Ad. 200, Fall '71: Current

~~Yamamoto — Wed. 3:15~~

Check Burrud p. 27

What Ferguson has that Brigham lacks

Consumer theory
Symmetry of Diff. Fcts.
Going to two variable inputs
Euler
L M C. & uniform cost curved. guide
Distribn., J B Clark
Monopsony
Gen. eq.
Welfare Ec.

Wed night review?

Open Book exam

Half of final qm. from rev. qm.

Billy's brew & overdraft

Nov. 28, Mon. Admin. 200.

Topics re demand.

I. Price-elasticity -- we've had.

- L.R. elast > s.r. E.g. re energy: water.

- Elast. as a shibboleth. Divides those pro & anti price system

- Atomistic demand elast. vs. whole indy. The larger the mkt. considered, the lower the elast.

Exam Qn { - Does inelastic demand justify price supports? Social rationale for mkt. equilibrium.

- Use of price system as substt. for excess capacity

Peak pricing.

Dual role of price. Even where supply fixed, plays a role. Why pay for land?

Water
Power
B.C. Ferries
Mass transit

- Elast. studies. 100s of them published. 1000s made. Every seller cares.

B's approach is negative & nihilistic. There are positive ways, such as:

a) Length of queues
b) Premium paid for land w. access.

c) Length of travel. Clawson technique

- Ambiguity of "demand has Δd":
  a) Bcs. supply price dropped? Same dem. curve.
  b) Bcs. demand curve moved

- Sources of elast.
  a) Dim. m.u. Wtr. & diamonds.
  b) Subst.
  c) Reduced wealth & inc.
  d) Dim. MP, ↓ of input. "Intermediate demands," but this tells us something about ult. demands, too. MP curves are demand curves.

All goods require complements. as you satiate the complements, you reduce ability of the good to satisfy.

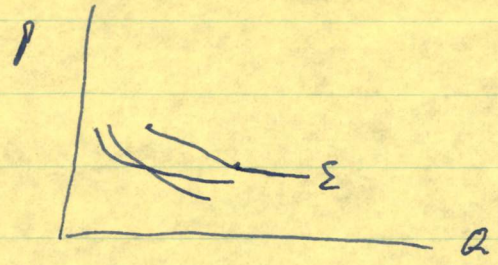
Golf balls require golf courses.
Cars need roads
Furniture needs homes

e) People are different - some are hooked, some are unit.

f) Complements & comply. cost. Where c.c. is hi %, demand less elastic. But $\frac{cc}{TC}$ varies.

g) Advertising

Summing indiv. demands to get subst.



To get Q, add horiz.
Except "public goods." You only need one, so add vertically.

II. X-elast.

E.g., effect of higher price of Chevvies on demand for Fords.
Easy.

Harder is where they are both complement & subst.
E.g., higher cost of K or price of land.
To answer this, much judgment has to enter.

III. Inc - elast.

Superior & inf. goods

Housing & inc.

Wide range of ests.

Regrn. fallacy

Defn. of inc. - include housing.

Measuring inc., w. loopholes in reporting

Saving & inc.

Inv. element in demand — not all buying is "consumption."

IV. Cons. surplus. Techniques of price discrim.

Equating MRs.

Admin. 200

Tues., March 1, 1977

1 How many want midterm.

2 6/10 rule w/o calc.

3 $MR = P - \frac{P}{e}$

4 Qu. no. 10, 11, 15, 16, 17, 18, 19, 20

5. (Qu. #14)

6 Re Chap. 6

a. Income elast.

As income rises, composition of consumption changes

Food is not very income-elastic.

Canned beans are perversely elastic

Housing & income.

The difficulty of defining & measuring income.

"Permanent income".

Wealth. Δ wealth & liq. Beware conventional overemphasis on "income."

Saving & income.

Demand for durable goods depends on credit-worthiness. Multiple effect of Δ Y, bec. Δ Y Δs credit-worth. So does Δ L.V. or finding oil.

6

6. Cross-elast. of demand.
Watch your competitors

7. Market structures
✓ Pure compn.
✓ " monop. } In McGuigan & Moyer.
Monop. compn. }
✓ Oligop. (implicit collusion, each faced w. indp. demand curve by antic. of mut. mut. demand curve)
Should add:

MC Pricing
✓ Regulated mopy
Govt. mopy (streets)
✓ Cartel (all cut back same %)
✓ Govt. control
Met. demand prorationing
Price supports
~~Rem. Services mopy~~

Basing point pricing
Conventional pricing
Govt. land sales

Dec. 5

M 13 Jt. products. Sheep & wool; chicken pants. Men & women (H. Henderson)

Price discrim.

MC pricing.

M 16. Mkt. structure, conduct, performance.

~~See notes of March 8~~

Decline of small, indep. proprietor, &c. business. An appalling problem, shaking roots of society. You must fight it, to keep small bus. alive.

1948-61, Ag conc. (cc. p. 450)

a) Measures of concn: Lorenz concept, top 10% has what %.

Beware whitewash measures, like mean. E.g. re ~~the~~ ave.

stock holder.

b) How to shake

i.) Conventional means not very effective — anti-trust, 160 acre law.

ii) Rank mkrs by degree of concn.

N.W.
Profits
Assets
V.A.
Sales
Empl.

To hit big, tax top 3

To hit small, tax bottom 3.

Admin. 200

Tu., March 8, 1977

Part IV: Regn. of the Pvt. Sector

1. Mstrmt. of conc.

Mean & median. Skewness.
Lorenz, & LCR
~~Attr.~~ Mean size not very useful info.

Focus on mfg. No defn.
It is not nearly more concd. -- less so than banking.

3 common size dimensions used:
Assets
Employment
V. A.

(Others: sales; net worth; profits)

Rank them by degree of concn.
N.W.
Profits
Assets (hes. larger ones have lower debt) p. 451, M&M miss this.
V. A.
Sales
Empl.

1948-62, increasing concn.
Note how he avoids regn. fallacy, p. 450

Now you see policy importance of defining effic. & productivity right.

Data on large firms - ranked by sales.

Mergers. Tax motives.

Credit motive. Stock appreciation. Diversify risks.
Historic role of banks in promoting mergers.

Econs. of scale. Engg. big machines is mostly p.v.
~~Diversify risks~~
They have many duplicates.
Engg. is big thing.

E.g. of front money barrier in leasing.

Govt. influence is another.

Jury still out.

Measures of mkt. concn. p. 451

Mkt. share of top 4. Most inadequate measure.
- e.g. in local mkts., concn. usually higher.
Gas in Cal.
Buying timber in Ore.
" leases in Ark.
Land assembly companies.

Barriers to entry — what are they?

Mkt. power & performance. Whitewash.

M 11 Govt. Reg.

Ship

M 20 Externalities

Administration 200, Administrative Decision-making, Fall, 1977
Reading list

Textbooks:

B is William Baumol, ECONOMIC THEORY AND OPERATIONS ANALYSIS, 4th ed.
M is James McGuigan and Charles Moyer, MANAGERIAL ECONOMICS, 1st ed.
A late order is James Adams, CONCEPTUAL BLOCKBUSTING. You may read this at any time during the course

Oct. 10
Week 1. Purpose of course, survey of course, kinds of thinking, math review
B 1,2; M 1,2; Adams, entire book.

Week 2. Marginal analysis and some applied differential calculus simplified
B 3,4 (skip sec.8); M 4, pp. 72-92 only.

Oct. 17
Week 3. Production economics, scale economies, factor substitution and proportions.
(B 11, opt.); M 9

Week 4. Production economics II
M 10,11

Oct. 24 Week 5. Midterm

Oct. 31 Week 6. Theory of distribution
B 24

Nov. 7
Week 7. Capital theory
B 25; M 14,15

Week 8. Capital theory II
Notes by instructor, to be distributed

Nov. 14 Week 9. Demand analysis, market structures, practical forecasting
B 9,10; M 6,8.

Nov. 21 Week 10. Pricing policies
M 13,16,17

Nov. 28 Week 11. General equilibrium, welfare economics, and system analysis
B 21

Dec. 5
Week 12. Parasitic effects, market failures, roles of regulation, government planning and investment in infrastructure
M 20

Week 13 Review