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A Test of the Law of Comparative Advantage, Revisited*

Kozo Kiyota[†]

Faculty of Business Administration, Yokohama National University

Abstract

This paper reconsiders the law of comparative advantage (Deardorff, 1980, 1994) from an empirical point of view. I show that not only net exports valued at *autarky prices* but also those valued at *free trade prices* are needed to test the law of comparative advantage when trade is unbalanced. I propose a test that is consistent with both balanced and unbalanced trade and apply the test to Japan. The results support the empirical validity of the law of comparative advantage even after trade imbalance is taken into account. (88 words)

Key words: Law of Comparative Advantage; Trade Imbalance

JEL classification code: F1

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[†]Address: Faculty of Business Administration, Yokohama National University, 79-4, Tokiwadai, Hodogaya-ku, Yokohama 240-8501 JAPAN; Phone: +81-45-339-3770; Fax: +81-45-339-3707; E-mail: kiyota@ynu.ac.jp