

Page Five – Now What?
by Anne Emerson

Now that we have explained the idea of equilibrium, including dynamic equilibrium, in economic modeling, it is time to move to the next topic. Addressing why we do not have dynamic equilibrium in the real world, while economic models require equilibrium in order that their complex system of equations shall be solved, is not “introductory economics for the general reader.” This conundrum has stymied many a hard-working professional economist.

So, moving on to “Supply and Demand...”

What’s that you say? – Hey! No Fair! Tell us! Well, really. I thought you all wouldn’t get it – it’s complicated and abstruse, only for mathematical geniuses. But I’ll give it a try. And I’ll tell you another secret. I am not a mathematical genius and I don’t think much of modeling human behavior with math. Oh, that’s two secrets. See what I mean – I can’t even add up one and one to make two. Dear, dear. You had better trust the experts. Really!

We Know What Economists Think – THEORY - EQUILIBRIUM

- Resources move around in response to changing prices and wages
- Workers move to where wages are higher
- Then, very soon, wages won't be higher any more because adding workers brings wages down
- So, after wages have equalized at home and elsewhere, there should be jobs at home and no-one will need to migrate any more

Fountain in Dynamic Equilibrium. Pumps keep the water in balance. If we change the pump action, we can change how water behaves on the fountain.

That’s what is known as Oxford sarcasm. Or, for people who like to pretend it’s polite, “Irony,” or even “Satire.” So, getting back to the point. Why do people move?

Summary of Research Chat

- “The system” grows cities; city-type education helps cities grow, but city-growth doesn't deliver enough long-run, sustainable farm jobs.
- The research findings implied that regionally different rates of job-creation motivate workers to migrate, **not regionally different wages (for similar workers)**. This requires **tweaking economic theory!**
- For example, policy-makers should aim to deliver a financial “equilibrium” or balance, across industries over time, including farms and AI, which isn't happening at present!

Everything runs to the one central fountain – truth or illusion?

But...

Things do not even out – city growth does not stop. (This is pre-pandemic)

1800 to 2016 – that’s over **200 years of city growth**.

That is not a “dynamic equilibrium” between rural and urban regions.

Populations are not restored to farm regions, not even for retirement.

Urbanization over the past 500 years
Share of the total population living in urban areas. Urban areas are based on national definitions and may vary by country.

New, equilibrium dynamic situation

Over time, few economies topp

Source: Our World in Data: Urbanization PHOTO ADDED by Anne E.

To answer the question, I cheated a little – I borrowed these images from my slide show on Creativity. The slide show starts with tips and techniques in photography; goes on to talk about techniques in writing, with examples from the

world of poetry. Then it sneaks in a chat about the process of original research, using my research from the 1980s as an example. Original research involves gathering one’s own data and analyzing it, in order to solve a problem or answer a question. If these slides don’t explain my research results to your satisfaction, you are welcome look at the last few slides in the long presentation. They may be found on the “About” page of this website.

By now, I hope my readers trust their own judgment a little. I invite you to guess what the motivating force is, behind the growth of cities over the long run. If you aren’t sure what to think, I invite you to guess what I think. If you can’t guess what I think, I invite you to explore this website further. Oops! Page Five is now full, and we didn’t even get to Supply and Demand. Maybe I’ll work on that later. It used to take at least two hours, just to get started, when I used to teach undergrads.