The Ethics of Big Data

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# Principles of microeconomics and demand impact

Markets are a good source for organizing economic activity according to one of the basic principles of microeconomics. Big companies like Facebook, Google, Microsoft and other small companies gather the personal data of consumers in order display items of their preference (Martin, 2014). People respond to incentives, another microeconomic principle, data of income, personal preferences, geographic location and behavior of the consumer is collected in order to utilize it for market activity. Demand for big data will go up as companies believe in more is better and this include gathering more and more of consumer personal data but the demand of consumers can be affected if their insecurities are not addressed properly by companies.

# Evaluation of different market structures

Big companies gather every kind of personal data of the consumer like illnesses, pregnancies and other private data which can affect the image of the company. A similar case happened with Target in the year 2012 so it can be inferred that the more is not always the better (Martin, 2014). Benefits from big data can be achieved by using specialized tools like logarithms to aggregate people preferences and purchasing behavior. This method would help big companies to save time and data of the consumer would be more protected.

# Concerns for consumers as big data proliferates

Concerns of the consumers are on a rise along with the proliferation of the big data. Consumers are highly concerned of their identifiable data, as it is not protected and in the hands of even unsanctioned companies. Consumers are concerned of their personal data being used against them by unsanctioned companies and the most critical data of consumers like their religious, sexual and political preferences.

# What purpose do barriers to entry serve

Barrier to entry in any industry is the economic strategy regulated by the government in order to protect the existing industries from competition. This also protects inferior products being distributed in the market. As there is no competition then prices can be determined on monopolistic bases and would help government increase and decrease prices of certain products

# Barriers to entry in pharmaceutical industry

General barriers to entry in a pharmaceutical industry include research and development cost of certain drug, secondly it is difficult for new manufacturers to compete with companies already manufacturing at economies of scale. Thirdly brand name recognition also plays a vital role as consumers do not prefer buying a drug from a new brand they have least known. Lastly there are artificial barriers to entry which include approval from Food and Drug Administration which usually takes more than 17 months in the United States

# Should Drug Patents be extended

Patents are granted for 20 years but FDA approval takes more than seventeen months so technically the patent lasts for 12 to 14 years. It is advisable to extend the patent to 20 years after FDA approval. This would help in restricting infringement of generic drugs and companies with patent would be able to cover their research and development cost on the drug.

# Costs and benefits from the extension

The benefit of extending the patent period to 20 years would help the industry from generic entry and price competition as pharmaceutical companies gain a patent for 20 years but due to FDA approval procedure the time is cut into 7 to 12 years and the extension would compensate for their research and development costs (Dohm, 2007). The extension would cost a delay to generic drug industries in case of extension

# References

Dohm, J. (2007). Expanding the Scope of the Hatch-Waxman Act's Patent Carve-out Exception to the Identical Drug Labelling Requirement: Closing the patent Litigation loophole. *University of Pennsylvania Law Review, 156*(1), 151-196. doi:10.2307/40041367

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