Economics

Client Name

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3dq1

Under the circumstances when a firm is not able to meet a break even for its sale i.e. not even getting back what it invested in the first place, the firm is at a severe loss. The firm must at that time recognize if it can do a cost benefit analysis and meet the supply to demand ratio all the while mitigating its losses. If it sees that such losses can never be reimbursed, the firm should shutdown. (Frank, 2004; Goggans, 1965)

3dq2

The concept of economics teach us about a notion of market saturation. As the offered products and services by a company grow higher on the demand curve, their substitutes start appearing in the market. These substitutes offer additional services and features at a much lower cost more than often. Hence, the intensity of competition and the tendency of customers to switch assert to a higher degree of market saturation. As market saturates, if the offered product or service has no competitive advantage over its substitutes, the product matures and soon its value goes to zero with no demands from the buyers. (Barney, 1986; Frank, 2004)

4dq1

The economists put a direct emphasis on efficiency when it comes to shaping public policies as efficiency ensures that resources are used in a most optimized manner. A perfectly efficient market would take any decision with a cost benefit analysis and divest its current resources in a most profitable manner to ensure that none of the limited resources are wasted. (Frank, 2004; Goggans, 1965)

4dq2

The important characteristics held by imperfectly competitive companies include

* A very large number of businesses producing different products.
* All those businesses are not about the same size.
* They all have different cost of production.
* They do engage in advertising because customers don’t have perfect knowledge and the product most advertised gets an advantage by retaining its image in customers mind. (Barney, 1986; Peteraf, 1993)

5dq1

The alteration in any prisoner’s dilemma may take place if one realizes that they are playing the game not only for a small span of time or a limited no. of days but forever. The lack of a desire to play the game in the long run with the same partner can cause parties to lose interest and one side will choose to surrender over the other. (Nowak & Sigmund, 1993; Rapoport, Chammah & Orwant, 1965)

5dq2

Research shows that negative externalities take place when a product or service consumed by one party causes detrimental consequences to another party. An example of this in our everyday life is the air pollution caused by every day transport and vehicles. Each vehicle omits different gases like carbon monoxide and carbon dioxide and harm the environment causing immense global warming and adversely affect the population. However, since the products are sold between customer and seller, the third parties can do nothing about it. Similar is the case with smoking. The smoker inadvertently effects the people sitting next to him (via passive smoking) and third parties can do nothing about it. (Reisinger, 2004; Tybout, 1972)

5dq3

The discussion by Robert Reich shows that the income disparity in US has always been gregarious however, the increase in the poverty gap has always been in the favor of the 1% of rich members of the society sitting at the top. Even though such proposed policies entail that the poor would gain health and other benefits, they only receive a minor chunk of these profits and the aim to create a balance between rich and the poor fails miserably. (Gustafsson & Lindblom, 1993; Hall & Patrinos, 2012)

6dq1

This may be a good investment even though he is unable to afford monthly payments owing to two reasons. The first one refers to the phenomenon of asymmetry of information. The fact that only the holly wood film producer knows that he is unable to make payments, but other parties don’t is a huge advantage for him. A Porche would give him a marginal benefit by announcing his position as a potentially successful producer in the long run which would aid him get more fan base. (Miller & Rock, 1985; Sharpe, 1990)

6dq2

Asymmetric information is a phenomenon which occurs when one party has more information than the other parties in any business transaction. For instance, if a potential person A is selling his home way below a market price for 1.5 million dollars and the other party readily agrees. Person A knows that the house will soon be taken by the government since the land comes under their jurisdiction and is illegal. This gives person A an investment advantage. (Miller & Rock, 1985; Sharpe, 1990)

7dq1

Many people have this unrealistic goal of achieving zero car accidents. That is never going to happen whilst we have humans controlling the vehicles and potential mechanical failures that may cause the automobiles to careen out of control. The socially optimal level takes into account a percentage of inevitable crashes, but aims to limit that number. For example we can install a breathalyser device in every car so that drivers cannot be drunk behind the wheel. Whatever methods we employ to minimise accidents and especially fatalities, driver education is key. (Lee, 2002; Neckermann, 2015)

7dq2

Progressive tax is a tax culture in which the redistribution of income is taken into consideration. It means the rich pay more tax as compared to the poor. Such arrangement is made in form of your Income and hence there are slabs according to which you are taxed. Example of such taxes are Direct Tax. (Diamond & Saez, 2011; Roberts, Hite & Bradley, 1994)

8dq1

Ethics can be defined as “moral principles that govern a person's behavior or the conducting of an activity.” Ethics plays a positive role in shaping our society since it not only influences the society but every person individually. Ethics can serve as a guiding mentor to shape our decisions into morally sound and good ones which would contribute positively to the society and promote individual wellbeing. By following ethical principles one can make sure that each individual is given their due rights and they are not usurped. By making use of ethical principles and a good managerial style of leadership focused on problem solving, I would lead my organization to success. (Koppenjan & Klijn, 2004; Trevino, 1986)

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