

Factor Intensity Reversals Redux*

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Abstract

Little evidence for factor intensity reversals (i.e., reversals of the capital/labor ratios) between countries or regions has been found in the previous empirical studies. This supports Samuelson's (1951) impression that a factor intensity reversal has much less empirical importance than theoretical interest. Based on the newly developed region-level data, however, we argue that the abandonment of factor intensity reversals in the empirical analysis has been premature. Specifically, we find that the degree of factor intensity reversals is stronger than that of the previous studies on average. Moreover, the degree of factor intensity reversals has increased over the last two decades. Finally, the degree of factor intensity reversals is stronger when we use the disaggregated industry-level data, weakening a possible criticism that several factor intensity reversals may be found due to the aggregation of industries.

Keywords: Factor intensity reversals, Capital, Labor, Region, Japan

JEL Classifications: F11, F14

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