Microeconomics and faber-castell

Economics, Microeconomics

The perfect definition of a purely competitive market in microeconomics states that there should be specific factors which must be followed in order to guarantee that firms who are participating in the business for companies which are moving in the markets do not have control of prices. Such factors are easy transportation, perfectcommunication, and a host of many other variables. However, practicing the most important factor in determining a perfectly competitive states in the economy and a perfectly competitive product is the homogeneity of a certain good.

And this is where our definition of commodity comes in. In microeconomics, a commodity is usually defined as an object or a good in which there is a certain demand, but however which is supplied by firms without differentiation between the other products. And although we are all to used associate the word commodity with absolutely anything that has to do with a good or service that we should be purchasing, in its purest sense and definition, a commodity is characterized by something in where it is the market which defines their prices, and not any other factor of control. Note that our keyword for this point of discussion is that a quantity should not be differentiated from other goods because if it is so, then it would theoretically be able to define the market price in its own, and not because as an effect of other factors imperfect competition (Mankiw, 2006).

We then come to the discussion of an article by the economist. com website where in it discusses the history of the pencil company Faber-Castell.

Our discussion of Faber-Castell as a commodity now becomes sacrificed, for he can now say, after being given a definition of what a commodity is that

Faber-Castell cannot possibly be a commodity. The reason for this is that as the article discusses, unlike the many other pencils available to our global markets, both in the local and international sense, today are more or less homogeneous in nature (Economist, 2007). Meaning that although of course they can have many other brands which define their names, we do not necessarily care among the brands because each pencil is basically the same as the other. The case of Faber-Castell, however, is that its pencils are produced in such a way and distributed in such a way that it may be further identified as a pencil with true quality and a much higher value therefore than the other pencils available in the market.

Again of course one may argue that a pencil is still a pencil. However, as we have discovered in the reading of the article, because of the nature of how the pencil is created specifically the lead content, the wood used in creating its frame, even its eraser and design has specifically put the user into mine even up to the point of already creating a steady following for its use. The article stated extremely popular names as the handful of the people who are loyal to the use of such a pencil.

The shifting of the brands classification from commodity may even be thought of as a move where in is the owner of the company, Count Anton Wolfgang von Faber-Castell . net actually classify it as not a commodity, that it would eventually do so because the quality of the pencils themselves creates its own definition (Mulligan, 2007).

as we have perhaps learned in many of our economics and management courses, as well as to the floor of the many here ethical marketing books out

in the market today, product integrity plays an important role in the popularity and eventually the profit maximizing value of outputs of products. Not only would there be higher revenues and therefore higher profits in London was to say able to maintain the integrity of the company's products, it will also serve as a self advertising method for the companies.

Perhaps the closest thing that we could compare to our model of Faber-Castell is the company of General Electronics headed by Jack Welch, where it is also product integrity as low as quality of the outputs being produced that displays at the highest importance and role in the company.

If we were to use a theoretical model for microeconomics in understanding the issue of product integrity, perhaps you could relate it most closely to the demand equation of the supply and demand model.

although the movement in the demand curve and eventually the demand schedule is determined specifically by price, the shifting of the said curve is affected by many other variable such as the income of consumers, the tastes and preferences of consumers, the price is up for latent or substitute goods, and the other factors except for price. It is here that we see that if we were to factor in integrity into such economic variables, ceteris paribus, we arrive at the conclusion that product integrity may also be able to shift the demand curve further upward if product integrity is maintained or increased.

The opposite may also be true, however, and that is essentially the danger in economics, where in unlike the labor supply of macroeconomics by John Keynes which is sticky upwards, micro economic models such as the demand

function and to demand equation are effected both ways and both sides. Increasing the integrity of a product may be able to increase its demand and therefore increase revenues and profit, but a decrease in the integrity of the product may also be able to perform the opposite effect, which is to decrease revenues and profits as well as increased costs, therefore moving the company closer to shut down point or already above the equilibrium price.

Also, if we take in Faber-Castell to our situation, we also realize that the firm’s economic model is at actually a perfectly competitive model or not even close. What it does close to, however, is a monopoly model for the economy where in the demand curve for certain firm is downward sloping and its marginal revenue curve is also below the demand curve where in decreasing quantity produced results in an increase in price.

Because of the impacts on welfare of a monopoly model of a firm in an economy, it is more or less cited as negative by economists. However, in the real world situation where it ismoneythat rules, we could not ignore the fact that Faber-Castell has achieved a monopoly setting again because it has shifted its commodity into a monopoly good.

We therefore arrive at the final question of efficiency. Economic efficiency highlights that there is no welfare loss, which is explained by the Pareto Optimality condition of the production possibilities frontier. However, real world definition of efficiency states clearly higher profits (Sutton, 2007). And in the case of our Faber-Castell model, we can perhaps say that it has

achieved efficiency within itself because of how it has been able to market its good so effectively that demand is higher.

Works Cited

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