



Episode 665: The Free Food Market

Homework 2

Scott Spitze *

* These slides are based on episodes of the podcast Planet Money. These materials are subject to copyright and are being provided for the personal educational use by students enrolled in this course. Any other use, including further reproduction and distribution of the materials (whether in hard copy or electronic form, in whole or in parts) is strictly prohibited. As an example, you may not upload any part of these notes to any other web sites.

Questions and Answers

- **Q1** What item got a negative price in the auction?

Questions and Answers

- **Q1** What item got a negative price in the auction?
- **A1** Pickles

Questions and Answers

- **Q1** What item got a negative price in the auction?
- **A1** Pickles
- **Q2** How did markets help Feeding America better distribute resources?

Questions and Answers

- **Q1** What item got a negative price in the auction?
- **A1** Pickles
- **Q2** How did markets help Feeding America better distribute resources?
- **A2** Markets allowed local branches, who best know their own needs, to choose which foods to compete on. They allowed for goods to be priced by their value, so resources could be distributed fairly and efficiently. They allowed the poorest localities, who had the most people to feed and the fewest outside resources to get more food.

What did you find interesting
about the podcast?

Centralized vs Decentralized Decision Making

- Group decisions can be made by a central authority (**Centralized**) or by individuals (**Decentralized**)

Centralized vs Decentralized Decision Making

- Group decisions can be made by a central authority (**Centralized**) or by individuals (**Decentralized**)
- Before markets, Feeding America food distribution was mainly determined by headquarters

Centralized vs Decentralized Decision Making

- Group decisions can be made by a central authority (**Centralized**) or by individuals (**Decentralized**)
- Before markets, Feeding America food distribution was mainly determined by headquarters
- After markets, Feeding America food distribution was mainly determined by each individual branch

Centralized vs Decentralized Decision Making

- Group decisions can be made by a central authority (**Centralized**) or by individuals (**Decentralized**)
- Before markets, Feeding America food distribution was mainly determined by headquarters
- After markets, Feeding America food distribution was mainly determined by each individual branch
- When Feeding America started distributing food in markets, they shifted from a centralized way of allocating food to a decentralized way

Feeding America Locations



Why Markets Helped Feeding America

- Markets helped Feeding America allocate food along many dimensions

Why Markets Helped Feeding America

- Markets helped Feeding America allocate food along many dimensions
 - **Fulfilling Needs** Because branches chose what allocations to bid on, they could focus on buying the foods they needed most

Why Markets Helped Feeding America

- Markets helped Feeding America allocate food along many dimensions
 - **Fulfilling Needs** Because branches chose what allocations to bid on, they could focus on buying the foods they needed most
 - **Spreading Efficiently** Because branches bid on the foods they wanted, foods were given to the branches that valued them most

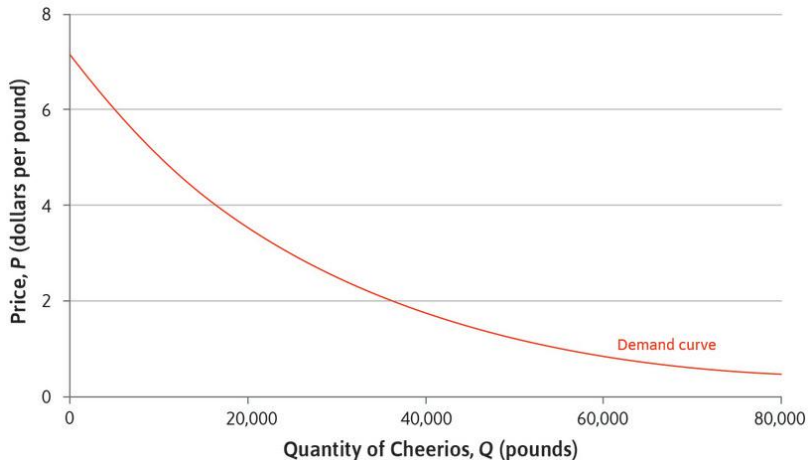
Why Markets Helped Feeding America

- Markets helped Feeding America allocate food along many dimensions
 - **Fulfilling Needs** Because branches chose what allocations to bid on, they could focus on buying the foods they needed most
 - **Spreading Efficiently** Because branches bid on the foods they wanted, foods were given to the branches that valued them most
 - **Spreading Fairly** Because branches were given resources based on needs, branches could get specialized bundles and still be treated fairly

Why Markets Helped Feeding America

- Markets helped Feeding America allocate food along many dimensions
 - **Fulfilling Needs** Because branches chose what allocations to bid on, they could focus on buying the foods they needed most
 - **Spreading Efficiently** Because branches bid on the foods they wanted, foods were given to the branches that valued them most
 - **Spreading Fairly** Because branches were given resources based on needs, branches could get specialized bundles and still be treated fairly
- All of these are difficult in a centralized system

Demand for Apple-Cinnamon Cheerios



Centralized vs Decentralized Decision Making

- Deciding who makes decisions is an important choice for firms and governments

Centralized vs Decentralized Decision Making

- Deciding who makes decisions is an important choice for firms and governments
- **Centralized Organizations** Apple (especially under Steve Jobs), the military

Centralized vs Decentralized Decision Making

- Deciding who makes decisions is an important choice for firms and governments
- **Centralized Organizations** Apple (especially under Steve Jobs), the military
- **Decentralized Organizations** Johnson & Johnson, Valve

Centralized vs Decentralized Decision Making

- Deciding who makes decisions is an important choice for firms and governments
- **Centralized Organizations** Apple (especially under Steve Jobs), the military
- **Decentralized Organizations** Johnson & Johnson, Valve
- Organizations try to strike the right balance between the two
Ex. Balancing powers of Federal, state, and local governments

Any Questions?