

# STRATEGIZING THE SOCIAL COST TO IMPROVE THE PERCEIVED VALUE OF TECHNOLOGY— A FEATURE STUDY

## COST

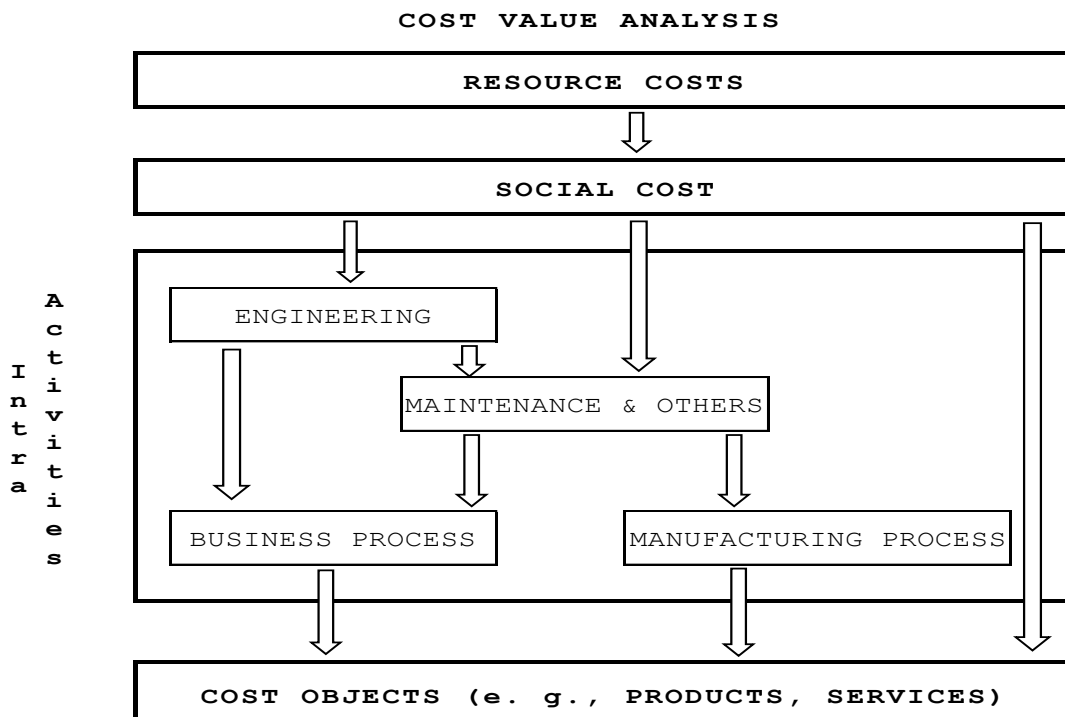
Value of money that has been used up to produce something and hence is not available for use anymore.

Cost is a metric that is totaling up as a result of a process or as a differential for the result of a process or as a differential for the result of a decision. In this case, money is the input that is gone in order to acquire the thing. There is another word which suits better for this definition as a replacement for the word 'money' i.e. RESOURCE.

Value of resource that has been used up to produce something and hence is not available for use anymore.

Cost includes both Monetary cost and social cost. A product can be beneficial to the nation only when its benefit exceeds its cost.

In real time, do we consider the social cost for the calculation of cost?



## SOCIAL COST

Social cost is the 'cost of externalities'. Natural Resources are free of cost. In real, the price for it is paid by not only the company, but the society as a whole in the way of human lives.

Rising concern for social cost from the public and the government creates the need for us to think on the topic. There is an increased awareness for Environmental pollution, Resource Depletion and diseases caused by the pollution to the humanity.

It can be caused by,

- a) Depletion and/or
- b) Destruction

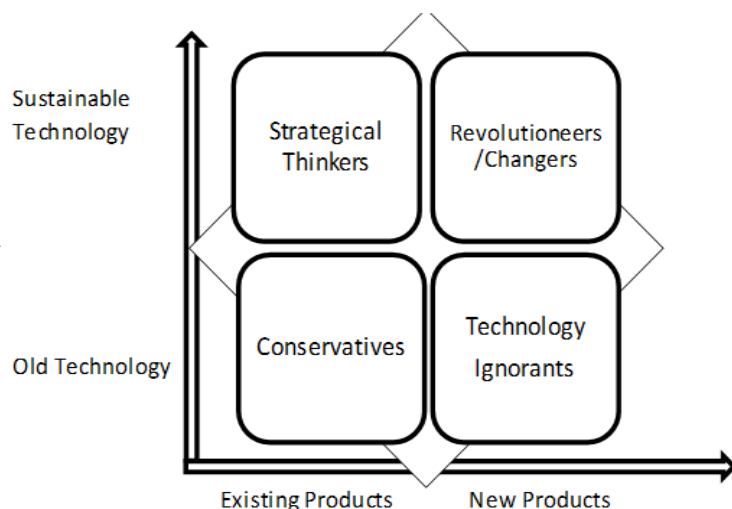
Depletion can be done by consuming of resources. Example; Cutting of trees, Extraction of oil, etc. , Which is an invaluable cost to society.

Destruction can be done by polluting the environment. Example; Evaporation of Industrial smoke in air, Liquid waste mixing in water, etc.

Depletion and Destruction of natural resources cannot be reduced by reducing the production. Increasing population and the increasing demand never allows or appreciates the reduction in production. It is possible only by the sustainable technology.

Low cost products which are sold in the market are mostly the high social cost products. Ex. Plastics. While considering monetary cost and social cost of a product, it exceeds its benefit.

**Cost > Benefit**



The companies are interested in adopting leadership and competitive strategy. Most used are low cost strategy, the strategy of differentiation is least concerned. Ex. LED Technology.- Market differentiation.

## SOCIAL BENEFIT VS SOCIAL COST

Every company is incurring social cost and there is a forced or voluntary CSR activities performed. Does the social benefit matches with the social cost of the company?

### Sustainable Product

Ex: Cigarettes Vs Soaps

Cigarettes contributes to social cost while the soaps contributes to social benefit (Killing of germs which reduces disease)

### Sustainable Technology

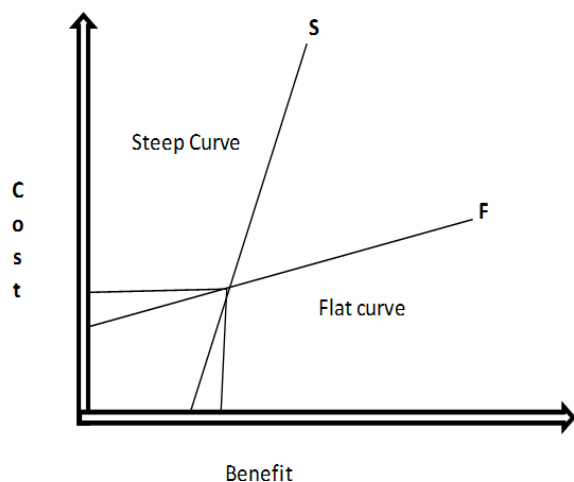
There are few necessary products which cannot be eliminated from market because of their high contribution to social cost.

Ex: Oil Extraction, Paper manufacturing, etc. ,

For this, a sustainable technology should be adopted to reduce the Impact of product on social cost.

## SHADOW PRICE

Shadow price reflects the real value of the resource to society. It is the marginal utility of relaxing a constraint. The price we pay for additional unit of benefit. Shadow price forms major part of social cost. For example, for extra units of production, how much SRFT of fuel consumed (assuming all other costs are constant).



This shadow price shows the relationship between the marginal change in cost and the marginal change in benefit. If the ratio is positively high, relaxing of constraint is preferable. If the ratio is negatively high, it is not preferable.

If the curve is steep, it is not preferable. If the line is flat, it is preferable.

Shadow price can be defined as the value of the contribution to the country's basic socio-economic objectives made by any marginal change in the availability of commodities (output) or in the factors of production (Input).