

Name: Juan Callejas

Instructions: Use each of the 12 elements of economics to illustrate economics in action in your career field.

1. Incentives Matter
 - a. At the company I work for, we have been working hard at defining and redefining the incentive structure for our teams. We have found that through clearly defined objectives and rewards associated with meeting those objectives, we have a better opportunity to achieve corporate goals and strategy. The tool we use to guide this is our Balanced Scorecard that is aligned across the board, both vertically and horizontally.
2. There is no such thing as a free lunch
 - a. Everything has a cost. We are currently in the midst of a political campaign in Guatemala as we have general elections coming soon (June 25th). Populism is rampant, both from the right and the left. A key question we need to ask ourselves as voters is where politicians will get the resources necessary to execute their plans.
3. Decisions are made at the margins
 - a. We can only make decisions at the moment, with the information and resources available. We do our best to look forward, but our decisions are made right then and there. I might love to eat hamburgers but I can only choose at the moment if I will it one, depending on information such as: price, amount of hunger, time, etc.
4. Benefits of trade
 - a. There is no other way to enter into meaningful and mutually beneficial economic relationships than through trade. Trade must involve the freedom to choose without coercion and without deceit.
5. Transaction costs matter
 - a. It's not just about making money, but how much does it cost for us to make that money. Costs are not only monetary, but involve time, it might involve political exposure, etc. Considering this allows us to holistically answer the question: Is it worth it? A business might be attractive and romantic, but the cost of doing business overall must be considered. It is like buying a new car, we must consider the cost of ownership (gasoline, tires, maintenance, insurance, etc) before we buy.
6. Prices create balance
 - a. Through pricing, supply and demand can be best satisfy. If a good is priced to cheap, demand will most likely generate shortages and that creates customer dissatisfaction. If a product is priced above expectations, then you can be left with excess stock which can generate losses due to lack of sales or reduced profits because prices must be lowered to at least cover fixed costs. At my

company we carefully study the real estate market to price accordingly. We have faced interesting challenges as our projects have been so successful that we run out of inventory quickly and so, we have been pushed to increase prices, which has made us much more profitable.

7. Profits are a guide to productivity
 - a. If we make a profit, we have an incentive to continue in this business. I remember as a toy buyer, during my second Christmas season I had bet on a doll from Spain that pooped...the [“Cocolín Popó”](#). We bought airtime on TV to promote it and held demos at the stores. The doll was a complete bust! We had to offer 75% off to move it off the shelves...a lesson in pricing indeed!!!
8. Incomes come from usefulness
 - a. Business can only occur when the exchange is mutually beneficial. A company can be successful only if it meets and exceeds customer expectations so that they keep coming back for repeat business and attract new clients. An interesting example from my job is what my boss told me during my performance evaluation. He said: “I am getting more than I expected from you” and this positive feedback has resulted in greater trust and increased expenditure especially in our IT infrastructure and platforms.
9. Value creates income and wealth
 - a. This is an extension of the principle above. Only if one offers products and services that truly add value and improve a customer’s life. When our offering is worth more to the customer than what he/she is willing to pay, then value is created. I worked for Whirlpool both in Guatemala and Brazil and at the core of the company’s strategy is this idea: “Brand Focused Value Creation” which is then executed in three ways: 1. Customer Centered Operational Excellence, 2. Customer Focus in all we do, and 3. Innovation.
10. There are multiple sources of progress
 - a. Businesses can identify multiple ways to generate new resources through new revenue streams and/or creative ways to generate cost or expenditure efficiencies. At my company, part of my job is to identify these new sources to either “fund the growth” or “drive the growth”. We recently implemented our internal “Shark Tank” through which we are seeking to tap into our team’s creativity to help us find these new sources of profitability to drive our EBITDA.
11. The usefulness of the “invisible hand”
 - a. Markets function in a very organic manner. Prices are the key signals that stimulate or detract particular behaviors. When left untampered, prices become the best signals for efficient resource allocation that in turn generates the most value for that society. Last year, our government raised the minimum wage by 7% right after we had finished our bidding process for some annual contracts we need for our projects (janitorial and private security services). The sudden jump in the price generated a lot of chaos as we had to renegotiate contracts and

unfortunately, we had to compromise both in number of people hired and quality of service received due to government intervention in prices.

12. Unintended consequences create problems
 - a. Building on what I said before, this price increase generated negative externalities. Because we had to compromise both on number of people hired and quality of service received in order to meet budget targets, we negatively impacted our customer's (at our shopping malls) and our resident's (at our apartment buildings) experience.

Instructions: Using a decision tree can be a useful way to examine an ethical dilemma because it helps to identify the various options available and the consequences of each option. Here is an outline of how to use a decision tree to examine an ethical dilemma:

1. Define the ethical dilemma in your career field: The first step is to clearly define the ethical dilemma you are facing. This should involve identifying the conflicting values or principles that are at stake.
2. Identify the possible actions: Next, identify the possible actions that can be taken to resolve the ethical dilemma. For example, if the ethical dilemma involves a patient's right to privacy versus the need to disclose information to a family member, possible actions could include disclosing the information, maintaining confidentiality, seeking legal advice, etc.
3. Determine the consequences: For each possible action, determine the potential consequences. These may be positive, negative, or both. Consider both the short-term and long-term consequences of each action.
4. Assign values to the consequences: Assign values to the consequences based on their relative importance. For example, maintaining confidentiality may have a high value for the patient's trust in their healthcare provider, while disclosing information may have a high value for the family member's wellbeing.
5. Evaluate the options: Use the decision tree to evaluate the options by weighing the values assigned to the consequences against the likelihood of each consequence occurring. This can help to identify the option with the highest expected value.
6. Choose a course of action: Choose the option with the highest expected value, and take appropriate steps to implement it.
7. Monitor and evaluate the outcomes: After taking action, it is important to monitor and evaluate the outcomes to ensure that the ethical dilemma has been effectively resolved and that the chosen course of action was appropriate. If necessary, adjustments can be made to improve the outcomes.