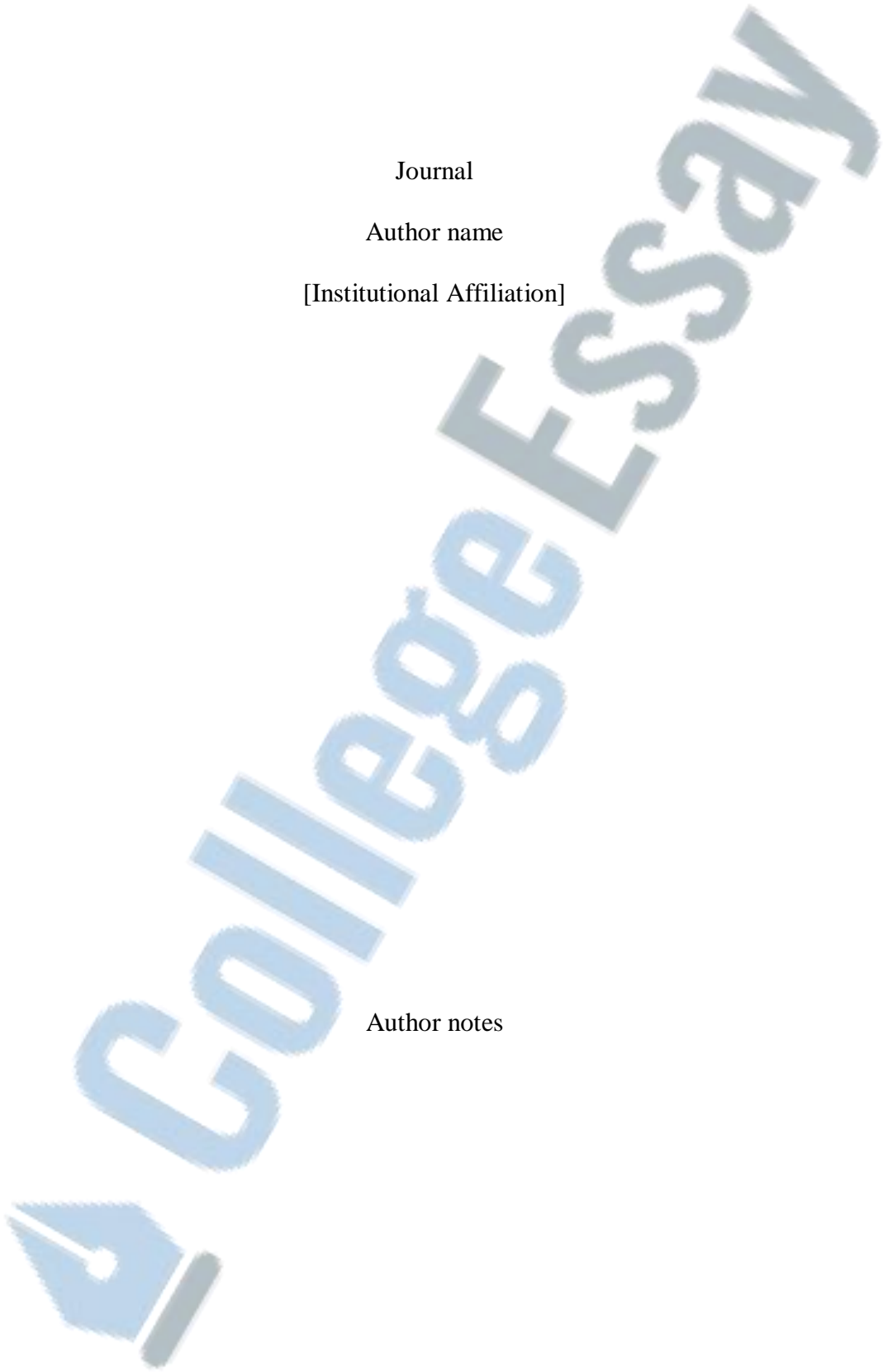


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The principal-agent problem I have experienced is when a business hires a marketing agency to manage its advertising campaigns. The business—the principal—aims to increase sales and brand awareness, but the marketing agency—the agent—may have other motives, such as earning greater profits for itself. This can create an alignment of interests between the two parties, potentially leading to situations where the agent is not working in the principal's best interest. An excellent example of this can be seen when a marketing agency suggests overly expensive methods or channels for achieving the desired goals.

In order to overcome the principal-agent problem, companies can use incentives to motivate their agents to act in their best interests. This could include bonus payments for achieving specific goals or providing financial rewards for consistently meeting performance targets. Although these incentives can be effective, there is also a risk associated with them if they need to be adequately managed. For example, too high of an incentive could lead to agents taking excessive risks or cutting corners to maximize their reward. Companies should also consider the effect of incentives on team morale if they are only offered to specific individuals, as this could lead to unfairness among employees (Froeb, McCann, Ward, & Shor, 2017). When used carefully and appropriately, incentives can be a powerful tool to motivate agents and realign their interests with the principal.

I will be able to apply the principles of managerial economics to my job as a substitute teacher. For example, I can use incentives such as positive reinforcement or rewards to motivate my students to focus in class and do their best work. This will help me create an environment of learning where students are engaged and motivated. Additionally, I can use the concepts of managerial economics to create incentives for my students tailored to their interests and needs.

This will ensure that the incentives provided effectively motivate my students. I can also use the scarcity principle to encourage my students to work hard and be productive in class, as they may understand that they have limited time to complete tasks or activities. Finally, I can use the principles of managerial economics to inform decisions such as when to give rewards or how much time should be allocated for certain activities. This will help me ensure that my students get the most out of their learning experience. Overall, understanding the principles of managerial economics has given me an array of tools and techniques that I can use to create an effective learning environment in my classroom.



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References

Froeb, L. M., McCann, B. T., Ward, M. R., & Shor. (2017). *Managerial Economics*. Cengage Learning.

