

LIMITS AND DIFFERENCE: PRECONDITIONS FOR COMPARATIVE ADVANTAGE

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ABSTRACT

The economic law of comparative advantage has been a staple of economics textbooks for 200 years. Less well understood is the anthropology of human beings that form the preconditions for comparative advantage. Each human being is created with limitations of time, and each human being is different from other human beings. The exploration of the meaning of these two ideas, especially through a theological lens, generates the law of comparative advantage, and the possibility of prosperity through relationships of mutually beneficial exchange.

Keywords: *limits, difference, comparative advantage.*

1. INTRODUCTION

The law of comparative advantage is one of the foundational ideas of economics. It is part of any principles of economics course. What is less studied are the foundational ideas regarding the nature of human beings that lead up to the law of comparative advantage.

The study will proceed in four parts. (1) The first section will be a discussion of two principles of human nature: limits and difference. (2) The second section will document how these two characteristics lead to the law of comparative advantage. (3) The third section will review the economics of exchange that leads to prosperity. (4) The final section will draw some conclusions and suggest some avenues for future research.

1.1. Principles of Human Nature

Two aspects of human nature give rise to division of labor and economic exchange, and these two aspects are limits and difference. The idea of limits is usually discussed in economics classes under the heading of 'scarcity.' Scarcity is usually defined in terms of a limited resources such as financial capital or natural resources, but it is less often discussed within the context of human nature.

The principle of difference is discussed much less than limits. It is one of those characteristics that is self-evident, but if discussed at all, it is under the heading of diversity. The following is an extended discuss of both limits and difference.

1.1.1. Limits

A popular economics textbook puts the idea of scarcity this way: "Scarcity means that society has limited resources and therefore cannot produce all the goods and services people wish to have" (Mankiw, p. 4). This economic definition of scarcity is different from the common or everyday meaning of scarcity. The common definition of scarcity carries the implication of an absence or shortage of a good. The Google online dictionary gives this definition of scarcity: "the state of being scarce or in short supply; shortage" (<http://google.com>). From the Merriam-Webster online dictionary, the definition reads "want of provisions for the support of life" (<http://merriam-webster.com>). And from the vocabulary online dictionary, the definition is "a small and inadequate amount" (<http://vocabulary.com>).

From reading these popular definitions, the way the term scarcity is used in everyday language is much different from its usage in economics. In everyday language, scarcity is synonymous with shortage or