

Economy Pricing System: A New Perspective

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Abstract

In an Economy Pricing System competitive firms use different pricing and marketing strategies to offer customers a variety of multi-products classified as premium and non-premium. The introduction of premium and non-premium commodities concept is the core of the economy pricing which make the firm survive in a very competitive environment. An important characteristic of an economy pricing is that by using the push-demand-to-customers strategy, reaching the maximum profit, is not the main objective of the firm. The main objective of the firm is to hold the market share by reaching the desired sales target which does not always equal to maximizing profit for every unit sold. It guarantees a net monetary position (NMP) greater than one and a reasonable desired profit which is a key parameter for many firms operating in economy pricing.

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1. Introduction

The scope of this paper is to explore a new theory in economics called "Economy Pricing System (EPS)" at micro and macro level based on the evolution of the global economy in the 21st century. The economy of the industrialized countries in the 21st century has already moved to a new level of mass production and technology never seen before, thanks to globalization, advanced technologies, online shopping, new organization management methods, and innovative supply chain. A relatively large number of mass-produced commodities (characterized as non-premium) and services in Western economies are somehow sold at discounts rather than regular prices at a much higher frequency that was never seen before. This phenomenon has completely changed how we look at the theory of the firm in microeconomics and the implications at the macro level.

In a globalized world, the economies of advanced countries have entered a new phase called "Economy Pricing System (EPS)," where most of the mass commodities are sold at a low price during certain periods of the year, called 'sales events'. At the macro level, in addition to low prices most industrialized countries especially after 2008 financial crisis, have had record low inflation, low-interest rates, low growth, and low unemployment rates (except for pandemic and war in Europe during (2020-2023)).

The combination of mass-produced commodities sold at promotion prices (at high frequency) using advanced technologies, new organization management methods, innovative global supply chain and online shopping methods at micro level with the record low inflation, low-interest rates, low growth, and low unemployment rates at the macro level has created the perfect conditions of the new economy named "Economy Pricing System (EPS)".

The paper is divided into two parts and ten segments. The first part takes into consideration the microeconomics of economy pricings systems and the second part discusses the macroeconomics of economy pricing system. The first segment takes into consideration some of the characteristics of economy pricing at both micro and macro levels. At the microeconomic level, the second segment will talk about the New Theory of the Firm using the Product-Mix Profitability concept. The third segment will discuss the Multi-Product Pricing Strategy in the contest of the Net Monetary Position Theory. The fourth segment will talk about how the concept of Capacity Utilization is used in economy pricing. The fifth segment is about the Three-levels of Demand Push-Promotion concept and the sixth segment will shed more light on the competitive-pricing approach versus marginal cost approach.

At the macro-economic level, the seventh segment will talk about the relationship between the inflation and supply chain management efficiency. The eighth segment will discuss about the causes of low unemployment rate in economy pricing system. The ninth segment will talk about the effects of interest rates in EPS. And lastly the tenth segment is about the relationship between slow economic growth and outsourcing in economy pricing system.

2. Some Characteristics of Economy Pricing System

Many companies operating in economy pricing are considered multi-product firms and product switching. In fact, one of the characteristics of economy pricing system is to have firms producing both premium and non-premium products. Therefore, it is necessary to have a distinguishment between premium and non-premium products [1]. Premium products are normally those high-quality products which are related primarily to customer's self-esteem and perception status. It makes consumers feel good, confident and shows other people that they have knowledge of the product. Premium products have high manufactured quality, durability and robustness, quality design, brand experience, packaging, customer service and all the expectations that makes achieve a high price point set. If the brand of the premium products exceeds the consumer expectations for a certain period, then the brand generates a premium equity [12].

Non-premium brands are normally referred to those products that highlight other elements and characteristics, such as price discounts, affordability, and reliability, which tend to be more important for value conscious consumers, offered at different low and medium price-ranges. They are also offered at different degree of discounts during sales events. Different range of product's pricing, quality ratings, and market share may impact the utility and attitude of consumers toward non-premium products versus premium products [6].

A viable firm producing both premium and non-premium commodities will charge a higher price for premium products sold to consumers with a less elastic demand and will offer low price to majority of customers whose demand is more elastic for the category of non-premium products and further discounts during several sales events [7].

Another characteristic of an economy pricing system (EPS) is that by using the push-demand-to-customers strategy, reaching the maximum profit, is not the main objective of the firm operating in a multi-product market. The pricing strategy for this type of firm is intended to reach not the best pricing strategy for both products but rather a satisfactory net monetary position of the firm's balance sheet. The net monetary position is the current ratio of current assets over current liabilities to demonstrate the ability of the firm to cover current working capital needs with available working capital. Therefore, the main objective of the firm is to retain the market share by reaching the desired sales target which does not always equal to maximizing profit for every unit sold. However, it guarantees a net monetary position (NMP) greater than one and a reasonable desired profit which is a key parameter for numerous firms operating in economy

pricing.

Another characteristic of EPS is the high number of sales events for non-premium and premium products during the year. Sales events are carefully strategically designed to help a company in different ways such as brand presence or generate leads, channel value, new opportunities, promotion of different non-premium and premium products and increase customer satisfaction, retention, and engagement. Promoting sales event raises alertness about the sales event itself and the brand we are trying to market. The sales event in general, help reach potential customers who are not familiar with the company and its products. In fact, new potential customers who do not own a product may decide to give them a try, particularly if they feel they are able to get a good deal during the sales event.

A dealer incentive is another characteristic of EPS. It is a financial tool used by manufacturers to motivate dealers to sell a product by offering discounts on that product. The dealer incentive which occurs between a manufacture and a dealer reduces the cost sustained by the dealer by improving the profit margin of the dealer. Dealer incentives are usually applied when manufacturers want to sell an inventory that is not selling well or launch a new product to lure the dealer to market it to customers, by getting heavy incentives. The dealer incentive is not passed onto customers, as the manufacturer cannot sell directly to customers, but rather is a benefit for the dealer who facilitate the selling of the product to final customers. These incentives often allow room for consumers to negotiate, as it allows the dealer to reduce the final price to consumers (without comprising profit) which may work in the consumer's favor

Part 1: Some New Microeconomics Concepts of Economy Pricing System

3. New Theory of the Firm in Product-Mix Profitability

To study the microeconomics of Economy Pricing system we take into consideration the theory of the firm and the Product Quantity (PQ) method that separates into segments the product mix based on the annual production volume of each product. The product quantity (PQ) method has identified two distinct segments in a typical manufacturing product mix: the products that belong to the high-mix, but low-volume (HMLV) segment, and products that belong to low-mix, but high volume (LMHV) segment. A production system that is designed for one segment will not be optimal for the other segment due to the structure of the product (Hanssens, D.M., 2015).

The analysis of PQ encourages the utilization of different products systems and value stream mapping for each segment, HMLV and LMHV. The HMLV segment which includes high-mix low-volume premium products requires short production runs, while the LMHV segment including low-mix high-volume non-premium products calls for long production runs, two to three shifts a day affecting several manufacturing parameters [2].

The low-mix high-volume (LMHV) non-premium products are relatively few product numbers being produced in large quantities. These non-premium products are normally mass

produced on single or multiproduct production lines in quite large quantities. Meanwhile, the high-mix low-volume (HMLV) premium products are being produced in small quantities that tend to be manufactured in a process, often referred as a job-shop-layout. The Product Quantity analysis implies that different products being produced in similar quantities will have a process and a functional layout able to manufacture the entire product mix. A high variety of quantities can be grouped into two or more product segments committed to separate production areas with different layouts [4].

$$Y'_{np1} + Y'_{np2} + Y''_{p1} + Y''_{p2} = Y'_{np} + Y''_p = \pi_{j(p)} \tag{1.1}$$

where Y' and Y'' are the respective outputs of non-premium and premium products and $np1, np2, p1, p2$ are the respective sales prices of the non-premium1, non-premium2, premium 1 and premium 2 products manufactured by the firm. We also assume that output Y' of the non-premium products counts for 70-8% of the total sales and output Y'' of the premium products counts for 20-30% of the total sales. The two non-premium product sales prices $np1$ and $np2$ for simplicity can be represented by one output sales price, np . The sales prices of the premium two products $p1$ and $p2$ can also be represented by output price, p . We use a constrained optimization solution for equation 1.1,

$$Y'+p \text{ subject to constraint } (Y'np + Y''p = Ms) \tag{1.2}$$

The Lagrangian function is given as,

$$L(\Pi_j(p)) = Y'+p - \lambda_1(Y'np + Y''p - Ms) \tag{1.3}$$

The solution for the equation (1.3) above implies that the selling price of non-premium products, np , has to be decreased during promotion events for the quantity of the non-premium products, Y' , to be increased and the selling price of the premium products, p , needs to be maximized to maximize the profitability of premium products to cover the lower profitability of non-premium products. Using this strategy, the firm can defend the market share, Ms , despite having a lower overall profitability due to mix of non-premium and premium products.

4. Multi-Product Pricing Strategy and the Net Monetary Position Theory

A firm will earn profit if the marginal revenue (selling price for the price taker) is greater than or equal to marginal cost of that unit. Profit will continue rising as long as manufacturing and selling of one unit add more revenue to the firm than cost. However, in an economy pricing system the things seem to be working differently based on a financial accounting concept called the Net Monetary Position. The Net Monetary Position Theory considers a firm that sells 2 products: a high-quality premium product that sell at high price and low-end mass consumption (non-premium) product that sells at a low price. The particularity of these products is that the premium product is produced and sold always at a price to reach the maximum profit that is when marginal profit is zero or where the marginal cost equals the marginal revenue. Meanwhile, the non-premium

Product Quantity analysis can be explained better if we introduce a *New Theory of the Firm in Product-Mix Profitability*. This theory consists of taking into consideration a competitive firm that uses a multi-product mix strategy to reach its desired overall profitability. Let's assume that the production plan chosen by a manufacturing company consist of 4 products (2 premium and 2 non-premium). The firm, to maximize its profit should increase the quantity produced of both non-premium products 1 and 2, which have a low and competitive selling price and at the same time produce limited volume of premium products 1 and 2, which sell at much higher price, as shown in the equation below,

where the variables are required to satisfy certain conditions for the firm to keep a steady market share for its products. By using Lagrangian function we have that in 1.1 output quantities for non-premium products, defined as Y' must be maximized but not their non-premium prices, np , and for the premium products the sales prices defined as p must be maximized but not their output quantities given by Y'' to defend the market share of the company given as Ms . Therefore, we have that non-premium and premium outputs are given as Y' and Y'' respectively, and the price of the premium and non-premium products are given as p and np respectively, subject to the following condition:

product may sell at a price where marginal revenue is greater or equal to the marginal cost reaching maximum profit (marginal profit is zero) for about 20-40 percent of the times during the year, and at a price where marginal revenue is less than marginal cost and marginal profit is negative for about 60-80 percent of the times during the year. If marginal profit is negative for the non-premium product does not mean that a lesser quantity should be produced. On the contrary, the quantity of non-premium product continues to rise to meet the demand for selling at discounted price.

We have three different scenarios in economy pricing based on the characteristics and marketing strategy of product-mix sold as premium product at regular price, as non-premium product sold at regular price and as non-premium product sold at discount price.

Firms producing large volumes of non-premium products will use mass-production methods and effective supply chain management that will normally lead to lower per-unit cost. By using the total revenue/cost approach rather than marginal approach we have that the **first equilibrium condition** of pricing strategy for a firm operating in an economy pricing system given the demand for each of the 3 scenarios: premium, non-premium and non-premium discounted products is written as,

$$[P(D(P_p)) - C(D(P_p))] + [P_{np}(D_{np}(P_{np})) - C_{np}(D_{np}(P_{np}))](1 - \varepsilon) + [(P_{nps})(D_{nps}(P_{nps})) - (C_{np}(D_{nps}(P_{nps})))](1 - v) = NMP(cr) > 1 \quad (1.4)$$

where $P(D(P_p))$ is the price demand and $C(D(P_p))$ is the cost related to demand $D(P_p)$ for premium product sold at regular price, and $P_{np}(D_{np}(P_{np}))$ and $C_{np}(D_{np}(P_{np}))$ are respectively price demand and cost related to demand for non-premium product sold at regular price, and $P_{nps}(D_{nps}(P_{nps}))$ and $C_{nps}(D_{nps}(P_{nps}))$ are respectively price demand and cost related to demand for non-premium product sold at discount price. NMP is the *Net Monetary Position* of the Balance Sheet of the firm and cr , stands for current ratio. The NMP is normally measured by liquidity ratios such as *current ratio* and is supposed to be always > 1 (current ratio > 1) for a firm to cover

current liabilities with the current assets, or *quick ratio* which excludes inventory because inventory is not always considered liquid. This comparison allows us to assess the firm's ability to meet its short-term debts.

A second equilibrium condition of the pricing strategy for the firm given the demand (or the push demand) for premium, non-premium and non-premium discounted products is to meet the sales target to competitively retain the market share, which is given as,

$$D_p(P_p) + D_{np}(P_{np}) + D_{nps}(P_{nps}) = \text{Sales Target} = \text{Market share} \quad (1.5)$$

where D_p , D_{np} , D_{nps} , P_p , P_{np} and P_{nps} are the respective demand (push demand) and price of premium, non-premium and non-premium discounted products sold by the firm to keep the sales target and at the same time meeting the first condition, $NMP > 1$. By satisfying the second condition - meeting the sales target - does not mean that a firm is maximizing the profit, but rather keeping the market share and reaching the desired target output [13].

In an economy pricing, any plant operating in a range with short-run scale economies would reach a higher NMP (Net Monetary Position) curve for the non-premium products by increasing capacity utilization and pushing down prices as it moves along a downward sloping region of the supply curve. Therefore, in the presence of market competition there is a possibility of negative correlation between capacity utilization and price changes for non-premium products. Lowering the prices of non-premium products during the sales event will increase the volumes of sales orders received by manufacturing plants from the retail stores, which translates into increased plant capacity utilization. Based on the second equilibrium condition of the pricing strategy of a firm will have to reach normally an average production capacity utilization of 70-80 percent.

5. The Capacity Utilization in Economy Pricing System

Another aspect of economy pricing is capacity utilization which is the potential output representing the maximum amount of output that can be produced in the short-run by a company, industry or country with the existing installation of capital [3]. In an economy pricing, any plant operating in a range with short-run scale economies would reach a higher NMP (Net Monetary Position) curve for the non-premium products by increasing capacity utilization and pushing down prices as it moves along a downward sloping region of the supply curve. Therefore, in the presence of market competition there is a possibility of negative correlation between capacity utilization and price changes for non-premium products. Lowering the prices of non-premium products during the sales event will increase the volumes of sales orders received by manufacturing plants from the retail stores, which translates into increased plant capacity utilization. Increasing returns suggests that changes in industrial output mainly reflect changes in the capacity of industry to produce. Based on the second equilibrium condition of the pricing strategy of a firm, given in equation (1.5), which takes into consideration the demand for premium, non-premium and non-premium discounted products and sales target to make a desired profit, will have to reach normally an average production capacity utilization of 70-80 percent. Denominating by Uc the production capacity utilization, we have that the linear demand function that meets the production capacity utilization condition is given as,

$$D_p(P_p) + D_{np}(P_{np}) + D_{npd}(P_{npd}) = \text{Sales Target} = Uc \quad (1.6)$$

where D_p , D_{np} , D_{npd} , P_p , P_{np} and P_{npd} are the respective demand (push demand) and price of premium, non-premium and non-premium discounted products.

What happens if a manufacturing firm does not reach the production capacity utilization of 70-80%? It means that the capacity is under-utilized, and the firm is not selling enough to cover fixed cost. It is barely covering the variable costs.

As a result, average fixed costs per unit of output increase, so profitability falls, and prices might increase, which means that average costs increase due to falling levels of efficiency. The firm will be less competitive. For a competitive firm, the higher the unutilized production capacity the higher the promotions offered during sales events on non-premium products and eventually premium goods. In fact, if the unutilized production capacity is under 70-80% the output of non-premium products

(Qnp) ↑↑ could increase and eventually the quantity of premium products (Qp)↑ must be increase as well, through different promotions, to reach the budgeted sales target which will ensure competitiveness and steady market share for its products.

6. Three-Levels of Demand Push-Promotion Concept in Economy Pricing

Large discount superstores like Walmart, Costco, Amazon, or discount outlets put considerable pressure to their suppliers to keep the price down so they can give more discounts to final customers and have more return liberal policies for their loyal customers to remain competitive. The focus here is on a new microeconomic model called, the *Three-levels Push Demand model*, where each level of the supply chain of the final product is designed to push the demand onto final customer.

Let's assume that a discount superstore sells a non-premium product (unit) denominated as Un at discount price $P(Us)np$, rather than at regular price.

$$P(Us)np = Pa + L + VOH + FOH + A + Pm \quad \text{for} \quad P(u)np < Pnp \quad (1.7)$$

where Pnp is the regular price of the non-premium product which is always higher than the discount price $P(u)np$ during sales events.

At the second level of demand-push, the supply manager of the manufacturer firm will try to reduce the cost of the non-premium unit manufactured $U(m)np$ by reducing the only variable he can control in the short-term, which is the price of the raw materials

$$PU(m)np = PMm + Lm + VOHm + FOHm + Am + P(r)npQr \quad (1.8)$$

where PMm , Lm , $VOHm$, $FOHm$ and Am are respectively the profit margin, direct+ indirect labor, variable and fixed overhead, selling and administrative cost of the manufacturer to produce a unit of Un and lastly $P(r)npQr$ represents the price the manufacturer buys raw materials ($Pr)np$ and quantity Qr of raw materials from mining industry to produce one non-premium unit Unp .

The third level of demand push-promotion occurs when the

$$P(r)np = PMr + Lr + VOHr + FOHr + Ar + Pl \quad \text{if} \quad Vlr > Vrun \quad (1.9)$$

where PMr , Lr , $VOHr$, $FOHr$ and Ar are respectively the profit margin, direct+ indirect labor, variable and fixed overhead, selling and administrative cost of the extraction or mining company. Meanwhile, Pl is the price to buy land to extract minerals including the mining rights or royalties and Vlr is the large volume of raw material sold at discount price and $Vrun$

At the first level of demand-push the supply chain manager of the superstore will 'push' to reduce the cost of product $U(s)np$, so the store can sell it at discount price by reducing the only variable he can control in the short-run, that is the price of the non-premium unit, Pm , which is purchased from the manufacturer. The discount price denominated as $P(Us)np$ of the non-premium product Un is given as a function of profit margin denominated as Pa , direct + indirect labor denominated as L , variable and fixed overhead costs denominated as $VOH+FOH$, selling and administrative cost denominated as A , and lastly the Pm , which represents the price the superstore buys the units from the manufacturer. All these variables may get reduced in the long-run through restructuring, reorganization, investment in research & development, new technologies, mergers, etc., but not in the short-run, except for Pm . The relationship, including all these variables, is given as a linear function to produce the non-premium product Un and can be written as,

$Pr(np)$ used to produce $U(m)np$, purchased from the extraction/ mining company in large volumes to support the superstore sales event.

Therefore, the price of non-premium product Unp manufactured by the manufacturer and sold to the discount superstore is given as,

manufacturers ask their suppliers of the raw materials or intermediate subassemblies to reduce the price of the raw materials used to produce the non-premium products, so they can support the sales event of the superstores. Therefore, we have that $Pr*Qr$ represents the price of raw materials and quantities used in production to produce the unit Un . The selling price of a raw material unit, $P(r)np$, for the mining company which is sold to the manufacture to produce the non-premium unit Un , is given as,

is the volume of raw materials sold at regular price. By putting together equations (1.7), (1.8) and (1.9) we get a new equation that indicates the final price of the buy-product, Un , sold to final customer in the superstore based on three levels of discounts or push-demand for high-volume of non-premium products which is written as,

$$PU(s)np = [Pa + L + VOH + FOH + A] + [PMm + Lm + VOHm + FOHm + Am] + [PMr + Lr + VOHr + FOHr + Ar + PI] \quad (1.10)$$

where the final sale price $PU(s)np$ of non-premium product sold to final customer is a combination of three-levels of discounted prices coming from the discount superstore, manufacturer and

$$PU(s)np = Pm + P(r)np + PI, \tag{1.11}$$

where Pm is the price of manufactured unit, $Pr(np)$ is the price of raw materials to produce this unit, and PI is the price of mineral extraction including landing right and royalties to produce the raw materials to manufacture unit $U(s)np$. These are the only variables that are controlled in the short-run.

The price of raw materials, $P(r)np$, with its all components including the price of land, mining rights, etc., in equations 1.7 through 1.9, is the main variable that guarantees the discount price in an economy pricing, based on the whole supply chain

raw-material supplier. The discount price of non-premium product $U(s)np$ in the short run is controlled by the price of these three core variables of the superstore supply chain given as,

of the product. The extraction of raw materials is controlled by large corporations that have their operations located in third world countries where the varies component of the selling price of a raw material, $P(r)np$, such as direct and indirect labor, profit margin, variable and fixed overhead, mining rights, etc., are much cheaper compared to industrialized countries, otherwise there will be very difficult to support the three-level push-demand that is the base of the economy pricing of the large discount superstores. Below we have a graphical presentation of the push-demand on the supply side and NMP curve.

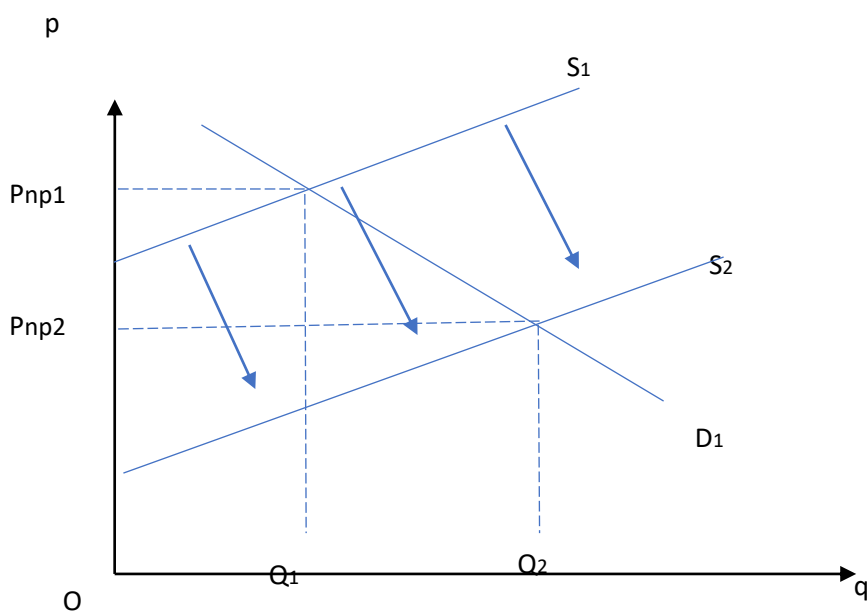


Figure 1: The Demand-Push on the Supply Side in Economy Pricing of Non-Premium Products

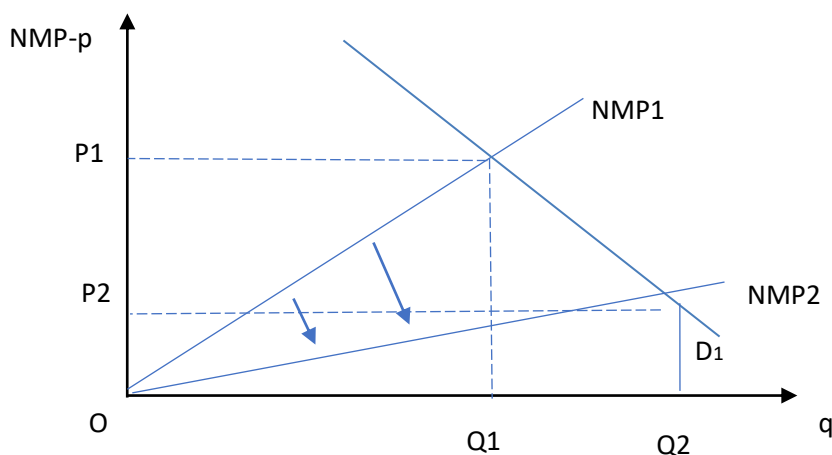


Figure 2: NMP Curve and the Demand-Push on Supply Side in Economy Pricing

Figure 1.1 above illustrates the push-demand on the supply side which consist of using the push marketing strategy to promote non-premium products by pushing them onto consumers at discounted prices. A manufacturing company that sells non-premium products to big box superstores during sales events will reduce the price from P_{np1} to P_{np2} and move the supply curve from $S1$ to $S2$, increasing substantially the quantity of non-premium products offered from $Q1$ to $Q2$. In addition, reducing price of non-premium products from P_{np1} to P_{np2} will also help reach the volume sales target that use the push market strategy as far as it keeps $current\ ratio > 1$ and $NMP > 1$ in the company's balance sheet.

Figure 1.2 instead, illustrates the (Net Monetary Position) $NMP-p$ curve and the demand push-promotion on the supply side in economy pricing. The company will be pushing the demand curve $D1$ onto customers to buy the non-premium product at discount price $P2$ (compared to regular price $p1$) so it can reach the volume sales target $Q2$ where the slope of the $NMP2$ is much lower than the $NMP1$ with a lower $current\ ratio$ and lower profitability, to stay competitive in the market. If the firm does not lower the price of non-premium goods from $P1$ to $P2$ during sales events, then there is no guarantee that this firm will be competitive as other firms may jump in to offer their own sales events to try increase their market share. Therefore, an equilibrium points to guarantee competitive pricing for non-premium product is at the intersection of $NMP2$ curve with demand curve $D1$ at price $P2$.

The three-levels of demand push-promotion model is in a certain way dissimilar to *Target Costing approach* where a company plans for the price points, product costs, and margins that it wants to achieve for a new non-premium product, specifically designed using lower grade raw materials and meeting the minimum government requirement standards to sell in a very

$$\frac{d\pi(q')}{dq} = \frac{R(q')}{dq} - \frac{C(q')}{dq} = MR(q') - MC(q') = 0 \tag{1.12}$$

The derivate of cost with respect to output, $dC(q)/dq=MC(q)$, is its marginal cost. Equation (1.12) says that a necessary condition for profit to be maximized is when the firm set its quantity at, q' , where the difference between firm's marginal revenue and

$$\frac{d\pi^2(q')}{dq^2} = \frac{d^2R(q')}{dq^2} - \frac{d^2C(q')}{dq^2} = MR(q') - MC(q') < 0 \tag{1.13}$$

which means that for profit to be maximized at q' , the slope of the marginal curve, dMR/dq , must be less than the slope of marginal cost curve, dMC/dq .

There is also a more realistic approach than the marginal cost approach which is based on the concept of economy pricing. In a competitive and multi-product market where the economy pricing is dominated by a competitive number of players that sell premium and non-premium products, we have two cases 1-) In

competitive market. The three-levels of demand-push model instead uses the existing non-premium designed product and try to save on cost at different levels of supply chain by pushing the suppliers to reduce the price of raw materials if the product is produced and sold in large volumes.

7. Competitive-Pricing Approach VS. Marginal Cost Approach

Marginalist tries to explain the inconsistency in the value of goods and services by referring to another concept which their secondary value is, or marginal utility. Marginalism outlines both an economic method of analysis and a theory of value. Based on this theory, rational individuals can make economic decisions "on the margin". This economic behavior, as explained by marginalists, is based on the value of the commodity, and is determined by how much additional utility an extra unit of a good or service provides [9].

Part of the marginalism theory is also the marginal cost, that is, the change in the total cost that arises when the quantity produced is increased by one unit. In simple terms, the marginal cost is the cost of producing one more unit of a finished good. At each level of production, marginal cost includes variable costs such as the cost of inputs, labor, and variable overheads to produce the next unit of the finished good [15]. At a given production technology, at each level of production and during a certain accounting period, the marginal costs include all costs that vary with the level of production, meanwhile other costs that do not vary with the level of production are fixed costs and hence not part of marginal cost.

In a marginalism world we have that profit is a function of revenue and cost. The necessary condition for profit maximization is by setting the derivate of $\Pi(q) = R(q) - C(q)$ with respect to output equal to zero, and we get the following:

its cost is equal to zero, or when marginal revenue equals its marginal cost. The profit will be maximized at q' , if the second-order condition holds,

the *first case scenario*, a firm that produces multi products such as one non-premium product which is sold at discount most of the times (higher frequency, between 50-90%) and one premium good sold at much higher price for a determined segment of the market. The (high frequency) operating income (OIhf) of a multi-product firm manufacturing premium and non-premium goods, with high frequency of sales events of non-premium products is given as.

$$OI_{lf} = (R_{np} - VC_{np} - FC_{np}) + (R_p - VC_p - FC_p) = NMP (cr) > I = Q_{bt} \quad \text{for } 60\%$$

$$<P_{disc} = NP_{prob} < 90\% \quad \text{and } 10\% < P_{reg} = NP_{prob} < 30\% \quad (1.14)$$

where R_{np} is the revenue generated from non-premium product that cover its variable costs indicated as VC_{np} , and R_p is the revenue generated from the premium product that cover its variable costs VC_p and the fixed cost of the whole company given as FC . The NMP is the net monetary position and Q_{bt} is the chosen output for the firm to break-even for both premium and non-premium products to reach a desired target profit for the operating income to be positive as required by management [16].

The firm is assumed to have a relatively small volume of premium product and a large volume of mass manufactured non-premium product, denominated as NP_{prob} in equation above which is part of revenue R_{np} and has a high frequency - between 60% and 90% - of selling at discount price, P_{disc} , during a fiscal year bringing a much lower operating income and

profit. The high frequency of discount price or sales events of the non-premium product is the price to pay if the company wants to survive in a very competitive market made of new aggressive entrants seeking to capture the market share.

2-) In the **second case scenario**, the non-premium output is sold at discount price with much less frequency (between 10-30%) and the premium commodity is sold at higher price for a high-end segment of the market, bringing in a high level of operating income which covers variable costs and part of the fixed costs with the revenue generated from non-premium products and cover the rest of the fixed cost and generates a good profit with the revenue generated by high-end premium products. The operating income (OI_{lf}) of this multi-product firm with low frequency of discount price of non-premium products is given as,

$$OI_{lf} = (R_{np} - VC_{np} - FC_{np}) + (R_p - VC_p - FC_p) = NMP (cr) > I = Q_{bt} \quad \text{for } 10\%$$

$$<P_{disc} = NP_{prob} < 30\% \quad \text{and } 70\% < P_{reg} = NP_{prob} < 90\% \quad (1.15)$$

where R_{np} is the revenue generated from non-premium product covering its variable costs given as VC_{np} and fixed costs given as FC_{np} . Meanwhile, R_p is the revenue generated from the premium product which can cover its variable costs, VC_p , and the other portion of the fixed cost, FC_p . In this case, the non-premium product NP_{prob} , which is part of the revenue R_{np} will sell less frequently at discount price P_{disc} in the range of 10% -30% and will be able to cover both, its variable and fixed cost. The regular price of non-premium product NP_{prob} , (included in R_{np}) will have a higher frequency of regular price P_{reg} in the range of 70% -90% and which help cover all costs.

The firm in the second scenario will have a higher profitability than the firm in the first case scenario which was operating in a much more competitive and dynamic market. In the second scenario the market is less competitive and there are less new entrants due to higher fixed costs and investments. The marginalism approach says that a necessary condition for a firm to maximize its profit is to set its quantity at, q' , where the difference between firm's marginal revenue and its cost is equal to zero, or when marginal revenue equals its marginal cost. Instead, using the competitive-pricing approach, the condition for a firm to stay competitive is to have multi product-mix setup categorized by premium and non-premium products to help reach a positive net monetary position (NMP) and choose the quantity of output of both premium and non-premium product-mix to break-even and achieve the desired target cost and profit.

Part 2: Macroeconomics Concepts of Economy Pricing System

Most of the industrialized countries in addition to low prices, have had record low inflation (exception during the 2020-2023 due to pandemic and war in Europe), low interest rates (especially after the 2008 financial crisis), low growth rates and record low unemployment rates. The decline of interest rates during the 2008 global financial crisis and afterwards has created the perfect situation of cheap money for the mass of borrowers and the conditions for the economies of industrialized countries to reach a phase that we normally call the "macroeconomics of economy pricing system" or simple the "macro economy pricing", characterized by low inflation, low interest rates, low growth rates, low unemployment rate, mass production and demand-push strategies into customers for a large assortment of non-premium products.

8. Low Inflation and Supply Chain Management Efficiency

New technologies have changed the way consumers think, search for new trends and compare product prices. The customers benefit from increased price transparency and comparability as never before in a short amount of time thanks to the increase of online shopping trend. Technological progress has also increased labor productivity, therefore reducing unit labor cost. Technological progress in different sectors tend to increase productivity, lowers the rate of wage growth relative to productivity, and as result delays rising inflation. The continues introduction of technology innovation in industry serves as a complement to the workforce, and the influence of deflation is straightforward. Higher productivity in manufacturing sector translates directly

into lower production costs [17].

The inflation rate in an economy pricing can be expressed as

$$\text{Inflation Rate} = I = \sum_{i=1}^n f(Q_{nps}, S(p)_{ev}) \quad (1.16)$$

where Q_{nps} is the quantity in volumes of the non-premium products sold at discount price during sales events on the supply side, and $S(p)_{ev}$ is the number of sales events that offers several types of discounts, p and $i = 1, \dots, n$ is number of different categories of non-premium products offered by competitive firms in different industries. The above equation is valid if the competitive firms participating the sales events offer large volumes of non-premium products at discount prices on the

$$\pi = \frac{P_t - P_{t-1}}{P_{t-1}} = \frac{\Delta P_t}{P_{t-1}} = \frac{(Ps + Pm + Pr)_t - (Ps + Pm + Pr)_{t-1}}{(Ps + Pm + Pr)_{t-1}} \quad (1.17)$$

where Ps is the sales price of the discount stores to customers, Pm is the sales price of the product produced by a manufacturer and sold to the discount store, and Pr is the sales price of the raw material/s produced by a mining (raw materials) company and sold to the manufacturer.

$$\pi = \frac{P_t - P_{t-1}}{P_{t-1}} = \frac{\Delta P_t}{P_{t-1}} = \frac{(Ps + Pm + Pr)_t - (Ps + Pm + Pr)_{t-1}}{(Ps + Pm + Pr)_{t-1}} + \theta \frac{tech_t - tech_{t-1}}{tech_{t-1}} + \epsilon \frac{SCM_t - SCM_{t-1}}{SCM_{t-1}} \quad (1.18)$$

where $tech$ is the drag of technology onto inflation and SCM (Supply Chain Management) is the drag of efficiency of the supply chain management onto inflation from period $t-1$ to t , and θ and ϵ are coefficients respectively for $tech$ and SCM .

Technological change influences prices via sectoral innovation and reduction in unit labor cost. The $tech$ variable in the equation above could be strong enough to lower the overall inflation. In the equation above we assume that the expected inflation rate in the next period, $E\pi_{t+1}$, is low as we already accept that in an economy pricing all levels of a production chain-line from raw materials to intermediate and finished goods push for stable and low prices thanks to technological innovation and supply chain management efficiency in order to arrive to the point of final consumption at a low and affordable price.

The supply-chain management is a cross-functional approach that includes managing the movement of raw materials into an organization, the internal processing of materials into finished goods, and the movement of finished goods out of the organization to the end consumer.

The managing of the supply chain allows companies to be able to cut excess costs and deliver products to the consumer faster. This is done by keeping tighter control of internal inventories,

a function of volumes sold during sales events which offer different categories of non-premium and eventually premium products at discounted prices as

supply side, pushing the demand onto customers. The number of sales events in different industries offered throughout the year with the precipitation of thousands competitive firms have an effective impact on tending to lower inflation rate at the macro level.

At the microeconomic level (Muzhani M, ch.1 2023), that the inflation from period $t-1$ to period t can be written as,

If the superstore, the manufacturer and raw material producer keep the same price or with small changes from period $t-1$ to period t , then we can say that the inflation is low or inexistent. If we add the technology and supply chain management in the inflation function, we have that the above equation can be written as,

production, distribution and sales, and in many cases the inventories of suppliers as well.

The managing of the supply chain allows companies to be able to cut excess costs and deliver products to the consumer faster. This is done by keeping tighter control of internal inventories, production, distribution and sales, and in many cases the inventories of suppliers as well [5].

Part of the SCM process is also the strategic decision to merge with other companies to reduce overhead costs and have better leverage on raw materials and intermediate goods to keep down the price of final goods and be competitive in certain segments of the market.

9. Low Unemployment Rate in Economy Pricing System

The natural rate of unemployment is the level of unemployment consistent with sustainable economic growth. An unemployment rate below the natural rate means that the economy is growing faster than its sustainable natural rate of unemployment, which places upward pressure on wages and prices in general leading to increased inflation [10]. The opposite will happen if the unemployment rate rises above the natural rate, which will put downward pressure on wages and prices in general leading to decreased inflation.

The so-called Phillips curve, which many central banks rely on in guiding its policy direction, argues that as unemployment declines, inflation should rise, a phenomenon that has not occurred during this economic expansion after the 2008-9 crisis. In recent years, the economy has challenged the Phillips Curve [14]. As unemployment has dropped, wages and inflation haven't risen sharply. In some ways, they've weakened. It is supposed to be a connection because low unemployment will drive wages up and ultimately higher wages will drive inflation, yet we have not reached that point.

Low unemployment rates can also be explained in terms of economy pricing. In an economy pricing system, the production capacity utilization of 70-80 percent deemed to cover total variable and fixed costs and reach the sales target is composed of roughly 20-30% premium and 70-80% of non-premium products. This means that the firm must commit larger amounts of labor in forms of salaried and hourly wage employees to manufacture

$$U_c = \pi_{np} = [D_{np}(P_{np}) - (R_{np} + L_{np}W_{np})] \quad (1.19)$$

where R_{np} , L_{np} , W_{np} are the respective raw materials, labor and wage used to produce non-premium products, and D_{np} and P_{np} are the respective demand and price for non-premium product, and U_c is the capacity utilization [13].

$$\pi_i = \sum_{p=1}^n p_i [A(D_{np})(L)-(wL_{np})]$$

where D_{np} is the demand for non-premium products, L is the quantity of labor the firms employ, A is a factor that shifts the profit function and reflects the technology or economy-wide output, so that a higher value means that the firm can sell more for a relative stable or unchanged price for a given amount of output, and wL_{np} is the quantity of labor times wage (per hour) involved in the production and distribution of non-premium products.

Selling large volumes of non-premium products means that firms need to have a large infrastructure and employ more employees to work on the production facilities, distribution centers, customer services and stores. The larger the number of firms that produce, distribute, and sell non-premium products in different sectors the

$$B = (P_{np}^* - P_{np}) / P_{np} = \varepsilon(N^* - N) / N = \varepsilon(u^* - u) \quad (1.21)$$

where ε is the responsiveness of non-premium products prices to unemployment rate. Meanwhile, if we consider the Phillips curve relationship in terms of production capacity utilization,

$$P_{uc} = \varepsilon'(U_c^* - U_c) / U_c = \varepsilon'(u^* - u) \quad (1.22)$$

where, U_c^* is the full production utilization capacity and U_c is the current capacity utilization and $u^* - u$ is the unemployment rate. The term $u^* - u$ is the unemployment rate and ε' is the responsiveness of production capacity utilization of a firm manufacturing large volumes of non-premium products to the unemployment rate. Higher level of capacity utilization in different industries leads to lower unemployment rates.

and run the operations of non-premium product categories. The higher the component of non-premium product that makes up the 70-80 percent of production capacity utilization the more resources the firm will put in term of labor, wages and raw materials to produce the non-premium category. As a result, the firm will increase the labor force in operations by hiring new wage-employees at a minimum or above the minimum wage to keep up with the demand of non-premium products especially during the sales events. Meanwhile, the number of office staff or the salaried employees, as part of fixed costs, which enjoy higher salaries will remain stable. This is part of the fixed cost for the company.

However, most of the resources and labor are directed to the production of non-premium products that make up between 60% and 80% of total production, therefore we have that the profit portion of non-premium products by using the function of the production capacity utilization is given as,

The number of firms, F_i , operating in n markets, producing i non-premium products that meets the sales target by reaching 70-80% of capacity utilization rate, U_c , will have the profit function for each firm F_i given as,

$$\text{where } \sum_{p=1}^n F_i = \sum_{p=1}^n U_c \quad (1.20)$$

larger the number of active people employed on these firms that are paid at minimum or above the minimum wage, the lower the rate of unemployment in the economy.

Let's assume that N^* is the full employment and N is the actual employment, and that unemployment rate denominated as u is that portion of labor force which has not been employed. Hence, the unemployment rate can be written as, $u^* - u = (N^* - N) / N^* \dots$ (ii), where $u^* - u$ is the unemployment rate. Meanwhile, $B = (P_{np}^* - P_{np}) / P_{np}$ is the change rate of non-premium product prices during the year. Thus, we have the Phillips curve relationship in terms of non-premium discounted prices indicated by P is given as,

U_c , and unemployment rate, u , we have that this relationship indicated by P_{uc} is given as,

As we know the standard Phillips curve relates the rate of inflation with the rate of unemployment. In fact, the Phillips curve argues that unemployment and inflation are inversely related: as levels of unemployment decrease, inflation increases. The relationship, however, is not linear. Graphically, the short-run Phillips curve traces an L-shape when the unemployment rate is on the x-axis and the inflation rate is on the y-axis.

In an economy pricing system and in a market dominated by a variety of non-premium products, the Phillips curve relationship in terms of capacity utilization which is used mainly for non-

premium products denominated as U_{cnp} , and unemployment rate denominated as u , has still an L-shape as is shown in figure 1.3.

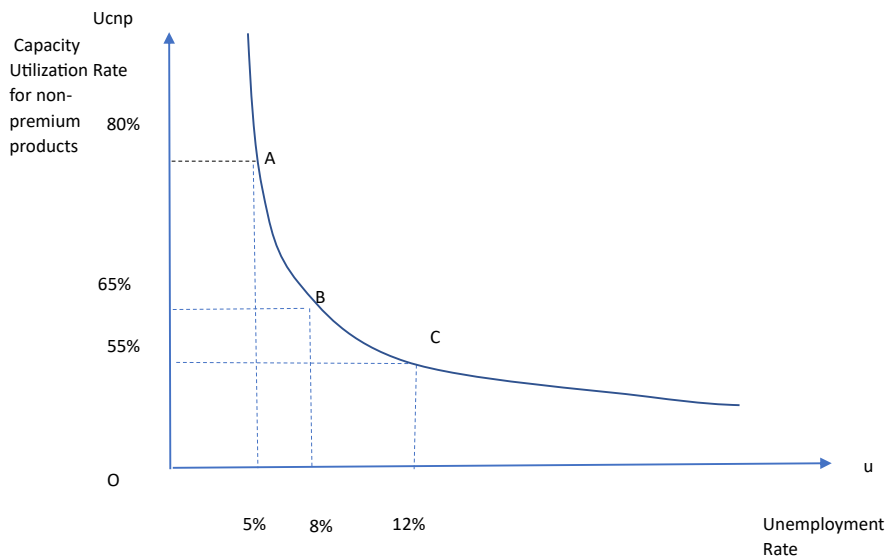


Figure 3: The Relation Between Unemployment Rate and Capacity Utilization Rate in Economy Pricing

When several firms in different industries produce different category of products at different non-competitive prices, they will have low-capacity utilization rate at around 55%, and the unemployment rate in economy is high at about 12%, as indicated at point C in figure 1.1, as their prices are not competitive. At point B the firms increase the production utilization capacity at 65% where they start to manufacture and sell more non-premium products at more competitive prices than premium products, which causes the unemployment rate to decrease at 8%. And finally, at point A the firms - due to technology improvements and supply chain efficiency - produce and sell large volumes of non-premium products reaching the capacity utilization rate of 80% and less premium products, causing the unemployment rate in economy to decrease further at 5%. Therefore, an economy pricing system which is dominated by mass production and large sales of non-premium products during sales events has the capability to keep the unemployment rate low.

10. Interest Rates in Economy Pricing System

The Neo-Fisherian theory is based on Irving Fisher's theory of interest rates, (Fisher, I., 1907) confirms that monetary policy alone is unable to move the equilibrium real interest rate, which

$$i_t = r_t + E_t \pi_{t+1} \tag{1.23}$$

where i_t and r_t respectively denote nominal and real interest rates, while $E_t \pi_{t+1}$ denotes expected inflation in period $t+1$. This equation incorporates a long-run positive relation between nominal rates and expected inflation. Given the relation between inflation and nominal rates, some economists have recommended that by keeping nominal rates relatively high for an extended period could help to achieve higher inflation. However, according to the "neo-Fisherian" view, central banks after the 2008-9 financial crisis have operated near the effective

is the interest rate that would prevail under normal conditions of full employment and relatively stable prices. If the interest rates cannot help, then inflation is the only economic variable that can help to restore the long-run economic equilibrium, if sovereign debt is sustainable. The logic behind this theoretical idea is that forward-looking economic agents presume a low inflation target from a lengthy period of low central bank interest rates, which leads nothing more than to low inflation expectations and subsequently materialises in low inflation. In fact, a lengthy period of low nominal interest rates has not resulted in high inflation (Garcia-Schmidt, M., and Woodford, M., 2015, pp 10-86).

In economy pricing the inflation is kept low due to the price of non-premium products being kept low for extended periods and continues sales events for a large category of non-premium products in different industries.

The inflation has been low precisely because nominal rates had themselves been low. The relation between inflation and nominal rates for this possibility comes from the Fisher equation which can be written in a simplified form as:

lower bound which may have been not an effective strategy for raising inflation [8].

If central bank's inflation target is denominated as π^{*t+1} and low inflation due to the low price of raw materials is denominated as π^{Rawt+1} , then the expected inflation in period $t+1$ is written as $(\pi^{*}-\pi^L)t+1$. Thus, we have that $E_t \pi_{t+1}$ can be replaced by $E_t(\pi^{*}-\pi^{Raw})t+1$ and equation 1.24 can be written as,

$$\dot{i}_t = r_t + \delta_\pi E_t(\pi * -\pi Raw)_{t+1} \quad (1.24)$$

where δ_π is the parameter which rules the central bank's responsiveness to off-target inflation. Suppose, for example that if $\delta_\pi > 1$, the central bank will commit to respond quite aggressively when inflation is off target. But, if $\delta_\pi < 1$, and inflation is deflationary the central bank may decide to not commit to responding aggressively when inflation is lower than the inflation target, then inflation expectations may become unreliable (Muzhani M., 2023, Ch.4).

The above equation means that nominal interest rate is determined by real interest rate and by the expected inflation in period $t+1$, which in economy pricing is supposed to be low. If the inflation is expected to be low due to low prices of the mass produced non-premium products and efficient supply chain management then the nominal interest rate is equal to real interest rate.

However, if inflation is low the equilibria selected would require careful coordination with fiscal authorities, since their selection would ultimately depend on how the treasury adjusts surpluses in response to higher nominal rates. Active use of inflation to manage the government's real debt could also lead to the perception that government is trying to merely inflate its debts away. But if inflation is kept low for much longer periods, then there is no need for government to be assigned control over

nominal prices.

11. Slow Economic Growth and Outsourcing in Economy Pricing System

A consistent weak demand in developed countries may lead to limited productivity growth and a shift of the labor force from manufacturing sector to service sector with lower labor force participation. The weak demand and low inflation in developed countries lead normally to higher rate of outsourcing production capacity in developing countries to keep the costs of final goods down and the price of commodities stable. Therefore, another factor that contributes to slow growth in advanced economies is a slow growth trend of capital stock in developed economies and an increase trend of capital stock exportation in developing countries to help outsource part of the production in those developing countries where there is cheaper labor force and abundance of raw materials.

In an economy pricing system (equation 1.10), we have that the equation which indicates the final price of the buy-product, Un , sold to final customer in the superstore based on three levels of push-demand for high-volume non-premium products could be written as,

$$PU_{(s)np} = [P_a + L + VFOH + P_m] + [PM_m + L_m + VFOH_m + P_{(r)np}] + [P_r + L_r + VFOH_r + PI] \quad (1.25)$$

where the final sale price $PU_{(s)np}$ of non-premium product sold to final customer is a combination of three-levels of discounted prices coming from the discount superstore, manufacturer of non-premium goods and raw-material suppliers. The first part of the equation above on the right side indicates the first level of demand-push from the superstore, $P_a + L + VFOH + P_m$, the second part of the equation indicates the second level of demand-push at the manufacturing level, $PM_m + L_m + VFOH_m + P_{(r)np}$, and the third part of equation indicates the third-level of demand push at the subassembly and raw material level, $P_r + L_r + VFOH_r + PI$.

The superstore could use the outsourcing strategy by agreeing with the the manufactures to significantly reduce the wholesale

price by changing product specifications of non-premium product to outsource some subassemblies in developing countries where labor, fixed and variable overheads are much cheaper. This strategy can go even further by outsourcing completely the manufacturing of the entire non-premium product to developing countries, so the superstore can better position itself with respect to its competitors during sales events.

In fact, if the manufacturer decides to buy the raw materials or subassemblies directly from developing countries in agreement with the superstore to reduce the target cost of non-premium product $PU_{(s)np}$ using the two levels of demand-push, we have that the equation that indicate this final price could be written as,

$$PU_{(s)np} = [P_a + L + VFOH + P_m] + [PM_m + L_m + VFOH_m + P_{(r)dev}] \quad (1.26)$$

where $P_{(r)dev}$ is the price of raw materials or subassemblies purchased from developing countries at a much lower price compared to the price of raws and subassemblies purchased and made in industrialized countries. In the equation above we can see that the superstore has eliminated the profit margin, labor, variable, and fixed overhead of the third level of push-demand by outsourcing directly raw materials to developing countries.

The discounted price of the non-premium product can be reduced further if the superstore decides to buy entirely the non-premium product from a developing country by using cheaper specialized labor using same product specifications as is manufactured in an industrialized country. Therefore, the discounted price of the non-premium product $PU_{(s)np}$ using only one level of demand-push could be written as,

$$PU_{(s)np} = [P_a + L + VFOH + P_{manuf}] \quad (1.27)$$

where P_{manuf} is the discounted price of non-premium product outsourced, purchased directly from developing countries and sold in the superstore. This equation shows that the superstore has eliminated the profit margin, labor, variable, and fixed overhead of the second and third level of push-demand by outsourcing directly the non-premium product from the developing countries.

The outsourcing of two levels of demand push of the supply chain in developing countries has eliminated the production of raw materials, subassemblies, and finished goods in the industrialized countries. This on returns has reduced the production capacity of the industrialized countries and has increased the production capacity of the developing countries hosting the outsourced manufacturing facilities. The reduced production capacity in industrialized countries has slowed growth as the manufacturing sector gets smaller and smaller with less specialized manufacturing labor force in favor of a cutting-edge service-oriented sector that is currently dominating the advanced countries.

12. Conclusions

The main scope of the “Economy Pricing System” theory is to analyse how the micro and macroeconomic events are interconnected in a globalised economy pricing system. The theory of the firm is one of the main concepts in modern microeconomics. We have been dealing with different concepts of the firm theory related to economy pricing system, where a firm operates in a very competitive market and produces multi-outputs. A firm effectively can use the production capacity utilization in a dynamic and competitive market. A firm can reach a production capacity utilization of about 70-80% if it uses tactically the sales-event pricing strategy of the non-premium products in a combination with the pricing strategy of the premium products. In fact, by reaching the threshold of 70-80% production capacity utilization the firm will be able to easily cover all total variable and fixed costs and reach the sales target which makes it generates a stable cash flow and stay competitive in the market.

On the supply side the firms operating in economy pricing must adjust to the multi-product pricing strategy and the rules of discounts and promotions to survive in a competitive market. These firms must manufacture two types of products - premium and non-premium - to make them competitive and at the same time profitable. The firms will maximize the value of the company if their Net Monetary Position (NMP) during intra-periods and at the fiscal year is greater than 1, by using a combination of different pricing strategies during sales events for their premium and non-premium products.

The three-level of demand push-promotion model is another effective strategy used in economy pricing by large discount superstores to make their non-premium products competitive. This model shows how each level of the supply chain of the final product is designed to push the demand onto final customer

by reducing the price at each stage of production, from the superstore to the manufacture of non-premium products and to the supplier of intermediate subassemblies and raw materials used to manufacture the non-premium products. The system of three-level demand-push creates significant discounts for final consumers during the sale events keeping at the same time inflation at low levels.

At the macroeconomic level the inflation is increasingly determined abroad and the global factors that keep inflation domestically low such as global supply chains, technological progress could continue for months, years or even decades, unless there are external shocks such as wars, pandemic, supply chain issues, etc., that could cause the inflation to rise. The technological progress in different sectors has increased productivity, lowering the rate of wage growth relative to productivity, and as result delays rising inflation. In fact, the introduction of technology innovation in industry has been a complement to the workforce, lowering the labor cost and therefore creating deflation in different kind of goods and services.

Another factor of the Economy Pricing System is the supply chain management (SCM) manages the flow of goods and services from raw materials to final consumption and how it could affect the prices of finished goods via lowering the price of raw materials and intermediate goods. As a matter of fact, SCM, has allowed companies to be able to cut excess costs and deliver products to final consumer faster and cheaper, which is achieved by keeping tighter control of inventories, production, and distribution centers.

Low unemployment rate in a competitive economy was another topic that was taken into consideration here. We have seen that there is a weak relationship between inflation and unemployment rate. The long-run sustainable rate of unemployment after the financial crisis of 2008 was lower than it was in the past. An economy pricing dominated by the mass-production of non-premium products has the trend to keep the rate of unemployment low, thanks to technological progress, global supply chain management, availability of resources and cheap money.

The outsourcing of the supply chain in developing countries has eliminated the production of raw materials, subassemblies, and finished goods in the industrialized countries. The reduced production capacity in industrialized countries has slowed growth as the manufacturing sector gets smaller using less specialized labor force in favor of an innovative service-oriented sector that is helping advanced countries to become service-oriented economies.

The global covid19-pandemic and the war in Europe during 2020-2023 has disrupted the global chain supply and increase sharply the price of commodities and inflation. However, the principles and concepts of an economy pricing system remain pretty much the same in the long run where the economies of industrialized

countries converge to the trend of having low interest rates, low inflation, low growth rates and low unemployment rates.

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