

# [The power of markets: who feeds paris essay](https://assignbuster.com/the-power-of-markets-who-feeds-paris-essay/)

Two basic assumptions that economists make about Individual and firms are that all individuals act in a way to make themselves as well- off as possible. For example, individuals make the best use of their utlllty and skill, so they can earn more money. The second assumption Is that firms always try to maxlmlze the money they earn. For example, If an entrepreneur had two business choices that he could make, he would pick the business choice that he thinks would be more profitable to him. Price is also very significant in the market economy.

If there is less of a product, but more people emanding it, then, of course, the price will rise. If there is more of a product but less people demanding it, then, of course, the price will fall. Also, products, like gas, can alternate the economy tremendously. If the price of gas is high, then people will look for alternatives, such as electric cars, bikes, trains, buses, and smaller, more efficient cars. There will be more people demanding these alternative products and less people demanding gas, bigger cars, etc.

Then, the gas price will fall and more people will start to use bigger cars, less bikes, less bus and train rides, and in turn, the rices of those alternatives to gas will fall as well. It Is a pattern. Incentives Matter: Why you might be able to save your face by cutting off your nose Of you are a black rhinoceros) Incentives matter because Individuals are driven by It. For example, If we are paid based on how well we work, then we would work harder. It is based on the individuals’ interests. Many teachers say they are underpaid.

All teachers’ wages are the same, whether they are terrible at their Job or excellent at it. But people who are excellent at teaching and have good educational skills will probably look for better ob offers because of the low pay of teachers. Unless they love it so much, they have to do it, then most will go find better pay. So teachers who are not as skilled stay in this field. It could be bad, but they are skilled enough to teach students because they couldn’t have gotten this job without them. So Incentives make a huge difference.

There are different types of Incentives though, such as perverse incentives. A perverse Incentive Is an unintentional, unexpected consequence ofa decision. For example, there Is a high school student named Lily. She Is getting bullied dally, erbally and abusively, by a bully named Jack. One day, she comes home crying and finally tells her mother everything. Her mother, thinking it is of Lily’s best interest goes to Lily’s high school and finds the bully in the lunchroom and confronts him. She goes home satisfied, thinking she has solved the problem.

Instead, the bullying grows even worse. More students bully her and make fun of her and the little amount of friends she had has completely diminished. They make fun of her because her mom had to come to the school and talk to the bully and that was athetic to most of the students. Now, Lily is homeschooled and has social anxiety issues. This Is a perverse Incentive that her mom has made. My thought on the black rhino conservation Is that South Africa should make the rhinos less desirable among the people demanding their horns and skin.

Mr. Wheelan explains that black rhinos are endangered but people won’t stop hunting them because of money. Many people are demanding it and the prices are high. So conservationists have tried to but this was also a perverse incentive. Instead, they killed off the ones without horns or the small stump on their head, to use their skin instead, or Just because they didn’t want to waste their time tracking a rhino without the horn that they want. So, I think that South Africa should make black rhinos less desirable without having to cut off their horns.

They should make it so that yes, it is profitable to cut off their horns, but the consequence of cutting it off is far greater than the profit they will be making. Don’t put them in Jail for life because the cost will be even more expensive and more hunters will be after it and you can’t put everyone in Jail, but think of an alternative, ike some kind of species that is overpopulated and make them more desirable or any other idea. Government and the Economy: Government is your friend (and a round of applause for all those lawyers) An externality is when the private cost of a behavior is different from a social cost.

For example, trading a smaller car for a bigger car might be safer and bigger for your family, but you don’t consider the externality of your decision. People could have harder time breathing because of the pollution from the bigger car and the person with the smaller car could die from an accident ecause the car was so small, but you don’t consider such problems when you trade your car and buy an even better one, because it was for your own good and your own decision and nobody can tell you what to do and what not to do.

Government might be good for the economy as well, because of externalities. For example, Mr. Wheeler explains that SUVs cause tons of pollution. He says the private cost of buying such a car is way cheaper than the social one. “ So raise the private cost. ” He says that the government should raise the cost of driving such a car to mirror the social cost and t’s up to the buyer whether or not they will buy this car or not. This was a good example of beneficial government involvement with the economy. Government steps in when the cost of something is cheaper than the social cost.

Also, it not only fixes capitalism and makes it better, but it makes it possible to even have capitalism. For example, the government manages the rules and regulations because countries without it don’t have functioning governments, which, in turn, doesn’t give the country much of an opportunity to create a very good free market prosperity. Government helps the economy much more too. Government and the Economy II: The army was lucky to get that screwdriver for $500 Government is beneficial to the economy but it should also be limited.

Governments that regulate the economy too much and have too much control can also ruin the economy. For example, in chapter two, Mr. Wheelan explains incentives, price, and supply and demand. If the government were to make all the same products the same price, the same quality, and the same quantity then there wouldn’t be competition and no supply and demand. Without supply and demand, there is no competition. Without competition, there is no innovation. Without innovation, who would want to buy the product when there is so much more to offer elsewhere?

This economy would be ruined because the government is restricting it so much and in complete control of it. The “ grabbing hand” is the opposite of the “ helping hand. ” It’s more corrupt for the economy and people. It’s for “ corrupt bureaucrats who try to extort bribes along with government permits and licenses required for an endeavor. ” Economics of Information: McDonald’s didn’t create a better hamburger Adverse selection is an anti- decision. Hope Scholarship on their private information on career plans.