

Part 1 (Eight entries)

1. How employable high skilled human resource migration is beneficial for everyone?

Skilled immigrants prefer long term economic gain over short run accounting profit, they precisely judge their demand, which is relatively inelastic in domestic countries due to excessive availability of skilled resources, where in developed economies demand for similar skills is relatively elastic due to lack of domestically available resources this leads to higher pays as incentive to attract them.

Impact on exporting economies is mostly positive, as those resources are likely to become additional source of foreign remittances to improve their foreign exchange reserve, also in a way, this will somehow slightly reduce the unemployment rate, as other unemployed individuals fill the vacant positions.

Impact on resource importing economies is also incredibly positive here because these new immigrants will not only contribute towards GDP but also make their contribution in tax revenue.


According to critiques, in short term those immigrants are not favourable for domestic workers due to population growth, which increases the demands for good and result in higher consumer prices, but in long run these immigrants lead to more opportunities, jobs creations and higher wages, this advantage is higher than the short-term trade-off faced by local worker.

In another way we can say that there are more people acting as “suppliers and buyers” in the market than before to increase the overall welfare, any domestic seller will now have more consumers to serve where, domestic consumers will now have more options available to select from.


This journal entry focuses on the skilled resource category which by far results in net positive economic benefit, other categories such as low skilled resources, refugees, and illegal migrants. are not in this scope which may incur social cost that will function as a negative externality for existing market participants.

2. Why can't reserve bank print more money to pay off debt and make everyone rich?

This idea sounds very fascinating, but when we consider the economics around this phenomenon, it seems to be a very bad choice to make. Let us imagine a country where there are only three people living and only 90 kilo of wheat is available for these people to consume, initially the net currency in market is \$ 900 as printed by reserve bank enabling those people to buy wheat for their consumption, quantity bought by these people can be seen in the following table.

<i>Year 2022</i>	<i>Bank balance</i>	<i>Quantity bought</i>	<i>90 KG</i>
<i>Amma</i>	\$500	50 Kg	 <i>\$10 / Kg</i>
<i>Ella</i>	\$300	30 Kg	
<i>Anthony</i>	\$100	10 Kg	

In 2023 reserve bank decided to double currency, by allocating additional equal amount to everyone, but since we have a fixed resource to be allocated among the masses therefore the rates that rice will now be traded will also get doubled too "invisible hands" leaving everyone with no benefit as shown

<i>Year 2023</i>	<i>Bank balance</i>	<i>Quantity bought</i>	<i>90 KG</i>
<i>Amma</i>	\$500 + \$500 => \$ 1000	50 Kg	 <i>\$20 / Kg</i>
<i>Ella</i>	\$300 + \$300 => \$ 600	30 Kg	
<i>Anthony</i>	\$100 + \$100 => \$ 200	10 Kg	

In above two tables we can see that printing money has brought no change to the buying capability of these individuals however it has contributed excessively towards the inflation and will decrease the value of currency itself.

Unintended consequences

- People who don't have ongoing income will become poorer and will not be able to survive
- People will tend to exchange their currency with more valuable currency which will further depreciate the value of domestic currency
- Buyers will prefer to stock resources because, they know the prices will be higher tomorrow
- Suppliers will prefer to limit their supply and prefer to sell their products in later period, as the prices will be higher, and this will result in shortage.

With this example we can conclude that increasing the resources is the best option here to raise the overall welfare and currency printing isn't the solution to this problem.

3. What are the impacts of organ sale in free market?

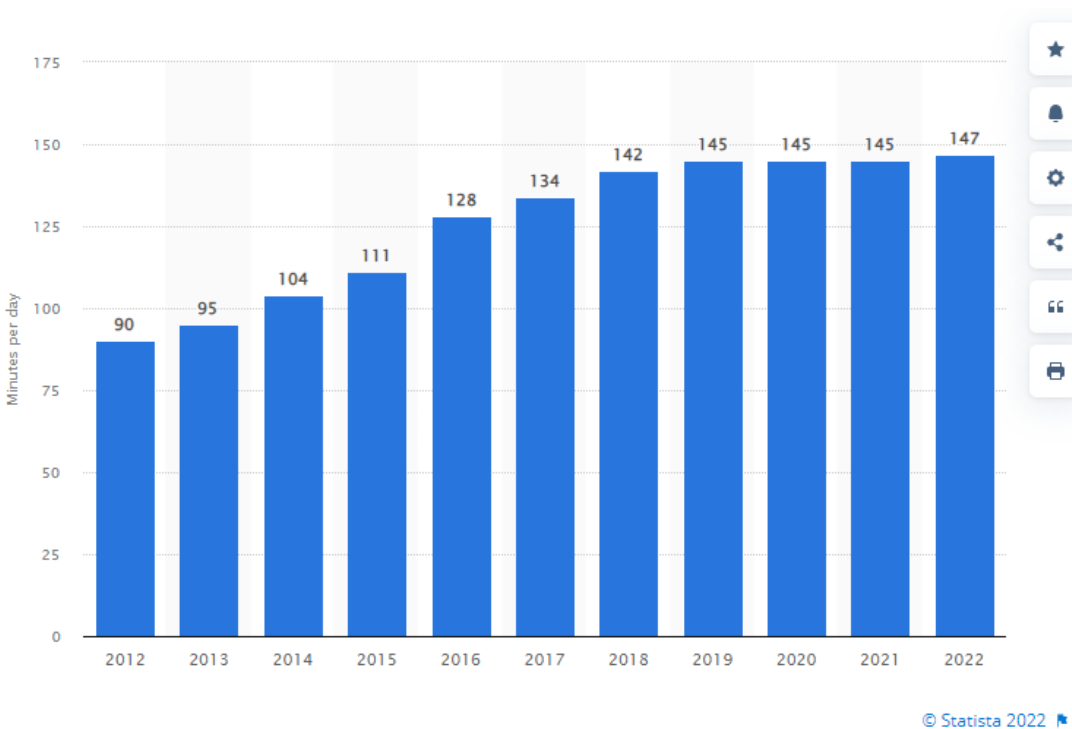
Imagine a world where people can sell their organs to save lives and raising significant accounting profit by doing this. A classic example of such scenario is known to us, when an individual in early days of eBay listed his kidney on auction with a floor price of \$25,000 and in very little time, he got the highest bid of \$5750,100 before the platform abruptly ended his auction.

In quick review I found that seller ignored the National Organ Transplant Act, according to which he will have to pay a fine of \$50,000 after making such deal, I think he should include this cost while listing his kidney. We can see the impact of highly inelastic demand here as price is lifted by 230 times, higher than his initial listing. Hypothetically here in short term the price might remain very high, but over a long period of time this will begin to plummet slightly due to increase in organs supplies in market.

If we consider one side of the coin then, there is no doubt that we have a very good opportunity to raise capital for individuals by selling their organs, healthcare specialists via conducting more transplants and relevant processes, govt via exploiting economic opportunity of raising revenue and of course the main beneficiary who will now have more days to contribute towards overall economics ecosystem.

But on the other side, there is a very high chance of market failure here due to Asymmetric information about the seller and his offering and, possible adverse selection of buyer which will pass a very high social cost to health system. till date such practices are not legal, but possibly in future via advent of modern technologies, we will witness such a world.

4. Cost of social media to an average individual life



Above graph is showing the incremental average time cost of social media consumption over last 10 years. We can see the possible emergence of diminishing marginal return in year 2020, as the difference between two consecutive years has begun to reduce in comparison with the initial readings, which is a good sign but, 2.4 hours a day sounds alarming to me as its 10% of our nominal supply of time per day and roughly 15.3% of our real supply of time, considering 8 hours of essential sleep here.

In a competitive modern economy, what market values is the ability to produce things that are rare and valuable while dismissing the activities that are easy to replicate and produce a small amount of value having said that, I believe social media use is the epitome of an easy to replicate activity that doesn't produce a lot of value. In general, every social media platform is designed to be addictive in nature to ensure higher user engagement. It is important to highlight the sunk cost here as well which is included in the above values for e.g. (watching unwanted adds or posts) or alternatively paying extra monetary amount to such platforms to avoid them, in both ways these costs are on the consumers.

Undesirable Impacts of this use of social media includes lack of attention and distraction from more important activities, decrease in individual's performance quality and excessive use of social media leads to psychological harms as well.

Interestingly there is a very high economic advantage here to be exploited by reducing this spending, For e.g., same time can be spent on more valuable activities and spending the same time with real people can lead to more positive outcomes.

5. NZ Best Start vs US Baby bonds

New Zealand government under its 'Best Start' program spends more than \$3000 for each child's birth and gave it to caregivers, this spending for that child can reiterate for up to 3 years provided that, the caregivers maintain a lower annual income below prescribed threshold. Same caregivers can possibly generate more income under working for family program as well. The government is spending this money in good faith for the wellbeing of newly born KIWI but the question here is, does this incentive entirely transferred to the baby?

In united states recently under the same good faith "Baby Bond" program was proposed according to which US government would deposit money into an interest-bearing account for every new-born baby and further to that based on income of that baby's family, further amounts will be deposited periodically, and finally when those kids turn 18, they will have access to those funds.

NZ program somewhat works but it provides more incentives for caregivers to stay under lower income threshold which leads to tax revenue loss and little burden on overall Nation's social welfare cost. Also, we can't guarantee the right spending of such allocated funds here. Since we are not encouraging income growth of the family, this will eventually leave the child in difficult situation when he will grow older.

On the other side, although there is a risk of negative impact due to inflation but, in long run this will leave those kids with some bank balance at the time, when they really need it to spend on their preferred choices. And because the government contribution towards each account will in inversely proportion of family income therefore in long run same scheme will help the balance of wealth gap problem.

6. Why income tax rates are different for different income groups?

Tax rates are different for different income ranges due to progressive taxation which means additional income beyond one range is taxed at higher rate. This is purposefully done to provide incentives to lower and middle range income earners, since the average bare minimum cost of living is same for all sort of income earners. If we apply the proportional tax system and tax every individual at a fix percentage rate, then low-income people will become poor over the period due to high burden of tax considering their ongoing income leaving them will lesser opportunities.

The revenue generated by high income earners is spent back on society to provide more opportunities for low-income earners to improve their economic wellbeing, in the wider benefit of everyone.

The higher rate for high income earner is applied to balance the inequality of society as well since the raised revenue is spend back on the people, which benefits everyone equally or in another words, we can say government tries to redistribute the wealth among everyone.

If government won't tax progressively then, raised poverty due to higher income gaps will act as negative externality for the rest of society and will incur a higher social cost, as there will be lesser incentives for low-income earners which encourage them to prefer crime over highly taxed low income.

It is very important for government to ensure the transparent redistribution while maintaining the tax rates in alignment with the ongoing median income of the nation.

7. Value depreciation via credit card transaction “Oligopolistic market”

Every credit card transaction incurs some associated fee associated, sometimes called interchange fee which usually falls as liability on merchant, let us assume a world where credit card is the only available payment option and person A pays \$100 to person B and since there is fee involved at rate of 2% person B will get only \$98 going forward, person B will spend his \$98 and so on. Here we will notice that original \$100 value is depreciated with every transaction which is the revenue gain for businesses who are supporting these transactions. In other words, we can also refer this additional transaction cost, as social cost. Generally, in markets people are more inclined towards card payment because they are safe (no need to carry cash) and it is therefore seller with his intention of maximum sale, raises the prices of services and good to absorb some impact of such value depreciation. Hypothetically this will result in overpriced goods and services in market. Sometimes we can notice a price segmentation as well where seller offers a discount on cash payment as it fancies him more.

According to many critiques the fees, that is applied on each transaction is not practically at its optimum social value, which is due to oligopolistic nature of this payment card industry as there are few providers available in market with very stringent compliance requirements making entry difficult for new entrants into this market. The cartel including Visa, Mastercard, AMEX, Diners & union pay are major businesses who seems to have an unofficial consensus on 2% transaction fee for each interchange transaction.

Due to complex nature of payment processing it is yet complicated to regulate but there are huge opportunities available for innovations in this context.

8. Why apple & Microsoft offer discounted prices for their devices to students?

In modern days of learning, digital devices play a very crucial role in pursuing education to meet the higher standards of education. Students on the other side with limited sources of income are left here with two options, buy a depreciated second-hand device, or buy a new one.

The asymmetric information associated with a second-hand deal with no warranty and refund terms can lead to an adverse selection.

Technology companies in this scenario tries to help students and demonstrate this act as their social responsiveness as well. these companies are maintaining a price discrimination strategy because majority of the students aren't wealthy enough to afford their offered market prices or in other words, we can say that they know that their demand is elastic. therefore, they offer discounted prices to another market segment to ensure their profit from students as well, who are less likely to buy their products at higher rates. While their marginal revenue remains higher than their marginal cost of producing those devices. Similar devices are often sold to businesses for higher prices sometime bundled with additional support and service contracts, because for businesses demand for such devices are relative inelastic. collectively these tech companies increase their producer surplus by including each consumer category.

Usually, those companies include a condition of valid student identification to prevent arbitrage and due to their cause educational institutes assist them too in validating those credentials, they also limit purchase count per student for the same purpose.

Additionally, sales of those additional devices lead towards more opportunities for their other service subscriptions as well such as iCloud, MS office for students, etc.

Part 2

Why airline ticket prices vary time to time and buyers don't get their desired prices?

Introduction

Ticket prices in aviation industry are highly volatile in consumer's perspective, some time they seem lower sometimes higher and sometimes very higher which leaves the buyer in very ambiguous situation of when to buy and when not to buy. Generally, consumer perceive it as a seasonal behaviour however in reality there is a bigger economic game is going on here, which is being played by invisible hands.

In contrast with consumer's perspective marginal cost of operations manifest similar behaviour to those airlines due to various variable economic factors. At the end of the day, irrespective of every airline's mission and vision the common goal is always constant i.e., profit maximisation via maximum resource utilisation.

In the said context three areas are very crucial here for airlines which are mainly responsible for the price variations, and we will try to explore them in this journal entry.

1. Route selection
2. Cost of operations
3. Pricing strategy

Route selection

There are roughly 5,000 airlines and 40,000 airports currently present in our world but not every airline goes to each destination which in theory is also not possible. Selection of right profitable route is very important apart from compliance obligations.

Airlines generally study the people of their base country and demand elasticity of their people who could be their potential customers.

For e.g., for Saudi airline demand for India, Pakistan, Philippines is relative more inelastic because many labours who work in Saudi Arabia are from those countries whereas demand for Israel is very elastic because Saudi Arabia doesn't have any relations with Israel and there are very few potential travellers as well. Similarly for Air New Zealand demand for Australian routes are more inelastic as compared to relative demand some other countries. Apart from studying the travellers' airlines also consider their competitiveness with the existing competitors who are already in market, they usually avoid markets where competition is very high to ensure their profitability at their marginal cost, for e.g., for Air New Zealand it is very difficult to enter middle east market because there are already many airlines like Qatar Airways, Etihad, Emirates, etc. who are having bigger competitive advantage.

Cost of Operations

Cost of operation is a wider term that involve various elements such as ground operations, technical operations, engineering operations etc. but fare components is one important element which reflects highly in the ticket prices, and we will try to highlight them here.

Fare components are basically smaller components or charges that are incurred on each airline ticket and constitute the total cost of the airline ticket for one route. For e.g., baggage handling charge, Airport tax, fuel charges, insurance charges, currency conversion charge, credit card fee, etc.

Some of these charges are set by the airline in according with their revenue objectives but some are beyond their control which entirely depends on the economy of their destination countries. Here are few examples of fare components

Tax

it is cheaper for emirates airways to bring a passenger from Dubai to Kathmandu than bringing a passenger from Dubai to Karachi which is closer due to heavy Federal excise duty imposed by Pakistani government.

Fuel prices

Almost every aircraft nowadays runs on petroleum and the change in international oil price passes a direct impact on the airline cost. Most airlines maintain their future agreements for the purchase of their fuel (Hedging), and this may result positively or negatively. If it happens positively airline share the benefits with their passenger with lower fares to attract more sale and when negative the simply lift the increased value in other controllable components such as passenger service charge.

Exchange Rate

Each airline in practical trade on their base currency, the exchange rate value of their base currency with the passenger's currency is very important when airline's base currency becomes stronger than the impact is face by passengers via higher rates and vice versa.

Pricing strategy

Sometime this called sales price strategy, the common goal of pricing strategy is to ensure maximum utilization which means make sure each seat in aircraft is occupied.

Airlines know their demand for economic class passenger is elastic due to higher number of seats as compared to inelastic demand for business and first-class seats which are very limited therefore, they tend to go with the third degree of price discrimination based on the elasticity and willingness to pay. In practical they list higher price for their inelastic demand and lower prices for their elastic demands while making sure that their marginal revenue always stays higher than their marginal cost.

Airline also make a smart use of technology to continuously monitor the market prices of their competitors and offer their prices in such context to attract more sale this strategy is often called dynamic pricing where the effective use of Prisoners dilemma is applied, this is one main reason which mostly leads identical or very similar looking prices. But important point here is that this only last until a threshold of seats are sold beyond that point with fewer seats left the demand for limited seats at one airline will become inelastic and therefore last hours sales are relatively expensive because only few seats are left and are sold to higher paying passengers.

Some airline maintains interline and codeshare agreements with other airlines as well which also impacts the prices of the airfares.

Conclusion

In this journal entry we try to cover a few aspects which are responsible for the variation of ticket prices, we can now say that it's not only season but there are many other factors which are responsible for this behaviour, we tried to cover some using scope of economics.

We can clearly see that there are various factors involved here which could lead towards lower airline ticket prices leaving passengers with more incentives for their next travel destination.