



TOR VERGATA  
UNIVERSITY OF ROME

# Microeconomics: let's start





analyzing,  
predicting  
and  
evaluating\*

# individual Choice

(theory of...)

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

\* with respect to an  
ideal outcome

\*\* not  
Macroeconomics!

## Recognize him?



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

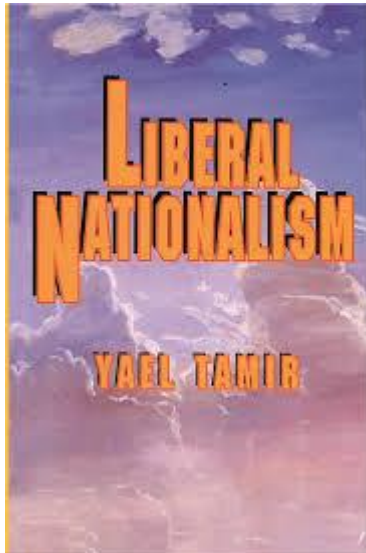
**Romain Rolland!**



**And then no  
microeconomics!**



## Yael Tamir : the choice of belonging



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".

Capacity to distinguish?  
Illusion of disitinguishing?



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



Gain, Benefit



Cost, Loss

To have a goal

# Scarcity of resources!



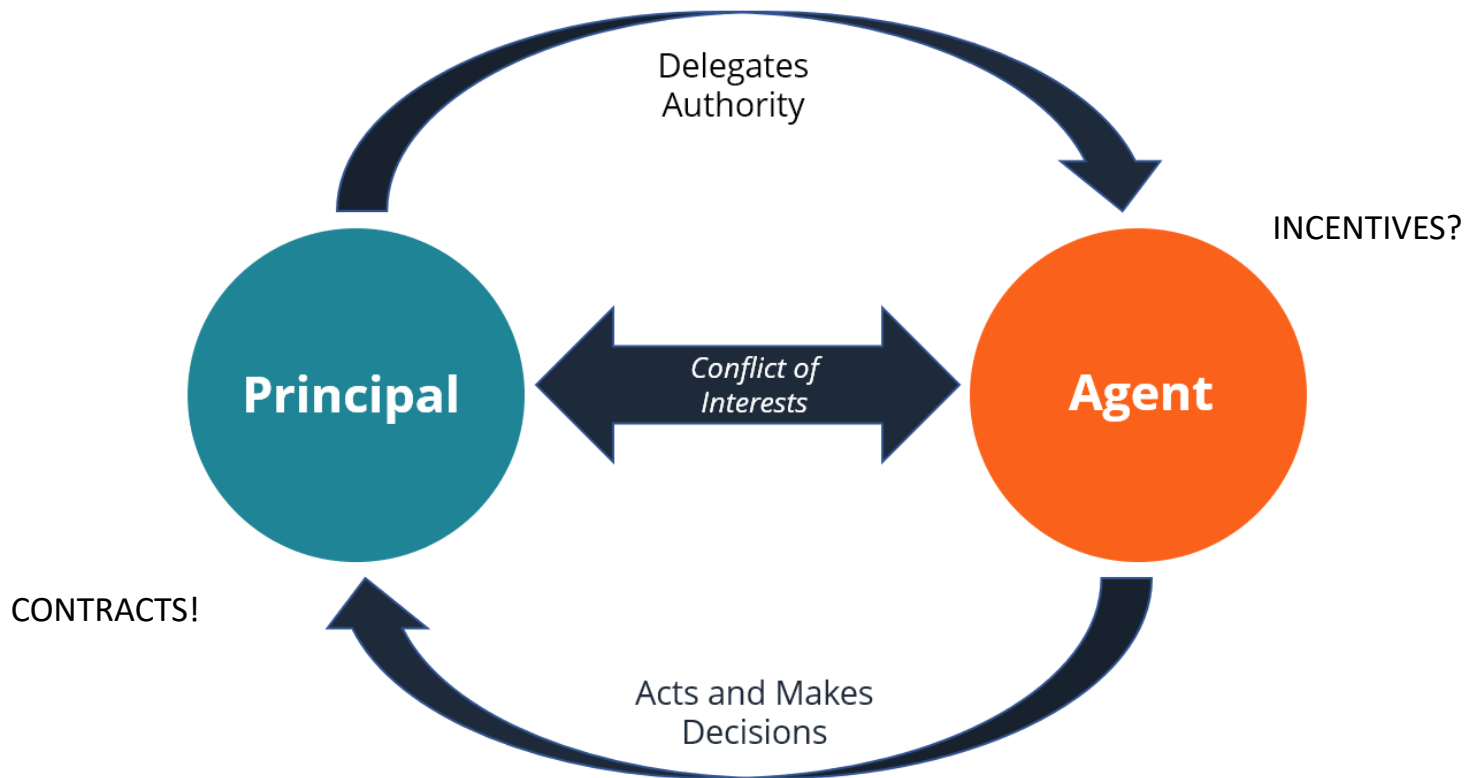
Infinite abundance?  
No microeconomics

## 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 exchange a certain commodity or service with other individuals for **something else in return**



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**



## Boundaries to the market...

**... Are Appropriate**

**Voluntary exchange?**

The object and the subjects of the exchange  
may suffer from it?

**Asymmetric information?**

**... Not appropriate**

**Excessive rules?**



Gangmaster: “A person who organizes and oversees the work of casual manual labourers”.

Illegal gangmaster trade.

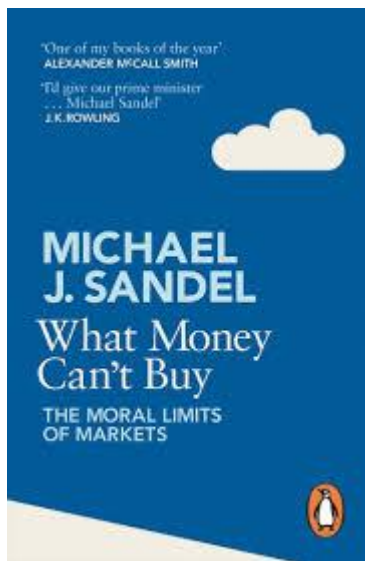
Italian Law n. 199/2016 on IGT

Today, anyone who recruits labor for the purpose of assigning it to work for third parties in conditions of exploitation, **taking advantage of the state of need of the workers**, is liable for illicit intermediation, regardless of the form - organized or not - of the intermediation activity carried out and regardless of the ways in which the exploitation has concretely manifested itself

.According to the new legislation, exploitation can be configured in the presence of one or more of the following conditions:- repeated payment of wages in a manner that is clearly inconsistent with national or regional collective agreements stipulated by the most representative national trade unions, **or in any case disproportionate to the quantity and quality of the work performed**;- the repeated violation of the regulations regarding working hours, rest periods, weekly rest, compulsory leave, holidays;- the existence of violations of the regulations regarding safety and hygiene in the workplace;- subjecting the worker to degrading working conditions, surveillance methods or housing situations.T

he crime of gangmaster is punished with imprisonment from one to six years and a fine from 500 to 1000 euros for each worker recruited. The imprisonment can reach eight years if some form of violence or threat is used.





STRENGTHENING THE EFFICIEN... x | Texte officiel de l'entretien de Si... x | Caesar refuses to go home and... x | FACOLTÀ DI ECONOMIA - UNIR... x | How selling citizenship is now bi... x

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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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**Inequality-enhancing?**

**Corruption-creating?**

**Coercive?**

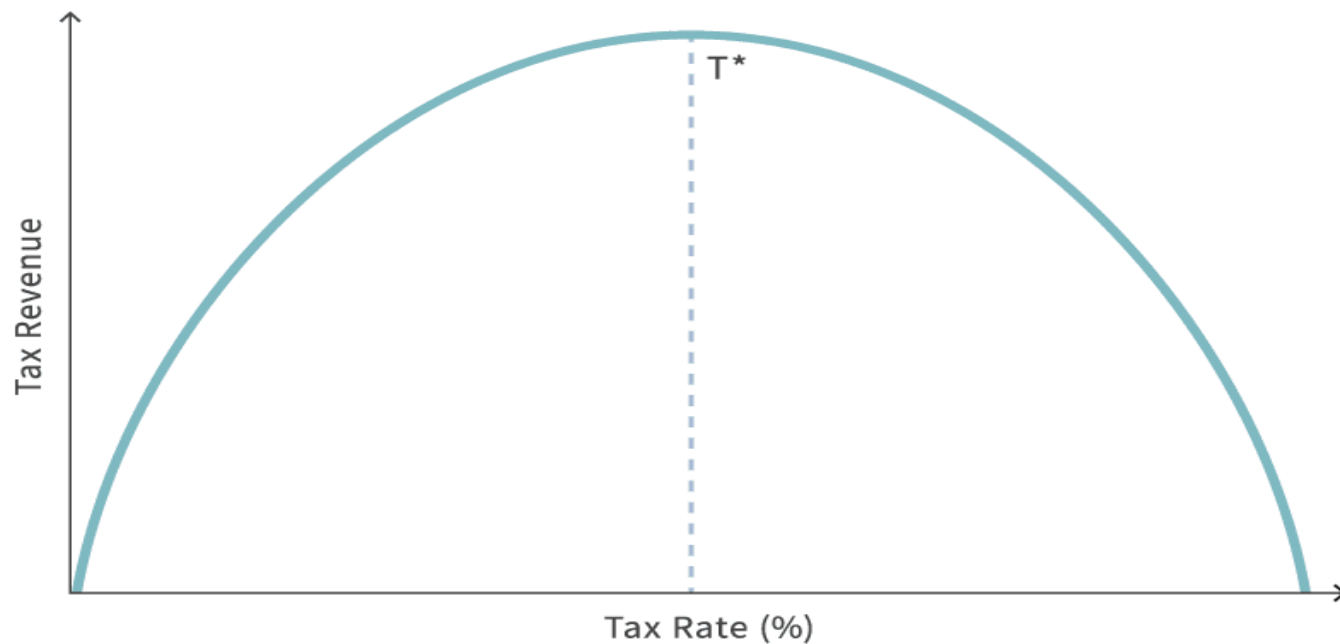


## The flip side: Red Tape





## The Laffer Curve





**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**

**Monopoly**





Oligopoly

Bilateral Monopoly



# 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		


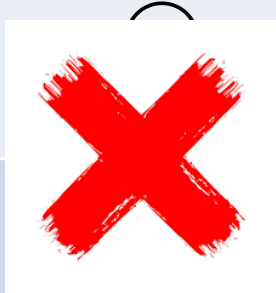

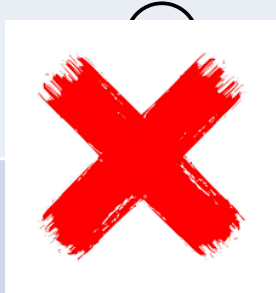
 





# Freedom not to exchange and REGRET



	Uncertainty	Fraud/Misleading Information/Coercion
Party 1		
Party 2	 ?	



## Rules, again

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



# Lack of proper information



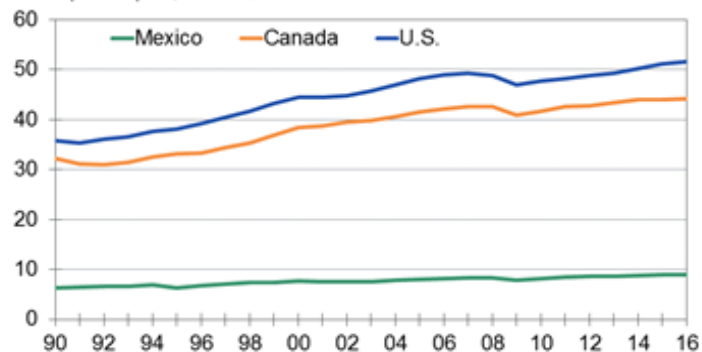


# Protection?



## Gap in Per Capita Incomes Grows Larger

GDP per capita, 2009 \$



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

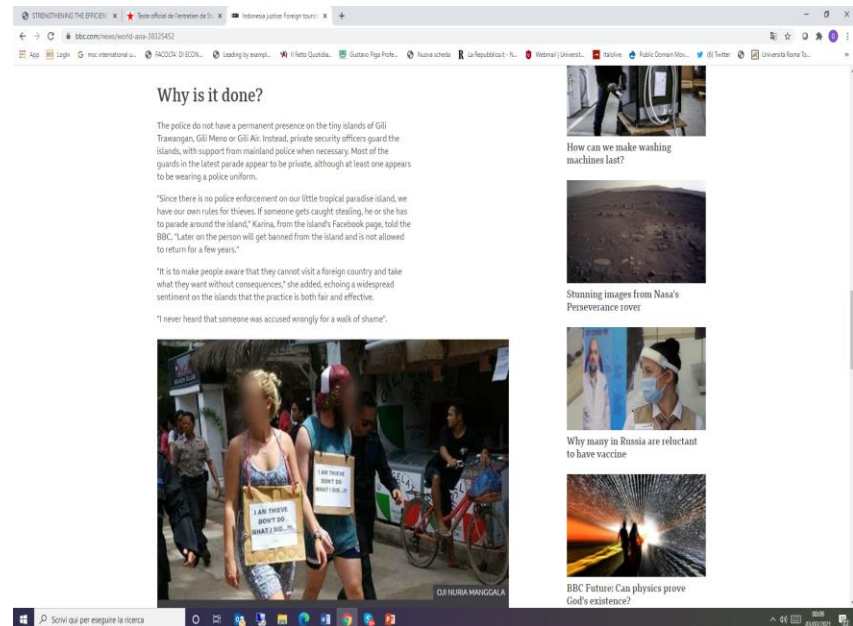
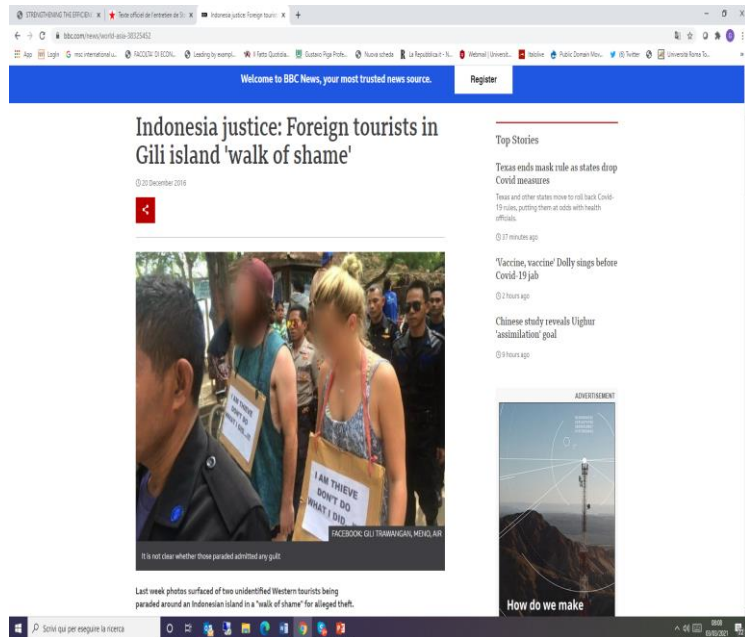


**By property rights we mean the rules that determine the allocation of property. This allocation rule is necessary because: a) individuals have different views on what to do with "things" and b) resources are scarce.**

**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".**



<https://www.bbc.com/news/world-asia-38325452>



*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



E  
NR

NE  
R

NE  
NR





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



**1) In the market for consumer goods, as "consumers." In this market, entrepreneurs (or producers), we will 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 goods totally or partially consumed for the production of other goods (called either intermediate goods and capital goods).**

**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? Mutually  
compatible? At what prices? How much?  
With which joy?**