

Economic Theories And Their Implementation

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Each company, despite having ups and downs all through the year, must be accountable for its metrics. They must recount their profits as well as assess their performances. However, when there are good results, it does not always mean that the company is on the right track. When the company system approach uses technology in evaluating its financial dimension, it cannot be deleted. The primary purpose of economic metrics is to provide qualitative data that will help the company in making a judgment about its progression. The complete analysis of a project indicates results and economic metrics each year. Additionally, it takes into consideration the importance of direct, indirect, and overhead costs. By calculating and evaluating parameters such as valuation and economic profit, the company may be in a position to understand the impacts any environmental factor has on the various decisions made in the company.

A company needs to construct a detailed performance report that will act as a measurement of the values that have been estimated and created. As a way of judging their progress, some evaluation and measures are required to provide a single superior performance of the metrics. More so, it will enable the company to be in a position to balance long and short-term value creation as well as investors so as to determine whether their economic profits and policies are on point (Farris et al., 2015).

One of the better methods of arranging any short-term or long-term is by giving much focus on the economic profit. Economic profit is assessed as the cash flow of a business lesser than a capital charge. Economic advantage can be initialized as the net operating profit after tax minus the capital charge. For the success of any financial gain, compensation implementation remains vital for successfully measuring the economic benefits. It balances all the critical aspects of driving business by ensuring value to its shareholders (Katsikeas et al., 2016).

Valuation metrics can be stated to be the general measures of a business's performance, either its prospects, future earnings, or financial health. The primary focus of the valuation metrics is to reflect on the collective opinions of the investors as well as the opinions of the marketing analysts. Metrics of valuation belong to the other more prominent family of financial statements. The main reasons why we need to evaluate valuation metrics are to detect the strength of a company's income statement as well as other commercial accounting sources to determine its financial position. In order to increase the value of the manager, shareholders, and scholars, the company needs to focus on the metrics that matter. Each financial parameter is in a position to send a very crucial message that descriptively shows financial metrics.

Economic Theories

Just like any other scientific concept economics have many methods that enable it to solve some financial problems. However, no argument in commercials can be sold to be true, but they are useful in yielding and producing many valuable insights that indicate how an individual market works. However, despite the fact that no theory is correct, the most crucial question is not a matter of truth or lies but whether the method selected develops an insightful explanation of the economic concepts and phenomenon.

For-profit maximization of the decision made the output which takes into an accountable market structure under which they are operating. The new growth theory in economics emphasizes the source of development, which is the leading cause of growth in production, as well as personal investments in technology and capital. Some version of new growth introduces policy variables. This theory reviews the empirical evidence on the growth determinant and cautions on more efforts that emphasise intellectual property rights and suggest full as well as growing asymmetrical information (Hirschey, 2016).

Behavioural economics theory is considered to be decentralized and insists on the private ownership market economy. Some of the economic behaviours are adaptive, and their implications are outlined in the classical paradigm. The primary role of the viability mechanism is to adaptively and indirectly coordinate consumers and producers out of the equilibrium. Additionally, according to behaviour theory, the destabilizing nature of the adaptive economy, as well as the creative intelligence, leads to a transformed world.

Monetarism is an ideology that was developed by Clark, who was the first thinker to identify an empirical voice that sounded in favour of monetarism. Later, it was reinstated by Milton, who emphasized the quantity of the theory of money. These two economists insist that money and central banking are crucial aspects of macroeconomics. The theoretical idea of monetarism is very straightforward. Whenever the money supply is in expanded people are expanded with higher spending, people may, however, limit their when the amount is retracted and they would utilize the budget and spend their money accordingly (Hirschey, 2016).

We can state that qualitative and qualitative studies on the allocation of resources. Most economics studies use mathematical calculations and statistics. Qualitative analysis is used as a way of making judgments my analysis in making observations as well as accurate estimates.

The classical economy has its roots in the concept of the Laissez-faire economic market, which is also known as a free market that requires no government intervention. More so, it allows individuals to act according to their benefit and work towards what benefits them. Besides, it ensures that the resources are allocated equally to each, as well as marketplaces and businesses. Classical theorists believe that an item's value is determined by its output, such as technology and wages paid to produce the item. They thought that clients and business investments represented more critical parts

of a national economy and growth. Too much spending leads to the use of valuable economic resources and businesses and hence retarding domestic economic growth as a way of increasing the public sector by reducing the private sector. Classical theorist focuses on creating long-term solutions where the taxes and inflation effects play a role in developing economic theories (Hirschey, 2016).

Marxism

Marxism theory is one of the schools of thought that were a result of the 19th-century economist Karl Marx. It focuses on the role of labour as a way of developing an economy that is important to the classical approach to wages. According to Marxian economics, when the job is specialized, it reduces fees and increases the value of the services and goods that do not account for. The theory argument means that the commodity value can be objectively measured by the number of hours an individual works to produce a particular commodity. Marxists believe that people are free and creative and can transform the world into a better place.

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