

# How people make economic decisions



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Principles of individual decision-making Informed consent- this principle aims at safeguarding individual's autonomy in decision making mutually in treatment and research setting. Informed consent is composed of: individual's competency in making and communicating a decision on her/his behalf, no element of coercion and all the relevant information to the anticipated research or treatment is disclosed to the person (Facione & Facione, 2007).

Best Interest- this is a principle of performing to the best interest of individual's well-being, welfare and health. The principle's outcome depends upon determination of the best interest.

Substituted Judgment- this is a question of how a particular decision is depending on how individual may have decided if she/he was totally competent. Personal autonomy following individual's wants or preferences is of a priority value.

Incentives matter-This principle involves considering other potential incentives that are available to an individual before arriving at a particular decision that he/she will pursue.

The decision to quit from my employment position as a senior accountant and engaging into private practice which involves offering auditing services. This decision involved comparison of marginal benefits and marginal costs associated with it.

Marginal benefits

Establishing the auditing firm would offer me a better chance to exploit and realize my potential in the real world as I won't be tied to very stringent policies as those of my firm can oftenly be amended at will and hence more flexible. In case the auditing firm became a success, it would generate <https://assignbuster.com/how-people-make-economic-decisions-essay-samples/>

profits that would surpass my previous income by far. This will create more time for me to pursue my own ambitions including working extra hours. Being my own boss is more satisfying and assuring in terms of mutual growth as the firm grows. It was easier for me to grow up the rank in my own establishment to the post of a CEO as opposed to my previous employment.

#### Marginal costs

Large capital and other resource requirement required to kick-start the auditing firm. Conforming to the legal requirements (rules and regulations) of the state and regulatory authorities required for the auditing firm to be operational. Losing the job security that was attached to my previous employment and starting an auditing firm whose success was not certain. Losing maximum retirement benefits attached to my previous post and whose contribution was being done by my employer.

#### What incentives could have led you to make a different decision

If a chance was offered to me to participate in decision making process in the company.

If the company introduced employees shares ownership plan (ESOP) which would provide me with a chance as one of its employees to own part of the company. If the company undertook the promotion of employees based absolutely on merit especially on performance.

Explain how the principles of economics affect decision-making, interaction, and the workings of the economy as a whole.

The principles of economics affects decision-making in that all decisions arrived at should seek to maximize the possible benefits and minimize the costs/drawbacks associated with them and thus they can be said to be economical. The interaction of the various decisions made should also be

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optimal i. e. for the better; this implies that the decisions arrived at should not be conflicting. The economic principles guides the economy to maximally utilize its scarce resources and minimize its costs so as to reap maximum benefits as hence attain economic growth (Seager, 1999).

#### References

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