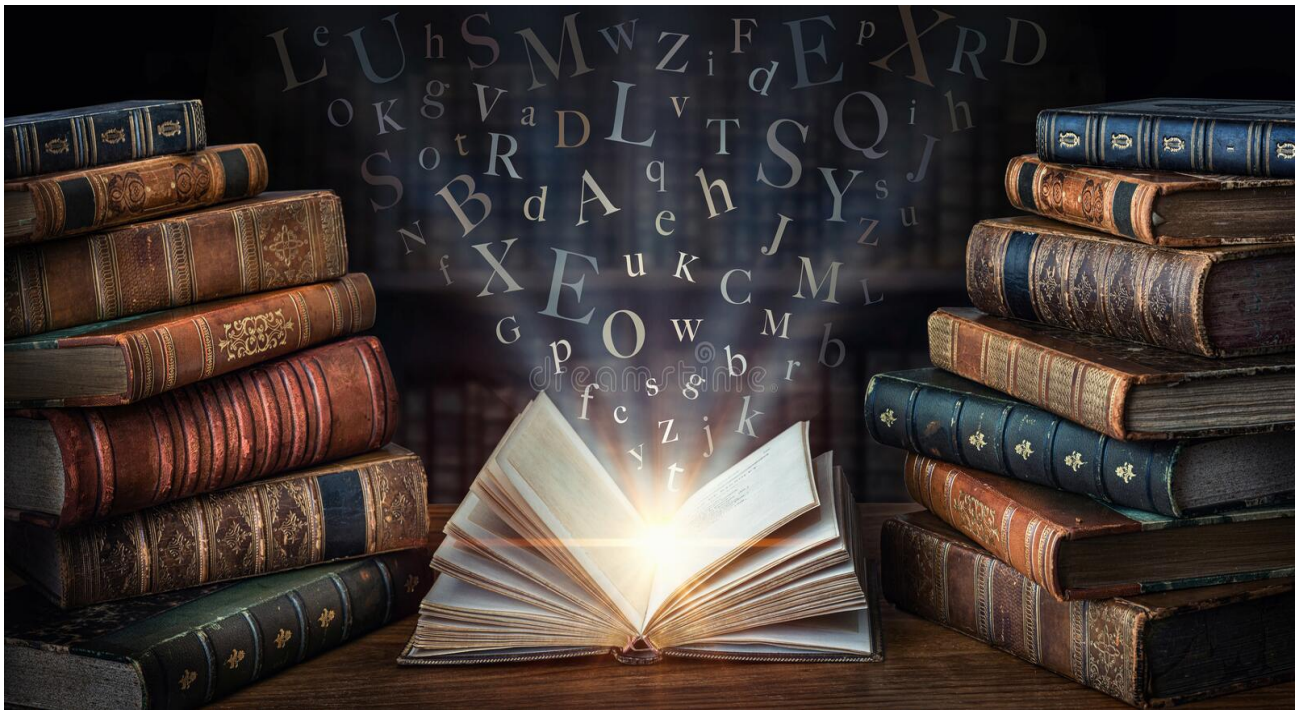


Economics of Leadership

# Assignment 1



*By-*

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## **TASK 1**

Campbell made it clear in his book that we hope to create a model that focuses on the contributor's high individual payback if choices are made with maximum social welfare in mind, rather than little benefits for themselves. Chapter 1 presents different answers for financial issues where individual responsibility rousing powers are viewed as a technique for enticing individuals for a 'win-win' situation for individuals or groups with little outcome to society, who would otherwise make decisions subject to moral obligation. The cases like free-riders, the plan of the immediate charge to Taxi issue are few examples.

Campbell moreover goes through how to stay aware of equilibrium and looks at a few models. In this task, we will relate Campbell's plans to get the best fit model from McCarter's book. McCarter, of course, depicts five sorts of dispute conditions inside a group of people, similarly as how an affiliation would help or diminish ones or an affiliation's advantage, while leaving numerous requests unclear. For the present circumstance, we ought to conclude the most fitting model, which is a mix of McCarter's and Campbell's considerations.

The diversity conflict model may achieve both positive and negative outcomes for accomplices, who radiated an impression of being a remunerating choice for the best model, yet there may be a situation where people have assortment conflicts for their own benefits anyway not such a huge amount for society or affiliation's most outrageous government help. In addition, the power of conflict and the diverse assortment decisions influence the outcome. Hence, the model is questionable.

The behavioral negotiation model uses a couple of methods to affect the plan, similar to risks and energetic demands, and may not achieve specific inspirations that are unessential to social government help.

The social dilemma model, all individuals would benefit by partaking yet can't do as such due to battling interests. Inspirations are used to meet the middle guideline of social government help. We put this model to the side as our fixation for a significant leap.

The social exchange model spotlights on ampleness over adequacy, which prompts euphoria when people get sensible benefits from their endeavors. This approach depends on joint effort rather than framework, and it contrasts according to Campbell's viewpoint, which holds that the dominating method may be overpowered by utilizing propelling powers to accomplish social government help goals.

The transaction cost model is one that propels monetary adequacy by restricting exchange costs, and there is a cost related with noticing, controlling, and administering trades, according to trade cost theory. Executions of such measures are more stressed over close to home situation than with social government help, and thusly are immaterial to the middle thought.

The social dilemma model moves inspirations so an individual is enamored to collaborate or zero in on the advantage of all over up close and personal expansion since it is really fulfilling. Since people wanted to self benefit over social advantages, the model gives a mix of game plans that is more compensating than individual increment. With everyone having

a decision framework, the social dilemma model unavoidably includes a deficient amicability. This is unsurprising with Campbell's explanation of the prisoner's dilemma game in Chapter 1. The N-individual prisoner's dilemma requires a procedure where current increments appear, apparently, to be extraordinary anyway truly show difficulty for everyone. In his work, Weber (2004) claims that undefined circumstances don't by and large achieve dismal results, and he backs up this case. In his text, Campbell gave two or three methodologies as explicit outlines.

We have an example of automobile emissions, where individuals choose to buy vehicles without catalytic convertors, and producers didn't acquaint the devices. Hence, whether or not they add to pollution decline, individuals benefit from it. Another model is cash disintegration, which controls an augmentation in imports while charming occupants to buy area stock. Expecting every country does this current, everyone's items will be reduced, and the overall financial droop would show up at marvelous heights.

All of the examples are dependable on the social dilemma model, which would some way or another or another be counterproductive to chipping away at in everyday feasibility for all accomplices.

## **TASK 2**

Economics centers around a clear view of theories. In the first chapter of the Book written by Campbell in 2018, he provides an outline of how economic theory is important in providing incentives for society to allow for optimal use of resources and specialization. It is demonstrated how incentives are able to provide individuals, and thus society, with inspiration. Campbell additionally outlined how numerous types of asymmetric information, hidden action and inefficiency calculations, but also equilibrium and other economic theorems are to be interpreted and assessed. As such, Campbell is able to give a structured overview of what economic theories exist and how they constitute to a balance in resource allocation, ownership interests and society through the use of incentives.

In the 2016 paper by Brent, experiments to reduce costs and provide meaningful ways to handle environmental policy concerns are identified and then discussed. Brent makes use of multiple papers, which include surveys, focusing on the impact that laboratory experiments have on finding the answers to similar concerns as those of fellow researchers. These different experiments, both on the field and in the laboratory, are conducted in a range of different environments. Therefore, the expected outcome to one problem and the with it coming solution, may not be the matching solution to another situation due to the differences in environments.

Interestingly Brent et al. (2016) found that the development of theoretical models enabled the motivations to be capturable beyond the simple monetary motivation. The theoretical models discussed are for social behavior. The models highlight intrinsic and reputational motivations that provide us with a framework in interpreting the findings gathered from a field of experiments. As such they are used to facilitate generalization beyond just the specific settings of the individual experiment. When we compare this to other empirical methods, this experiment has a significant advantage, as the control group is randomly assigned. Hence, it can be assumed that unobservable factors are evenly distributed amongst

the different treatment groups and the control group. Thus, causable difference between the groups is avoided.

While theory in the form of an environment is outlined by Brent et al. (2016), the findings can still be related to economic theory in a broader interpretation. The paper insists that causal inference, focused on the need to implement experimental outcome in an existing model and implements the confluence of random control trial outcomes in the theory.

In the book by Campbell (2018) further experiments are also provided. For example, a Taxi problem where additional charges are added to a fixed fair is discussed. These additional fairs are used to motivate the driver to finish a customer interaction as soon as possible. It results in the experiment solving the issue of concerned customers scared from overcharges. Testing theoretical models in the field provide a large list of issues compared to lab experiments, as researchers are unable to control surroundings and variables as diligently as in the lab. Nonetheless, the output of the experiments needs to be optimized, as the expectations of the practitioners, replicatory concerns and ethical issues need to be achieved. Therefore, it may be interpreted how economic theory can be used to get desired outcomes of self-interest individuals.

Another example provided by Campbell (2018) is that of water consumption. This is an example of asymmetric information, as we cannot be sure that increasing water costs will also result in water consumption decrease. On the other hand, Brent concluded that “identifying the causal mechanism and trying them in theoretical intuition” will allow for similar information to become available from multiple experiments in a range of environments and evolve to a superior theory. We are therefore able to draw the conclusion that extrapolation of findings of a field theory is expected to have consistency both in the theoretical prediction and importance of parameters. As a result of our investigation into the paper of Brent et al (2016) and Campbell (2018), we are able to agree that theory is considered important in the study of incentives.

### **TASK 3**

Individual opinions, as discussed in Campbell (2018)'s Chapter 2, deal with how people assess and maximize their payoffs as a result of scarcity and resource restrictions as they attempt to fulfill their necessities and needs. Weitz et al. (2018) describe a similar situation, stating that the key challenge that has emerged in the implementation of the 2030 Agenda is how the sustainable development goals (SDGs) interact with each other, as this has potentially significant implications for action prioritization and effectiveness. So far, interaction assessments have been fairly rudimentary, usually starting with one SDG, tallying the number of interactions, and addressing synergies and tradeoffs from that problem area's perspective. Weitz et al. (2018) went on further to discuss how connections between SDG objectives may be understood and taken into account in policy in an attempt to improve their implementation.

Campbell (2018) and Weitz et al. (2018) both mention the difficulty of evaluating and maximizing payoffs, as seen above. Individual preferences, according to Campbell (2018), are how people assess payoffs only on the basis of their well-being. Individuals are also supposed to pursue whatever feasible action results in the greatest potential personal profit for themselves.

It's important, to look at both Campbell (2018) and Weitz et al. (2018) to have a better understanding of how payoffs are maximized.

The Lagrangian multiplier and the matching idea are two concepts that are utilized in optimizing and maximizing payoffs. The Lagrangian multiplier is a model for determining the local maxima and minima of a function when equality restrictions are applied. Matching describes how agents on one side of the market send proposals to agents on the other side, who decide whether to accept them based on specified standards. Each agent's primary approach is truthful disclosure, therefore assigning a desired object to the highest bidder is unacceptable. In Chapter 2, Campbell (2018) examines the Lagrangian multiplier and matching as models used by individuals to maximize or optimize their payoffs, whereas Weitz et al. (2018) used a typology for scoring interactions in a cross-impact matrix and network analysis techniques to explore the data in the implementation of the SDGs, which shows how that target interacts with other targets, resulting in a typology for scoring interactions in a cross-impact. The model identifies which targets have the most and least positive impact on the network, indicating where efforts should be directed where strong positive and negative links reside, raising red flags to areas that require additional attention, and how targets that reinforce each other's progress cluster, indicating where important cross-sectoral collaboration between actors is warranted.

According to the above analysis, both scenarios have their own set of constraints. Because the Lagrangian multiplier and matching models include flaws like efficiency and the participation restriction, truthful revelation is not a dominating strategy for all preference parameter specifications. This is undesirable since a person's choices are concealed from others; therefore, a system must perform effectively for a large variety of individual preferences, that are unknown. One possible shortcoming of the Weitz et al. (2018)'s technique is that the quality of the analysis is dependent on expert judgments rather than individual perspectives on the scoring of interactions entered into the cross-impact matrix, making the approach exposed to scoring deficiencies. The following steps are meaningless if the matrix is invalid. Furthermore, the results of utilizing such approaches are just illustrative, since they are based on a test-run of the strategy with limited in-house resources and a judgment-based scoring process.

Our reflection is based on the above analysis since the UN says that countries should follow the SDGs as a single bundle, it won't go well on the ground. As Governments and other stakeholders act as per their preferences. The competing priorities and limited budgets will force them to act based on their perspective. Furthermore, many developing countries are not equipped or motivated to deal with SDGs. So, by identifying the trade-offs in both scenarios, such as instituting individual preferences and requiring each individual opinion in the implementation of SDGs. As a result, better public policies may be established by recognizing the trade-offs in both situations, such as establishing individual preferences and requesting individual perspectives in the execution of SDGs. If this is done, resources will not be wasted trying to achieve sustainability management in an international context for SDGs that are mutually exclusive because individual opinions will be considered, causing individuals to reveal their preferences truthfully.