

MANAGERIAL ECONOMICS

Corrado Pasquali



2. INTRODUCTION

First of all

This class is about theoretical stuff: there is nothing you (or I) can do about it.

Make yourself at ease with this.

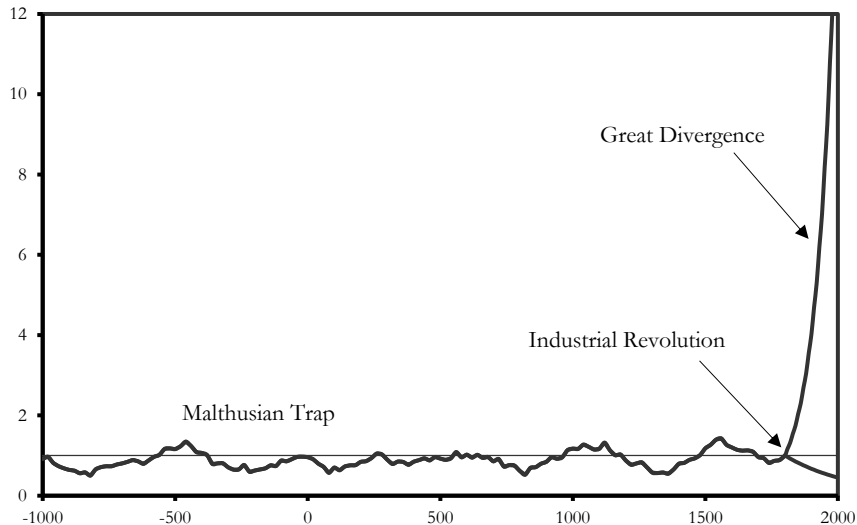
Let's get rid once and for all of the heavily mistaken common place:

"...you may be right but after all this is just theory: real world is another matter. We will forget any single word of this class as soon as we got our grade and off you go. "

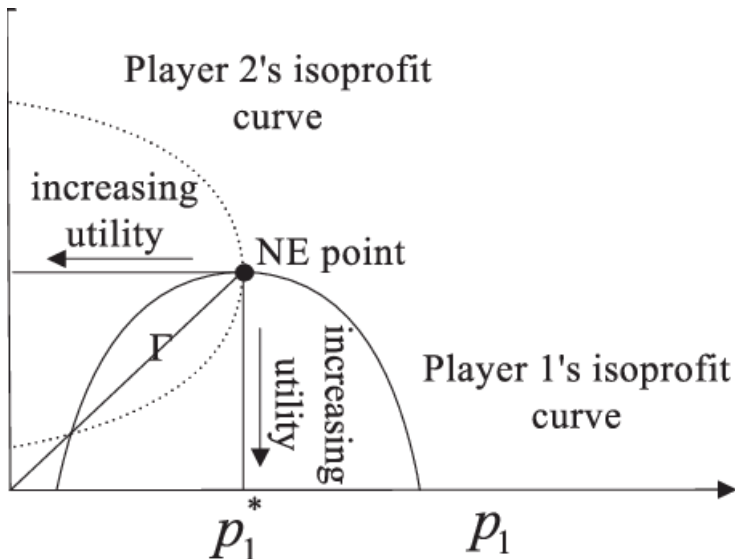
Lord Keynes on “practical men”

Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.

History of the world in one picture



$$Y = AK^{\alpha}hL^{1-\alpha}$$







Motor Kings Who Share Profits With Worker



WALTER P. REUTHER

Mr. Reuther, who is president of the United Auto Workers, is one of the few labor leaders who have been elected to the board of directors of a major American corporation. He is also a member of the board of directors of the Ford Motor Co., which is the largest of the three big auto companies in the United States.



HENRY FORD

Mr. Ford is one of the few industrialists who have been elected to the board of directors of a major American corporation. He is also a member of the board of directors of the Ford Motor Co., which is the largest of the three big auto companies in the United States.

DOUBLES PAY OF 25,000 IN AUTO WORKS

Motor King and Congress Launch World's Biggest Profit Sharing Scheme as "Act of Social Justice" and for Sake of Jobs.

GRANT EIGHT-HOUR DAY AT \$5 WAGE

Two Shifts of Nine Hours Changed to Three of Eight, 4,000 Unemployed to Be Taken In—Jobs on Farms Arranged During Slack Season.

The Ford Motor Co. will give to its employees during the year of 1914 the sum of \$15,000,000 in addition to their wages.

This will not be a wage increase, but a distribution of profits. It will be added, however, automatically, to the pay envelopes of the men. In 1915, the distribution might be more or less than \$15,000,000, dependent on business conditions.

A minimum wage of \$1 a day will be established by the addition of the profit distribution to wages. The greatest minimum wage in the great motor car factory is \$2.50. From next Monday to the end of the year, more than 40,000 men and the men who repair the cars, will get at least \$1 a day.

Whether the scheme is to be continued, the company has

Working at Amazon

Amazon Raises Minimum Wage to \$15 for All U.S. Employees

October 02, 2018



New \$15 minimum wage is effective beginning this November 1.

New \$15 minimum wage includes associates employed by temp agencies.

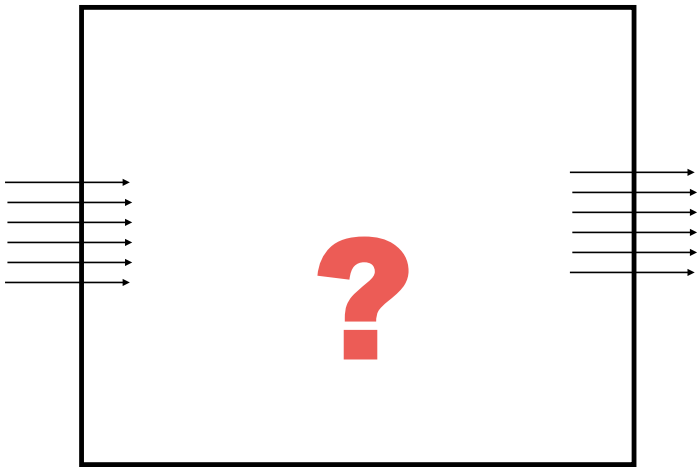
More than 250,000 Amazon employees, as well as more than 100,000 seasonal holiday employees, and their families will benefit from the new, higher pay.

Amazon today announced it is increasing its minimum wage to \$15 for all full-time, part-time, temporary (including those hired by agencies), and seasonal employees across the U.S.—effective November 1. The new Amazon \$15 minimum wage will benefit more than 250,000 Amazon employees, as well as over 100,000 seasonal employees who will be hired at Amazon sites across the country this holiday.

"We listened to our critics, thought hard about what we wanted to do, and decided we want to lead," said Jeff Bezos, Amazon Founder and CEO. "We're excited about this change and encourage our competitors and other large employers to join us."

Amazon's public policy team will also begin advocating for an increase in the federal minimum wage.

"We will be working to gain Congressional support for an increase in the federal minimum wage. The current rate of \$7.25 was set nearly a decade ago," said Jay Carney, Senior Vice President of Amazon Global Corporate Affairs. "We intend to advocate for a minimum wage increase that will have a profound impact on the lives of tens of millions of people and families across this country."



Marx

Let us therefore, in company with the owner of money and the owner of labour-power, leave this noisy sphere, where everything takes place on the surface and in full view of everyone, and follow them into the hidden abode of production, on whose threshold there hangs the notice 'No admittance except on business'.

The sphere of circulation of commodity exchange, within whose boundaries the sale and purchase of labour-power goes on, is in fact a very Eden of the innate rights of Man. It is the exclusive realm of Freedom, Equality and Bentham.

Coase

If a workman moves from department Y to department X, he does not go because of a change in prices but because he is ordered to do so. [...] the distinguishing mark of the firm is the suppression of the price mechanism

SAMUELSON

Remember that in a perfectly competitive market, it really does not matter who hires whom; so have labor hire capital.

Contracts

UNITE ————— CONTRACT ————— CORRADO

THE ISSUE IS:
"what is 'chicken'?"

Frigaliment Importing Co. v. B.N.S. International Sales Corp., 190 F. Supp. 116 (S.D.N.Y. 1960)

US District Court for the Southern District of New York - 190 F. Supp. 116 (S.D.N.Y. 1960)
December 27, 1960

190 F. Supp. 116 (1960)
FRIGALIMENT IMPORTING CO., Ltd., Plaintiff,
v.
B.N.S. INTERNATIONAL SALES CORP., Defendant.
United States District Court S. D. New York.

December 27, 1960.

*117 Riggs, Ferris & Geer, New York City (John P. Hale, New York City, of counsel), for plaintiff.
Sereni, Herzfeld & Rubin, New York City (Herbert Rubin, Walter Herzfeld, New York City, of counsel), for defendant.
FRIENDLY, Circuit Judge.

The issue is, what is chicken? Plaintiff says "chicken" means a young chicken, suitable for broiling and frying. Defendant says "chicken" means any bird of that genus that meets contract specifications on weight and quality, including what it calls "stewing chicken" and plaintiff pejoratively terms "fowl". Dictionaries give both meanings, as well as some others not relevant here. To support its, plaintiff sends a number of volleys over the net; defendant essays to return them and adds a few serves of its own. Assuming that both parties were acting in good faith, the case nicely illustrates Holmes' remark "that the making of a contract depends not on the agreement of two minds in one intention, but on the agreement of two sets of external signs not on the parties' having *meant* the same thing but on their having *said* the same thing." The Path of the Law, in Collected Legal Papers, p. 178. I have concluded that plaintiff has not sustained its burden of persuasion that the contract used "chicken" in the narrower sense.

The action is for breach of the warranty that goods sold shall correspond to the description, New York Personal Property Law, McKinney's Consol. Laws, c. 41, § 95. Two contracts are in suit. In the first, dated May 2, 1957, defendant, a New York sales corporation, confirmed the sale to plaintiff, a Swiss corporation, of

"US Fresh Frozen Chicken, Grade A, Government Inspected, Eviscerated

2½-3 lbs. and 1½-2 lbs. each

all chicken individually wrapped in cryovac, packed in secured fiber cartons or wooden boxes, suitable for export

75,000 lbs. 2½-3 lbs.....@\$33.00
25,000 lbs. 1½-2 lbs.....@\$36.50
per 100 lbs. FAS New York

scheduled May 10, 1957 pursuant to instructions from Penson & Co., New York."^[1]

Prisoner's dilemma

		Prisoner 2	
		Confession	No Confession
Prisoner 1	Confession	5 Years, 5 Years	0 Years, 10 Years
	No Confession	10 Years, 0 Years	1 Year, 1 Year

David Kreps defines “management”

Management is about having other people **freely** choose what you want them to choose. How to have them pursue their utility while they pursue yours.

Tools for that goal

- **Incentives** or how to have people work harder than they would otherwise do
- **Signals** or how to have people reveal who they really are and how productive they are
- **Threats** or how to credibly scare people
- **Reputation** or how to use other people' past history and make it count
- **Strategy** or how to forecast other people' actions and reply to them.

...hope y'all enjoy this stuff as
much as I do...