

# [Economic for global decision makers](https://assignbuster.com/economic-for-global-decision-makers/)

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The above table represents a hypothetical economy where t-shirts (consumer goods) and knitting machines (capital goods) are being produced. At alternative A, all available resources are being utilized to produce knitting machines; at alternative E, all resources are being utilized to make t-shirts. A and E are both unrealistic extremes since an economy typically produces both consumer and capital goods as in B, C and D. When we move from alternatives A to E, the production of t-shirts increases at the expense of the production of knitting machines.

Each point (A, B, C, D and E) on the curve is a simulation of the maximum combination of T-shirts and Knitting machines that could be produced given all available resources are fully employed. The points inside the curve represents are attainable, but represents less than desireable output because there could be more of both goods if resources were fully utilized. The points outside the curve represents an unattainable but greater output because of the current availabilty of resources.

From the Production Possibilties curve, we can assume that more T-shirts mean fewer knitting machines because to produce more units of t-shirts, more units of knitting machines have to be compromised. As we move along from points A to E, we realize an important economic principle- the law of increasing opportunity cost. According to this law, the opportunity cost of each additional unit of t-shirt is greater than the opportunity cost of the preceding one and that the extra or marginal benefits that come from producing t-shirts decline with each successive unit of t-shirt.

The optimal quanity of t-shirts will therefore be when marginal benefits equal marginal costs. Answer#2(A) Right now there are more than 99, 000 pieces of loose, natural diamond on sale on eBay. Vigorous competition between firms is the lifeblood of strong and effective markets. Competition helps consumers get a good deal. It encourages firms to sellers to offer the best price along with the best product and service. Competitive markets exist when there is genuine choice for consumers in terms of who supplies the goods and services they demand.

Competitive markets are characterised by various forms of price and non-price competition between sellers who are bidding to increase or protect their market share. When there are more than one seller in a specific market, sellers start cutting price just a little bit lower than one another to get most of the business. This will cause a price war until each seller is pricing and producing at the point where average costs are at a minimum and neither firm ears profit; cost equals revenue. As more and more sellers enter a market, the price becomes more and more stable.

For a good like diamond that is the same no matter where you buy it, the price is the same globally because if a seller priced higher, it would loose all its business. In short, competition causes the price for a good to be such that firms do not earn profit and the price lies at the value of a perfectly elastic demand curve. There is competition among buyers because people are looking for the best deals on the most commonly used items. Places like eBay allows consumers to name their price to obtain their most prized items. Bidding on the item can boost the revenue that is made from the item when several people want it.

One valid argument raised by the opponents of human organ trade is that it can favor the wealthy and affluent patients who can afford such an expensive item like a human organ. However, the wealthy will not be the sole beneficiaries of the policy of organ purchase. For each successful kidney transplant, valuable hours will be left vacant on a dialysis machine. The expense of palliative care for an individual requiring a transplant surgery will be eliminated. In addition, it is the basic right for one person that the seriously ill will be entitled to spend money out of their own pocket for trying to save their own lives.

It is preferable that some individuals receive organs and survive, than none at all. Moreover, economically, the 6th rule of macroeconomics implies that a free market is the best way to establish smooth organ trade, in which the supply of organs matches the demand for organs at a reasonable price as opposed to steep price in the black market (Mankiw, 2009). Thus, legal organ purchase can make transplanted organs more reasonable, benefitting the less fortunate patients for whom money is an object.

On top of the argument associated with the disadvantage of poor and the less fortunate in a free organ market, there are also claims about the negative effect on developing countries as the black market of human organs flow in hardly one direction- from the developing to the developed countries. Nevertheless, the embargo on organ trade has ripped the indigent people of these developing/ poor countries as they helplessly sell their body illegally to organ traffickers where the price is much lower than that paid by the patients later.

WHO, the World Health Organization, believes that brokers repeatedly charge between US$100, 000 and US$200, 000 to arrange transplants for wealthy patients, while donors, being impoverish and uneducated, receives as little as US$100o for a kidney. On top of that, even the most impoverished person will not choose to donate their heart or lung to die. Neither would a surgeon be prepared to conduct such a surgery. Yet, both kidney and a piece of liver can be removed without significant detriment. Thus, it is quite understandable and natural if someone donates an organ to save another life and get monetary compensation for the valuable donation.

The final argument made by the protestors, stem from the feat that by allowing free trade of human organs, they may cause thefts of organs of deceased people, to be sold through the black market. in fact the black market, which for a long time has gone without being regulated, will be banished once the sale of organs become legal. Furthermore, a successful transplanting surgery depends upon the knowledge of the vitals of the donor. Therefore the origin of the organ must be known. In this sense, it seems that there is no chance of theft of human organs as it cannot ensure a reliable source.

In short, legalizing organ trade automatically destroys the black market and the so-called theft and hence facilitates buyers and sellers into trading at a legally reasonable price. Only until the development of technology that can enable humanity to create artificial human organs, the debate on purchasing human organ can conclude. However, in the mean time the free organ market seems to be the best solution to this issue, which can shorten the discrepancy in the waiting list of patients and that of donors.