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# Chapter 1

# The *oligopoly* project: the making of the simulation model

Using SLAPP<sup>1</sup>, the oligopoly project is contained in a stand alone folder, having the same name of the model.

Let us introduce the starting phase in a detailed way.

- We can launch the SLAPP shell in several ways.
  - We can launch SLAPP via the runShell.py file that we find in the main folder of SLAPP, from a terminal, with: python runShell.py
  - Alternatively, we launch SLAPP via the start.py file that we find in the folder of SLAPP as a simulation shell, i.e.
    6 objectSwarmObserverAgents\_AESOP\_turtleLib\_NetworkX, from a terminal, with:
    python start.py
  - Using IPython (e.g., in a Jupyter notebook) we go to the main folder of SLAPP (or we start Jupyter notebook) form there, and we can launch SLAPP via the iRunShell.ipynb file that we find in that main folder, simply clicking on it.

In all cases, we immediately receive the request of choosing a project: Project name?

<sup>&</sup>lt;sup>1</sup>https://github.com/terna/SLAPP; SLAPP has a Reference Handbook at the same address and it is deeply described in Chapters 2–7 in Boero et al. (2015).

• We can predefining a default project: if we place in the main SLAPP folder or in the folder 6 objectSwarmObserverAgents\_AESOP\_turtleLib\_NetworkX a file named project.txt containing the path to the folder of the project we are working on (oligopoly in our case, with /Users/pt/GitHub/oligopoly, as an example of location), the initial message of SLAPP is:

```
path and project = /Users/pt/GitHub/oligopoly
do you confirm? ([y]/n):
```

• Resuming the explanation, we continue receiving the messages:

```
running in Python
debug = False
random number seed (1 to get it from the clock)
```

We have to enter an integer number (positive or negative) to trigger the sequence of the random numbers used internally by the simulation code. If we reply 1, the seed—used to start the generation of the random series—comes from the internal value of the clock at that instant of time. So it is different anytime we start a simulation run. This reply is useful to replicate the simulated experiments with different conditions. If we chose a number different from 1, the random sequence would be repeated anytime we will use that seed. This second solution is useful while debugging, when we need to repeat exactly the sequence generating errors, but also to give to the user the possibility of replicating exactly an experiment.

The running in Python sentence signals the we are running the program in plain Python. Alternatively, the message could be running in IPython. About running SLAPP in IPython have a look the Handbook, in the SLAPP web site.<sup>2</sup>

• The program sends several messages about the project parameters, as specified into the file commonVar.py and managed via the file parameters.py, both in the project folder.

One of these messages reports the version of the project.

• The program informs us about the «sigma of the normal distribution used in randomizing the position of the agents/nodes», e.g., 0.7; this value produces uniquely a graphic effect, as in Figure 1.3.

<sup>&</sup>lt;sup>2</sup>https://github.com/terna/SLAPP.

• We introduce now time management, split into several (consistent) levels of scheduling.

The general picture is that of Figure 1.1: in an abstract way we can imagine having a clock opening a series of containers or boxes. Behind the boxes, we have the *action groups*, where we store the information about the actions to be done.<sup>3</sup>

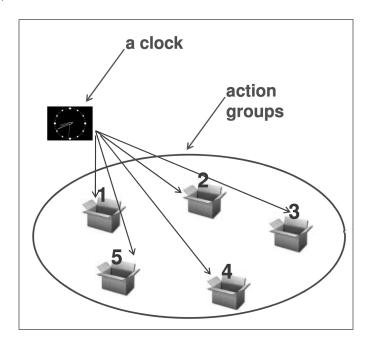


Figure 1.1: The representation of the schedule

# 1.1 The agents and their sets

We have files containing the agents of the different types. Those files are listed in a file with name agTypeFile.txt: in our case, it simply contains the record entrepreneurs workers.

• entrepreneurs.txt lists the agents of type entrepreneurs; it reports the identification numbers (currently from 1 to 10) and the x and y positions on the screen. See above the *sigma* value determining random shift from

<sup>&</sup>lt;sup>3</sup>The structure is highly dynamical because we can associate a probability to an event, or an agent of the simulation can be programmed to add or eliminate one or more events into the boxes.

the stated positions; in this way, we can attribute close or equal positions to several entrepreneurs having them anyway visible in the map; if necessary, we can increase sigma:

```
-10 75
  -10 65
3
  -10 55
4
  -10 45
5
  -10 35
6
  -10 70
7
  -10 60
8
  -10 50
  -10 40
10 -10 30
```

- inVersions 0 to 2, "workers.txt" list the agents of type workers, not used here; it is reporting the identification numbers and the x and y positions on the screen; see above the sigma value determining random shift from the stated positions; in this way, we can attribute close or equal positions to several entrepreneurs having them anyway visible in the map; if necessary, we can increase sigma;
- the Version 3 of the oligopoly project uses the file workers.txtx where the extension .txtx or eXtended text, means that the file si built following the rule described into the Reference Handbook<sup>4</sup>, subsection "The use of files .txtx to define the agents".

In version 3 the content is:

that we read in the following way:

- 1001@11000 as the order of creating 10 thousand workers, from number 1001 to number 11,000;
- 10 is the constant value of the x coordinate of the worker-agents;
- &v=10\*int((n-1001)/50)+5& is a formula calculating the y coordinate of each agent:

& opens and closes the formula;

<sup>&</sup>lt;sup>4</sup>https://github.com/terna/SLAPP.

- $\mathbf{v}$  is the result of the calculation, in our case the y coordinate;
- **n** is the number of the agent, in the sequence generated in the interval from 1001 to 11,000.
- numbering starts from 1001 for the reasons explained at page 22.

The agents are created by ModelSwarm.py (in folder \$\$slapp\$\$) via the specific rules contained into the file mActions.py, specific for this project (indeed, the file is into the folder oligopoly).

```
def createTheAgent(self,line,num,leftX,rightX,bottomY,topY,agType):
                # explicitly pass self, here we use a function
                # workers
                if agType=="workers":
                 anAgent = Agent(num, self.worldStateList[0],
                                     float(line.split()[1])+random.gauss(0,common.sigma),
                                     float(line.split()[2])+random.gauss(0,common.sigma),
                                     agType=agType)
                 self.agentList.append(anAgent)
                 anAgent.setAgentList(self.agentList)
                # entrepreneurs
                elif agType=="entrepreneurs":
                 anAgent = Agent(num, self.worldStateList[0],
                                 float(line.split()[1])+random.gauss(0,common.sigma),
                                 float(line.split()[2])+random.gauss(0,common.sigma),
                                 agType=agType)
                 self.agentList.append(anAgent)
                else:
                print "Error in file "+agType+".txt"
                os.sys.exit(1)
```

The following bullets describe how this code works.

- The number identifying the agent is read outside this function, as a mandatory first element in each line into a file containing agent descriptions. The content of the agType variable is directly the name of the agent file currently open.
- We check the input file, which has to contain three data per row. We modify the second and the third values with the *sigma* correction.

Each agent is added to the agentList.

## 1.1.1 Agents and reset action

The reset (see page 13) action, working into the scheduling of the model (Section 1.2.2), activates the method setNewCycleValues defined, as an empty step, in the

class SuperAgent in agTools of *SLAPP* (folder \$\$slapp\$\$). In the oligopoly project, that method is redefined in Agent.py. The reset action acts once in each simulation cycle, because in our case is related only to common variables of the simulation. The agent executing the cleaning operation is that with the identifier (the variable *number*) equal to 1. If no agent has that identifier, all will be acting, with not useful repetitions of the same task.

As a consequence, in this project pay attention that at least one of the agents has 1 as identifier.

#### 1.1.2 Sets of agents

The files containing the agents are of two families, the second one with two types of files:

- files listing the agents with their characteristics (if any): in folder oligopoly we have the files entrepreneurs.txt and workers.txt;
- files defining groups of agents:
  - the list of the types of agents (mandatory); from this list SLAPP searches the file describing the agents; as seen, in folder oligopoly we have the file agTypeFile.txt (the name of this file is mandatory) containing:

#### entrepreneurs workers

 the list of the operating sets of agents (optional); in folder oligopoly this file is missing. Indeed we receive the message

Warning: operating sets not found.

In the file agOperatingSets.txt (the name of this file is mandatory), with could place names of groups of agents, corresponding to files listing the agents in the group. Project verb"school" can be used as a useful example.

All the names contained in the file are related to other .txt or .txtx files reporting the identifiers of agents specified in the lists of the previous bullet. The goal of this feature is that of managing clusters of agents, recalling them as names in Col. A in schedule.xls file.

# 1.2 Macro scheduling

In SLAPP, we have the following three schedule mechanisms driving the events.

- Two of those mechanisms are operating in a *macro* way: one at the level of the Observer and the other of the Model, with recurrent sequences of actions to be done.<sup>5</sup>
- In our oligopoly code, these two sequences are reported in the files observerActions.txt and modelActions.txt in the folder of the project.

The explanations are in Section 1.2.1 and 1.2.2.

• The third sequence, operating in a *micro* way, is the more detailed one (see Section 1.2.3).

## 1.2.1 The scheduling mechanism at the level of the Observer

.

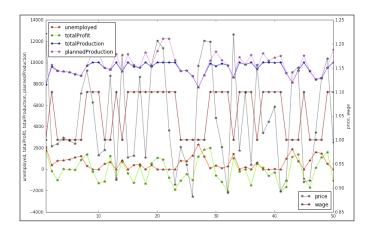


Figure 1.2: Time series generated by the model. version 4

- The first schedule mechanism is described in the first file (observerActions.txt), having content (unique row, remembering that anyway row changes are not relevant to this group of files):
  - version without pauses contained in observerActions no pause.txt, to be copied to observerActions.txt to run it:

 $<sup>^5</sup>$ The level of the Observer is our level, where the experimenter looks at the model (the level of the Model) while it runs.

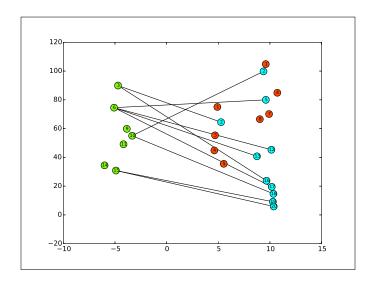


Figure 1.3: The agents (nodes), with random displacements, and links connecting entrepreneurs and workers

collectStructuralData modelStep collectTimeSeries
visualizePlot visualizeNet clock

- version with pauses contained in observerActions with pause.txt, to be copied to observerActions.txt to run it:

collectStructuralData modelStep collectTimeSeries
visualizePlot visualizeNet pause clock

The interpretation is the following.

- First of all, we have to take into consideration that the execution of the content of the file is "with repetition", until an end item will appear (see below).
- collectStructuralData collects the number of workers and of entrepreneurs at the beginning of each period, both as a basis for internal calculations and for the final output of the model, when two files of data are generated.<sup>6</sup>
- modelStep orders to the model to make a step forward in time.
- collectTimeSeries collects the data of the outcomes of the simulation at the end of each period, both as a basis for the action of

<sup>&</sup>lt;sup>6</sup> collect Time Series, visualize Plot and save Time Series are contained in "oActions.py" and are all using pandas as dataframe manager (look at http://pandas.pydata.org).

visualizePlot and for the final output of the model, when two files of data are generated (with extension .csv and date and time<sup>7</sup> in their names).<sup>6</sup>

- visualizePlot update the plot of the time series generated by the model (Figure 1.2).<sup>8</sup>
- visualizeNet update the windows reporting the links connecting entrepreneurs and workers, on a network basis (Figure 1.3).<sup>8</sup>
- pause, if any, puts the program in wait until we reply to the message Hit enter key to continue, hitting the key . This action is useful to examine the graphical outputs (as in Figures 1.2 and 1.3), step by step.
- clock asks the clock to increase its counter of one unit. When the count will reach the value we have entered replying to the How many cycles? query, the internal scheduler of the Observer will add the end item into the sequence of the file observerActions.txt. The item is placed immediately after the clock call. The end item stops the sequence contained in the file.
- (We can also consider a potential prune item, eliminating the links on the basis of their weight (in case, asking for a threshold below which we cut); weights could be introduced to measure the seniority—skill, experience—of the workers).

# 1.2.2 The scheduling mechanism at the level of the Model

• The second file—modelActions.txt—quoted above at the beginning of Section 1.2, is related to the second of the schedule mechanisms, i.e., that of the Model. About the Observer/Model dualism, the reference is to note 5.

It contains (unique row, remembering that anyway row changes are not relevant to this group of files):

reset read\_script

The interpretation is the following.

<sup>&</sup>lt;sup>7</sup>Avoiding: into the name, for compatibility reasons with Windows

 $<sup>^8 {</sup>m We~can}$  use both  ${\it visualizePlot}$  and  ${\it visualizeNet}$ —strictly in this order—or only one of them.

- Also at the Model level, we have to take into consideration that the execution of the content of the file is "with repetition", never ending. It is the Observer that stops the experiment, but operating at its level.
- reset orders to the agents to make a reset, related to their variables. The order acts via the code in the file ModelSwarm.py. reset contains the doO variable, linking a method that is specified as a function in the file mActions.py in the folder of the project. In this way, the application of the basic method reset can be flexibly tailored to the specific applications, defining which variables to reset.

In our specific case, the content of the doO function in mActions.py asks all the agents to execute the method setNewCycleValues. The method is defined in an instrumental file (agTools.py in \$\$slapp\$\$) and it is as default doing nothing. We can redefined it in Agent.py in the project folder.

Always in our case, as explained in Section 1.1.1, we suppose that the acting agent in resetting step would be that with 1 as identifier.

In our model, we clean the variables:

totalProductionInA\_TimeStep,

totalPlannedConsumptionInValueInA\_TimeStep,

totalProfit and

totalPlannedProduction

at the beginning of each step of the time. The code, in Agent.py is:

```
# reset values, redefining the method of agTools.py in $$slapp$$
def setNewCycleValues(self):
    # the if is to save time, given that the order is arriving to
    # all the agents (in principle, to reset local variables)
    if not common.agentlexisting:
        print "At least one of the agents has to have number==1"
        print "Missing that agent, all the agents are resetting common values"

if self.number==1 or not common.agentlexisting:
        common.totalProductionInA_TimeStep=0
        common.totalPlannedConsumptionInValueInA_TimeStep=0
        common.totalProfit=0
        common.totalPlannedProduction=0
```

- read\_script orders to the Model to open a new level of scheduling, described in Section 1.2.3. The order acts via the code of the file ModelSwarm.py. We have here one of the stable instances of the class ActionGroup within the Model. The ActionGroup related to read\_script item is the actionGroup100 that contains the do100 function, used internally within ModelSwarm.py to manage the script reported into the schedule.xls file (or directly into the schedule.txt one).

<sup>&</sup>lt;sup>9</sup>That is in the "\$\$slapp\$\$" folder.

# 1.2.3 The detailed scheduling mechanism within the Model (AESOP level)

AESOP comes from Agents and Emergencies for Simulating Organizations in Python.

• The third scheduling mechanism, as anticipated in Section 1.2, operates at a *micro* scale and it is based on a detailed script system that the Model executes while the time is running. The time is managed by the clock item in the sequence of the Observer.

The script system is activated by the item read\_script in the sequence of the Model.

- This kind of script system does not exist in Swarm, so it is a specific feature of SLAPP, introduced as implementation of the AESOP (Agents and Emergencies for Simulating Organizations in Python) idea: a layer that describes in a fine-grained way the actions of the agents in our simulation models.
- Now we take in exam the timetable of our Oligopoly model.
- The file schedule.xls can be composed of several sheets, with: (a) the first one with name schedule; (b) the other ones with any name (those names are macro instruction names). We can recall the macro instructions in any sheet, but not within the sheet that creates the macro (that with the same name of the macro), to avoid infinite loops.

We differentiate the execution sequences in our model via the schedule.xls sheet contained in the folder oligoply.

Within the sheet, we have the action containers as introduce above (Figure 1.1), starting with the sign #.

# 1.3 Micro scheduling: the AESOP level

From now on we explain the micro level of AESOP, i.e., the structure of the implementation of the Agents and Emergencies for Simulating Organizations in Python for the Oligopoly model,

# 1.3.1 Model versions via the AESOP level in scheduling

.

We have several versions of the model defined via the sequences of actions. To use one of them, we have to copy its schedule to the basic schedule.xls file.

#### 1.3.1.1 Version 0 (GitHub: master), preliminary step

In schedule0.xls (to be copied to schedule.xls for the use) we have (comments start at column E and are missing) three columns:

```
# 1 100
entrepreneurs produce
entrepreneurs evaluateProfitV0
entrepreneurs 0.5 hireIfProfit
entrepreneurs 0.5 fireIfProfit
```

#### 1.3.1.2 Version 1, random production as engine (GitHub: V1)

In schedule1.xls (to be copied to schedule.xls for the use) we have (comments start at column E and are missing) three columns:

```
# 1 100
entrepreneurs makeProductionPlan
entrepreneurs hireFireWithProduction
entrepreneurs produce
WorldState specialUse setMarketPriceV1
entrepreneurs evaluateProfit
entrepreneurs 0.5 fireIfProfit
```

#### 1.3.1.3 Version 2 (GitHub: V2)

Here we have (i) random production as engine, (ii) individual demand curves with more realistic price determination, (iii) new entrant firms.

In schedule2.xls (to be copied to schedule.xls for the use) we have (comments start at column E and are missing) three columns:

```
100
                     makeProductionPlan
entrepreneurs
entrepreneurs
                     hireFireWithProduction
                     produce
entrepreneurs
entrepreneurs
                     planConsumptionInValue
                     planConsumptionInValue
workers
WorldState
                     specialUse
                                              setMarketPriceV2
                     evaluateProfit
entrepreneurs
entrepreneurs
                     0,5
                                              fireIfProfit
workers
                     toEntrepreneur
entrepreneurs
                     toWorker
```

#### 1.3.1.4 Version 3 (GitHub: V3)

Here we have (i) random production only at time 1, (ii) adaptation in production plans, (iii) individual demand curves with more realistic price determination, (iv) new entrant firms.

In schedule3.xls (to be copied to schedule.xls for the use) we have (comments start at column E and are missing) three columns:

```
1
entrepreneurs
                     makeProductionPlan
entrepreneurs
                     adaptProductionPlan
entrepreneurs
                     hireFireWithProduction
entrepreneurs
                     produce
                     planConsumptionInValue
entrepreneurs
                     planConsumptionInValue
workers
WorldState
                     specialUse
                                              setMarketPriceV3
entrepreneurs
                     evaluateProfit
                     0.0001
entrepreneurs
                                              fireIfProfit
workers
                     toEntrepreneurV3
entrepreneurs
                     toWorkerV3
```

#### 1.3.1.5 Version 4 (GitHub: V4)

Here we have (i) random production only at time 1, (ii) adaptation in production plans, (iii) individual demand curves with more realistic price determination, (iv) new entrant firms.

In schedule4.xls (to be copied to schedule.xls for the use) we have (comments start at column E) three columns:

```
entrepreneurs
                       makeProductionPlan
entrepreneurs
                       adaptProductionPlan
entrepreneurs
                       hireFireWithProduction
entrepreneurs
                       planConsumptionInValue
entrepreneurs
workers
                       planConsumptionInValue
WorldState
                       specialUse
                                                 setMarketPriceV3
entrepreneurs
                       evaluateProfit
                                                 fireIfProfit
entrepreneurs
                       0.0001
                                                             COMMENT: below an experimental step randomShockToWages
                       toEntrepreneurV3
entrepreneurs
                       toWorkerV3
                                                             WorldState spo
Temporary step
to check the model
                                                             sensitivity
WorldState
                       specialUse
                                                 fullEmploymentEffectOnWages
WorldState
                       specialUse
                                                 incumbentActionOnWages
```

#### 1.3.1.6 Version 5 and 5b (GitHub: V5 and V5b)

Version 5b is related uniquely to a correction in method adaptProductionPlan, as in subsection 1.3.5.3, now modified as in subsection 1.3.5.4. The schedule is unchanged form Versione 5 to 5b.

We add now the possibility of work troubles in firms, via the method entrepreneurs p work troubles, where p is a probability.

In schedule5.xls (to be copied to schedule.xls for the use) we have (comments start at column E and are missing) three columns:

makeProductionPlan entrepreneurs entrepreneurs adaptProductionPlan hireFireWithProduction entrepreneurs 0.05 workTroubles entrepreneurs produceV5 entrepreneurs entrepreneurs planConsumptionInValueV5 workers planConsumptionInValueV5 WorldState computationalUse setMarketPriceV3 evaluateProfitV5 entrepreneurs entrepreneurs 0.0001 fireIfProfit workers toEntrepreneurV3 toWorkerV3 entrepreneurs fullEmploymentEffectOnWages WorldState computationalUse WorldState computationalUse incumbentActionOnWages

#### 1.3.2 The items of our AESOP level in scheduling

We have several items, not all used in each version of the model.

• # 1 100 fills 100 steps of the time schedule (or any other number of them) with the sequence below it, creating 100 (in this case) time containers. The actual step repetition upon time can be ≤ 100; if > 100 the steps after the 100<sup>th</sup> will be lacking of activity of the detailed scheduling activity (AESOP layer).

#### 1.3.3 Methods used in Versions 0, 1, 2, 3, 4, 5

#### 1.3.3.1 fireIfProfit

• The method (or command) fireIfProfit, 10 sent to the entrepreneurs, orders them—in a probabilistic way (50% of probability in versions 0, 1, 2; in version 3 and 4, considering that the probability is set directly in the schedule.xls file, we eliminate the effect of this command setting the probability to 0.0111, in each unit of time—to fire a worker (choosing her/him

 $<sup>^{10}</sup>$ Used in Versions 0, 1, 2, (temporary) 3, 4 and 5.

<sup>&</sup>lt;sup>11</sup>Being 0 not allowed, see the Reference Handbook, subsection *The detailed scheduling mechanism within the Model (AESOP level)* 

randomly in the list of the employees of the firm) if the profit (last calculation, i.e., current period as shown in the sequence contained in schedule.xls) is less than the value firingThreshold (temporary: 0):

$$\Pi_t^i < firingThreshold \to fire$$
 (1.1)

```
# fireIfProfit
def fireIfProfit(self):
    # workers do not fire
    if self.agType == "workers": return
    if self.profit>=common.firingThreshold: return
    # the list of the employees of the firm
    entrepreneurWorkers=gvf.nx.neighbors(common.g,self)
    #print "entrepreneur", self.number, "could fire", entrepreneurWorkers
    #the list returnes by nx is unstable as order
    entrepreneurWorkers = mySort(entrepreneurWorkers)
    if len(entrepreneurWorkers) > 0:
        fired=entrepreneurWorkers[randint(0,len(entrepreneurWorkers)-1)]
        gvf.colors[fired]="OrangeRed"
        {\tt fired.employed=False}
        common.g_edge_labels.pop((self,fired))
        common.g.remove_edge(self, fired)
        # count edges (workers) after firing (recorded, but not used
        # directly)
        self.numOfWorkers=gvf.nx.degree(common.g, nbunch=self)
        # nbunch : iterable container, optional (default=all nodes)
        # A container of nodes. The container will be iterated through once.
        print "entrepreneur", self.number, "has", \
              self.numOfWorkers, "edge/s after firing"
```

See page 21 for the technical detail of the function mySort.

#### 1.3.4 Methods used in Versions 1, 2, 3, 4, 5

#### 1.3.4.1 makeProductionPlan

• The method (or command) makeProductionPlan, <sup>12</sup> sent to the entrepreneurs, orders them to guess their production for the current period. The production plan  $\hat{P}_t^i$  is determined in a random way, using a Poisson distribution, with  $\nu = 10$  as mean (suggested value kept in the *common* space).

<sup>&</sup>lt;sup>12</sup>Related to Versions 1, 2; in the 3, 4 and 5 cases, only at time=1

As a definition, the production plan is:

$$\hat{P}_t^i \sim Pois(\nu)$$
 (1.2)

We suggest temporary a value of 5 for  $\nu$ , with (in Versions 1 and 2) the quantities: entrepreneurs 5, workers 20 + the 5 entrepreneurs, labor productivity 1. Always in Versions 1 and 2, the value of  $\nu$  can be modified in the prologue of the run).

With Version 3, the makeProductionPlan method works uniquely with t=1 being t internally common.cycle created and set to 1 by ObserverSwarm when starts.

Version 3 calculates the initial value  $\nu$  (used uniquely in the first step) as:

$$\nu = \rho \frac{(N_{workers} + N_{entrepreneurs})}{N_{entrepreneurs}} \tag{1.3}$$

In this way about a  $\rho$  ratio of the agents is producing in the beginning. Internally, the total numbers of the agents  $N_{workers} + N_{entrepreneurs}$  can be obtained as the length of the agentList; the number of entrepreneurs is calculated from the same list considering only the entrepreneurs.

The code is:

```
# makeProductionPlan
def makeProductionPlan(self):
    # this is an entrepreneur action
    if self.agType == "workers": return
    if common.projectVersion >= 3 and common.cycle==1:
        nEntrepreneurs = 0
        for ag in self.agentList:
            if ag.agType=="entrepreneurs":
               nEntrepreneurs+=1
        #print nEntrepreneurs
        nWorkersPlus_nEntrepreneurs=len(self.agentList)
        #print nWorkersPlus_nEntrepreneurs
        common.nu=(common.rho*nWorkersPlus_nEntrepreneurs)/nEntrepreneurs
        #print common.rho, common.nu
    if (common.projectVersion >= 3 and common.cycle==1) or \
        common.projectVersion < 3:</pre>
        self.plannedProduction=npr.poisson(common.nu,1)[0] # 1 is the number
        # of element of the returned matrix (vector)
        #print self.plannedProduction
    common.totalPlannedProduction+=self.plannedProduction
```

#### 1.3.4.2 hireFireWithProduction

• The method (or command) hireFireWithProduction, <sup>13</sup> sent to the entrepreneurs, orders them to hire or fire comparing the labor forces required for the production plan  $\widehat{P}_t^i$  and the labor productivity  $\pi$ ; we have the required labor force ( $L_t^i$  is the current one):

$$\widehat{L}_t^i = \widehat{P}_t^i / \pi \tag{1.4}$$

Now:

- 1. if  $\widehat{L}_t^i = L_t^i$  nothing has to be done;
- 2. if  $\widehat{L}_t^i > L_t^i$ , the entrepreneur is hiring with the limit of the number of unemployed workers;
- 3. if  $\hat{L}_t^i < L_t^i$ , the entrepreneur is firing the workers in excess.

The code is:

```
def hireFireWithProduction(self):
    # workers do not hire/fire
    if self.agType == "workers": return
    # to decide to hire/fire we need to know the number of employees
    # the value is calcutated on the fly, to be sure of accounting for
    # modifications coming from outside
    # (nbunch : iterable container, optional (default=all nodes)
    # A container of nodes. The container will be iterated through once.)
    laborForce0=gvf.nx.degree(common.g, nbunch=self) + \
                       1 # +1 to account for the entrepreneur itself
    # required labor force
    laborForceRequired=int(
                self.plannedProduction/common.laborProductivity)
    # no action
    if laborForce0 == laborForceRequired: return
    if laborForce0 < laborForceRequired:</pre>
        n = laborForceRequired - laborForce0
        tmpList=[]
        for ag in self.agentList:
          if ag != self:
             if ag.agType=="workers" and not ag.employed:
                tmpList.append(ag)
        if len(tmpList) > 0:
            k = min(n, len(tmpList))
```

<sup>&</sup>lt;sup>13</sup>Related to Versions 1, 2, 3, 4, 5.

```
shuffle(tmpList)
        for i in range(k):
           hired=tmpList[i]
           hired.employed=True
           gvf.colors[hired]="Aqua"
           gvf.createEdge(self, hired)
            #self, here, is the hiring firm
   \# count edges (workers) of the firm, after hiring (the values is
    # recorded, but not used directly)
   self.numOfWorkers=qvf.nx.degree(common.q, nbunch=self)
   # nbunch : iterable container, optional (default=all nodes)
    # A container of nodes. The container will be iterated through once.
   print "entrepreneur", self.number, "has", \
          self.numOfWorkers, "edge/s after hiring"
# fire
if laborForce0 > laborForceRequired:
   n = laborForce0 - laborForceRequired
    # the list of the employees of the firm
   entrepreneurWorkers=gvf.nx.neighbors(common.g,self)
   #print "entrepreneur", self.number, "could fire", entrepreneurWorkers
   #the list returnes by nx is unstable as order
   entrepreneurWorkers = mySort(entrepreneurWorkers)
   if len(entrepreneurWorkers) > 0: # has to be, but ...
         shuffle(entrepreneurWorkers)
        for i in range(n):
            fired=entrepreneurWorkers[i]
            gvf.colors[fired]="OrangeRed"
            fired.employed=False
           common.g_edge_labels.pop((self,fired))
           common.g.remove_edge(self, fired)
    # count edges (workers) after firing (recorded, but not used
    # directlv)
   self.numOfWorkers=gvf.nx.degree(common.g, nbunch=self)
    # nbunch : iterable container, optional (default=all nodes)
    # A container of nodes. The container will be iterated through once.
   print "entrepreneur", self.number, "has",
          self.numOfWorkers, "edge/s after firing"
```

An important technical detail is the use of the function mySort to avoid inconsistencies in the order of the agents returned by the graph of the networks as workers of the entrepreneur. Different orders would produce different sets of fired workers, becoming different sets of potential entrepreneurs and producing different sequences of events in the simulation.

Why the differences in the order of the list of the agents? The graph is managed by networkX, which is using internally a dictionary structure, whose order is neither defined in any way in Python, nor constant from execution to execution. The list, in our case, contains the addresses of the instances of the agents. A simple sort of this list does not give us a stable order, due to

the fact that the addresses and their order can change form a run to another.

For these reasons we use here a custom function to sort the list, using the internal number of the agents, to reorder them.<sup>14</sup>

As a related consequence, we have to keep in mind to avoid duplicated numbers: in the *Oligopoly* model the entrepreneurs can switch to workers and vice versa, so the numbers assigned to the entrepreneurs start from 1 and those assigned to the workers from 1001 (see the file workers.txtx).

The code of the function mySort is:

```
def mySort(ag):
    if ag==[]: return []
    numAg=[]
    for a in ag:
        numAg.append((a.number,a))
    numAg.sort()
    agSorted=[]
    for i in range(len(numAg)):
        agSorted.append(numAg[i][1])
    return agSorted
```

#### 1.3.4.3 planConsumptionInValue

• The method (or command) planConsumptionInValue, <sup>15</sup> sent to entrepreneurs or workers, produces the following evaluations, detailed in commonVar.py file.

Consumption behavior with

$$C_i = a_k + b_k Y_i + u \tag{1.5}$$

with  $u \sim \mathcal{N}(0, common.consumptionRandomComponentSD)$ .

The individual i can be:

- 1. an entrepreneur, with  $Y_i = profit_{i,t-1} + wage$ ;
- 2. an employed worker, with  $Y_i = wage$ ;
- 3. an unemployed workers, with  $Y_i = socialWelfareCompensation$ .

The  $a_k$  and  $b_k$  values are set via the file commonVar.py and reported in output, when the program starts, via the parameters.py.

The code in Agent.py is:

<sup>&</sup>lt;sup>14</sup>A related marginal problem, not eliminated, is the order in plotting the nodes in the graph plot: in the area where the nodes are superimposed, we can see the nodes exactly in the same position in every run, but differently placed as layer in the foreground/background sequence.

<sup>&</sup>lt;sup>15</sup>Related to Version 2, 3, 4

```
# compensation
def planConsumptionInValue(self):
    self.consumption=0
    #case (1)
    \#Y1=profit(t-1)+wage NB no negative consumption if profit(t-1) < 0
    # this is an entrepreneur action
    if self.agType == "entrepreneurs":
        self.consumption = common.a1 + \
                           common.bl * (self.profit + common.wage) + \
                           gauss(0,common.consumptionRandomComponentSD)
        if self.consumption < 0: self.consumption=0
        \mbox{\#profit,} in V2, is at time -1 due to the sequence in schedule2.xls
    #case (2)
    #Y2=wage
    if self.agType == "workers" and self.employed:
        self.consumption = common.a2 + \
                           common.b2 * common.wage + \
                           gauss(0,common.consumptionRandomComponentSD)
    #case (3)
    #Y3=socialWelfareCompensation
    if self.agType == "workers" and not self.employed:
        self.consumption = common.a3 + \
                           common.b3 * common.socialWelfareCompensation + \
                           gauss(0,common.consumptionRandomComponentSD)
    #update totalPlannedConsumptionInValueInA_TimeStep
    \verb|common.totalPlannedConsumptionInValueInA\_TimeStep+=self.consumption|\\
    #print "C sum", common.totalPlannedConsumptionInValueInA_TimeStep
```

The conclusion updates the *common* value totalPlannedConsumptionInValueInA\_TimeStep, cleaned at each reset, i.e., at each time step in modelActions.txt.

The totalPlannedConsumptionInValueInA\_TimeStep measure will be then randomly corrected within the setMarketPriceV3 method of the *WorldState* meta-agent, see page 43.

#### 1.3.5 Methods used in Version 3, 4, 5

#### 1.3.5.1 to Entrepreneur V3

• With the method (or command) to Entrepreneur V3,  $^{16}$  sent to workers, the agent, being a worker, decides to became an entrepreneur at time t, if its employer has a relative profit (reported to the total of the costs)  $\geq$  a given threshold at time t-1. The threshold is retrieved from the variable threshold To Entrepreneur.

The decision is a quite rare one, so we have to pass a higher level threshold, that we define as absoluteBarrierToBecomeEntrepreneur; the value is defined in commonVar.py and shown via paprameters.py file.

 $<sup>^{16}</sup>$ Related to Version 3, 4, 5.

This parameter represents a potential max number of new entrepreneurs in each cycle.

Internally, it works in the following way: given an absolute value as number workers actually became entrepreneur, we transform that value in a probability, dividing it by the total number of the agents, used as an adaptive scale factor.

The agent changes its internal type, position (not completely at the left as the original entrepreneurs, but if it was an entrepreneur moved to worker and coming back, it goes completely at the left) and color and it deletes the previous edge to the entrepreneur/employer. Finally, it starts counting the k periods of extra costs (to k is assigned the value common.ExtraCostsDuration, in the measure stated in common.newEntrantExtraCosts.

The code in Agent.py is:

```
#to entrepreneurV3
def toEntrepreneurV3(self):
    if self.agType != "workers" or not self.employed: return
    if random() <= common.absoluteBarrierToBecomeEntrepreneur:</pre>
      myEntrepreneur=gvf.nx.neighbors(common.g, self)[0]
      myEntrepreneurProfit=myEntrepreneur.profit
      myEntrepreneurCosts=myEntrepreneur.costs
      if myEntrepreneurProfit/myEntrepreneurCosts >= \
        common.thresholdToEntrepreneur:
        print "Worker \&2.0f is now an entrepreneur (previous firm relative profit \&4.2f)" \&
              (self.number, myEntrepreneurProfit/myEntrepreneurCosts)
        common.g.remove_edge(myEntrepreneur, self)
        #originally, it was a worker
        if self.xPos>0:gvf.pos[self] = (self.xPos-15, self.yPos)
        #originally, it was an entrepreneur
        else:gvf.pos[self] = (self.xPos, self.yPos)
        # colors at http://www.w3schools.com/html/html_colornames.asp
        gvf.colors[self]="LawnGreen"
        self.agType="entrepreneurs"
        self.employed=True
        self.extraCostsResidualDuration=common.extraCostsDuration
```

#### 1.3.5.2 toWorkerV3

• With the method (or command) toWorkerV3,  $^{17}$  an entrepreneur moves to be an unemployed worker if its a relative profit (reported to the total of the costs) at time t is  $\leq$  a given threshold in t. The threshold is retrieved from the variable thresholdToWorker.

The agent changes its internal type, position (not completely at the right as the original workers, but if it was a worker moved to entrepreneur and

<sup>&</sup>lt;sup>17</sup>Related to Version 3, 4, 5.

coming back, it goes completely at the right) and color and it deletes the previous edge to the workers/employee if any.

The code in Agent.py is:

```
#to workersV3
def toWorkerV3(self):
    if self.agType != "entrepreneurs": return
    #check for newborn firms
        self.costs
    except:
        return
    if self.profit/self.costs <= common.thresholdToWorker:</pre>
        print "I'm entrepreneur %2.0f and my relative profit is %4.2f" % \setminus
              (self.number, self.profit/self.costs)
        # the list of the employees of the firm, IF ANY
        entrepreneurWorkers=gvf.nx.neighbors(common.g,self)
        print "entrepreneur", self.number, "has", len(entrepreneurWorkers), \
         "workers to be fired"
        if len(entrepreneurWorkers) > 0:
            for aWorker in entrepreneurWorkers:
                gvf.colors[aWorker]="OrangeRed"
                aWorker.employed=False
                common.g.remove_edge(self, aWorker)
        self.numOfWorkers=0
        #originally, it was an entrepreneur
        if self.xPos<0:gvf.pos[self] = (self.xPos+15, self.yPos)</pre>
        #originally, it was a worker
        else:gvf.pos[self] = (self.xPos, self.yPos)
        # colors at http://www.w3schools.com/html/html_colornames.asp
        gvf.colors[self]="OrangeRed"
        self.agType="workers"
        self.employed=False
```

#### 1.3.5.3 adaptProductionPlan until Version 5

• The method (or command) adaptProductionPlan, <sup>18</sup> sent to entrepreneurs, orders to the  $i^{th}$  firm to set its production plan for the current period to their (equal, being i here not relevant) fraction of the total demand of the previous period, corrected with a random uniform relative correction in the interval -k to +k, reported in the prologue as:

Random component of planned production.

<sup>&</sup>lt;sup>18</sup>Related to Version 3, 4, 5.

This method works for time > 1.

Being  $\widehat{P}_t^i$  the planned production of firm i, we have:

- if 
$$u_t^i \ge 0$$
 
$$\widehat{P}_t^i = \frac{D_{t-1}}{N_{entrepreneurs}} (1 + u_t^i)$$
 (1.6)

- if 
$$u_t^i < 0$$
 
$$\widehat{P}_t^i = \frac{D_{t-1}}{N_{entrepreneurs}} / (1 + |u_t^i|)$$
 (1.7)

with  $u_t^i \sim \mathcal{U}(-k, k)$ 

The code in Agent.py until Version 5 is:

```
# adaptProductionPlan
def adaptProductionPlan(self):
    if common.cycle > 1:
      nEntrepreneurs = 0
      for ag in self.agentList:
         if ag.agType=="entrepreneurs":
             nEntrepreneurs+=1
      self.plannedProduction = common.totalDemandInPrevious_TimeStep \
              / nEntrepreneurs
      #self.plannedProduction += gauss(0,self.plannedProduction/10)
      shock= uniform( \
       -common.randomComponentOfPlannedProduction, \
        \verb|common.randomComponentOfPlannedProduction||\\
      if shock >= 0:
       self.plannedProduction *= (1.+shock)
      if shock < 0:
       shock *=-1.
       self.plannedProduction /= (1.+shock)
      #print self.number, self.plannedProduction
      common.totalPlannedProduction+=self.plannedProduction
```

#### 1.3.5.4 adaptProductionPlan with Version 5b corrrection

• The method (or command) adaptProductionPlan, <sup>19</sup> sent to entrepreneurs, orders to the  $i^{th}$  firm to set its production plan for the current period to their (equal, being i here not relevant) fraction of the total demand—transformed

<sup>&</sup>lt;sup>19</sup>Related to Version 5b.

from a nominal value to a real one (i.e., in quantity)<sup>20</sup>—of the previous period, corrected with a random uniform relative correction in the interval -k to +k, reported in the prologue as:

Random component of planned production.

This method works for time > 1.

Being  $\hat{P}_t^i$  the planned production of firm i, we have:

- if 
$$u_t^i \ge 0$$
 
$$\widehat{P}_t^i = \frac{\frac{D_{t-1}}{p_{t-2}}}{N_{entrepreneurs}} (1 + u_t^i)$$
 (1.8)

$$- \text{ if } u_t^i < 0$$

$$\widehat{P}_t^i = \frac{\frac{D_{t-1}}{p_{t-2}}}{N_{entrepreneurs}} / (1 + |u_t^i|)$$

$$\tag{1.9}$$

with  $u_t^i \sim \mathcal{U}(-k, k)$  and  $p_{t-2}$  the lagged price.<sup>21</sup>

The double lagged price correction is justified in the following way: we are considering production decisions at time t, based on the decisions of consumption of t-1, related to income at time t-2; those decisions are determining prices at t-1 (comparing the demand and the predetermined offer). If we want to evaluate the consumption in quantity, without the effect of a too limited of too abundant offer, we have to use t-2 prices.

The code in Agent.py from Version 5b is:

<sup>&</sup>lt;sup>20</sup>The missing part until Version 5 was the this transformation; the result was partially biased, anyway in a limited way being our prices always around the unity; I have to thank Enrico Minardi, a student of mine, for discovering the missing operation.

<sup>&</sup>lt;sup>21</sup>The method is applied only with t > 1, so the use of the lagged price starts at time 2, when  $p_{t-2}$  would be the undefined  $p_0$  value; as a simplification we use  $p_{t-1}$  in this case, look at the code.

```
#NB adapt acts from t>1
self.plannedProduction = (common.totalDemandInPrevious_TimeStep / \
                          previuosPrice) \
                          / nEntrepreneurs
#self.plannedProduction += gauss(0,self.plannedProduction/10)
shock= uniform( \
 -common.randomComponentOfPlannedProduction, \
 common.randomComponentOfPlannedProduction)
if shock >= 0:
self.plannedProduction *= (1.+shock)
if shock < 0:
shock *=-1.
self.plannedProduction /= (1.+shock)
#print self.number, self.plannedProduction
common.totalPlannedProduction+=self.plannedProduction
#print "entrepreneur", self.number, "plan", self.plannedProduction, \
     "total", common.totalPlannedProduction
```

#### 1.3.5.5 setMarketPriceV3

• The method (or command) setMarketPriceV3,<sup>22</sup> sent to the WorldState, orders it to evaluate the market clearing price. See below Section 1.3.13 and specifically Section 1.3.13.3.

### 1.3.6 Methods used in Version 4, 5 only

#### 1.3.6.1 fullEmploymentEffectOnWages

The method (or command) fullEmploymentEffectOnWages,<sup>23</sup> sent to the WorldState, orders it to modify wages accordingly to full employment situation, in a reversible way. See below Section 1.3.13 and specifically Section 1.3.13.4.

#### 1.3.6.2 randomShockToWages

The method (or command) randomShockToWages,<sup>24</sup> sent to the WorldState, orders it to randomly modify wages. See below Section 1.3.13 and specifically Section 1.3.13.5.

<sup>&</sup>lt;sup>22</sup>Related to Version 3, 4, 5.

<sup>&</sup>lt;sup>23</sup>Related to Version 4, 5.

<sup>&</sup>lt;sup>24</sup>Related to Version 4, 5.

This method is only used in model building, to verify the sensitivity of the model to changes in wages.

#### 1.3.6.3 incumbentActionOnWages

The method (or command) incumbentActionOnWages, <sup>25</sup> sent to the WorldState, orders it to modify wages for one period, accordingly to the attempt of creating an entry barrier when new firms are observed into the market.

As a consequence, wage measure contains a variable addendum, set to 0 as regular value and modified temporary by this method.

See below Section 1.3.13 and specifically Section 1.3.13.6.

#### 1.3.7 Methods used in Version 5 only

#### 1.3.7.1 planConsumptionInValueV5

• The method (or command) planConsumptionInValueV5, 26 sent to entrepreneurs or workers, produces the following evaluations, detailed in commonVar.py file.

Consumption behavior with

$$C_i = a_k + b_k Y_i + u \tag{1.10}$$

with  $u \sim \mathcal{N}(0, common.consumptionRandomComponentSD)$ .

The individual i can be:

- 1. an entrepreneur, with  $Y_i = profit_{i,t-1} + wage$ ;
- 2. an employed worker, with  $Y_i = wage$  and the special <sup>27</sup> case  $Y_i = wc_t^i$ , with  $wc_t^i$  defined in eq.1.12;
- 3. an unemployed workers, with  $Y_i = socialWelfareCompensation$ .

The  $a_k$  and  $b_k$  values are set via the file commonVar.py and reported in output, when the program starts, via the parameters.py.

The code in Agent.py is:

<sup>&</sup>lt;sup>25</sup>Related to Version 4, 5.

<sup>&</sup>lt;sup>26</sup>Related to Version 5

<sup>&</sup>lt;sup>27</sup>Activated if the common value wageCutForWorkTroubles is true

```
# compensation
def planConsumptionInValueV5(self):
    self.consumption=0
    #case (1)
    \#Y1=profit(t-1)+wage NB no negative consumption if profit(t-1) < 0
    # this is an entrepreneur action
    if self.agType == "entrepreneurs":
        self.consumption = common.a1 + \
                           common.b1 * (self.profit + common.wage) + \
                           gauss(0,common.consumptionRandomComponentSD)
        if self.consumption < 0: self.consumption=0
        \mbox{\#profit,} in V2, is at time -1 due to the sequence in schedule2.xls
    #case (2)
    #Y2=wage
    if self.agType == "workers" and self.employed:
      # the followin if/else structure is for control reasons because if
      # not common.wageCutForWorkTroubles we do not take in account
      # self.workTroubles also if != 0; if = 0 is non relevant in any case
      if common.wageCutForWorkTroubles:
        self.consumption = common.a2 + \
                           common.b2 * common.wage*(1.-self.workTroubles) + \
                           gauss(0,common.consumptionRandomComponentSD)
        #print "worker", self.number, "wage x",(1.-self.workTroubles)
      else:
        self.consumption = common.a2 + \
                           common.b2 * common.wage + \
                           gauss(0,common.consumptionRandomComponentSD)
    #case (3)
    #Y3=socialWelfareCompensation
    if self.agType == "workers" and not self.employed:
        self.consumption = common.a3 + \
                           common.b3 * common.socialWelfareCompensation + \
                           gauss(0,common.consumptionRandomComponentSD)
    #update totalPlannedConsumptionInValueInA_TimeStep
    common.totalPlannedConsumptionInValueInA_TimeStep+=self.consumption
    #print "C sum", common.totalPlannedConsumptionInValueInA_TimeStep
```

The conclusion updates the *common* value totalPlannedConsumptionInValueInA\_TimeStep, cleaned at each reset, i.e., at each time step in modelActions.txt.

The totalPlannedConsumptionInValueInA\_TimeStep measure will be then randomly corrected within the setMarketPriceV3 method of the *WorldState* meta-agent, see page 43.

#### 1.3.7.2 workTroubles

• For each entrepreneur at time t, so for each firm i, we generate a shock  $\psi_{i,t} > 0$  due to work troubles, with probability  $p_{\psi}$  (set for all the entrepreneurs via the schedule.txt file)<sup>28</sup> and value uniformly distributed between  $V_{\Psi}/2$  and

<sup>&</sup>lt;sup>28</sup>SLAPP displays—in its text output—a dictionary with the method probabilities, if at least one method is linked to a probability.

 $V_{\Psi}$ . The shock reduces the production of firm i in a relative way, as in:

$$Pc_t^i = P_t^i (1 - \psi_{i,t}) \tag{1.11}$$

where Pc means corrected production.

If the global logical value wageCutForWorkTroubles is true, also wages are cut in the same proportion that the production is suffering. With w indicating the constant basic wage level,  $cw_t^i$  is the corrected value at time t and for firm i; the correction is superimposed to the other possible corrections (due to full employment or to artificial barrier creation).

$$cw_t^i = w(1 - \psi_{i,t}) \tag{1.12}$$

The firm variable hasTroubles takes note—via  $\psi_{i,t}$  assuming a value > 0, being 0 otherwise—if the firm has work problems in the current time step and the worker variable workTroubles takes note of the same amount for all the workers of that specific firm.

Both the variable are set again to 0 in the reset step at the beginning of each model cycle.

The code in Agent.py is:

```
#work troubles
def workTroubles(self):
     # NB this method acts with the probability set in the schedule.txt
     if self.agType != "entrepreneurs": return
     # production shock due to work troubles
     psiShock=uniform(common.productionCorrectionPsi/2,
                           common.productionCorrectionPsi)
     self.hasTroubles=psiShock
     print "Entrepreneur", self.number, "is suffering a reduction of "\
"production of", psiShock*100, "%, due to work troubles"
     if common.wageCutForWorkTroubles:
        # the list of the employees of the firm
       entrepreneurWorkers=gvf.nx.neighbors(common.g,self)
       for aWorker in entrepreneurWorkers:
          #avoiding the entrepreneur herself, as we are refering to her
          # network of workers
         aWorker.workTroubles=psiShock
         print "Worker ", aWorker.number, "is suffering a reduction of "\
                "wage of", psiShock*100, "%, due to work troubles"
```

#### 1.3.7.3 produceV5

• The method (or command) produceV5, <sup>29</sup> sent to the entrepreneurs, orders them—in a deterministic way, in each unit of time—to produce proportionally to their labour force, obtaining profit  $\Pi_t^i$ , where i identifies the firm and t the time.

 $L_t^i$  is the number of workers of firm i at time t, and also the number of its links. We add 1 to  $L_t^i$ , to account for the entrepreneur as a worker.  $\pi$  is the laborProductivity, with its value set to 1 in common variable space, currently not changing with t.  $P_t^i$  is the production of firm i at time t.

The production is:

$$P_t^i = \pi(L_t^i + 1) (1.13)$$

The production is corrected for work troubles (as in section 1.3.7.2) calculating the corrected value  $Pc_t^i$  with:

The production is:

$$Pc_t^i = P_t^i (1 - \psi_{i,t}) \tag{1.14}$$

The production (corrected or not) of the  $i^{\rm th}$  firm is added to the total production of the time step, in the variable totalProductionInA\_TimeStep of the *common* space.

The code is:

```
# produce
def produce(self):
    # this is an entrepreneur action
    if self.agType == "workers": return
    # to produce we need to know the number of employees
    # the value is calcutated on the fly, to be sure of accounting for
    # modifications coming from outside
    # (nbunch : iterable container, optional (default=all nodes)
    # A container of nodes. The container will be iterated through once.)
    laborForce=gvf.nx.degree(common.g, nbunch=self) + \
               1 # +1 to account for the entrepreneur itself
    # productivity is set to 1 in the benginning
    self.production = common.laborProductivity *
                      laborForce
    # totalProductionInA_TimeStep
    common.totalProductionInA_TimeStep += self.production
```

<sup>&</sup>lt;sup>29</sup>Related to Version 5

We calculate the laborForce, i.e.  $L_t^i$ , counting the number of links or edges from the firm to the workers. We prefer this 'on the fly" evaluation to the internal variable self.numOfWorkers, to be absolutely sure of accessing the last datum in case of modifications coming from other procedures. E.g., a random subtraction or addition of workers to firms coming simulating some kind of shock . . .

#### 1.3.7.4 evaluateProfitV5

• The method (or command) evaluateProfit,  $^{30}$  sent to the entrepreneurs, orders them to calculate their profit. Being  $P_t^i$  the production and the labor force  $L_t^i$  measured via the network connecting the entrepreneur to her workers plus 1 to take in account the entrepreneur herself.

The use of  $P_t^i$ , the actual production of the entrepreneurs, accounts both for the production plan decided with adaptProductionPlan, page 25, and for the limits in hiring, if any, as in hireFireWithProduction, page 20. The sum of all the actual productions of each entrepreneur is used, as at page 43, in setMarketPriceV3.

The method has been improved in version 2, to manage extra costs for the new entrant firms, but keeping safe the backward compatibility of the method.

 $p_t$  is the price, clearing the market at time t and it is calculated by the abstract item WorldState via the method setMarketPrice, as explained in Section 1.3.13.

w is the wage per employee and time unit, set to 1.0 in common variable space, not changing with t, but the case of the important events of:

- wage rise due both to full employment (Subsection 1.3.6.1) and
- to the creation of barriers against new entrants (Subsection 1.3.6.3).

C are extra costs for new entrant firms. They are calibrated to assure the effectivness of the action described in Subsection 1.3.6.3, but in a non deterministic way, thanks to the movements in prices.

If the *common* variable wageCutForWorkTroubles is set to *True* the costs determination takes in account the reduction in the wages (but the wage of the entrepreneur, not changing).

<sup>&</sup>lt;sup>30</sup>Related to Version 5.

Considering the presence of work troubles (see subsection 1.3.7.2) the determination of the clearing price, as at page 43, can signal an increase in the equilibrium price, due to the lacking production.

The (relative) shock  $\psi_{i,t} > 0$  due to work troubles is defined in subsection 1.3.7.2.

In presence of work troubles the firm has to accept a reduction of its price, to compensate its customers for having undermined the confidence in the implicit commitment of producing a given quantity (the production plan, specified in subsection 1.3.4.1).

That penalty value, as a relative measure, is in *common* as penaltyValue and here shortly as pv. Locally,  $pv_t^i$ , for the firm i at time t, is set to pv if  $\psi_{i,t} > 0$ ; otherwise  $(\psi_{i,t} = 0)$  is set to 0.

The profit evaluation, if wageCutForWorkTroubles is set to True, is:

$$\Pi_t^i = p_t (1 - p v_t^1) P_t^i - (w - \psi_{i,t}) (L_t^i - 1) - 1w - C$$
(1.15)

being 1w the wage of the entrepreneur.

If wageCutForWorkTroubles is set to False, the result is:

$$\Pi_t^i = p_t (1 - p v_t^i) P_t^i - w L_t^i - C \tag{1.16}$$

The new entrant firms have extra costs C to be supported, retrieved in XC variables, but only for k periods, as stated in commonVar.py and activated by method toEntrepreneur.

The code is:

```
# calculateProfit
def evaluateProfit(self):

# this is an entrepreneur action
if self.agType == "workers": return

# backward compatibily to version 1
try: XC=common.newEntrantExtraCosts
except: XC=0
try: k=self.extraCostsResidualDuration
except: k=0

if k==0: XC=0
if k>0: self.extraCostsResidualDuration==1

# the number of pruducing workers is obtained indirectly via
# production/laborProductivity
#print self.production/common.laborProductivity
self.costs=common.wage * (self.production/common.laborProductivity) + \
XC
```

```
# the entrepreur sells her production, which is cotributing - via
# totalActualProductionInA_TimeStep, to price formation
self.profit=common.price * self.production - self.costs
common.totalProfit+=self.profit
```

# 1.3.8 Methods used in Versions 0, 1, 2, 3, 4

#### 1.3.8.1 produce

• The method (or command) produce,<sup>31</sup> sent to the entrepreneurs, orders them—in a deterministic way, in each unit of time—to produce proportionally to their labour force, obtaining profit  $\Pi_t^i$ , where i identifies the firm and t the time.

 $L_t^i$  is the number of workers of firm i at time t, and also the number of its links. We add 1 to  $L_t^i$ , to account for the entrepreneur as a worker.  $\pi$  is the laborProductivity, with its value set to 1 in common variable space, currently not changing with t.  $P_t^i$  is the production of firm i at time t.

The production is:

$$P_t^i = \pi(L_t^i + 1) (1.17)$$

The production of the  $i^{\rm th}$  firm is added to the total production of the time step, in the variable totalProductionInA\_TimeStep of the common space. The code is:

```
# produce
def produce(self):
    # this is an entrepreneur action
    if self.agType == "workers": return
    # to produce we need to know the number of employees
    # the value is calcutated on the fly, to be sure of accounting for
    # modifications coming from outside
    # (nbunch : iterable container, optional (default=all nodes)
    # A container of nodes. The container will be iterated through once.)
    laborForce=gvf.nx.degree(common.g, nbunch=self) + \
              1 # +1 to account for the entrepreneur itself
    # productivity is set to 1 in the benginning
    self.production = common.laborProductivity * \
                     laborForce
    # totalProductionInA_TimeStep
    common.totalProductionInA_TimeStep += self.production
```

<sup>&</sup>lt;sup>31</sup>Related to Versions 0, 1, 2. 3, 4, 5

We calculate the laborForce, i.e.  $L_t^i$ , counting the number of links or edges from the firm to the workers. We prefer this 'on the fly" evaluation to the internal variable self.numOfWorkers, to be absolutely sure of accessing the last datum in case of modifications coming from other procedures. E.g., a random subtraction or addition of workers to firms coming simulating some kind of shock . . .

## 1.3.9 Methods used in Versions 1, 2, 3, 4

#### 1.3.9.1 evaluateProfit

• The method (or command) evaluateProfit, 32 sent to the entrepreneurs, orders them to calculate their profit. Being  $P_t^i$  the production and  $\pi$  the labor productivity, we have the labor force  $L_t^i = P_t^i/\pi$ 

The use of  $P_t^i$ , the actual production of the entrepreneurs, accounts both for the production plan decided with adaptProductionPlan, page 25, and for the limits in hiring, if any, as in hireFireWithProduction, page 20. The sum of all the actual productions of each entrepreneur is used, as at page 43, in setMarketPriceV3.

The method has been improved in version 2, to manage extra costs for the new entrant firms, but keeping safe the backward compatibility of the method.

 $p_t$  is the price, clearing the market at time t and it calculated by the abstract item WorldState via the method setMarketPrice, as explained in Section 1.3.13.

w is the wage per employee and time unit, set to 1.0 in common variable space, not changing with t. C are extra costs for new entrant firms.

The profit evaluation is:

$$\Pi_t^i = p_t P_t^i - w L_t^i - C \tag{1.18}$$

The new entrant firms have extra costs to be supported, retrieved in XC variables, but only for k periods, as stated in commonVar.py and activated by method to toEntrepreneur.

The code is:

<sup>&</sup>lt;sup>32</sup>Related to Versions 1, 2, 3, 4.

```
# calculateProfit
def evaluateProfit(self):
    # this is an entrepreneur action
    if self.agType == "workers": return
    # backward compatibily to version 1
    try: XC=common.newEntrantExtraCosts
    except: XC=0
    try: k=self.extraCostsResidualDuration
    except: k=0
    if k==0: XC=0
    if k>0: self.extraCostsResidualDuration-=1
    # the number of pruducing workers is obtained indirectly via
    # production/laborProductivity
    #print self.production/common.laborProductivity
    self.costs=common.wage * (self.production/common.laborProductivity) + \
    # the entrepreur sells her production, which is cotributing - via
    {\tt\#}\ {\tt totalActualProductionInA\_TimeStep,\ to\ price\ formation}
    self.profit=common.price * self.production - self.costs
    common.totalProfit+=self.profit
```

## 1.3.10 Methods used in Version 0 only

### 1.3.10.1 evaluateProfitV0

• The method (or command) evaluateProfitV0, 33 sent to the entrepreneurs, orders them to calculate their profit. Being  $P_t^i$  the production and  $\pi$  the labor productivity, we have the labor force  $L_t^i = P_t^i/\pi$ 

R is revenuesOfSalesForEachWorker, set to 1.005 in common variable space, not changing with t; w is the wage per employee and time unit, set to 1.0 in common variable space, not changing with t.  $u_t^i \sim \mathcal{N}(0, 0.05)$  is a random normal addendum.

The profit evaluation is:

$$\Pi_t^i = L_t^i(R - w) + u_t^i \tag{1.19}$$

The code is:

```
# calculateProfit
def evaluateProfitV0(self):
    # this is an entrepreneur action
    if self.agType == "workers": return
```

 $<sup>^{33}</sup>$ Related to Version 0.

### 1.3.10.2 hireIfProfit

• The method (or command) hireIfProfit,<sup>34</sup> sent to the entrepreneurs, orders them—in a probabilistic way (50% of probability in Version 0 case), in each unit of time—to hire a worker (random choosing her/him in a temporary list of unemployed people) if the profit (last calculation, i.e., current period as shown in the sequence contained in schedule.xls) is a than the value hiringThreshold (temporary: 0):

$$\Pi_t^i > hiringThreshold \to hire$$
 (1.20)

As first attempt the hiringThreshold is 0 (in commonVar.py). We can modify this internal value, as others, while the simulation is running, via the *WorldState* feature, introduced below.

The code of the hireIfProfit method is:

```
# hireTfProfit
   def hireIfProfit(self):
        # workers do not hire
       if self.agType == "workers": return
        if self.profit<=common.hiringThreshold: return</pre>
        tmpList=[]
        for ag in self.agentList:
            if aq != self:
               if ag.agType=="workers" and not ag.employed:
                  tmpList.append(ag)
        if len(tmpList) > 0:
           hired=tmpList[randint(0,len(tmpList)-1)]
           hired.employed=True
           gvf.colors[hired]="Aqua"
           gvf.createEdge(self, hired) #self, here, is the hiring firm
        # count edges (workers) of the firm, after hiring (the values is
        # recorded, but not used directly)
       self.numOfWorkers=gvf.nx.degree(common.g, nbunch=self)
        # nbunch : iterable container, optional (default=all nodes)
        # A container of nodes. The container will be iterated through once.
       print "entrepreneur", self.number, "has", \
              self.numOfWorkers, "edge/s after hiring"
```

 $<sup>^{34}</sup>$ Used in Version 0.

## 1.3.11 Methods used in Version 1 only

#### 1.3.11.1 setMaketPriceV1

• The method (or command) setMarketPriceV1,<sup>35</sup> sent to the WorldState, orders it to evaluate the market clearing price. See below Section 1.3.13 and specifically Section 1.3.13.1.

## 1.3.12 Methods used in Version 2 only

## 1.3.12.1 toEntrepreneur

• With the method (or command) to Entrepreneur,  $^{36}$  sent to workers, the agent, being a worker, decides if to became an entrepreneur at time t, if its employer has a profit  $\geq$  a given threshold in t. The threshold is retrieved from the variable threshold To Entrepreneur.

The agent changes its internal type, position (not completely at the left as the original entrepreneurs, but if it was an entrepreneur moved to worker and coming back, it goes completely at the left) and color and it deletes the previous edge to the entrepreneur/employer. Finally, it starts counting the k periods of extra costs (to k is assigned the value common.ExtraCostsDuration, in the measure stated in common.newEntrantExtraCosts.

The code in Agent.py is:

#### 1.3.12.2 toWorker

• With the method (or command) toWorker, 37 an entrepreneur moves to be an unemployed worker if its profit at time t is  $\leq$  a given threshold in t. The

<sup>&</sup>lt;sup>35</sup>Related to Version 1.

 $<sup>^{36}</sup>$ Related to Version 2.

<sup>&</sup>lt;sup>37</sup>Related to Version 2.

threshold is retrieved from the variable thresholdToWorker.

The agent changes its internal type, position (not completely at the right as the original workers, but if it was a worker moved to entrepreneur and coming back, it goes completely at the right) and color and it deletes the previous edge to the workers/employee if any.

The code in Agent.py is:

```
if self.profit <= common.thresholdToWorker:</pre>
   print "I'm entrepreneur %2.0f and my profit is %4.2f" %\
          (self.number, self.profit)
    # the list of the employees of the firm, IF ANY
   entrepreneurWorkers=qvf.nx.neighbors(common.q,self)
   print "entrepreneur", self.number, "has", len(entrepreneurWorkers),\
     "workers to be fired"
   if len(entrepreneurWorkers) > 0:
        for aWorker in entrepreneurWorkers:
            gvf.colors[aWorker]="OrangeRed"
            aWorker.employed=False
            common.g.remove_edge(self, aWorker)
    self.numOfWorkers=0
    #originally, it was an entrepreneur
   if self.xPos<0:gvf.pos[self] = (self.xPos+15, self.yPos)</pre>
    #originally, it was a worker
   else:gvf.pos[self] = (self.xPos, self.yPos)
    # colors at http://www.w3schools.com/html/html_colornames.asp
   gvf.colors[self]="OrangeRed"
    self.agType="workers"
   self.employed=False
```

### 1.3.12.3 setMarketPriceV2

- The method (or command) setMarketPriceV2, 38 sent to the WorldState, orders it to evaluate the market clearing price. This method uses two common variables:
  - totalProductionInA\\_TimeStep, generated by the agents (entrepreneurs),
     via produce;
  - totalPlannedConsumptionInValueInA\_TimeStep, generated by the agents (entrepreneurs and workers) via planConsumptionInValue.

See below the Section 1.3.13 and specifically Section 1.3.13.2.

<sup>&</sup>lt;sup>38</sup>Related to Version 2.

## 1.3.13 Other features in scheduling

We also have two more sophisticates structures: the WorldState feature and the macros.

• Running a project—if we define the WorldState.py file—at the beginning of the output, we read:

World state has been created.

What does it mean?

The WorldState class interacts with the agents; we use a unique instance of the class.

The variables managed via WordState have to be added, with their methods, within the instance of class, with set/get methods for each variable.

In Agent.py we can ask to the WorldState, via get, for the values of the variables.

With the oligopoly project we made a step ahead, asking to the Worl-State to make a specific calculations about the whole state of the world. This capability has been incorporated in SLAPP since version 1.11 and has been definitively set with the reengineering of WorldState in version 1.33 of SLAPP.

The normal use has in Col. B a value and in Col. C the method used to set that value into the WorldState; it will be retrieved by the agents using a symmetric get method.<sup>39</sup>

If in Col. B we have the expression computationalUse<sup>40</sup>, the content of Col. C is a special method making world calculations.

A few examples, with their code, are below.

## 1.3.13.1 setMarketPriceV1 as in WorldState, with details

• The method (or command) setMarketPriceV1,<sup>41</sup> sent to the WorldState, orders it to evaluate the market clearing price.

 $<sup>\</sup>overline{^{39}}$ These methods have to be implemented by the user, see the example in the *basic* project.

<sup>&</sup>lt;sup>40</sup>the expression *specialUse* is still working, but it is deprecated.

<sup>&</sup>lt;sup>41</sup>Introduced above as related to Version 1 only.

Setting the aggregate-demand  $D_t$  as equal to the production:

$$D_t = \sum_i P_t^i \tag{1.21}$$

We have the demand function, with  $p_t$  as price:

$$p_t = a + bD_t (1.22)$$

With the planned production coming from a Poisson distribution as in Eq. 1.2, considering  $\nu$  set to 4, we can set two consistent points (p, D) as (1, 20) and (0.8, 30) obtaining:

$$p_t = 1.4 - 0.02D_t \tag{1.23}$$

The resulting code in WorldState.py is:

```
# set market price
def setMarketPriceV1(self):
    # to have a price around 1
    common.price= 1.4 - 0.02 * common.totalProductionInA_TimeStep
    print "Set market price to ", common.price
    common.price10=common.price*10 #to plot
```

### 1.3.13.2 setMarketPriceV2, as in WorldState, with details

• The method (or command) setMarketPriceV2, 42 sent to the WorldState, orders it to evaluate the market clearing price considering each agent behavior.

Having:

$$p_t = D_t / O_t \tag{1.24}$$

with  $p_t$  clearing market price at time t;  $D_t$  demand in value at time t;  $O_t$  offer in quantity (the production) at time t.

As defined above (p. 40), the method uses two common variables:

- totalProductionInA\_TimeStep, generated by the agents (entrepreneurs), via produce;
- totalPlannedConsumptionInValueInA\\_TimeStep, generated by the agents (entrepreneurs and workers) via planConsumptionInValue.

The resulting code in WorldState.py is:

<sup>&</sup>lt;sup>42</sup>Introduced above as related to Version 2 only.

#### 1.3.13.3 setMarketPriceV3, as in WorldState, with details

• The method (or command) setMarketPriceV3, 43 sent to the WorldState, orders it to evaluate the market clearing price considering each agent behavior and an external shock, potentially large.

We introduce a shock  $\Xi$  uniformly distributed between -L and +L where L is a rate on base 1, e.g., 0.10. To keep the effect as symmetric, we have the following equations determining the clearing price:

If the shock  $\Xi$  is ( $\geq 0$ ):

$$p_t = \frac{D_t(1+\Xi)}{O_t} \tag{1.25}$$

if the shock  $\Xi$  is (< 0):

$$p_t = \frac{D_t/(1+\Xi)}{O_t}$$
 (1.26)

with  $p_t$  clearing market price at time t;  $D_t$  demand in value at time t;  $O_t$  offer in quantity (the production) at time t.

The  $\Xi$  parameter is reported in the prologue of the execution as Total demand relative random shock, uniformly distributed between  $-\Xi\%$  and  $+\Xi\%$ .

As defined above (p. 40), the method uses two common variables:

- totalProductionInA\_TimeStep, generated by the agents (entrepreneurs), via produce;
- totalPlannedConsumptionInValueInA\_TimeStep, generated by the agents (entrepreneurs and workers) via planConsumptionInValue.

The resulting code in WorldState.py is:

<sup>&</sup>lt;sup>43</sup>Introduced above as related to Version 3, 4 and 5.

```
shock=shock0
print "\n-----"
if shock >= 0:
 common.totalDemandInPrevious_TimeStep = \
     common.totalPlannedConsumptionInValueInA_TimeStep * \
    (1 + shock)
  common.price= (common.totalPlannedConsumptionInValueInA_TimeStep * \
                (1 + shock))
                / common.totalProductionInA_TimeStep
  print "Relative shock (symmetric) ", shock0
  print "Set market price to ", common.price
if shock < 0:
  shock \star=-1. #always positive, boing added to the denominator
  common.totalDemandInPrevious_TimeStep = \
     common.totalPlannedConsumptionInValueInA_TimeStep / \
      (1 + shock)
  \verb|common.price| (common.totalPlannedConsumptionInValueInA\_TimeStep / \\ \\ \\ \\ \\
                (1 + shock)) \
                / common.totalProductionInA_TimeStep
  print "Relative shock (symmetric) ", shock0
 print "Set market price to ", common.price
```

# 1.3.13.4 fullEmploymentEffectOnWages, as in WorldState, with details

Being  $U_t$  the unemployment rate at time t,  $\zeta$  the unemployment threshold to recognize the *full employment* situation, s the proportional increase step (reversible) of the wage level and  $w_t$  the wage level at time t (being  $w_0$  the initial level), we have:

$$\begin{cases} w_t = w_0(1+s) \text{ if } U_t \le \zeta \\ w_t = w_0 \text{ if } U_t > \zeta \end{cases}$$
 (1.27)

The code in WorldState.py is:

```
# shock to wages (full employment case)
def fullEmploymentEffectOnWages(self):
    # wages: reset incumbent action if any
    if common.wageAddendum > 0:
        common.wage-= common.wageAddendum
        common.wageAddendum = 0

# employed people
    peopleList=common.g.nodes()
    totalPeople=len(peopleList)
    totalEmployed=0
    for p in peopleList:
        if p.employed: totalEmployed+=1
```

## 1.3.13.5 randomShocksToWages, as in WorldState, with details

• The method is used only in the model building phase, to verify the sensitivity of the model to changes in wages.

Being w the wage per employee defined in the setup, so  $w_1$ , from t=2 we have:

$$- \text{ if } u_t \ge 0$$

$$w_t = w_{t-1}(1+ut) \tag{1.28}$$

$$- \text{ if } u_t < 0$$

$$w_t = w_{t-1}/(1+|u_t|) \tag{1.29}$$

with  $u_t \sim \mathcal{U}(-k, k)$  and k tentatively set to 0.10 or 10%.

The code in WorldState.py is:

```
# random shock to wages (temporary method to experiment with wages)
def randomShockToWages(self):
    k=0.10
    shock= uniform(-k,k)

    if shock >= 0:
        common.wage *= (1.+shock)

    if shock < 0:
        shock *= -1.
        common.wage /= (1.+shock)</pre>
```

# 1.3.13.6 incumbentActionOnWages, as in WorldState, with details

The current number of entrepreneurs  $H_t$  is calculated from the network and the previous one  $H_{t-1}$  is extracted from the structural dataframe (see collectStructuralData at page 11).

The wage level has two components, mutually exclusive:

- 1. the effects of full employment on wages, as in Section 1.3.13.4;
- 2. the effect described in this Section about incumbent oligopolists strategically increasing wages to create an artificial barrier against new entrants; the new entrepreneurs suffer temporary extra costs, so for them the wage increment can generate so relevant losses to produce their bankruptcy.

We have here two levels: K as the (relative) threshold of entrepreneur presence to determine the reaction on wages and k as the relative increment of wages.

Formally, in case 2 above:

$$\begin{cases} w_t = w_0(1+k) \text{ if } \frac{H_t}{H_{t-1}} - 1 > K \\ w_t = w_0 \text{ if } \frac{H_t}{H_{t-1}} - 1 \le K \end{cases}$$
(1.30)

The code in WorldState.py is:

```
# incumbents rising wages as na entry barrier
def incumbentActionOnWages(self):
    # current number of entrepreneurs
    peopleList=common.g.nodes()
    nEntrepreneurs=0
    for p in peopleList:
      if p.agType=="entrepreneurs": nEntrepreneurs+=1
    nEntrepreneurs=float (nEntrepreneurs)
    # previous number of entrepreneurs
    nEntrepreneurs0=common.str_df.iloc[-1,0] # indexes Python style
    #print nEntrepreneurs, nEntrepreneurs0
    # wages: reset incumbent action if any
    if common.wageAddendum > 0:
        common.wage -= common.wageAddendum
        common.wageAddendum = 0
    # wages: set
    if nEntrepreneurs/nEntrepreneurs0 - 1 > \
      common.maxAcceptableOligopolistRelativeIncrement:
      common.wageAddendum = common.wage*\
                   common.temporaryRelativeWageIncrementAsBarrier
      common.wage+=common.wageAddendum
```

#### 1.3.13.7 Macros

• Just a memo: we also have the possibility of using macros contained in separated sheets of the schedule.xls file (not used presently here).

To know more, use the SLAPP (Swarm-Like Protocol in Python) Reference Handbook on line at https://github.com/terna/SLAPP, looking for the item macros within the Index.

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