

# Comparative advantage

Business



United States of America There are two important characteristics of US economy which can offer it relative comparative advantage over other countries. In Aerospace sector, US enjoy relatively higher level of comparative advantage over other countries. This could be due to higher level of technological sophistication available to American firms over other international firms. (Mankiw, 2010) Another critical source of comparative advantage for US is in cereals wherein it has been able to produce cereals at relatively cheaper prices as compared to other countries.

Another source of comparative advantage to US is in scientific equipment as well as optical and medical imaging sector. It is however, critical to note that this advantage is relatively low as compared to other countries. In sectors like Mineral fuels and apparels, US is comparatively at disadvantage as compared to other countries and may be the net importer of goods and services following in both these categories. Finance and insurance sector also seem to lose its competitiveness as compared to other countries such as Japan and Switzerland.

The data in table 5. 1 indicates that US may not have comparative advantage in different sectors as compared to other countries. This may be owing to different factors including lack of room for economic expansion during recent years. Further, US economy is believed to be transitioning towards service based economy therefore different sectors of the economy may be losing their comparative advantage as other countries may be picking up from where US firms left the competition wide open for other economies. (Jagdish N. Bhagwati, Panagariya, & Srinivasan, 1998)

Japan

Japan seems to enjoy greater level of comparative advantage in producing  
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vehicles. This suggests that vehicle production in Japan is relatively cheaper as compared to other countries and Japan can enjoy relative comparative advantage in this sector. As compared to US, Japan is far ahead in producing vehicle much efficiently and at lower costs.

Japan also seems to enjoy greater level of comparative advantage in producing electronic equipment and enjoys greater advantage over US. This may also indicate that Japan's economy is still industrial based with strong focus upon maintaining industrial base of the economy through achieving better comparative advantage.

A relatively positive comparative advantage is also enjoyed in the finance and insurance sector indicating that financial sector in Japan is relatively more efficient as compared to financial sector of US. This may also be attributed towards the way financial institutions are managed in both the countries.

Japan also has comparative advantage in producing optical and medical and scientific equipment. Though US has comparative advantage in this sector however, Japan seems to enjoy higher level of efficiency in producing medical and scientific equipment.

Overall, Japan's economy is more efficient than that of US and Japan is being able to maintain this superiority due to its strong technical and industrial base. Due to higher level of technological sophistication as compared to US, Japan has been able to become more efficient producers and utilizer of its natural resources. Much of its comparative advantage lies in producing vehicles at cheaper costs. (Blanchard, 2007)

#### References

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Mankiw, N. G. (2010). Macroeconomics. Washington: Worth Publishers.