

CHIP MAKERS AND CAR MAKERS

by Student's Name

Course Number and Name

Instructor's Name and Title

Assignment Due Date

Chip Makers and Car Makers

Short Item Description

The piece under consideration is Lee and Krolicki's "Chip producers have a message for automobile makers: Your turn to pay" (2022). Early in August 2022, Reuters have released the article on a shortage of microchips. This shortage started to have a significant detrimental effect on the automakers. The problem was aggravated with the Covid-19 pandemic striking numerous industries, including the automotive. The paper under consideration explains how automakers can pay a higher price as a result of the present microprocessor dilemma.

Economic Impact

The financial problem is the first and most obvious one brought on by the crisis in silicon microchips. The factors behind that scarcity are numerous, including a paucity of raw materials, an imbalance between supply and demand in recent years, and modifications in consumers' and businesses' need for particular chips, their varieties, and their quantities (Adams 2022; Preston 2022). In just 2021, the car sector suffered enormous losses. Due to their inability to create and sell a significant number of cars, the automakers suffered losses of more than \$200 billion USD (Walsh, 2022). At the same time, microchip manufacturers claim that automakers have never made an effort to comprehend the framework of their actions and share in the risks (Lee & Krolicki 2022). As a result, chip makers today will need to raise their pricing to keep up with demand from automakers. The cost of a microchip for one car will typically double, rising to US\$1000 (Lee & Krolicki 2022). It is clear from this that the practical issue has put the automakers in a lot of financial straits.

Social Impact

The main effects are new investments and new methods of obtaining microchips. Additionally, the professionals offer some solutions for this challenging circumstance, and

the majority of the actions conducted include technology. First off, by raising the price of microchips, manufacturers will cover their risks and be prepared to make more of these chips. According to the analysts, the supply of microchips should improve by the end of 2022 (Morgan 2022). The technology component of the issue will therefore probably enable reconstruction of the average supply-demand balance notwithstanding a potential increase in pricing. Therefore, the customers should get ready to pay several hundred dollars more per model (Lee & Krolicki 2022). What is more, the whole car market becomes affected by these issues, causing confusion among consumers throughout the world. Customers should prepare to pay several hundred dollars more per model as a result (Lee & Krolicki 2022). However, the entire auto industry is impacted by similar problems, which confuses buyers everywhere.

Technological Impact

The main effects are new investments and new methods of obtaining microchips. Additionally, the professionals offer some solutions for this challenging circumstance, and the majority of the actions conducted include technology. First off, by raising the price of microchips, manufacturers will cover their risks and be prepared to make more of these chips. According to many analysts, including J.P. Morgan specialists, the supply of microchips should improve by the end of 2022 (Morgan 2022). The technology component of the issue will therefore probably enable reconstruction of the average supply-demand balance notwithstanding a potential increase in pricing.

Reference List

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