Two Revenue Paths – Annie's Process in One Page
by Anne Emerson

When Annie first developed her process describing patterns in people's migrations for work, she focused on differences in rates of job-creation, in rural (farm sector) and urban (manufacturing sector) regions. Her summary is on this website's Poems page, called *Annie's Worldview*.

Annie has now generalized the process to represent what happens in necessity industries in general (Resource-Losing Industries, including the farm sector) and luxury industries in general (Money-Magnet Industries, including some manufactures and many urban regions), as economic growth occurs, accompanied by technological change.

This one-page essay explains what happens, without using the graphs, tables, and mathematics of more-formal work. If you like graphs, then you may assume that the sector, α, represents Resource-Losers, and the sector, μ, represents Money-Magnets. If you prefer words, please read on.

As discussed in the one-pager, Page Six, entitled *Elastic Revenues*, there are two important ways to use inventive, or creative, business behavior – one is to generate more revenue (money-magnet industries) and the other is to save revenue (resource-losing industries). If, in our industry, making our product less expensive and better results in more revenues, we have a money-magnet industry. Such industries are usually cutting-edge, or new, industries such as computing. Today, AI is the new up-and-coming money-magnet industry.

If, in our industry, competition with other businesses creates a situation where prices fall and revenues also fall, then we have a resource-losing industry. Competition brings the price down, which brings revenues (= the budget) down, which necessitates budget cuts and perhaps losses in quality. Such industries have been around a while and are often more-traditional, or necessity, types of industries such as education, local newspapers, healthcare, and home-making.

If we put together these two ways to be inventive, we can see that there are two parallel types of business responses to competition and technological advantage. In the money-magnet type of creative response, industry revenues increase, money is drawn into the industry and many firms can find a niche. In the resource-losing type of creative response, money leaves the industry and firms start to go out of business. Both of these types of response are described in Principles of Economics textbooks. However, the possibility that the trend continues over many decades, rather than quickly adjusting to a new balance, is not addressed in the typical discussion of "entry and exit" of business firms to and from an industry.

It is an ongoing exit of businesses and resources from "Resource-Losing Industries" that Annie's model mainly addresses. If, instead of adjusting to a comfortable new level of resource-use after an innovation alters the status quo, the resource-losing industries continue to lose workers and inputs, then workers and inputs still remaining will be squeezed by *ongoing* budget cuts. This is known, among farmers, as *Engel's Law*. See the one-pager, Page Ten, entitled *Money, Europe, and the U.S*. A similar scenario applies also to many types of service industries, where it is known as *Baumol's Cost Disease*. It is not a disease, rather it's a syndrome, but that is the name it has been given.

That is, budget cuts occur month after month, year after year, for decades in resource-losing industries. This squeezes the industries until they cannot cope anymore. Annie calls it *Systemic Bias*.