The factors in economic boundaries

Literature, Russian Literature

According to Samuelson and Marks, one important factor affecting economic boundaries is the knowledge of international trade. In order for firms to compete globally, it is important for managers to understand the nature of global markets (244). Competition is worldwide, and therefore it is imperative that companies understand the kind of goods and services that can give them a competitive advantage over other global industries. In addition, the productivity of labor can also affect the economic boundaries of firms. For example, industries with limited labor generally concentrate on producing basic commodities, while those with high expertise focus on producing advanced goods and services. Thus, the availability of labor affects the cost of production, which in turn re-defines trade (Samuelson & Marks, 245). In global markets, the prevailing exchange rate is as well important when computing the cost of production, because it ultimately influences the costs of exports and imports (Samuelson & Marks, 246).

Another important factor is the competitive market condition. Indeed, one of the aspects managers consider when making decisions is how they can compete within markets. Depending on market environments, they consider factors that can cause barriers to their entry or even affect how they establish their prices. In a competitive market environment, for example, organizations have to consider the number of firms in the market, how prices are established, and if they can have control over them (Samuelson & Marks, 281).

Finally, the application of e-commerce and technology are significantly re-defining trade in many areas, particularly cost economies. These methods facilitate customer increase because they have the potentials to reach a large population, and also offer a variety of online services, which ultimately leads to cost savings for the firms (Samuelson & Marks, 251).