

# Government intervention in the economy in malaysia



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In study of economic, we had learned the economic system. Economy system is the structure of production, distribution of economic input and output and consumption of goods and services in an economy. There are 3 economic systems such as centrally planned economy system, mixed economy system and free market economy system. So, there are different country countries have different economy system.

In Malaysia, our economy system is mixed economy system. What is mixed economy system? Mixed economy system is the centrally planned economy system combine free market economy system. Put in simply, mixed economy was included free enterprise and government control or some form of direct intervention by government.

There are some characteristic of mixed economy such as: for the resource distribution, government will decides on the resource distribution of scare merchandise, a mixture of government and private ownership of the wealth ownership. Next, for the solution of economic problem, government will intervene especially to carry out development policies. The economy efficiency depends on both private sector efficiency of the economy efficiency. Other characteristic for instance, allocation of income, incomes of workers in some organization are managed by government and government provides basic services as some services are privatised in the provision of services part. Some countries are same mixed economy as Malaysia such as, India, Indonesia, and Singapore and so on.

Body

Malaysia was a mixed economy, Malaysia are attempts to combine the advantages of Free Enterprise System and the Central Command System. The price mechanism is allowed to operate but in some cases the price mechanism fails or works against public interest. The mixed economies in Malaysia some are controlled by government some are private. The government have authority to intervene the market and economy sector, but not totally can control it.

The government can help the business people according the government legislation and regulation and market are not only included the seller, that is included the buyer, the government also have to help the consumer as make sure that the consumer are satisfy or agree that the prices of goods and services provided by the seller. So, we talk about price mechanism. What is price mechanism? Price mechanism is wide of all kinds of way to adapt the buyer and seller through price rationing, price rationing is mean that the distribution of goods and services using market and price. Due to the scarcity of resources, price rationing was needed as wants and needs are unlimited but the resources are limited, for the competing use the available goods and services must be rationed out. In order to make sure that those buyers willing and able to pay the price, markets ration merchandise by limiting the purchase only is also needed. Besides that, price mechanism is also describing the price of goods and services based on the demand and supply. But in some cases the price mechanism fails or works against public interest such as the buyer are not able and not willing to spend the money to purchase the goods and services due to the seller are put the price are not

been satisfied by the majority of consumers and the seller does not comply with the price mechanism operated by the government.

Because shortages and surpluses occur in the market, the government has responsibility to overcome these problems. So, what is a shortage and what is a surplus? A shortage is when the demand of the consumer exceeds the supply; in this situation, the goods and services are not enough to be served to the consumer by the seller. So, the producer of the goods and services will raise the price to earn more profit. Furthermore, when the market faces a shortage, there are so many inconveniences to the consumer. For example, previously we are facing shortages of cooking oil; the government has limited the purchase amount to a maximum of 2 bottles of cooking oil per every consumer, which is a family. The family can only buy a maximum of 2 bottles of cooking oil at a high price. In this case, the cooking oil will run out due to many consumers buying over as there are not too many stocks in the market. It was a lack of cooking oil in the market and caused many negative signs, such as, the poor family unable to buy the cooking oil because the price was raised, the food seller which needs cooking oil to produce the food also raised the price too in order to maintain their expenses, so the consumer will pay more to get the food; it also was a negative sign.

For surplus, surplus is when the supply of commodities is more than the demand of the consumer. When a surplus happens, the producers have to reduce or decrease the price in order to create demand. Put it simply, surplus means that the price of the goods and services is high, it makes that the consumer is not too willing to spend the money to get the goods or services and over a period of time the goods of the market will be extra as the consumers are less

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purchase the goods because of the price of the goods was high. For example, a mobile phone company was launch a brand new mobile phone, this mobile phone was made by modern technology. So, this brand new mobile phone was been mass production by the company itself as the producer assume that the phone will be to sell in a huge of amount. Unfortunately, the price of the mobile phone is quite expensive. After launched to the market a period of time, the supply do not met the demand of the consumer as the consumer not willing to spend that much money to purchase that mobile phone. So, the producer will reduce the price of the mobile phone to meet the demand of the consumer.

Based on these situations, the government have responsibility to help them to make the supply able to meet to the demand of the consumer. The government was tries to help the public by using price mechanism but in some cases the price mechanism fails or works against public interest. In this situation, the government need to use other ways to correct the defects. For example, changes to taxation and welfare payments. Changes to taxation and welfare payments are the tax such as income tax, company tax, import tax, export tax, shipping tax, rental tax and so on been charged by government in a certain period. Government can charge the tax payment to the rich household and high income companies, on the contrary, charge a low price of tax payment to the poor household and low income companies. Besides that, government also can conduct a research to check for the income of the household and companies to calculate the how much the tax should they to pay by certain period of time. So, the tax payment for the household and companies will be fair to them and the company able to set

the price of the product and services according to the demand because of the tax payment are been adjusted by calculate the income in every certain period of time or the companies can set the product and services in low price as the tax payment was reduced. For the household, the household has been maintained by government. So they able to pay for the product and services no matter they are rich or poor because the tax payment also being adjusted by government based on the income of the household and it also benefit to the poor household.

Another way to correct the defects by the government is price control; price control was included such as price ceiling and price floor. So, based on the situation, government may impose price ceiling to correct the defects. Price ceiling also refers to price maximum, price maximum is mean that government can set a specific price that bellow the equilibrium point in the supply and demand of consumer and supplier legally. So, the seller may not set the price exceed the maximum price given by the government. In this scenario, the consumer able to pay for purchases the goods and services. Besides that, government also have to do the market research in certain of time in order to check the price of the goods and services and tabulate the price list to adjust the level of the maximum price based on the demand and supply. If maximum price being imposed by government to the seller in a period of time, shortage will occur in the market. When shortage appears to the market, the government have to convert the maximum price to minimum price in order to make sure that overcome the shortage. Minimum price is the price above the equilibrium point in the supply and demand of consumer and supplier set by the government legally. In order to correct the

defects the maximum price and minimum price will be always converted by the government so the consumer and supplier can get benefit respectively. For example, previously the government imposed a project which is adjusted the price of the petrol by every month based on the market, so the market will decides the price. The motorist will get the different of price by every month.

Lastly, the government also can intervene to correct the defects by giving more subsidies to the supplier. Subsidy is meaning that the government giving financial support to the producer and the producer will increase the supply of goods and services in a lower equilibrium price through the government subsidy. The government can give more of amount of subsidy to the producer, so the producer will able to charge a low price in their goods and services. Based on this scenario, the consumer able to pay for the goods and services, not only than that, the consumer will satisfy the price of the goods and services set by the producer. For example, the public transport companies will reduce the price of the bus fee due to government are giving them much of amount of petrol subsidy. So, the passenger can pay less for the bus fee and more passengers will willing to pay for taking the bus, the transport companies will also have benefit because of more passengers to serve.

## Conclusion

In conclusion, the government should intervene the economy by the right way, correct the defects by using suitable solutions, overcome the economy problem by well and manage the finance by rational. It is because Malaysia

is a mixed economy system, the government have to intervene it by professionally and take it seriously, if not, there will some negative indication will occur such as, supplier and consumer dissatisfaction, public conduct demonstrate because of the price of daily needs of goods increase by suddenly and so on.

Besides that, the government need to consider by rational and clear before decision making, this is because government's decision making will impact to the public. The government also need to conduct the marketing research always in order to understanding the consumer are satisfy the price of goods and services or not and does the supplier set the price of goods and services by suitable or not, so it may reduce the market problem. When facing surplus or shortages in the market, government may take appropriate action to adjust the situation.

In this assignment, I was gain many knowledge by doing research from internet, reading the material and get some guild line from the lecturer. Other than that, I also get many use full information and details from the internet research, it may help me can apply that much of information and details to my academic.