INTRODUCTION
International trade patterns have been analysed on the basis of the principle of Comparative Advantage. The classicalists defined comparative advantage in terms of international differences in production functions while the neoclassicalists have traced comparative advantage to differences in relative factor endowments. The neoclassical approach, however, is based on the unrealistic assumptions of perfect mobility of goods and constant returns to scale. Because of these two assumptions the theory overemphasises the supply factors and neglects the demand factors completely in its definition of comparative advantage in production. Hence the need to verify empirically whether such a theory can provide an adequate analysis of trade pattern of an economy over a period of time. Chapter I of the present study discusses the theoretical content of the alternative approaches to international trade patterns. We have attempted to show that if two new assumptions of economies of scale and positive transport costs are introduced, the comparative advantage in production of an economy (in our model a 'new economy'), over a period of time, is not simply determined by the supply factors, but that demand factors - the large domestic market - play an independent and vital role.

To verify our model empirically, we have analysed the case of the United States of America - the shift in the comparative advantage of the United States from natural resource products towards manufactures, over the period 1870-1950. The first chapter tries to point out that the model constructed on the
assumptions of positive transport costs and economies of scale can explain the shift in the comparative advantage of the United States much more adequately than the neo-classical theory. It has been shown that the inadequacy of the neo-classical theory arises mainly because of its assumptions of zero transport costs and constant returns to scale. As the later chapters show, the demand factors played an important role in the shift in the production structure of the United States of America, since the neo-classical theory assumes perfect mobility of goods and constant returns to scale, it cannot explain the role of demand factors and is thus highly inadequate to explain the shift in the comparative advantage of America.

In Chapter II, an attempt has been made to establish the fact that apart from supply factors the domestic demand factors were of crucial significance in changing the production pattern of America. The demand factors played a dominant role both in shifting the comparative advantage towards the production and export of manufactures and in reversing the trade pattern of most of the major net export items of natural resource products.

Chapter III elaborates the key role of transport—particularly of the fall in transport costs and the changes in the modes of transportation over time—in influencing the location of industry and the trade structure of the United States of America.
Apart from transport, heavy industries were another key factor determining the trade structure of America. Chapter IV gives an account of the rise of heavy industries in America, over the period of our study, and traces their growth mainly to the expansion in the market for the products of heavy industry. We will examine the reasons for this market being supplied by domestic industry rather than by imports. The chapter discusses the implications of the rise of heavy industries for the trade structure of the United States of America.

In Chapters V, VI and VII, an attempt has been made to show that the key role of demand factors in the change in the pattern of trade of natural resource products is apparent both in the case of raw materials and products produced at home as well as in the case of raw materials for which domestic production is totally non-existent in the United States of America. All this is analysed through a detailed study of the major imports of agricultural and mineral raw materials into America, over the period 1870-1950.