

Government
intervention occurs in
markets to reduce
outcomes assignment



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Government intervention occurs in markets to reduce outcomes that are inconsistent with the social, moral and ethical values of society. By adored Firms tend to attract consumers by product differentiation and hence, establishing a new brand loyalty so it could result a market outcome that will clash with such values. In addition, there could be conflict of interest between the firms and consumers for the purpose of profit minimization.

For instance, quality or ingredients used for the products could deteriorate or harmful but it results in greatest revenue. In order to gain market share, firms may also sell their products at a much cheaper price compared to peers as a result of cheap but harmful ingredients so that the consumer will buy cheaper product to save income. As to achieve objective of firms, they will lower quality of their hair care product when the government set a price floor which cost production will increase.

For Instance, some firms will put In some chemicals such as formaldehyde gas Into their hair care products which may help them to attract consumer by straighten the consumer hair but it was unwritten information because the firms want to cover the usage of the gas in their hair care product as it will cause cancer. When government interventions in the hair care industry, they could impose taxes such as excise tax on the chemicals that are used in hair care products.

Taxes can be used to prohibit producers to pay the costs of their activities impose on others such as by imposing tax to formaldehyde. Excise tax on chemical used in hair care product is to reduce consumption of the undesirable goods and decrease quantity demanded. By increasing of the

production cost, this will lead to supply curve shift to the left, resulting in an increase in price. Consumers will change preferences to other substitutes as an outcome. This may avoid problems associated with the quality of the product and unacceptable standard hair care product.

Government must ensure that the firms must fully disclose complete information and ingredients used in the hair care product to guarantee safety of the product as to increase the protection towards consumers. In order to increase the quality of the hair care products, another likely outcome is inequality of income that could clash with values that mentioned manufacturers will buy more qualitative ingredients hence result in an increase in cost production.

When the price increases, some of the consumers may prefer to pay a higher price rather than switching to other cheaper products because the firms are able to establish brand loyalty or store loyalty. For instance, Alterna One is the most expensive hair shampoo because it contains exotic ingredients and goes through with a process by using enzyme supplements. In order to remove digestive problems to cancer. Loyal customers are required to pay a higher price, therefore firms are able to earn above normal profit.

As a result, government intervention has to be in place for direct price intervention. Government could set a maximum price ceiling so that firms cannot sell their hair care product in order to ensure that firms could improve quality of their hair care product to protect consumers. If the cost production decreases, this will lead to a decrease in price or improvement in quality so

the objective of the consumers will be achieved as the quality and prices of the hair care product.