

# Essay on microeconomic events

[Economics](#), [Microeconomics](#)



Several events have taken place in various parts of the world. Most people do not analyse them but just hear their impacts. Anything to do with households has some aspects of economics. Economic analysts, reveal that, the events are highly associated to microeconomics than macro-economics. However, high intensity of macroeconomics' impact means indirect microeconomic impacts to the households (Backhouse, Roger, & Steven, 2009).

The economic theories explain the impacts of these events in relation to their causes. For example, it is of interested concerning the the theories that had influenced the occurrence of world events such as depressions and recessions. All these events are economic in nature, and the use of microeconomic principles may explicitly explain the occurrence and the results. The households and firms majorly oscillate around production and consumption. The two consequently leads to factors surrounding price and costs. The major economic theories usually focus on the two as the primary influences of world economic order (Backhouse, Roger & Steven, 2009).

#### - Anti-Dumping

Most economists neglected the topic of anti-dumping occurrence for so long that academicians just rediscovered the phenomenon in the last three years. However, anti-dumping had existed since 1800s when some countries experienced under sales to the foreign countries and vice versa. The underselling of the products led to dumping and mass wastage of produced goods. The world felt the need of controlling this occurrence; Canada was the first country to introduce anti-dumping law in an effort to control the event that had harmful to the economy. The United States followed the suit in 1916

when the event was very disastrous to domestic producers (Baruah, 2008).

This paper seeks to discuss anti-dumping in relation to economic theories or principles. Products are regarded dumped if they are imported or transferred at dump prices from the exporting country.

For instance, when products imported into the United States with lower prices than the prices they are sold within the domestic country, then the product is dumped into the U. S. The level of trade matters since it has to be same in order to enhance comparison. However, it is important to note that, there should be material injury or damage to the home/domestic industry in the product dumped the country for the case of anti-dumping to arise (Cadot & Tumurchudur, 2009).

Meta-analysis of 10 studies associate normal value of products to ex-factory price of products when discussing dumping (Baruah, 2008). The ex-factory prices are the price of commodities when they leave factory gates. The price or cost does not include/entail the costs of distribution, the distributor's profit margins and any other tax that might be imposed on the product as it moves to the consumers. As a result of this necessary deductions are made at the final selling price in the importing and exporting country before the comparison is done.

Dumping emphasizes on the fluctuation of demand that creates demand uncertainty for products. In addition, the existence of short run adjustment costs makes it costly for the producers to change or vary the output upwards. For instance, such conditions arise in the steel production industry and in the chemical processing industry where the sizeable costs arise from the production processes (Cadot & Tumurchudur, 2009). The difficulties in

expanding the plant results from uncertain fall in demand. The impacts of this force the sellers or producers to sell output in the years of the declining demand to the overseas markets at a price meant to sufficient to cover for the variable costs. The dumping impact to the importing country is what the anti-dumping policies arises to curb (Cadot & Tumurchudur, 2009).

Baruah (2008) argues that, the growth of anti-dumping assist in product tariff liberalization (Baruah, 2008). When the tariffs are lowered, the more they are bound by international agreement. Most countries use it to protect the domestic industries that dumping has material injury on. The WTO offers rules that guide antidumping to avoid compensations to be made by the trading partners. According to Cadot & Tumurchudur (2009), the dumper relatively benefits from the closed domestic market since if that were not the case, it could defend its dumping action by simply re-importing the commodity back to the country's home market (Cadot & Tumurchudur, 2009).

The un-fairness is derived from the asymmetric market access which is the result of international trade liberalization. The marketing segmentations result from the several legal and obstacles implemented to avoid dumping of products. The factual barriers may include elevated duties, non-tariff obstacles to trade as well as the cyclical differences and transportation cost (Cadot & Tumurchudur, 2009).

In conclusion, the anti-dumping instrument is a tool used by both the developed and developing countries. It is backed with the economic theories of production and demand. Most scholars associate dumping to declining demand and uprising fixed and variable costs. Even though, some studies

reveal anti-dumping instrument weaknesses such as lack of strong economic base or principle, it remains the most accepted means through which World Trade Organization controls the imperfect markets in the world. It acts as a remedy to control the dumping.

#### - Russian Cars

The Russian Motor industry had declined in output and profit realization to the changing trends in the industry. However, its revival is owed to Mr. Anderson, who was recruited by Oleg Deripaska to see things work for the GAZ Group. The former manager had utilized hemorrhaging billions but failed to produce successful new vehicles due to the industrial behemoth. Currently, the Soviet-era factories are recovering with new life based on partnerships. According to Lukas (2013), sales grew by 30% in 2010, 39% in 2011 and lately 11%. The rise of sale is reflected on the oil rich economy that has expanded the demand for vehicles in Western Europe (Lukas, 2013).

Moreover, he fixed tough policies to curb corruption to avoid consumption of the company resources. The hidden meaning of this is to make sure every unit of input realizes an output without wastage. The competitive Russian market required the company to change its focus to commercial vehicles and lure other foreign auto giants to use its assembly lines (Lukas, 2013).

Nevertheless, the keen manager checked the global supplier performance regularly to ensure they perform. He closed down the production of the in house cars since their demand in the world market was slowing down and at the long run could cost the company.

Even though, most economic analysts base the rapid growth in the profit of

the company to the government contracts and interventions; Mr. Anderson is to be credited for the application of economic theories to revive the company. By the early 2014 or end of the year 2013, the firm was expecting to post a par tax profit since the start of the financial crisis. Nonetheless, it is also significant to note that, the rapid profit realization could also have been attributed with the government interventions such as the state imposed scrappage fees. The low costs incurred in the production again could have contributed to performance regardless of Mr. Anderson's effort (Lukas, 2013).

In conclusion, the motor company manager used economic theories to solve the company problems despite the financial crisis and the competitive auto industry market. The company bought second buses from Korea and Germany to simply reduce competition that would arise in the auto industry market.

#### - Beer Markets Globalization

Even though, most analysts dispute the fact of having an international brand, Budweiser beer is on the verge of making it happen by widening its market all over the world. The advertisement of this 137 year old brand is all over trying to sway the consumers to embrace it instead of other brands. The company targets China with almost every restaurant serving this beer. Competing to triple the legendary success of Coca-Cola in China, the company established a brewery in Ziyang to produce and supply the Bud beer (Mike, 2013).

The bold move to china might see the company experience drastic growth since China has a consumption population. Though the consumer habits are

pro local brands, but the company experience some change of attitude towards its brand and the brands from Poland to Japan, across the world. The beer is distributed in heavy glasses that are not perishable and fairly good to the locals.

The company had massive mergers in ambition to achieve its expansion missions. However, some challenges such strict rules of advertising that makes Bev to weak its slogans while advertising. According to Mike (2013), the company has over 50 trademarks disputes in various countries. In china, the company is faced with bad pollution and traffic jams that affect supplies and distribution problems. Nevertheless, the laws are also tight too in China where words like No. 1 or best are restricted (Mike, 2013).

Since the company knows the share of the market occupied by local brands, it has maintained producing local brews in Germany and Brazil. However, some studies give this effort doubt by arguing that even with an aggressive marketing still there is emotional resonance by the consumers with almost all the beer brands. Mike (2013) notes that, there is open space for international brands to invest in. The competition from other ventures like Snow faces the King Beer ability to penetrate the market. Even though, the company faces these challenges it has some advantages. It brews the beer from rice that gives it a mild taste attracting most consumers. Again the color of the beer is red that is same with China flag; this makes the beer to be favorable among the Chinese consumers (Mike, 2013).

In conclusion, the application of microeconomic principles such as mergers make the company's strong to compete others. In addition, principles such as aggressive marketing by advertisement enable the company to increase

its market share. Nevertheless, international companies establish the production plants in host countries to reduce transport costs and logistics involved in the distribution.

#### - Airlines Fewer, Profits High

The American airline industry/sector has experienced/witnessed many hike ups to survive in the current competition in the industry. The multiple liquidations, bankruptcies and loss of billions of dollars have faced the airline industry. In addition, self-destructive strategies adopted to cope with inefficient labor contracts and rising costs curbed the industry from experiencing growth and profit maximization (Susan, Jack, & Mike, 2013). The expected merger that is to occur is expected to stabilize the industry with analyst forecasting an increase in profit margin. The troubled industry is expected to revive at an alarming rate. Susan, Jack, and Mike (2013) argue that, this merger could rise to the world largest airline. Moreover, the prospects of sustainability profitability are expected by customers being left with no option to choose from. In addition, the potential benefit of the merger could result in reliability of airline investments. Some economic analyst predicts the traded airline passengers to be profitable with reduced costs of operation (Susan, Jack, & Mike, 2013). The United States airline industry expands to compete fairly with other airlines. However, some analyst expects the U. S. airline fares to hike dramatically due to the merger. Furthermore, the competition may remain intense with the 37% domestic carriers of passenger airlines. According to the government data, the rise may result from the inflation (Susan, Jack, & Mike, 2013).

Some studies on Airways reveal the importance of this merger to application



of economic theories in reducing cost to operate efficiently. The inefficiencies out of the old system may excite people about the consolidation. Susan, Jack and Mike (2013) notes that, larger carriers are likely to thrive well compared to the smaller carriers. Furthermore, the consolidation could be very good and significant for the business.

According to Susan, Jack and Mike (2013), the merger Airline would be more efficient in meeting the travel demands. The wave of consolidation would block newcomers into the sector thereby hindering competition. The larger capital required again will deprive the newcomers the opportunity. However, the largest hazard that could arise is the elongated working hours for the laborers though this could be mitigated by shifting of pilots continuously (Susan, Jack, & Mike, 2013). The working unrest can be solved by flexible labor policy that could see the pilots on board at different times.

Nevertheless, the mergers in the past have proved difficult to implement in the past. The execution risks are usually high with no merger partner wanting to bear the risk (Susan, Jack, & Mike, 2013).

In conclusion, the economic principles applied in this case are the creation of market by killing competition through mergers. When two companies merge, the cost of operation is reduced, and profit is realized through the efficiency costs. The merge widens the market. However, the prices may go up since the merger act as a monopolist in the market by hindering the newcomers.

## **References**

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