

Comp-this, Comp-that, Who Cares?

by Anne Emerson

This is now page eight. Are you getting the picture yet? Sooner or later, we WILL get to Supply and Demand, I promise you. (What, you don't believe me? We have to set the scene first. Stay with me here.) Or, if I were to tell you that Supply and Demand is a theory, not the Ultimate Reality, and there might be better ways to organize selling and buying, would you still care?

No? Well, I COULD have an ulterior motive in wanting to tell you that there's something better out there. Or in here. Or curled. (See my poem about Relativity. If it's not on my website somewhere, I will try to correct that error. Soon. Tomorrow...Really. In England we called it Jam Tomorrow...)

We have been talking about the flow of water (er, Dynamic Equilibrium) and marshmallows (er, elasticity), and batting around ONE fountain. So, ready or not, here it comes...General Equilibrium! Let's suppose our fountain is ONE local area – city and hinterland – water in fountain-spike representing city-money, pool representing money in surrounding countryside – and all these local areas interact within the nation, and nations interact across the globe; and economists' models put them into equilibrium – no tendency to change! That's dynamic equilibrium, of course! All regions inter-connected and adjusting to a stable motion like our Cambridge, England fountain.

Oh, and not everything we do is done solely in a local area, or in ONE business, or in ONE government... Not trying to impress you or anything. It's my way of saying, I learned everything economic (er, almost) and I'm no wiser; no actually, it's merely this little awkward thing, I'm lost.

Alrighty then. About Comparative Advantage and Competitive Advantage (Comp-this and Comp-that). International Economists believe in Comparative Advantage. It's a theory. You should ask one of them. I'm merely a pleb who taught in business school because real professors don't work part time, even if they have homes and children, but there's money in teaching business students. Business people believe in Competitive Advantage. Ask Michael Porter. He got some serious attention. Don't ask me – I was expected to teach business research and business economics, not Competitive Advantage, nor the Big Picture. All of that must have been taught in other departments.

In the theory of Comparative Advantage (Comp-this), everyone does what they do best, and then they trade. In the practice of Competitive Advantage (Comp-that), everyone tries to outdo everyone else. It's called Competition, and business economists swear by it. Oops! Page eight is now filled up.

Except it's not. The pesky AI plays tricks on me. I feel, sometimes, entirely at the mercy of my computer. If I didn't know better, I might think it was reminding me that it can slap my face really hard if it wants to! Oh yes, here's what else it wants me to say: We don't have to know technical terms to know what we are dealing with. Some people can sing without knowing anything about harmonies or scales. (My local IT expert is a musician. Funny, that! Does HE speak to my computer, behind my back?)

Yet, sometimes it helps for someone who knows the technical terms to explain. If you think I am always a housewife, you might think that, when I talk about elasticity I am talking about cooking marshmallows. No, sorry! When I am an economist, it's a technical term – how price-change affects revenues. Economists may also notice what happens to things when cooked (your goose, we could say – joke here). It can help us engage with other irreversible changes that occur as things get hot.