A handy guide to understanding global value chains

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Video Byte

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Abstract

Economic globalization and inequality are spreading fast sparking interest in global value chains among both academics and policy makers For decades, the Heckscher-Ohlin model was the only method for understanding these phenomena Conflicting empirical evidence has led to a surge of theoretical models describing international trade scenarios This disjointed knowledge has made navigating the economic literature a difficult task Now, a new visual tool could help even non-specialists piece all of the evidence together in one place Using simple supply and demand diagrams, this tool offers unprecedented explanatory power Making it quick and easy for professionals and students alike to spot where popular models overlap or vary While it currently covers only neoclassical trade models... This figure is a powerful tool that could be used by virtually anyone to understand the effects of global value chains on inequality Franssen, L. (2019). "Global value chains and relative labour demand: A geometric synthesis of neoclassical trade models." Journal of Economic Surveys