ohlin's macroeconomics. Carlson, Jonung, Hansson and Wadensjö study Ohlin's evolving Keynesian thoughts on how to resolve the depression and relate his work to the Stockholm School of Economics. The most interesting contribution for a non-Swedish audience is from the Nobel laureate Mundell who contextualizes the German reparations after WW I. He credits Keynes and Ohlin for redefining the transfer question as finding the equilibrium production, consumption, trade balances and prices after a real transfer. Keynes feared deteriorating terms of trade in Germany. Mundell sides with Ohlin who argued that terms of trade effects of transfers depend on the spending change they induce in *both* countries. Mundell integrates the transfer discussion in a survey of rivaling balance of payments approaches, i.e. the 'elasticities' approach that Keynes supported versus the "income-expenditure' approach that Ohlin revived. He criticizes Keynes for focusing on prices, while ignoring the implications for the balance of payments of changes in the demand for domestic *and* foreign (German) goods in the receiving countries due to the transfer.

Chapter IV discusses the recent Heckscher-Ohlin (HO) trade literature and gives a good sense of the central issues. Ron Jones, who has explored the richness of HO beyond its 2x2x2 formulation, argues convincingly that the basic HO idea is adaptable. Answering the challenge by "new" trade theory, he defends the factor proportions theory as a complementary view. Krugman, a key player in new trade theory, argues that in spite of Ohlin's (surprising) attention to increasing returns, much was not foreshadowed: Ohlin did not appreciate imperfect competition fully due to a lack of formalization – a familiar Krugman argument; he did not study whether equilibria were optimal and there is no reference to discontinuous changes that are central to new geography. Davis and Weinstein cover the recent empirical literature. They argue forcefully for a closer integration of theory and empirics.

Those familiar with the recent HO literature will find some of the historical applications in chapter V most rewarding. While directly relevant for HO, these contributions have received less attention in the literature. O'Rourke and Williamson study commodity price convergence in intercontinental trade. They argue that the "right" trade model varies by period. Due to transport costs, international trade before 1800 was in non-competing, resource-intensive goods such as silk, spices or gold. Only after drastic declines in transportation costs in the 1800s did trade in competing goods such as wheat and textiles take off and give way to HO type trade. The authors back their claims with suggestive evidence, while struggling with the role of technological change. Estevadeordal and Taylor test the Hechscher-Ohlin model with data from Ohlin's time. Going back has advantages (less trade barriers, more disperse factor endowments) and drawbacks (considerable transportation costs, factor mobility and productivity differences.) Their findings match those for the current period: The gap between actual and predicted factor content of trade (Trefler's "missing trade") also exists for past data. Findlay and Lundahl apply a specific factors model to study the impact of Black Death and Irwin investigates whether Ohlin would have agreed with Stolper and Samuelson's analysis of the impact of tariffs on real wages during his lifetime. (Irwin's article belongs in Chapter V, not IV).

This conference volume is a valuable book for students in international economics. While it also highlight aspects of Ohlin's life and work that are not well known outside Sweden, the articles that focus on Ohlin's well-known academic accomplishments will attract most attention.