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INTERNATIONAL INVESTMENT AND INTERNATIONAL TRADE IN THE PRODUCT CYCLE *

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Publisher Summary

This chapter focuses on international investment and international trade in the product cycle. It is a mistake to assume that equal access to scientific principles in all the advanced countries means equal probability of the application of these principles in the generation of new products. There is ordinarily a large gap between the knowledge of a scientific principle and the embodiment of the principle in a marketable product. An entrepreneur usually has to intervene to accept the risks involved in testing whether the gap can be bridged. The United States' market offers certain unique kinds of opportunities to those who are in a position to be aware of them. The market consists of consumers with an average income that is higher than that in any other national

market, and is characterized by high unit labor costs and relatively unrationed capital compared with practically all other markets. As the demand for a product expands, a certain degree of standardization usually takes place. A commitment to some set of product standards opens up technical possibilities for achieving economies of scale through mass output, and encourages long-term commitments to some given process and some fixed set of facilities.

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