

# Macro econ



**ASSIGN  
BUSTER**

Instructions: Unit Assignment 2 Assignment Type: Discussion Board

Deliverable Length: 3–4 paragraphs Points Possible: 50 Due 5 11: 59: 59 PM

Proponents of free market systems argue that free enterprise leads to more efficient production and better response to changing consumer preferences.

Others point to the fact that markets are not perfect. Consider both

viewpoints and respond to both sides of the issue with your viewpoints. In

your own words, please post a response to the Discussion Board and

comment on other postings. You will be graded on the quality of your

postings. For assistance with your assignment, please use your text, Web

resources, and all course materials. Proponents of the benefits of free

markets argue that markets create “ efficiency” in the distribution of goods

and services. A great example of the increased efficiency in distribution by

increasing the scope of market mechanisms is the impact of internet

markets in used goods, such as Ebay and Craigslist. Items that might have

once only been able to be resold for rock-bottom prices at garage, garden

and stoop sales are now valued in a more universal fashion as they find a

wider potential market on the web. Items which might be of interest to only a

very few people can be much more easily located by these select few

customers. In both cases, the consolidation of many small markets into a

single large one increases the efficiency of valuation and distribution. On the

other hand, the stock market has provided of the pitfalls of market

mechanisms, which has fuelled criticism of markets. The ongoing economic

recession was launched when market speculation in real estate caused

inflation of home prices and created incentives at every level of the market,

from real estate agents, to mortgage brokers to stock sales to sell and buy at

prices far beyond the value of the properties or homeowners ability to pay.

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This resulted in a chain of economic collapse moving from real estate to banks to insurance companies. The impact of these perverse market incentives are still being felt in sluggish growth world-wide. These two examples provided suggest that the apparent efficiency of markets can be judged differently over different temporal scales. In the short term, markets, and increasingly large markets are efficient on their own terms at providing goods and services to those most able and willing to pay for them. On the other hand, a century-long view of market mechanisms globally suggests that markets are prone to episodes of speculation, crisis and collapse as in the Great Depression and the current economic crisis.