

REVISIONS TO THE THEORY OF THE FIRM;
A Survey of Theoretical Literature

By
RANGOPAL, K.

REVISIONS TO THE THEORY OF THE FIRM :
A SURVEY OF THEORETICAL LITERATURE

Dissertation submitted to .
The University of Poona
In Partial Fulfilment of
The Requirements for the
Degree of
MASTER OF PHILOSOPHY

By

RAMGOPAL, K.

GOKHALE INSTITUTE OF POLITICS AND ECONOMICS,

PUNE 411 004

DECEMBER, 1981

C O N T E N T S

	<u>Page</u>
CHAPTER I INTRODUCTION 	1
CHAPTER II MANAGERIAL DISCRETION : SALES REVENUE PREFERENCE 	26
CHAPTER III MANAGERIAL DISCRETION : EXPENSE PREFERENCE 	56
CHAPTER IV MANAGERIAL DISCRETION : GROWTH	91
CHAPTER V THE BEHAVIOURIST APPROACH.....	139
 SOME REFLECTIONS 	 184
 REFERENCES AND BIBLIOGRAPHY 	 189

LIST OF DIAGRAMS

	<u>Page</u>
Fig. 1 Utility and Profit Maximization of Owner-Entrepreneur	
1.1 If there is no market	25
1.2 If there is market	25
1.3 If intermediate choices are available	25
Fig. 2.1 No-advertisement model of SRM	32
Fig. 2.2 Total Revenue Function	32
Fig. 2.3 Total Cost Function	32
Fig. 2.4 Equilibrium of Revenue Maximizer, with advertisement	36
Fig. 2.5 Input-output Combinations	39
Fig. 2.6 Comparative Statics	39
Fig. 2.7 A Lexicographic Ordering of Sales and Profits	39
Fig. 3.1 Iso-Profit Contours	62
Fig. 3.2 Profit vs. Managerial Utility Maximization	62
Fig. 3.3 Effect of t on s	67
Fig. 3.4 Effect of t on M	67
Fig. 3.5 Excess Staff Intensity	77
Fig. 4.1 The Balanced growth curve	103
Fig. 4.2 Growth-Profitability and iso-valuation lines	111
Fig. 4.3 Growth-valuation and managerial utility. Equilibrium of the growth maximiser....	111
Fig. 4.4 Equilibrium of long-run Profit Maximiser	116
Fig. 4.5 Equilibrium of growth maximiser	116
Fig. 4.6 Equilibrium of S.R.Maximiser	116
Fig. 5.1 Determination of costs	
Fig. 5.2 Equilibrium levels of Pressure and Costs	164

A PREFATORY NOTE

Clarity with succinctness seems to elude a novice sometimes. The more demanding reader is requested to bear with the resulting trade-off.

I am grateful to Professor B.S.R. Rao for guiding me through this work and to Shri N.G. Phadke and Shri S.S. Ambardekar for typing it.

December 1981.

RAMGOPAL, K.