OPPORTUNITY COST
AND
HUMAN DEVELOPMENT

by

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In the economic decision-making process, mainstream economics draws attention to the cost of what an economic agent cannot do or cannot have when that person makes a decision even in those cases where the agent is not explicitly aware of that cost. Mainstream economists call it opportunity cost. To illustrate, the opportunity cost when a producer decides to use barley to produce coffee is that the barley cannot be used to produce whiskey. The opportunity cost when a restaurant patron has red wine with filet mignon for her evening meal is that she cannot at the same time have white wine with chicken cordon bleu.

For the producer opportunity cost is grounded in the premise that what is foregone is feasible and profitable. However, if a producer is unable to produce whiskey or cannot turn a profit producing it, the opportunity cost of not producing whiskey is empty of any meaning. In like manner, for a consumer opportunity cost is grounded in the premise that what is foregone is available and desired. Be that as it may, if cordon bleu in not on the menu or white wine is no substitute for red wine, opportunity cost is meaningless. In other words, when an economic agent has no options available at the decision-making moment or wants nothing else at that moment opportunity cost is empty of meaning. When nothing is foregone, opportunity cost is a hollow concept.

There are two other problematical situations having to do specifically with the consumer who is rich and the one who is poor. What is the true opportunity cost for a wealthy person who has money enough to purchase anything else he/she needs or wants? Is it zero because nothing is foregone? Is the concept meaningful in that person's decision-making process?

What is the opportunity cost for a poor person who has no money to purchase even those things that are most needed? Is it zero too because that person is unable to engage in an exchange? Or is it infinite because all is foregone? Under these circumstances is the concept consequential?

Similarly, there are two problematical situations for the producer. Does opportunity cost have meaning for a producer, such as a sugar-cane farmer or paper mill operator, whose substantial investments in plant and equipment lead to the production of a specific product? Plant and equipment that cannot be converted to another use?

Does the concept have meaning for the producer who engages in commerce not for profit but as a hobby? Such as a businessman who has made a fortune selling insurance or beer and for his own amusement buys a professional sports team that loses money year after year?

Opportunity cost originates in the materiality of human nature. What is foregone is something material, something tangible that forms a core part of the way that mainstream economists think about economic affairs. How they think about consumption, work, and leisure.

There is, however, more to human nature than the material. Human beings are more than just bodies. As persons they are embodied spirits [Danner 2002, 76] whose development and

perfection are matters of concern to economists to the extent they are influenced by economic affairs. As co-producers of goods and services they are the efficient cause of economic activity, and as consumers and social creatures the final cause. [Divine 1960, chapter 24]. Human perfection is the ultimate goal of society and material development is a *condition* for that perfection. [Dempsey 1958, 273, 57]. Fellow contemporary Jesuit economist Divine agrees. [Divine 1960, chapter 24].

Our comments in the following are organized around six themes: ethical dimensions of economic decision-making; economic gain, opportunity cost, and justice; consumption: personalist economics vs. mainstream economics; work and leisure: personalist economics vs. mainstream economics; the confluence of consumption, work, and leisure; and opportunity cost and global trade. Our efforts below are organized in a way to compare and contrast opportunity cost and integral human development.

Ethical Dimensions of Economic Decision-Making

Personalist economics is inclined to look at the decision-making process in terms of both its ethical dimensions and its opportunity cost. In this section we turn to its ethical dimensions. Opportunity cost is taken up in the following section.

There are many instances, for sure, when the choices made are ethically neutral, when they involve no ethical issues. For example, the decision to paint one's house with white paint versus some other color has no ethical content. However, the decision as to what you should pay a person to work for you very likely has an ethical dimension. To illustrate, deliberately withholding wages until the work has been completed and paying the worker less than what was agreed to even though the work was done to your exact specifications is unethical.

Are decisions regarding ethical issues in economic affairs entirely arbitrary, depending completely on the whims, fancies, feelings, opinions, attitudes, and values of the persons making those decisions? Or, are there objective standards that apply in economic affairs rendering ethical decision-making reasoned, defensible, and alike from one person to the next except in instances of specific extenuating circumstances? Overwhelmingly mainstream economics argues that ethical standards are essentially relative, that they differ from one person to the next, and therefore are entirely outside the limits of legitimate inquiry for economic science. Moreover, the market sorts out all conflicts between economic agents including ethical disputes and for that reason there is no need to concern ourselves with ethics and ethical issues.

Personalist economics asserts that there are certain objective ethical standards to be applied in economic affairs, and that those standards ultimately originate in the human experience. Thus, shoplifting is destructive of retail trade because it is unreasonable to expect a shopkeeper to operate his/her store when customers are entirely free to take whatever they want and exit the store without paying. Indeed, not punishing shoplifting assures that few if anyone would be so

foolish as to become a merchant and expect to earn a living. To teach and reinforce the ban on shoplifting, it is necessary to have laws and enforcement officers to assure that shoplifting is punished.

Justice is the virtue or good habit of rendering to another that which is owed. In economic affairs there are three principles of justice that apply: commutative justice, distributive justice, and contributive justice. We call them principles of *economic* justice because they apply strictly in the economic order. Other principles of justice as for example in criminal affairs with no direct ties to economic affairs as in the case of child abuse or treason are not our concern here.

There are three principles of economic justice because there are only three modes of human interaction in economic affairs: person to person, superior to subordinate, and member to group. Commutative justices sets forth the duty of buyer and seller to one another in the marketplace and worker and employer in the workplace: exchange things of equal value, impose equal burdens on one another. Distributive justice defines the duties of the superior to his/her subordinates whether that interaction takes place in the marketplace or the workplace: taking into account any substantial differences between his/her subordinates such as disability the superior is to distribute the benefits and the burdens among them in some equal fashion. Finally, contributive justice sets down the duties of the member to the group in interactions occurring in the workplace or the marketplace: to the extent that a member receives benefits from the group that member has a duty to support and maintain the group.

Economic Gain, Opportunity Cost, and Justice

Every exchange involving economic agents who are well-informed and free to act entails gain for the parties involved: what is gotten in the exchange is more highly valued than what is given up. In the marketplace, a baker who produces more loaves of bread than can be used for personal consumption sells them provided what is gotten (the price paid by the customer) is greater than what is given up (the cost to produce the bread), thereby adding to the baker's profits. Without that gain, there is no incentive for a baker to produce and sell bread. At the same time, the consumer who does not bake bread, or does not make it as well or as inexpensively, buys from a baker because the bread that is gotten is more useful than the money given up. A bargain is an exchange in which the consumer's gain is greater than initially expected.

In the workplace, when a baker hires a sales clerk to tend to his/her customers, there is gain for both parties. The baker gets the clerk's labor services that produce more revenue than the wages that must be paid, thereby adding to the baker's profits. Without that gain, the baker could not afford to hire the sales clerk. At the same time, the clerk contributes his/her labor services because the wages paid are more useful than the time and effort involved in working. Without that gain the clerk would not accept the job.

As with mainstream economics, personalist economics differentiates between exchange value and use value. Exchange value is what is given up for the good or service acquired through exchange. Use value is what is gotten, the usefulness of the good or service to the person who acquires it.

Under competitive market conditions, exchange value should not vary from one person to the next. The price paid for the same dog food in a supermarket is the same for everyone buying that brand of dog food there. However, use value is not the same for everyone who buys that dog food because some persons are more deeply attached to their dogs and derive greater pleasure from feeding and caring for them than do others. While exchange value is determined by market conditions at the time and place of the exchange, use value is determined by the value systems of the uniquely different persons involved in the exchange. Exchange value is an objective piece of information. Use value, on the other hand, is a subjective human experience. For every one of the persons involved, use value (what is gotten) must be greater than exchange value (what is given up). Without that gain, the exchange cannot be carried out.

Personalist economics defines opportunity cost in terms of economic gain. Thus the opportunity cost of purchasing shoes with a price of $118 is the gain available from whatever else might have been purchased with that money but forsaken once the shoes were bought. If the shoes meet a need, as with safety shoes required on the job -- the opportunity cost is meaningless because nothing else will do. There is no alternative. If, however, the shoes satisfy a want, are desired but not needed, there is an opportunity cost in purchasing them. Under those circumstances it is reasonable to presume that the shopper would buy the shoes desired only if they represent the greatest gain possible.

Mainstream economics admits of no circumstance in which the opportunity cost is empty of meaning because all consumer behavior is construed in terms of want satisfaction: satisfying this want means not satisfying that want. Need has no place in the mainstream economics. In contrast, personalist economics makes allowance for the case of opportunity cost that is empty of meaning because it recognizes the difference between need and want, between what is needed for which there is no alternative and what is desired or needed for which there are alternatives.

However, without a limit to the extent of that gain and its origins that is imposed by the three principles of justice, some persons in the exchange process are able to take more than their due while others are left with less. Some would take what rightfully belongs to others. Those gains clearly are ill-gotten. Conventional economics brushes aside the problem of exploitation and victimization with the invisible hand argument. Every economic agent in the pursuit of his/her self-interest serves the good of all through the invisible hand of the market. Introducing commutative justice, distributive justice, and contributive justice into economic affairs is unnecessary and threatens the value-free nature of conventional economic science.

Personalist economics rejects the invisible hand on grounds that its appeal to magic and rhetoric is no substitute for the call of justice to reason and substance. Personalist economics accepts a value-laden economics structured around the gain-limiting character of commutative justice, distributive justice, and contributive justice as the price for aligning the study of economics more closely with economic reality.

Consumption: Personalist Economics vs. Mainstream Economics

Mainstream economics regards consumption as satisfying human wants and the prudent consumer as the one who maximizes the utility gotten from spending his/her income. Whatever the consumer does with the goods and services purchased is strictly his/her own business because no one knows better than the consumer what will best satisfy his/her wants. For that reason, even when the food bought and consumed is virtually the same, there is no difference between having Thanksgiving dinner alone or spending it with family and friends. No difference between shopping for a suit, dress, or pair of shoes alone or in the company of another. No concept in the mainstream way of thinking that being alone may mean loneliness and loneliness in turn can have a negative effect on the human spirit. This disregard for the human spirit derives from the premise of mainstream economics that the economic agent is an autonomous, self-centered, self-made, utility-maximizing, and predictable individual functioning mechanically as an embodied creature in a material, physical world where pleasure and pain are measured and compared in a decision-making process that is essentially passive. Anything relating to the human spirit is not economics even when it is tied closely to working or consuming.

In mainstream economics, the consumer is free to choose whatever he/she is able to afford, makes those choices informed strictly by reason for the purpose of satisfying some want, and takes into account not only experiences in the past but also hopes and plans for the future.

Comparisons are made but they are rigorously intra-personal or inward-looking, wherein consumers evaluate their own wants over time without any regard for others. Adults typically plan years ahead for their retirement, carefully budgeting -- rationally planning income and expenses -- to achieve that goal. Need is entirely rejected by mainstream economics as a central determinant of consumer behavior because it is a value-laden concept. Mainstream economists think of consumption *not in terms of its impact on the personal development of the consumer* but in terms of the wants that are satisfied. In a word, what matters is individual utility not personal development.

However, there is more to the consumer than mainstream economics admits. In personalist economics, the consumer is a social being as well as an individual being, and as such is both alike and unique, at once communal and solitary, dependent in addition to autonomous, utility-satisficing no less than utility-maximizing, gift-giving in addition to commodity-acquiring, emotional and rational in decision-making, concerned for needs no less than wants, free to choose and morally accountable. Just as the trendsetter and traditionalist are persons

with much individuality, the caring neighbor and the philanthropist are persons with much sociality.

At times, friends may share what they have, one friend taking less than the maximum available if he/she were to exclude the other in order that the other friend might have more, thereby affirming and strengthening their friendship. Sharing and caring are actions that help transform the consumer into a human being who is more fully a human person. Hoarding and exploiting weaken the consumer as a human person.

Personalist economics holds fast to the view that consumers are beings with a body and a spirit --- an embodied spirit -- and that they meet the needs and satisfy the wants of the body and spirit through the goods and services they buy and consume in a decision-making process that is essentially active precisely because they are living, breathing, existential actualities, not utility-calculating machines. They are not properly represented as *homo economicus.* They are instead *acting persons* whose development as human beings depends importantly on how they conduct economic affairs. Though personalist economics admits there are many difficulties in measuring the effects of consumption on the human spirit those effects are every bit as real as the effects on the human body.

Personalist economics embraces self-centeredness in the sense that healthy and normal human beings are expected to address their own needs and wants to the extent possible. In this regard, two virtues are critical. Self-centeredness degenerates into selfishness when the virtue of moderation is disregarded and the things sought after become ends in themselves rather than the means to satisfying their wants and meeting their needs. [Danner 2002, 124-125]. If extreme selfishness is not checked by the virtue of sympathy or other-feeling that assures that both parties benefit from the exchange, a transaction involving agents who, following personalist economics, are *acting persons*, are free to act, cannot be completed. To the extent that these two virtues are neglected in economic affairs, personal and economic chaos follows.

Since need is a normative concept, meeting need through consumption invariably involves value judgments as to what constitutes need. Thus there will be differences between human beings as to how to define and measure the specific dimensions of need and for that reason anyone using the concept is well advised to state his/her specifics as clearly as possible. At that point we can state with greater confidence whether we agree or not, thereby helping reach broader consensus.

The disadvantage in doing economic analysis in this way is that differences as to need make for differences in empirical results and therefore some uncertainty in the conclusions drawn from those results. The advantage is that consumer behavior is construed in a way that makes sense to the typical consumer who instinctively knows the difference between his/her own personal needs and wants and factors both into the decision-making process. Further, combining needs and wants links consumer behavior to poverty by raising the question as to what society should do for those persons and families without sufficient income to meet their needs.

Because humans are both individual beings and social beings, consumers often struggle with decisions that require reconciliation between the demands originating in the two-sides of their nature. A husband, for instance, may have to postpone buying new fishing gear because his wife needs to replace some of her clothing in order to be suitably dressed on her new job. A brother with a steady job may be asked to help support a younger sister while she completes her college degree even though it means that he cannot buy the new car his heart is set on. Mainstream economics construes such decisions strictly in terms of opportunity cost, what one gives up from the available opportunities once a decision has been made. Personalist economics sees these decisions in terms of the gains forsaken but more importantly as opportunities for human development. Consumers advance and gain ground in terms of their human development when they perceive what is gotten through exchange as a means toward that development and not an end in itself. They retreat and lose ground whenever, as in the case of the hoarder, what is gotten in exchange is misconstrued as an end in itself.

Work and Leisure: Personalist Economics vs. Mainstream Economics

Personalist economics views work as having two effects on the working person. First, it provides income to purchase the goods and services that are needed or desired. Second, it provides opportunities to (a) associate with others in the workplace and develop a sense of belonging to a group with shared aims, and (b) to apply and enhance creative talents and energies. Work in other words is about money but more importantly when it is understood as a means it can and often does enhance human development. However, whenever it is misconstrued as an end in itself, as with the workaholic, it diminishes human development.

Mainstream economics regards the first effect but not the second as within the domain of the discipline because the first one is objective in nature representing what the worker contributes to the production of goods and services whereas the second one is subjective representing what the work itself does to the person of the one who works. The objective side of work demands a human body. Virtually no work can be accomplished by anyone other than an embodied human. In that regard there is little to choose between mainstream economics and personalist economics. The subjective side of work responds to the needs of the human spirit but the spirit first must be embodied because without the body no work can be done and therefore no subjective effect can be brought forth. Here personalist economics clearly departs from mainstream economics.

The second effect can be positive or negative. To illustrate, discriminating in pay and promotion and assigning a person to work for which he/she is overqualified turn the subjective effect negative. Designing and implementing a pay and promotion scheme based squarely on performance and finding the best match between the work to be done and the skills and talents of the worker turn the subjective effect positive. The objective effect of work is tied ultimately to the goods and services produced. The subjective effect is linked to the human spirit and for that reason has an impact on the development of the worker as a person. Anyone who works,

even those with good-paying, challenging jobs, knows the difference between a good day at work and a bad day. And that difference often is reflected in their performance and physical appearance.

Just as it did with the subjective dimension of work, mainstream economics sees leisure, which it defines as time spent not working, as largely outside the domain of economics. This unfortunate definition tells us nothing about leisure. Personalist economics, on the other hand, sees leisure in terms of both the human body and human spirit and as crucial to human development. A coffee break and a power-nap at work re-energize the body. Similarly, a good night's sleep allows the body to handle the demands of the following day. Bed rest after a surgical procedure helps heal the human body. A week in the mountains or at the seashore can infuse the human spirit with the beauty of the natural environment. An afternoon at a ball game with grandfather can instill in a youngster dreams of one day succeeding on the same field of play. Professional athletes at times describe their work as getting paid for playing a kids' game.

Leisure in the form of a round of golf or game of tennis for instance can be taken quite seriously as the continuation into adulthood of the play activity which is so vital to the development of children and what they are urged to do every day. In the end, leisure means setting aside time to care for the human body and spirit, for human development, in ways other than the ones that are available through work alone. As with work and consumption, whenever leisure is perceived as a means it can contribute to human development. However, whenever it becomes an end in itself, as in the case of the party animal, leisure diminishes human development.

Confluence of Consumption, Work, and Leisure

Consumption, work, and leisure can be separated analytically but in practice they frequently are intertwined as three sets of pairs and a fourth set involving all three activities at once. The working
lunch combines work and consumption. The three-day holiday weekend mingles consumption and leisure. Working after hours at home and at the same time watching a football game merges working and re-creating. The working vacation brings together all three. These three economic activities have two things in common: (a) they involve both the human body and the human spirit and (b) they are subject to limits.

Certain limits are inherent in economic affairs and others must be imposed because humans are embodied spirits. Human materiality assures certain physical limits regarding consumption and work. The human body can consume only so much at one sitting so to speak, and can work continuously only for some fixed number of hours without rest.

Personalist economics likens capital equipment to a human being in that capital equipment cannot be run continuously without maintenance before it breaks down. Mainstream

economics, on the other hand, likens a human being to capital equipment in that the economic agent is seen as a rational, utility-calculating and maximizing *machine* which is useful only insofar as it produces something of value.

Without other limits on what and how much we consume, on how long and how hard we work, and how much we allow for or indulge in leisure activities, limits deriving from moderation that reside quietly in the human spirit, our development as human persons is arrested or misdirected. Disregard those limits, and consumption becomes gluttony and obesity, work transforms into obsession and exhaustion, and leisure changes into escape and boredom. The practical virtues, especially moderation, provide useful and effective limits on consumption, work, and leisure, and their faithful practice contributes powerfully to the realization of the full potential of the human person.

To John Paul II materiality matters importantly to human nature, and material means are necessary to meet human material needs. To a large extent, mainstream economics and modern culture agree. However, John Paul warns that material means will not satisfy the nonmaterial needs of humans, and condemns the "consumerism" of advanced western economies for perpetuating that false and dangerous value. Consumption is good, he says, unless it leads to a life spent in the enjoyment of material things as ends in themselves. [John Paul 1991, §36]. In mainstream economics, human wants are regarded as unlimited and having more is taken as essentially good. In personalist economics, *having more* matters less than *being more*. Acquiring more of the goods of the world is less important than developing more fully as a human person, which as we noted above, is the ultimate purpose of society.

The subjective dimension of human work, according to John Paul and affirmed by personalist economics, is more important than the objective dimension. Further, human work to John Paul is the continuation of God's Act of Creation which lasted six days and was followed by a day of rest. [John Paul 1981, §25].In like fashion, humans require a seventh day of rest to consider what they have done and what they ought to be doing. In other words, a human being requires both work and leisure to become more fully the person he/she was meant to be and leisure has the positive connotation of input to that development. To the modern world, including the world of mainstream economics, leisure has only the negative connotation of time spent not working.

Because in personalist economics human beings are more important than mere things, labor is more important than capital. Indeed, humans alone have rights because they are persons, because they are endowed with an intelligence and free will which differentiate them from all other creatures. Aquinas calls them "the crown of creation," a judgment shared by personalist economics. In the world of economic affairs and mainstream economics, intentionally and otherwise humans often are reduced from persons to things, objectified more and more in both the workplace and the marketplace.

As workers, human beings are resources to be applied to the production of goods and services. However, humans have worth not because they are useful toward some economic purpose though this kind of valuing has its own practical application in wage and salary administration and for that reason cannot be dismissed out of hand. Rather, each one has a dignity and worth beyond human measure. In mainstream economics and modern economic affairs, human value commonly is determined instrumentally. One's own worth is determined by the value attached to one's work. In personalist economics, this kind of valuing is superseded by the sacred dignity of every living, breathing human person.

Workers have rights in order to assure the preservation of their fundamental dignity as human persons and access to the means necessary for their material survival, such as the right to associate, the right to strike, the right to a safe workplace, the right to a day of rest. To some extent, mainstream economics and others engaged in economic affairs also affirm these rights but as legal rights, as flowing from the hand of government and therefore contingent. Personalist economics sees them as natural rights flowing from the hand of the Creator and therefore inalienable.

Humans are more than the one-dimensional self-interested, self-absorbed, and passive individuals of mainstream economics and contemporary western culture. They are the two-dimensional, active persons of personalist economics with an identity as separate and unique human beings never to be taken simply as a cog in a machine or as totally subordinate to the whole, and at the same time united in solidarity with family, company, neighborhood, region, nation, and all humankind. Human existence always is coexistence.

Opportunity Cost and Global Trade

In global trade, gain originates in absolute advantage and comparative advantage. The person who is able to produce a good or service at the lowest cost is said to enjoy an absolute advantage in global trade because he/she is able to offer that good or service at a lower price than other producers, thereby expanding his/her trade and increasing profits, at the same time his/her trading partners are able to buy that good or service at a lower price. In other words, trade under conditions of absolute advantage results in gain for both trading partners.

Comparative advantage rests on the concept of opportunity cost from mainstream economics -- the cost of producing a given good or service in terms of the amount of some other good or service that might have been produced with the same amount of resources. To illustrate, using the same amount of resources a Swedish electronics manufacturer is able to produce either 2,000 cell phones per day or 4,000 pagers. Producing 100 cell phones in effect costs this manufacturer the *opportunity* to produce 200 pagers; producing 100 pagers costs 50 cell phones. A Finnish electronics manufacturer, on the other hand, is able to produce 6,000 pagers or 2,000 cell phones every day using the same resources. Producing 100 cell phones effectively costs this manufacturer the *opportunity* to produce 300 pagers; manufacturing 100 pagers costs 33 cell phones.

	Swedish Company	**Finnish Company**
opportunity cost of 100 cells phones	**200 pagers***	**300 pagers**
opportunity cost of 100 pagers	**50 cell phones**	**33 cell phones***

***: lower opportunity cost**

The Swedish company is said to have a comparative advantage in producing cell phones because it can produce 100 cell phones at an opportunity cost of 200 pages whereas for the Finnish company the opportunity cost for producing the same number of phones is 300 pagers (50 percent higher). The Finnish company has a comparative advantage with pagers because it can produce 100 pagers at an opportunity cost of 33 cell phones whereas for the Swedish company the opportunity cost for producing the same number of pagers is 50 cell phones (52 percent higher). As long as both companies have different opportunity costs, each one enjoys a comparative advantage in terms of the product for which it has the lower opportunity cost. The Swedish company should specialize in cell phones, the Finnish company should specialize in pagers, and through a bi-lateral trade agreement both countries would gain from having more cell phones and more pagers. In other words, trade under conditions of comparative advantage results in gain for both trading countries in the form of cheaper goods and services. That gain, which is grounded in opportunity cost, contributes to human material development, which as we observed earlier, Dempsey argues is a condition for integral human development.

Trading on the basis of comparative advantage is an insight attributed to the early 19th century English classical economist David Ricardo and has remained a central tenet of economics for more than 150 years. However, comparative advantage has been challenged most recently by one of the most influential economists of the last 70 years -- Nobel Laureate Paul Samuelson -- who has questioned its validity in an age of economic globalization. [Samuelson 2004, pp. 135-146].[1]

Mainstream economics calls attention to what is gotten by means of global trade -- cheaper goods and services -- but not the dislocation and economic hardship that follow. Trade makes trading partners more dependent on one another. Domestic producers depend directly on foreign sources of resources (including financial resources) and supplies and indirectly on the governments in the countries where those resources and supplies originate. Instability in those countries due, for example, to war, famine, or natural catastrophe, can interrupt the flow of those resources and supplies. Financial resources may be withdrawn on short notice for the greater gains available elsewhere.

In the pursuit of absolute advantage, domestic companies can relocate operations to foreign countries, thereby costing domestic workers their jobs, domestic suppliers their customers, and communities and local governments their tax bases. Domestic workers and their families who

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1 See also Bernstein 2004 not paginated.

follow their employers to distant locations are uprooted from extended family members, neighbors, and their communities. Prompted by the prospect of greater gains from absolute advantage or comparative advantage, domestic companies may impose lower wages on their workers, replace senior high-wage workers with younger low-wage workers, or coerce suppliers into new agreements. Similarly, domestic companies may relocate operations to different parts of the country or switch to different product lines, thereby creating dislocation and economic hardship.

In a global economy rooted in the information/communications revolution, the manufacturing technology that gives rise to comparative advantage no longer is locked in place. It is instead increasingly transferable and transportable and subject to piracy and reverse engineering. The winners are consumers who have access to cheaper imported consumer products, provided they have jobs to earn the income required to purchase those imported goods, and producers who have access to cheaper imported capital goods and new market opportunities for their finished products, provided they are able to continue innovating and producing goods in demand in an evermore competitive global economy.

In the end, absolute advantage trumps comparative advantage. In a free-trade environment where there are few if any barriers to the entry of foreign producers into domestic markets and the entrepreneurial spirit is alive and well,[1] the low-cost producer always holds the high ground in any competitive struggle. In an increasingly globalized world, comparative advantage has little meaning because to be effective comparative advantage requires that a country's labor, capital, and technology not move offshore. As Roberts has stated recently: "international immobility is necessary to prevent a business from seeking an absolute advantage by going abroad." [Roberts 2004, not paginated].

The specializing in and trading of cell phones and pagers between Sweden and Finland, which reflect both bi-lateral partners' own comparative advantage, break down when Sweden finds a lower-price supplier of pagers than Finland, and Finland finds a lower-price producer of cell phones than Sweden. Trade today is vastly different than in Ricardo's time largely because economic agents today have access to much better information on cost, price, quality, availability, financing, technology, product differentiation, and other factors that bear upon decision-making in economic affairs. Accordingly, our understanding as to how and why trade takes place and its effects across the globe of necessity should reflect the new realities of economic agency in 21st century. Martin put the new global economic reality as follows: "the Ricardian logic, based on so-called natural endowments, simply doesn't apply … assuming that capabilities are static and advantages are permanent is a mistake." [Martin 2006, not paginated].

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[1] Both conditions effectively ruling out bi-lateral trade agreements. See Thomas Friedman 2005 for an extended discussion of the ten forces that since 1989 have substantially changed how the global economy is energized.

The breakdown of comparative advantage does not wipe out all gains from global trade. The gains from absolute advantage persist though they may be problematical in terms of who benefits and who does not. Are the rich and powerful advantaged materially and the poor and weak disadvantaged?

Is there no material development, no human development for the poor and weak when the rich and powerful through absolute advantage take all the gains for themselves? Under these strict conditions, does absolute advantage contribute to the integral human development of the rich and powerful? Or does it diminish their development because the material gains are misconstrued as ends in themselves and not the means to further that development?

Summing Up

There is an important difference in the way personalist economics and mainstream economics define opportunity cost. Mainstream economics defines it in terms of whatever else the decision-maker cannot do or have once his/her decision has been made. Personalist economics defines it as the gain available from whatever else might have been acquired with the money at hand but in the end was forsaken. Personalist economics departs from mainstream economics in two ways. First, personalist economics links opportunity cost to the straightforward language and logic of economic decision-making: what is gotten in exchange is more highly valued than what is given up. Second, personalist economics introduces need into the behavior of economic agents and the conditions under which opportunity cost is a meaningless concept. Mainstream economics does not. Personalist economics sees decision-making not only in terms of the gains forsaken but also as opportunities for economic agents to advance and gain ground or retreat and lose ground as human persons.

Without limits on consumption, work, and leisure that are drawn from the practical virtue of moderation, human development is arrested or misdirected. Dismiss those limits and consumption becomes gluttony and obesity, work transforms into obsession and exhaustion, and leisure changes into escape and boredom.

In contemporary international trade, comparative advantage has lost much of its meaning because to be effective it requires that the labor, capital, and technology of the bilateral partners not move offshore. However, economic agents today have access to much better information on cost, price, quality, availability, financing, technology, product differentiation, and other factors that bear upon decision-making in economic affairs including the decision to relocate. Additionally the perennial gale of creative destruction can undermine even the absolute advantage of any given nation over night. And undermine any unfair advantage that the rich and powerful may derive from absolute advantage at the expense of the human development of the poor and weak.

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