

Various ways government interacts with the economy



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Various Ways Government Interacts with the Economy There are various ways that the government uses to interact with the economy to safeguard the public welfare by ensuring that consumer are not exploited and neither are they exploited. The following are some of the ways the government uses to interact with the economy:

Antitrust Legislation

These are laws that prohibit anti-competitive behavior and unfair business practice where the government bans some illegal practices that are deemed to violate standard of ethics thereby hurting businesses and consumers.

A business with monopoly over certain products or services violates antitrust laws if they abuse their dominant position or market power. To safeguard this, the government has prohibited the following activities:

Bid Rigging

This is an agreement between two or more competitors in form of price fixing and market allocation, and involves an agreement in which one party of a group of bidders will be designated to win the bid. For example government construction contracts being determined by bid. This type of conspiracy is termed to be illegal therefore it is prohibited by the government.

Price fixing

This is an agreement between the competitors selling the same product or services to fix, peg, discount or stabilize prices. This pushes the price of the product high hence the businesses make huge profit after exploiting the consumers. In the United States, price fixing is prosecuted under section 1 of the Sherman Act as a criminal felony offence. (APA, 2000)

Vendor lock-in

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This is lack of compatibility between different systems and is often used in computer industry. This is whereby the different companies create different versions of the same systems that cannot inter-operate therefore forcing the consumer to purchase the spare parts from the same manufacturer only.

(Arthur, 1989)

Tying

This is the practice of making the sale of one good to the de facto or de jure customer conditional on the purchase of a second distinctive good. Selling printers below cost or at a loss and recovering the amount on the sale of cartilages. (Hylton and Salinger, 2001)

Predatory pricing

This is a situation whereby a firm sells their products at a loss to drive all competitors out of the market or to create a barrier into the market for potential new competitors.

(Cabral, 2000)

Sales Tax

The government ensures that tax is imposed on all commodities that are sold. They in turn use this money to run the government by providing essential services that are common to all citizens. The government ensures that one does not evade tax by incorporating the tax in the product price. However, sales tax is regressive because a low income person spends a higher percentage of their income on taxed product as compared to the high income earners.

Environmental Policies

Environmental hazards are harmful the climate as there is production of carbon dioxide (CO₂) and Sulpur Dioxide (SO₂) which raises the prospect of <https://assignbuster.com/various-ways-government-interacts-with-the-economy/>

future global warming.

The government has advocated for use of hybrid cars that uses two different fuel sources for its propulsion thereby reducing burning of fuel.

The government has also adopted a range of options to reduce greenhouse emissions that include: increasing energy efficiency standards; encouraging the use of renewable energy sources such as wind and solar power; eliminating subsidies that encourage the use of coal and oil by appliances; insulating homes; using less electricity in general.

The government also has been encouraging companies to recycle the waste products which could be harmful to our environment and more so discourage the use of plastic and nylon papers.

Minimum Wages

The government has always advocated for a raise in minimum wages to be paid to worker in order to raise their standards of living. They do set a minimum wage that should be paid to workers and this should be adhered to by all companies.

The government interact with the economy to ensure that its citizens are protected from exploitation by the business community and also that there is fairness in how the business community conduct their business. There is still room for improvement in the government intervention as far as efficiency is concerned toward provision of essential services they owe to the citizens.

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