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A CLASSROOM DEMONSTRATION FOR TEACHING THE THEORY OF THE SECOND BEST IN A DUOPOLY SETTING

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ABSTRACT

The Theory of the Second Best is an important proposition for students of public policy and economics. It states that, when markets are characterized by imperfections, efforts to enhance welfare by removing other imperfections can adversely reduce economic welfare. This article presents a simple classroom demonstration for teaching the Theory of the Second Best in a duopoly setting. A description of a typical classroom discussion follows.

FOOD SOURCING AND GENDER AMONG CONSUMERS IN GHANA

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ABSTRACT

Advertising could be used by food marketers and producers to increase demand and improve profitability. However, advertising is more effective if targeted at groups that are most likely to buy the product. Advertisers could target consumers based on age, income educational attainment, gender or other socio-demographic variables. Information on the preferred sources of food is a valuable tool to reach consumers through advertising campaigns. This study used a survey of 500 consumers in Accra, Ghana, to ascertain the preferences for local Ghanaian and imported food. In addition to Ghana, preferences were also ascertained for food from selected countries such as the United States (U.S.), the European Union (EU), China and Brazil. The reasons for preferring food from different countries were also ascertained. Respondents were classified into two categories based on gender. The responses for the two categories were compared relative to their preferred origins of food. The reasons for the indicated preferences such as quality, cost and familiarity were also compared. The initial results indicate that Ghanaian males are more likely than females to prefer locally produced food than women.

THE IMPACT OF DIFFERENT AGES AND RACE ON THE SOCIAL SECURITY EARLY RETIREMENT DECISION FOR MARRIED COUPLES

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ABSTRACT

The purpose of this study is to examine the impact of age differences on the social security early and delayed retirement decision for married couples. This paper extends the analysis of Docking et. al. (2013) to couples of different ages. This analysis is done for married couples by race. More specifically, we analyze the 9 married couple combinations for the following races: Whites (W), Hispanics (H) and Blacks (B). The nine husband/wife combinations are: WW, BB, HH, WB, BW, WH, HW, BH and HB. We develop an Excel model to compute the breakeven IRR for each of the 9 race combinations. Following Blanchett (2013), three claiming scenarios are considered: receiving benefits early (e.g., at age 62 versus 66); the maximum realistic delay period (e.g., at age 62 versus 70) and delaying benefits past full retirement age (e.g., age 66 versus 70). Within these 3 claiming scenarios we examine couples by race combination who retire at the same age with age differences of 0, 4, 7 and 10 years. We assume the non-working wife (female) is younger than the working husband (male).

The breakeven IRR's can be interpreted as follows: If a couple's opportunity cost of capital (which can be considered a hurdle rate) is greater than (less than) the computed breakeven IRR, the couple should retire at the earlier (later) age. For the age 62 versus 66 comparisons the BE IRR's uniformly decrease as the age difference increases. Since, as noted above, these IRR's are hurdle rates, this implies that greater age difference couples should retire earlier since the hurdle rate is less to overcome than at a smaller age difference. These results should be interpreted with caution however since an inflection point occurs at the age 62 versus 67 comparison (not shown in our tables) and continues onto the age 62 versus 70 comparison where the IRR's uniformly increase with age differences. We attribute this inflection point to the interaction of an increasing time gap between the early and delayed retirement with a constant set of age differentials. This age 62 versus 70 comparison implies that greater age differences involve a greater hurdle and the smaller the age difference the greater the incentive to retire earlier since the hurdle rate is lower.

The results for the age 66 versus 70 comparison are similar to the age 62 to 70 comparison with the breakeven IRR's increasing with age differences although the numbers themselves are quite small by comparison and would seem to suggest early retirement at all age differences given the low hurdle rates to overcome. We also examine breakeven IRR's for

couples by race combination who retire at different ages and who have a positive age difference. More specifically, we examine the impact of age differences on an early male/female retirement of 66 and 62 respectively versus a late male/female retirement of 70 and 66 respectively. In all 9 race combinations the breakeven IRR's decline as the age differences increase. This suggests that the greater the age difference the greater the incentive to retire early as the hurdle rate is lower to overcome.