

Preface

This collected volume brings together seven interconnected papers written over the course of several years, all sharing a common intellectual thread: the economics of manufacturing under conditions of demand fluctuations, fixed costs, and technological choice. The work is deeply inspired by the pioneering insights of John Maurice Clark (1884-1963), whose studies on overhead costs and business cycles continue to offer profound lessons for modern industrial economics.

The central theme of this collection is the relationship between cost structure (fixed versus variable), pricing mechanisms (short-run marginal cost pricing versus workable competition pricing), and the amplitude of business cycles. Using simple numerical models and thought experiments, the papers explore how different plant technologies—high fixed-cost versus low fixed-cost, flexible versus inflexible manufacturing systems—affect industry equilibrium, capacity utilization, consumer surplus, and the stability of output over peak and off-peak periods.

A recurring finding, which may surprise some readers, is that higher fixed costs can actually reduce the amplitude of business cycles, while a reduction in fixed costs (even without changing minimum average cost) may lead to wider output fluctuations. This positive aspect of fixed costs is a direct implication of the models presented here and stands as a counterpoint to conventional wisdom that views fixed costs solely as a burden.

Another key contribution is the defense of John M. Clark's concept of "workable competition" against the welfare-theoretic ideal of short-run marginal cost pricing. Through numerical simulations, the papers demonstrate that workable competition—which raises prices in off-peak periods and lowers them in peak periods—can increase expected consumer surplus, especially when peak demand is relatively elastic and off-peak demand is inelastic.

The papers also address contemporary issues such as globalization, transfer pricing within corporations, and the adoption of flexible manufacturing systems (FMS). In an era of rapid technological change, trade disputes, and persistent

underutilization of manufacturing capacity, Clark's emphasis on maintaining adequate capacity to meet peak demand—even at the cost of regular idle capacity—remains strikingly relevant.

I am grateful to Ariel University for providing a supportive research environment, to the editors and anonymous referees of the journals where these papers originally appeared (including *Economic Modelling*, *Modern Economy*, *Cost Management*, and the *Eastern Economic Journal*), and to my colleagues and students who engaged with these ideas over the years. Special thanks go to Paul Kleindorfer, Robert Brent, Dominick Salvatore, Eytan Sheshinski, and Yekutiel Drori for their valuable comments on earlier versions.

It is my hope that this collection will serve as a useful resource for economists, management accountants, production managers, and students interested in the micro-foundations of business cycles, the economics of overhead costs, and the strategic role of pricing and technology in manufacturing.

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