

# Macroeconomics assignment

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**ASSIGN  
BUSTER**

Keep in mind that if a company doesn't make profit, then the price can be adjusted. Ferrer's are made in small amounts. So if the supply is small, the price of the product is more, because of scarcity. In addition, Ferreira parts are more expensive. So with the parts that is used to construct the car that would affect the resource price. TO add, Ferrer's are hand- made, so there are no robots used. If robots were used, then production would be high, and cost less, so when you factor Ferrer's made in small amounts and how expensive the materials are, that affects supply and demand.

Consumers are waiting months and months at a time for a specific product like the Ferreira so that's why consumers are willing to pay hundreds of thousands of dollars for that brand of Ferreira because of the quality and want. If their income allows, it will be brought. We have unlimited wants. 2. Of course everyone would like to own the Ferreira, but logically the consumer still wouldn't be able to afford it. Additionally, the company would go out of business. It cost so much to construct a Ferreira that the company would not be able to make profit. Not only would the company suffer but so loud the consumer.

The consumer would not be able to keep up the maintenance nor the insurance premium. To top it off, nothing is free! It may be free to consumers but not to the community. So when we use a resource to make a product, there is something taken away from society to make the product " free. " Nevertheless, free means marketing scheme. Have you ever watched an infomercial saying, " Try it free for 14 days" and the person says, " Just pay shipping and handling? ' lfs just to get you to take the product hoping that

you will then keep it and later on hopefully buy the product and all others as well.

To get something free you have to give something. Moving on, the supply wouldn't be there to give out so many Ferris. Even though it may say "free", they could have only given away two Ferris leading you to going into the dealership for someone to try to sell you something that you could not afford. 3. The price is already fair. Auctions are how prices are established. With that being said, consumers make the price, not the company. The price would remain the same. Potential buyers and potential sellers make up the markets: coal, national, and international. That's how the price is discovered by both.

And no matter what, you have to take into factor what it's costing to build the car, what materials are used, the labor, and so forth. It's like the saying, "If its not broken, don't fix it." So realistically there is nothing wrong with the prices that Ferreira has set. Even if Ferreira were to reduce their prices, how would that benefit Ferreira? Ferreira sets out to please a certain elite class. So if Ferreira reduced prices to less than \$100, 000 it wouldn't appeal to the elite class and it loud be just like any other non-luxury brand whereas Ferreira would have no competition.

That means Ferreira would be spending more than what they are earning, and could possibly go out of business. And for capitalism to work you must have competition. However, consumers pay for what they really want and can afford. Everyone has a limited income. It could be a person with an annual salary as much as \$500, 000 to as little as \$75, 000, we all must live

within our means. Also, what is good for one person may not be overall great for everyone which is fallacy of composition. 4.

Companies are given incentives to reach production goals, but there are no incentives for shortages which there would need to be a change in production. Nonetheless, companies aren't able to adjust the price above the price ceiling, so because of that some products will always have a shortage, will be in storages for months or years at a time, and simply just be unavailable. This can cause major loss. The black market would be selling scarce goods way above market prices due to the fact that the good would be in high demand and there would be a shortage of supply, and the overspent would ration.

However, the price ceiling helps to keep necessary goods attainable versus unattainable. Usually a problem occurs when the government claims that a price is too high, when in actuality the supply is extremely low. Price ceilings are usually set below the equilibrium position. In addition, the price ceiling entices consumers to purchase more goods, and dissuade companies or producers from producing. Producers would also get rid of their lower priced items, and keep the high priced goods. For example, gas would be a perfect example.

Have you noticed that gas stations are always out of gas when there is a drop in price? To add, rent is a good example too. When the rent goes down, more consumers are willing to move to the lower priced apartment, but then there would not be enough apartments to accommodate those that really need it such as growing families. However when the government becomes

involved it gets more expensive. The government would have to make sure that policies are being followed, so when the government spends money, the consumers and producers suffer causing increased taxes and debt.