

Specialization in the Pizzeria

	Employee	You
Hours Baking	2:00	8:00
Hours Selling	6:00	0
Pizzas Baked	10	80
Pizzas Sold	30	0
Individual "Earnings"	33.3	56.7

Back to Miller's Pizzeria

- Business is Good
- You decide to expand and hire another employee.
 - You have been waiting on tables and baking yourself.
 - What should you have your new employee do?

Working Alone

	<i>Pizzas Sold per Hour</i>	<i>Pizzas Baked per Hour</i>
	20	10

Output

Hours Baking	5:20
Hours Selling	2:40
Pizzas Baked and Sold	53.3

The Division of Labor

	<i>Pizzas Sold per Hour</i>	<i>Pizzas Baked per Hour</i>
The Employee	15	5
You	20	10

If You Worked Alone

	The Employee	You
Hours Baking	6:00	5:20
Hours Selling	2:00	2:40
Pizzas Baked and Sold	30	53.3

Working Together

	Employee	You
Hours Baking	2:00	8:00
Hours Selling	6:00	0
Pizzas Baked	10	80
Pizzas Sold	90	0
Individual "Earnings"	30	53.3
	33.3	56.7

Why this Result?

- For every pizza sold
 - The employee foregoes baking 1/3 of a pizza.
 - You forego baking half a pizza.

Why this Result?

- For every pizza sold
 - The employee foregoes baking 1/3 of a pizza.
 - You forego baking half a pizza.
- For every pizza baked
 - The employee foregoes selling three pizzas
 - You forego selling two pizzas.

Comparative Advantage

- You have an **absolute** advantage
 - You are better in the kitchen
 - You are better with customers
- But there are **comparative** advantages
 - You in the kitchen
 - The employee with customers

End

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