

What's a Realistic View of Efficiency and Firms?

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- conceptual and normative complaints

Agenda

- 1 What is efficiency and what role does it play in firms?

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- ① What is efficiency and what role does it play in firms?
- ② What are the interests of capital owners and how should they be considered?

Efficiency and the origin of firms

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 - ▶ origin story: firms came into being because, at the time, that organisation was more efficient
 - ▶ ongoing story: firms still exist because they are still minimising waste

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 - ▶ choice between: low-emission, high-cost vs. high-emission, low cost

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- so: a reason to view the efficiency requirement on this side critically

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- efficiency floor is hardly more than the barrier to not losing tremendous amounts of money over time
- little connection between input/output efficiency (in the sense that we *should* care about) and market result

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- how confident are we in market pricing?

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 - ▶ Can Amazon workers get 10 minutes more rest each day or can Jeff Bezos buy an extra jetski for his yacht?

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- though there is a basic productive efficiency requirement not to lose large amounts of money

The end

Thank you for your attention!

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- what about workplace democracy implying socialism?

What's an institution for?

“Firms exist, lest we forget the obvious, to produce goods and services that others value and are willing to pay for. A glance at recent philosophical analyses, however, might suggest otherwise (see Cholbi 2023). One could be forgiven, then, for believing that firms’ purpose is to help workers realize their talents, build ties with colleagues, and gain social recognition for their efforts or, conversely, to help capitalists dominate workers, disrupt communities, and distort democracy. Yet, while these outcomes might reflect much corporate activity, firms primarily exist to build houses and hospitals, facilitate mobility and communication, produce guns and drugs, entertain gamers and cinephiles, insure persons and properties, and feed the hungry and the gourmand. They exist, in brief, to produce goods and services by transforming inputs, including capital and labor, into outputs, typically for profit. In doing so, however, firms are subject to various requirements that constrain their ends and means, plausibly including requirements to avoid deception or fraud (Friedman 1970), not to exploit market failures (Heath 2014), or to assist the needy (Young 2010).” (3)

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 - ▶ how do we pair production with other goals (satisfying narcissist urges/making a lot of money)?
- main point: firms are very malleable institutions and I don't think it's obvious to say that every firm's main purpose is to produce goods and services. Yes, it might be what they all share, but not what is most important.