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UNIVERSITY OF ROME

# Microeconomics: let's start





analyzing,  
predicting  
and  
evaluating\*

# individual choice

given a legislative,  
regulatory, social and  
moral contexts where  
they (the individuals  
or organizations with  
members with a  
common goal)  
interact with other  
individuals and/or  
organizations\*\*

\* with respect to an  
ideal outcome

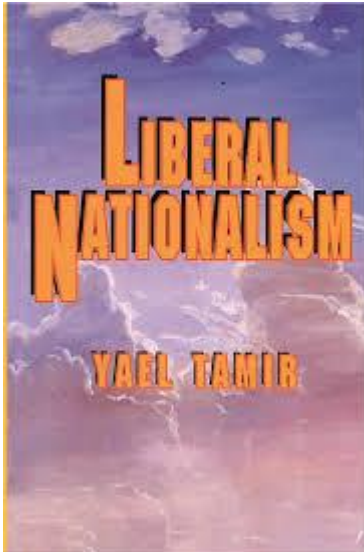
\*\* not  
Macroeconomics!



“we do not **choose** at all. Destiny chooses. And the wisdom is to show yourself worthy of its choice, whatever that may be”.

**Romain Rolland!**





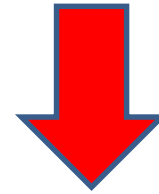
the **choice** of **where to belong** is not only impossible but also that «elsewhere» any choice is impossible: (for them, the nationalists), «by **nature**, individuals are members of particular human communities. Outside such communities they cannot develop a language and a culture, **or set themselves aims** ... Being situated, adhering to a particular tradition, and being intimate with a particular language, could therefore be seen as **preconditions** of personal autonomy».



"**distinguishing between** several people or things to ... **take** that one that seems **best** to us".



Gain, Benefit

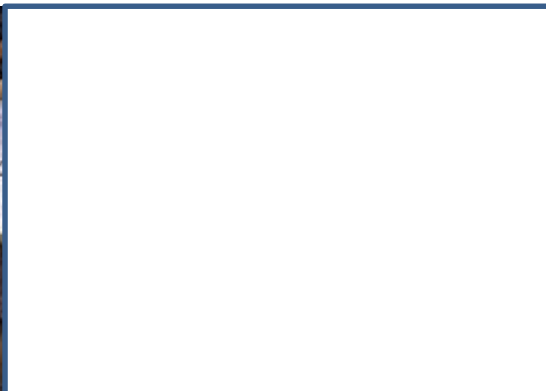


Cost, Loss



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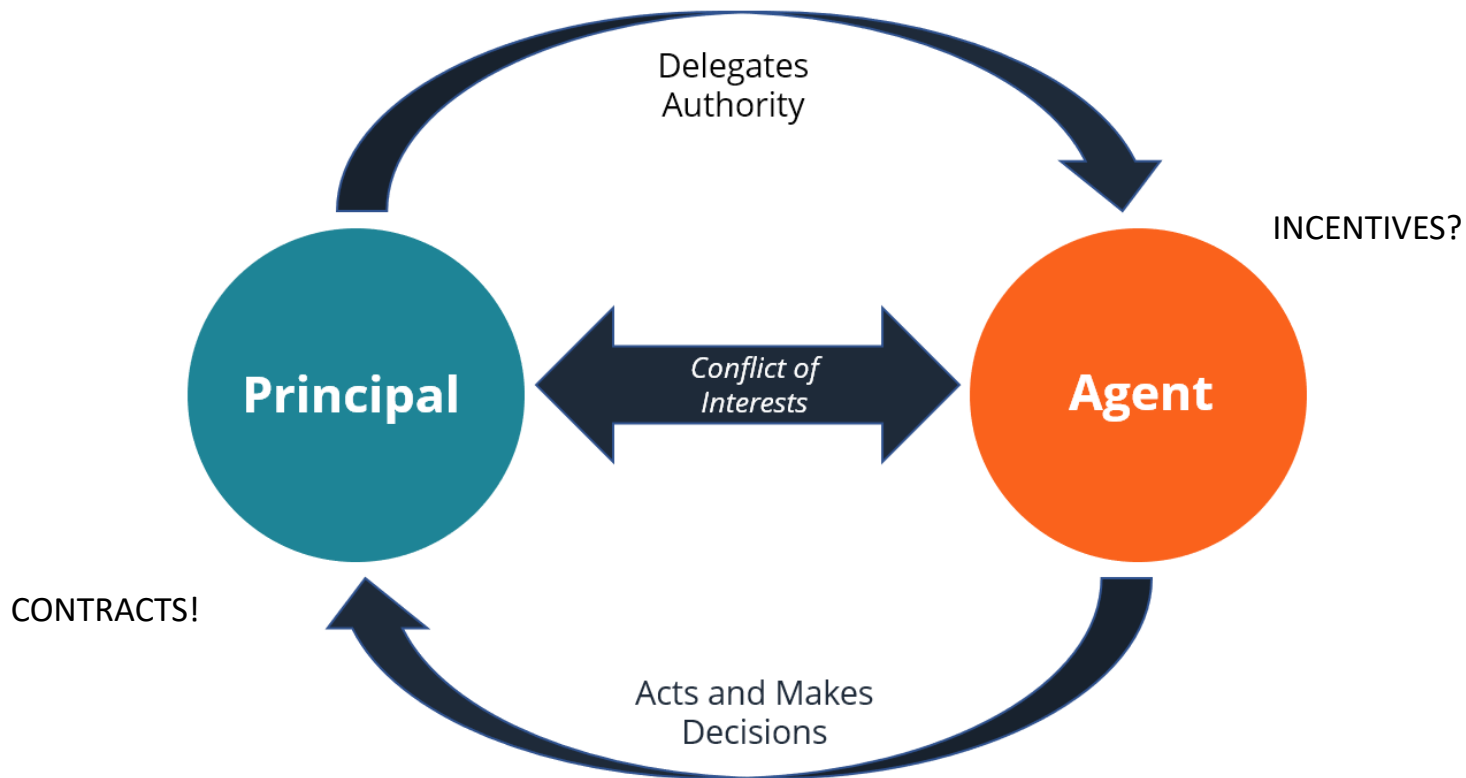
# Scarcity of resources!



## Scarcity of resources! And...



the satisfaction of needs or goals in  
the presence of a scarcity of  
resources poses a problem of  
microeconomic choice







«not to choose is  
however a choice»

# Want to Know how to Can Choose



A man who rebels,  
«refuses, does not  
renounce: he is also a  
man that says yes ... to  
the existence of a  
boundary» that cannot  
be crossed.





We therefore end up being often interested in the problem of individual choice in institutional situations that allow **freedom of decision** between different alternatives, in order to achieve **satisfaction of needs** in the presence of scarcity of resources.

**Institutions, preferences, resources**: the three cornerstones of microeconomics that lie, more or less covertly, behind all our analyzes.



A (999) or B (1)?

A PREFERRED TO B?

Global Justice

Vilfredo Pareto





analyzing, predicting and judging in the most effective way the choices of certain individual agents potentially operating in a **market regime**: in particular, the entrepreneur or the producer and its **counterparts**.



A market is a meeting place (virtual too) where you can **voluntarily** exchange a certain commodity or service with other individuals for **something else in return**

**Appropriate**

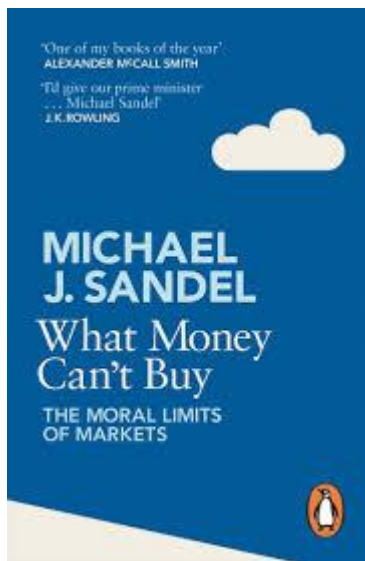
**Voluntary exchange?**

The object and the subjects of the exchange

**Asymmetric information?**

**Not appropriate**

**Excessive rules?**



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## How selling citizenship is now big business

By Sarah Treanor and Vivienne Nims  
Business reporters, BBC News, Vanuatu

🕒 10 October 2019

🔍



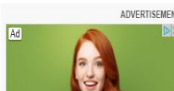
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# Moral implications of the market

**Inequality-enhancing**

**Corruption**

**Cohercion**





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# Rules and moral norms; or rules after social norms?

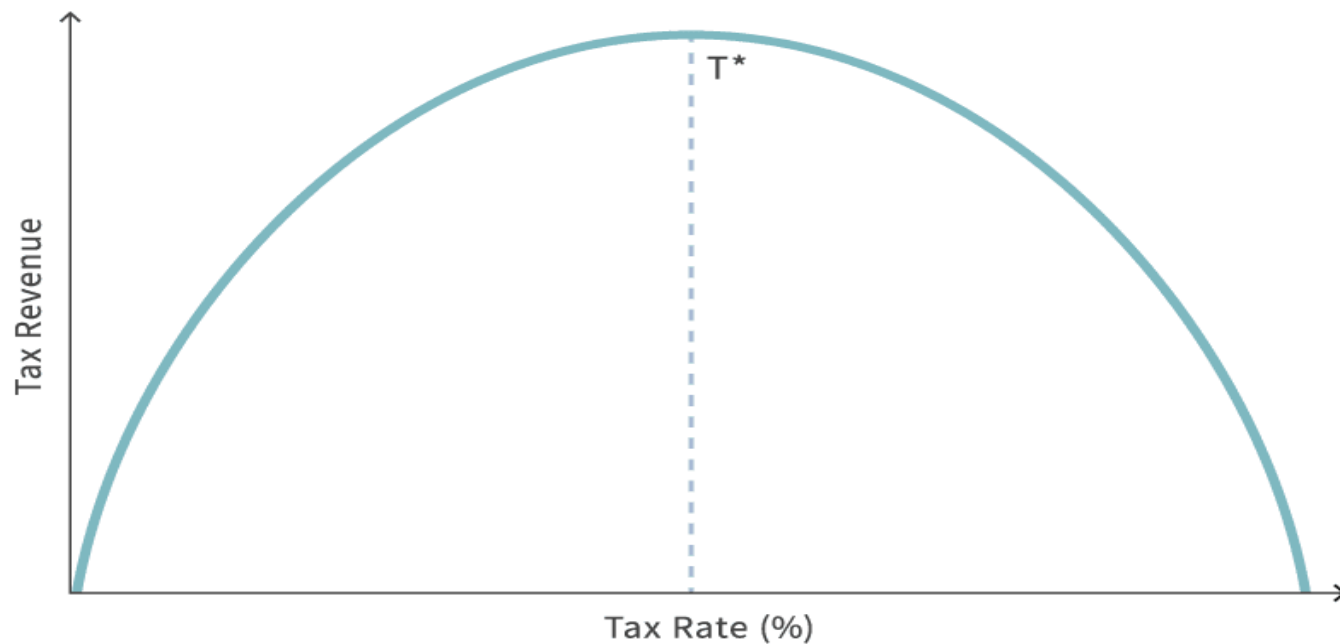


## The flip side: Red Tape





## The Laffer Curve





## Rules, again

**Which allow markets to thrive  
when they ... deserve it**







A given market for goods and services may be characterized by a different degree of **contractual strength** of the counterparties operating there. The concept of **market regime** identifies the contractual strength of its participants



# Perfect Competition or Monopoly?








	?	?
Entrepreneur		
Consumer		



# Perfect Competition or Monopoly?



	?	?
Entrepreneur		
Consumer		





# Perfect Competition or Monopoly?







	?	?
Entrepreneur	😊	😊
Consumer	😊	😊





# Perfect Competition or Monopoly?



	Monopoly	Perfect Competition
Entrepreneur		
Consumer		



# Perfect Competition or Monopoly?









Society	😊 or 😊 ?	😊 or 😊 ?
	Monopoly	Perfect Competition
Entrepreneur	😊	😊
Consumer	😊	😊



# Perfect Competition or Monopoly?



Society		
	Monopoly	Perfect Competition
Entrepreneur		
Consumer		




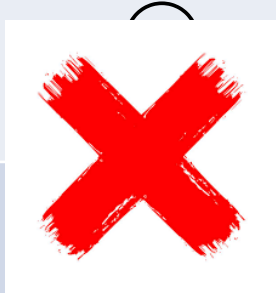

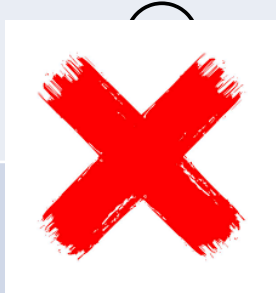
	Perfect Competition	Monopoly
Entrepreneur		
Consumer		



# Freedom not to exchange and REGRET



	Uncertainty	Fraud/Misleading Information/Coercion
Party 1		
Party 2		



**Which allow markets to thrive  
when they ... deserve it**



# Lack of proper information



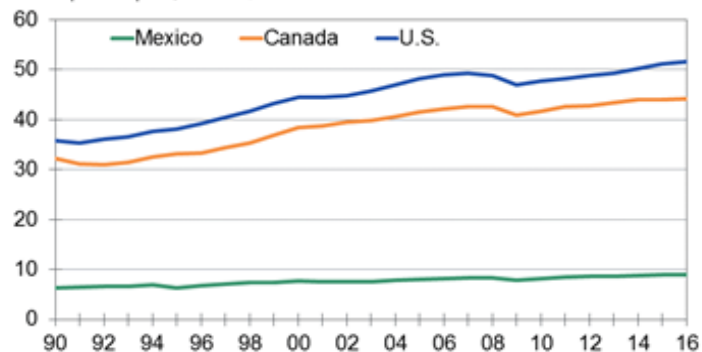


# Protection?



## Gap in Per Capita Incomes Grows Larger

GDP per capita, 2009 \$



Sources: BEA, INEGI, Statcan, Moody's Analytics





**By property rights we mean the rules that determine the allocation of property. This allocation rule is necessary because: a) individuals have different views on what to do with "things" and b) resources are scarce.**

**One way to solve this problem is allowing for the prevalence of physical force. It is an expensive method which, as David Friedman says, only " children and great nations" use, p. 4, The Machine of Freedom.**

**We therefore prefer a set of rules for the use of these things.**

**If every "thing" is used by an individual who has the power to transfer its use to another individual we speak of private property (typically via exchange or donations or inheritances). The public property foresees that the user is the political institution that uses it for its purposes, imposing a common goal for all for the use of such "things".**



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## Indonesia justice: Foreign tourists in Gili island 'walk of shame'

© 22 December 2018

It is not clear whether those paraded admitted any guilt.

Last week photos surfaced of two unidentified Western tourists being paraded around an Indonesian island in a 'walk of shame' for alleged theft.

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**How do we make**

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## Why is it done?

The police do not have a permanent presence on the tiny islands of Gili. Transangan, Gili Meno or Gili Air. Instead, private security officers guard the islands, with support from mainland police when necessary. Most of the guards in the latest parade appear to be private, although at least one appears to be wearing a police uniform.

"Since there is no police enforcement on our little tropical paradise island, we have our own rules for thieves. If someone gets caught stealing, he or she has to parade around the island," Karina, from the island's Facebook page, told the BBC. "Later on the person will get banned from the island and is not allowed to return for a few years."

"It is to make people aware that they cannot visit a foreign country and take what they want without consequences," she added, echoing a widespread sentiment on the islands that the practice is both fair and effective.

"I never heard that someone was accused wrongly for a walk of shame".

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*Which? (consumer organization) Travel's Naomi Leach said: "TripAdvisor's failure to stop fake reviews and take strong action against hotels that abuse the system risks misleading millions of travellers and potentially ruining their holidays. Sites like TripAdvisor must do more to ensure the information on their platforms is reliable, and if they continue to fall short they should be compelled to make changes so holidaymakers are no longer at risk of being duped by a flood of fake reviews."*



...

enjoy two particular characteristics: they are 1) **non-excludable**, that is, they do not allow the buyer, when consuming it, to potentially exclude others from enjoying their benefits too and 2) they are also **non-rival**, that is, they do not allow those who consume them to reduce the consumption others (as instead happens for the consumption of an apple!).

Club goods

Common goods

Pure public goods



NE  
R



NE  
NR



E  
NR



Public Sector Private Sector	YES	NO
	YES	NO
YES	<b>Market economy</b> (prevalent worldwide)	<b>Pure market economy</b> Incentive to produce public goods? Property rights enforcement? Incentives to exchange?
NO	<b>Planned economy</b> Incentive to produce properly (what and how much?)?	<b>Banditism and Prevarication</b>



**1) In the market for consumer goods, as "consumers." In this market, entrepreneurs (or producers), we will see, express a desire to supply goods and consumers express a desire to demand those same goods.**



**2) the market of production services, as "production factors". This is the name we give to those counterparties who make available, by offering them to the entrepreneur, their own resources to help create the product that will be sold by the entrepreneur (or producer): workers, holders of land or of consumer goods not immediately consumed but used for the production of other goods (called intermediate goods and the capital production factor).**

**In this market, entrepreneurs (or producers) will express a desire to demand productive factors aimed at obtaining resources to produce and the productive factors themselves will instead express a desire to offer their productive services.**

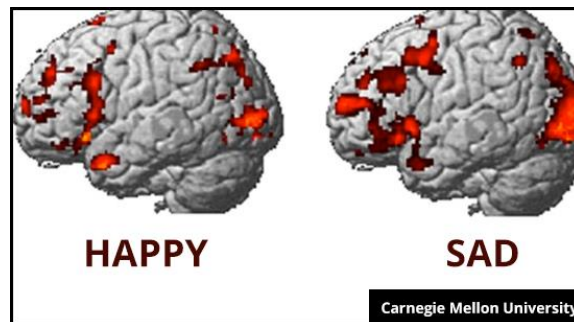
**From desire to exchange? At what prices? How much? With which joy?**



**a) Simple objectives**

**b) Rationality**

**Rationality?**



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