

Eco100 discussions

[Business](#)



Price discrimination has several advantages as well as disadvantages in any company using the method. The first advantage is that price discrimination enables some firms to increase its revenue and, therefore, be able to remain in the market.

An example is a train firm that needs to provide peak and off peak prices. Some consumers will be able to take advantage of price discrimination and hence companies may build brand loyalty by offering lower prices to some needy consumers. The company will also be able to use revenue generated to develop other areas. However, there are still some disadvantages. First, consumers who may benefit from this may not necessarily be needy. The company is also faced with increased administration cost as well inefficient allocation of prices.

Price cutting as a marketing strategy is not effective since its effects are long-term. Although people will rush to acquire goods at a discount, there will be a lasting impact since this result in killing brand name. People will see a company's brand as cheap! Expensive brands are always viewed as higher quality than cheaper brands. GlaxoSmithKline Company has faced a decrease of close to 10 per cent in its revenues due to imposed price cuts of its drugs. I agree with Adam Smith that, in any given market structure, a monopolist would charge the highest price. This is the case because a monopolist can manipulate the market as he wishes due to lack of competition.

A monopolist can create a shortage of goods in order to increase its prices. The quality of commodities can also be low but charged higher prices since

there is no competition. Considering the current economic environment, software developers and insurance companies are set to prosper. Increased economic uncertainties lead to increased insurance subscription as well as purchase of computer software. Manufacturing and merchandise business are expected to fall down in their production.

This is because of increased cost of production, especially in developing countries. From the e-article, it is not clearly expressed whether Apple is stifling competition. This is because it has a valid claim of how other companies are infringing in their product patents. However, an argument may also arise that shows that Apple is stifling competition since it is trying to impose monopoly over other IT firms such as Samsung. Firms in an oligopoly market act interdependently. These firms are mutually interdependent since each firm considers reaction of another firm while adjusting prices, output and product lines. This means that demand for one of the firms will strictly depend on action of rival firms. Therefore, success depends on effective assessing of rival's response.

From the e-Activity article, lemon law is significant in terms of protecting the consumers against faulty goods. While comparing the state of Maryland and Texas, it is evident that Maryland has a better consumer protection than Texas. This is because it offers a fixed deadline on the manufacturers to respond to consumers demands. It also offers a larger mileage than that of Texas in order for it to be removed from the lemon law rule. Texas should improve on their charges on the application form.

Texas imposes a charge of \$35.00 while Maryland does not charge any fee. Assuming that Groucho wants to join a social club in order to associate richer people than he is, and he develops an assumption that other people are joining the club having the same reason. A social club will invite him to join it only if his impact would be to increase its average income. Therefore, it is likely that Groucho will be invited in a group in which he is richer than other people in the club.

This same reasoning could be applied if Groucho wanted to be associated with brighter people, and he assumes that other people have this same feeling. Automobile insurance helps to indemnify a motorist in case his or her vehicle has been befallen by a risk which the vehicle has been insured against. These risks may involve accidents, theft as well as fire. Automobile insurance may encourage risky behaviour since motorists assume that the insurance will pay for any dangerous occurrence. Therefore, motorists need to be taught about risky behaviour while using their vehicles in order to avoid such occurrence.

Tax approach to pollution reduction could be a better approach than imposing physical restrictions to a particular company. This is because; companies usually want to reduce their expenditure and running costs as much as possible. Therefore, companies will try to avoid tax imposition and instead resort to pollution reduction. This will help reduce pollution in a greater amount compared to that obtained by imposing physical restrictions. Free riders are those who consume more than their fair share of a resource.

Not-for-profit organizations. In addition to the mentioned ways, not-for-profit organizations can use community of practice for monitoring decision makers in the society. They will ensure that there are no free riders in an organization. Another technique that can be used is that of reducing free riders incentives. Positive and negative externalities are those effects of a decision by a consumer and a producer that has an impact on a third party. Positive externalities have beneficial effects on third parties while negative externalities results in costs being incurred by third parties.

Positive externality may arise when one party conveys directly a benefit to others such as additional business generated by a new store from existing shops. On the other hand, negative externality may arise when one party imposes a cost to others for instance, a business taken a way by a store from an existing shop.