Chapter 1 : Second Best Quotes (8 quotes)

Making the Best of Second Best also encourages you to appreciate the positives and see stepparenting as an experience to enjoy and grow from, not merely endure. Kathleen Fox draws from her own experience as a stepmother to share mistakes, insights, and suggestions in a humorous, personal style.

May 15, I. Introduction The problem of second best poses a nagging and interesting dilemma for antitrust analysis. It has been dismissed as a valid but unworkable criticism of traditional antitrust doctrine. More recently, however, differing approaches on how to incorporate second best analysis into the fashioning of antitrust remedies have been advanced. The problem of second best deals with the question of whether interventions directed at specific market imperfections can improve overall social welfare. According to the theory of second best, correcting specific market imperfections while leaving others untouched will not necessarily improve social welfare. This leads to the conundrum â€" if it is unknown whether welfare will be improved, should courts interfere at all? The problem is alleged not to be so hopeless, however, as there may be situations in which it is possible to estimate whether an intervention is at least likely to improve welfare. The theory of second best in general states that in a system where conditions are such that a Pareto optimum exists, if one condition is changed so that it is no longer at its optimum state, then to reach a second best optimum because the first best optimum cannot be reached , all the other conditions must be changed from their original first best optimum states. One exposition of the theory of second best, by Professors Lipsey and Lancaster , is an analysis that looks at a general equilibrium system in which all conditions are such that a Pareto optimum exists. Then one condition is changed from its optimum value so that the Pareto optimum no longer exists. The changes in all other conditions necessary to reach a second best optimum are then examined. A second approach, by Professor Meade , looks at a system not at an initial Pareto optimum where there are several conditions that are not at their optimum values. The effects of changes in these conditions are then examined to see whether an increase or decrease in welfare follows. The theory of second best has general implications for the economic analysis of law. When legal rules are evaluated from the standpoint of whether or not they promote social welfare, second best concerns are usually ignored. However, according to the theory, improvements to some but not all conditions in a non-optimum state will not necessarily increase welfare. Some extent of second best analysis would appear to be necessary with even basic prescriptions for legal rules. As far as antitrust law is concerned, the theory of second best can color both the range of market imperfections examined as well as the remedies that attempt to correct them. If the goal of the antitrust statutes is to increase social welfare, then a second best analysis of antitrust remedies would appear to be required. Of course, a second best analysis can be undertaken only if it is practicable. There are different ideas about the role that second best analysis could play, ranging from incorporation into judicially crafted remedies to broad legislative mandates. If a second best analysis is impracticable, there is also the question of whether an antitrust remedy should even be specified, given the uncertainty about its effects on social welfare. The problem with second best analysis is that it is very difficult to execute in a comprehensive fashion. It may be impossible to consider the effects on all conditions necessary for a Pareto optimum to hold. The important question is whether a more limited inquiry, such as a partial equilibrium analysis or a third-best-allocative-efficiency analysis, will still yield enough clues to estimate whether a market intervention will increase or decrease welfare. The Theory of Second Best The first approach to conceptualize the problem of second best is a formal exposition by Professors Lipsey and Lancaster â€" in general terms, the theory of second best states that in a system at a Pareto equilibrium, if a constraint is introduced that prevents the attainment of one of the Pareto conditions, all the other conditions must be shifted from their Pareto equilibrium positions to reach another optimum. This optimum is a second best optimum because, by definition, the constraint that has been introduced prevents the attainment of the first best optimum. It is important to note that the system at a Pareto equilibrium need not be free of all constraints. That is, a set of constraints may be assumed to exist and it may be not be easy to remove them. A tax or some other government regulation are examples of such constraints. With the constraints that are assumed to be invariant,

however, there exists a Pareto optimum such that all other conditions are at their optimum points. The one additional constraint described above is thus applied to the subset of conditions that are at their Pareto optimum points given the invariant constraints. However, there is no real difference between the constraints that are assumed to exist in the system and the additional constraint that is introduced to disturb the optimum â€" it is just another constraint. The second best optimum then is just a new Pareto optimum given one additional constraint. For instance, take a system at a Pareto optimum with ten conditions. Suppose two of these conditions are subject to constraints such that they are no longer at their optimum points. If the remaining eight conditions are then optimized, the new state could be termed a second best optimum in relation to the state where nine or all ten of the conditions are optimized. Or, if the two constraints are assumed to be invariant, the state with eight conditions optimized might be called simply the Pareto optimum. In the example above, when the second best optimum is reached, the values of the eight conditions must all be different from what they were when the first best optimum existed. This principle must work in reverse as well â€" if, instead of imposing an additional constraint, an existing constraint is lifted from a system at a Pareto optimum, then the values of all optimum conditions must change to reach a new optimum this is of course not a second best optimum. Thus, if a tax is repealed in a system at a Pareto optimum, then all conditions must change, or else the system will not be at a Pareto optimum. In the problem posed as above with the introduction of one additional constraint into a system at Pareto equilibrium with given conditions, there will be one second best optimum. However, for the given system with its subset of conditions that are at their Pareto optimum points, there can be several second best optima. This is because any one or several of the given conditions could be subject to constraints, resulting in a different second best optimum for each combination of constraints. The second best optimum necessitates a departure from all the optimum conditions that were satisfied in the first best optimum. Unfortunately, in general, the direction and magnitude of the changes necessary are not known. Thus, in a system at Pareto equilibrium where a tax is levied on only one commodity but returned as a gift to the consumers so that the only effect of the tax is to distort relative prices , the second best optimum would require a tax or subsidy on all other commodities. Nothing can be determined in general about which commodities are taxed or subsidized or to what extent â€" but no commodity can go untaxed or unsubsidized. Because of this indeterminacy, different states in which no condition is at its optimum point cannot be meaningfully compared with each other. This indeterminacy creates a problem for structuring antitrust remedies â€" not only does the Pareto optimum seem unattainable, but so do any improvements, as long as it is impossible to tell whether there is in fact an overall improvement. The analysis above explored the theory of second best by imposing one additional constraint on a system where all other pertinent conditions were at their optimum values. A second approach to the theory of second best by Professor Meade is to examine a system where there are numerous departures from the optimum conditions. This system is not at an initial Pareto optimum. The question then is how to evaluate the effect of a change in one or more of the conditions. For example, consider an economy with ten industries, none of which are operating at the optimum points at which they would be if the system were at a Pareto optimum. Thus, in every industry, marginal value or proportionally, price is not equal to marginal cost. This divergence could be the result of an absence of perfect competition, of taxes or subsidies, of other government intervention, or of a difference between the social and private net product of a factor. One condition is then changed â€" perhaps an intervention that results in reducing the divergence between price and marginal cost in one industry. This change can affect the amounts of divergence in the other nine industries depending on the nature of the interrelationships between the industries in the economy. The amount of divergence in each industry will determine the extent to which each industry is allocatively inefficient â€" the extent to which the sum of consumer and producer surplus is not maximized as it would be under perfect competition. Of course, allocative efficiency is a measure of social welfare that ignores distributional issues. Even if allocative efficiency is decreased overall, then, the shifting of income between and among consumers and producers, depending on the distributional weights attached to the various groups, might not result in a decrease in social welfare. Determining the effect on welfare of a change in one condition thus requires combining the change in overall allocative efficiency with the change in distribution of income between groups. Distributional issues,

however, are trickier to resolve than questions of efficiency because they involve questioning the initial endowment of resources within groups. Nevertheless, if distributional issues can be put aside, it has been hypothesized that if the intervention is directed at the industry with the greatest divergence, then the policy will at least be likely to improve welfare. This will only be the case, however, if improving the divergence in the one industry does not result in changes in other industries with negative effects that together outweigh the positive effects of the initial change. The greater the extent to which this hypothesis holds true, however, the easier it is to be confident in an aggressive antitrust policy. The two approaches to the theory of second best discussed above do have a conflict. They do, however, offer the following elaborations on the negative corollary: But does the negative corollary apply to the situation where the departures of the greatest magnitude are corrected? Is a situation, for example, where the four greatest departures from the optimum position are corrected better than a situation where the four least departures are corrected? Professors Lipsey and Lancaster do not address this question directly, and Professor Meade implies that the answer is likely to be yes. The resolution of this conflict is important because it determines the implications of second best theory for normative welfare economics. An answer to this question would determine whether an antitrust policy directed at the most significant market imperfections can be said to reliably promote the increase of welfare. For now, this answer will be reserved so that the application of second best theory to antitrust policy may be introduced. Second Best Theory and Antitrust Policy The integration of second best theory into antitrust policy has followed typically three different lines of thinking. First, there has been a call to basically ignore second best criticism of antitrust policy because of the unlikelihood of second best concerns, the unworkable nature of second best analysis, and the extraneous social costs of market imperfections such as monopoly. Second, the uncertainty of the effects on welfare brought up by the second best theory has motivated arguments to end an antitrust policy predicated on welfare-improving grounds. And third, a belief that the theory of second best does not preclude some determination of situations in which welfare can be increased has led to the proposal of methods such as a partial equilibrium analysis and third-best-allocative-efficiency analysis to address second best concerns for antitrust policy. The first line of thought uses several points to justify a dismissal of second best criticisms of antitrust policy. But that is precisely the point of the theory â€" because, as a general matter, it is virtually impossible to predict with any specificity the changes required in the remaining conditions to reach a second best optimum, it is also not feasible to predict with any certainty the effect on welfare of an isolated change in a condition. To make such a prediction is possible only in very simple cases after making many assumptions about the conditions involved. Another idea that is used to justify ignoring second best criticisms is that courts or any other institution are incapable of undertaking a second best analysis. For example, if second best analysis were employed in a price-fixing case, the amount of divergence difference between price and marginal cost would have to be calculated not only for the industry that is the focus of the case, but also for all industries that make substitutes or complements for the products involved and for all other industries that are linked by the flow of resources. The change in all divergences if the price-fixing is abolished must then be predicted, as well as if this leads to an increase or decrease in welfare. This task does of course seem extremely daunting. Whether it is impossible is unclear â€" many complicated cost-benefit analyses are undertaken that are arguably similar and the proponents of partial equilibrium analysis to address second best concerns would argue that the calculation is possible to a limited extent. Whether calculating the effect on welfare is a task that can be handled by the courts, however, is a different question. Simply because the calculation may be possible is not to say that courts are equipped to perform it, either in terms of resources or of the time frame required for a decision. After all, many antitrust cases deal with companies enjoying monopoly power due to innovation and since these companies often succumb to the next great innovation, antitrust remedies should be timely. It has been suggested instead that calculating effects on welfare is a task more suited to the legislature. Courts are limited to the arguments before them, create rules only incrementally, and generally are to consider only the local effects of a rule. Legislatures, on the other hand, can look at a broader context and have a mandate to be as far-reaching in scope as required. In addition, a far greater number of interests can be represented before a legislature. Legislatures therefore have the characteristics that are required for the economy-wide inquiry called for in a second best analysis. This

observation about institutional competence to perform a second best analysis is a good response to a rejection of second best theory on the basis that courts are unable to implement it. Nevertheless, the further criticism would undoubtedly be made that a second best analysis is too great an undertaking even for the legislature, due to its inherent complexity. Finally, second best criticism has been urged to be rejected on the grounds that there are other costs to leaving market imperfections uncorrected that could outweigh any negative second best effects.

Do your very best, and you might just win—second place. This book encourages parents and stepparents to focus on the positives and make the "second-best" of a stepfamily as good as it can be. It offers practical solutions to common stepfamily problems.

By Jehan Perera — Jehan Perera Five years after the end of the war, Sri Lanka remains a post-war society that has yet to make the transition to a post-conflict society. While the violence has ceased, the political roots of the conflict that gave rise to war remain to be addressed. There continues to be extreme political polarization between the government and the Tamil and, more recently, the Muslim polity. The government has in recent weeks being talking in terms of the revival of the LTTE and Tamil separatism. In recent months, a new front has opened up with the renewed targeting of the Muslim minority, which shows that the build-up of extremist Sinhalese animosity against them, has not stopped. The attacks against the Muslims have not enjoyed popular support, but they are becoming regular enough to sow seeds of fear and apprehension within the Muslim community. The anticipation that presidential elections will be held early next year, or sooner, has received a boost after a government minister made an announcement to this effect in parliament. However, this announcement does not bode well for those who wish to see more devolution of power or a focus on the rights of the ethnic minorities. The recently held provincial council elections made it starkly evident that the ethnic minorities are not voting for the government. This will strengthen the resolve of the government to look to its Sinhalese voter base to prevail at the forthcoming elections. This may account for the lack of deterrent and punitive action against those who attack the ethnic and religious minorities. But there is a danger here. It may lose out with more moderate Sinhalese who have spoken out against the actions of the nationalists who attack the minorities. Instead of politically addressing the grievances of the ethnic minorities, the government has preferred to follow a conflict management strategy. At its heart is to co-opt the opposition parties, by offering them positions in the government and thereby seeking their acquiescence. A second strategy is to use the military to suppress any possibility of public agitation. The third, and most benign, is to emphasize its achievements in terms of economic development. The government has been able to show macro level statistics which show unceasing progress in per capita incomes, high rates of economic growth, especially in the North, and visible infrastructure. This has led the population at large, especially those living in the South of the country, to believe that the needs of the war-affected people are being adequately taken care of by the government. Positive Signs Indeed, there are positive signs emanating from the North. There is continuous development work taking place, with new roads being built or improved. The impact of roads on the well being of a society cannot be underestimated as they are like the arteries of a living body. They can transform the appearance of the buildings on either side of the road, which themselves are being upgraded or newly constructed. There are more shops and more money being spent in them. In addition, in recent weeks there are indications that the TNA is prepared to be more conciliatory and accommodating in working with the government, even prior to obtaining the fundamental political reforms that they have long demanded. So far there has been little or no manifestation of trust or inclination for such dialogue visible. But this may be changing for the better. The active role that is being played by South Africa in this regard is to be welcomed. It is through forward movement with regard to a mutually acceptable political solution that the government can best restore its credibility with the moderate sections within the country and the international community. There is a need for dialogue and negotiations, without which problems that affect communities and their nationalistic aspirations can be solved. The TNA appears to be moderating its position with regard to engaging with the government, which suggests that a new peace process is in the offing. Disengagement means that each entity operates in its own sphere without accommodating the other, whereas engagement means that the possibility of accommodation is increased. He said that if the TNA brought to the table reports and recommendations of committees that had addressed these matters in the past, and directed the PSC to move forward from where these committees had left, the TNA had no reason to keep away from the committee. In these circumstances, it might be better to think in terms of problem-solving behaviors that are possible rather

than what is ideal. Those who act on the basis of political rights may wish to stand separate from the government and oppose it and prevail. But the government will either ignore or seek to weaken them. In the study of economics there is the theory of the second best. In welfare economics, the theory of the second best concerns what happens when one or more conditions cannot be satisfied. If one optimality condition cannot be satisfied, it is possible that the next-best solution involves changing other variables away from the ones that are usually assumed to be optimal. The reasoning is that imperfections in information and market conditions make the best outcome a difficult one to obtain. In going for the best solution in an imperfect world, no solution may be the outcome. This was the first time that the Chief Minister had participated in such a meeting. Development activities, various issues and future plans were discussed at the meeting. Education, Health and Resettlement were discussed in detail. The Chief Minister however was also critical of the government. Therefore, to make our presence felt with our demands for the NPC we are attending these meetings. At the meeting, all parties in the Northern Provincial Council agreed on the need to urge the government to stop acquiring private land and to return land acquired in Valikamam North under controversial circumstances. The army had last year acquired privately owned land in Valikamam North amounting to nearly acres despite opposition raised by the owners and the TNA. Minister Devananda has been a long time loyalist of the government. But he joined with the opposition on the issue of land acquisition by the government. Similarly Minister Rishard Bathiuddin is another strong loyalist of the government. While remaining in the government, and loyal to it, he has taken up a confrontational posture with sections of the government led by nationalist Sinhalese on the issue of resettlement of the displaced Muslims. In other words, he is engaging with the government on behalf of his constituencies and not trying to operate on his own where he can be either ignored or weakened as an enemy. What the government needs to do most restore is its credibility. So far it has failed to convince that it is sincere in its intent. As a starting point to building confidence amongst the ethnic minorities, the government can resolve in a fair and amicable way, the problems brought to it by its own ministers who are from the ethnic minorities. If this happens regularly enough there will be an incentive for those in the opposition, like the TNA, to work closer with the government, if only to resolve the burning issues of the people they were elected to represent. This seems to be the best that can be hoped for at the present time.

The best policy-oriented economists, both left and right, are second best economists in the sense that they grasp the lesson of their fictions, but aim at truly feasible ideals, not blackboard.

All resources are privately owned and all agents maximize their respective welfare, consumers maximizing utility and firms maximizing their profit. All individuals possess perfect information and there are no impediments to trade so that all markets always clear i. The resulting equilibrium in this idealized world is characterized by a set of optimality conditions, known as Pareto optimality conditions. This equilibrium is said to be a first-best optimum in which there is no welfare-improving role for government policy. In a seminal paper published in , Richard Lipsey and Kelvin Lancaster considered the consequences of introducing into this general equilibrium system a constraint or distortion that prevents one or more of the optimality conditions characterizing the first-best optimum from being attained. For example, suppose a firm has monopoly power, causing it to set a price above marginal cost, thus violating one of the conditions for the first-best equilibrium to prevail. Lipsey and Lancaster then showed that while the other optimality conditions characterizing the first-best outcome may still be attainable, in general it is no longer optimal to impose them. In other words, if one of the Pareto optimality conditions cannot be fulfilled, a second-best optimum is achieved only by deviating from all other optimality conditions. This proposition has profound implications. First, the simple intuitive efficiency conditions characterizing the first-best optimum are replaced by complex nonintuitive optimality conditions characterizing the second-best equilibrium. Consequently in general nothing can be inferred about either the direction or the magnitude of the deviations of the second-best optimum from the first-best outcome. That depends upon the entire underlying economic structure and the extent to which the distortions relate to the rest of the economy. Second, the optimality conditions may introduce nonconvexities, which call into question whether the equilibrium is indeed an optimum. Third, the existence of such constraints restores a potential welfare-improving role for economic policy. The main contribution of Lipsey and Lancaster is to provide a more formal analysis of the concept and to highlight the consequences for policy makers. Some, such as returns to scale the relationship between proportionate changes in inputs and the resulting change in output , are technological in nature; while others, such as monopolistic market structures and barriers to entry, may be created by the private sector. These distortions may be neutralized, at least in part, by some form of government intervention. In some cases this may take the form of economic incentives, designed to discourage the behavior causing the distortion, while in other cases it may simply be an outright legal restriction. It is also possible for the government itself to be the source of the distortion. The need to provide public goods, financed by a distortionary tax, such as an income tax , is a familiar example. While, as Lipsey and Lancaster highlighted, externalities and distortions generally lead to divergences from the Pareto optimal outcome, simple examples also exist where no divergence is created. The presence of the constraints that, all other things being equal, would lead to the violation of the Pareto opti-mality conditions need not in fact preclude the attainment of the first-best optimum. In some instances the government may be able to neutralize fully the effects of the various distortions and externalities embodied in the constraints and thus mimic the first-best equilibrium. A well-known example of this was illustrated in a study by Paul Romer. In the study he introduced an endogenous growth model, in which private agents ignore the production externality due to aggregate capital and therefore overconsume and underaccumulate capital, relative to what is socially optimal. By appropriately subsidizing the return to capital, the government can induce the agents to adjust their consumption-savings behavior and thus attain the first-best optimal growth rate. In most cases the policy maker is likely to have insufficient policy instruments to reach the first-best outcome, in which case the resulting equilibrium will be truly second-best. In such a situation a natural question to consider concerns the policy options available to improve social welfare relative to the second-best equilibrium. In the Romer model, for example, it is likely that to attain the first-best growth rate the required subsidy to capital income is too large to be politically feasible. The policy maker may therefore decide to target a more modest growth objective that can be achieved by different combinations of tax rates and subsidies. The policy maker is faced

with several second-best choices and thus with ranking the set of alternatives. As noted, the optimality conditions characterizing the second-best equilibrium are complex and therefore, as a practical matter, may be difficult, if not impossible, to implement. He suggested that in cases where policy makers have insufficient information to implement the second-best policies, they should seek to correct only the known distortions and leave the optimality conditions in the undistorted markets unchanged at their first-best levels. Early contributions were concentrated in the area of international economics and the debate between free trade versus protection. Subsequently it has played a central role in public economics, where governments face the issue of financing public goods, with the externalities they entail, using various fiscal instruments with their own distortionary effects. It has also been important in the area of applied microeconomics and industrial organization in dealing with issues related to market structure, barriers to entry, and deviations from competitive behavior. Finally, the existence of production externalities is a cornerstone of much of modern economic growth theory, where they have been important in giving the theory of the second best a dynamic dimension. The General Theory of Second Best. Review of Economic Studies Liu, Wen-Fang, and Stephen J. Journal of Public Economics 89 5â€"6: Introduction and Development of Basic Concepts. Increasing Returns and Long-Run Growth. Journal of Political Economy 94 5: Foundations of Economic Analysis. Turnovsky Pick a style below, and copy the text for your bibliography.

Chapter 4 : The Problem of Second Best:

Thanks for volunteering to be a stepparent! Do your very best, and you might just winâ€"second place. This book encourages parents and stepparents to focus on the positives and make the "second-best" of a stepfamily as good as it can be.

Chapter 5 : - Making the Best of Second Best: A Guide to Positive Stepparenting by Kathleen Fox

EI @ Haas WP Making the Best of the Second-Best: Welfare Consequences of Time-Varying Electricity Prices. Joshua A. Blonz. November Energy Institute at Haas working papers are circulated for discussion and comment purposes.

Chapter 6 : The Second-Best Chocolate Chip Cookie Recipe - Sugar Spun Run

The reasoning is that imperfections in information and market conditions make the best outcome a difficult one to obtain. In going for the best solution in an imperfect world, no solution may be the outcome.

Chapter 7 : Second-best | Definition of Second-best by Merriam-Webster

Making the Best of Second Best: A Guide to Positive Stepparenting by Fox, Kathleen. Foxcraft Inc. PAPERBACK. Ships promptly from Texas.. Good.

Chapter 8 : How To Make The Best Potato Salad Recipe - A Spicy Perspective

Ahead of his first international co-production, set to hit theaters Aug. 10, Jon Turteltaub talks tackling the marine predator genre with 'The Meg,' working with China and why Jerry Bruckheimer.

Chapter 9 : BestReviews - Never Settle for Second Best

Who wants to make the second-best cookie? If you've tried my "Worst" Chocolate Chip Cookies, you already know that cookies don't get better than that one. There's a reason my video for that recipe has been viewed over 8 million times and I get dozens of e-mails and comments a day about it.