

Role of government in mixed economy



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1. 0 Introduction

Economic systems known as 'Laissez faire' economy, capitalist or free enterprise. Types of economic systems include Central planning economy, mixed economy and free market economy. Central planning economy all interest or last decision making by the government, such as system was called 'command economy' because there was lack of choice. The mixed economy a mixture of both the free system and the planned system, the mixture can vary within an individual economy over a period time. In intervening, the state provides public goods and service, merit goods, subsidized goods and more. The free economy was a private ownership, they can freedom of choice and they can buy whatever tools of production, equipment, buildings or stock are needed to carry on business for other private purposes. They can buy and sell these assets as they like. Economic systems decisions about resource allocations are determined by the market forces of demand and supply. Example resources are allocated through the price mechanism. Consumer have interest to make decision what want to buy and producers also have interest to make decision what want to produce.

2. 0 Mixed economy

Malaysia is a mixed economy, except Malaysia mixed economy country include India, Thailand, Indonesia, Singapura, The United States, Canada, Australia, Japan, Germany, the United Kingdom, Italy, etc... are all examples of mixed economies. Mixed economy means is privately owned businesses and government both play important roles. In Malaysia, the government at many sections to do many mission and make many benefit for us. For

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example, to protect the public and to preserve private enterprise, to help control and regulate the means of production. Besides that in mixed economy, the government decides on resource allocation of scarce commodities. Example in our living thing daily day needs such as cloths, rice, water, sugar, salt, oil. These the government will try to provide and also can decrease the price for us to buy in mixed economy. When the economy has a problem, the government does intervene especially to implements development polics. Example when fact the economy recession , the government does intervene to help and solve the problem. In Malaysia, the economy efficiency need depends to both of private sector and the government. In addition, incomes of workers in some sectors are managed by government are equality and will follow each of person potential and degree. And at the service section, if the some privatised the government will provides some basic service, example when Chinese New Year celebrate by the some guild or group under the YB, the government will provide the site and implement needs to decorate or some more.

2. 1 Factors of Market failure

Malaysia is a mixed economy attempts to combine the advantages of Free Enterprise System and the Central Command System. Reality, the price often will instability increase and decrease follow market condition. The price up and down are related with demand and supply, because when the supply more than demand, the price will flow down the surplus occurs same as when the demand more than supply, the price will be rise up the shortage will be occurs hence causes the price are instability. In addition, factors of market failure include inequality in the distribution of income, it was

seriously affects the cost of price and market failure. Example the differences of resource include land, labour and capital, and inequality of knowledge and opportunity, social cost of production, monopoly power and more. images. jpg

2. 2 Ways to intervene by government

The price mechanism is allowed to operate but in some cases the price mechanism fails or works against public interest. Government intervention in the price mechanism main important has price control and the price control include price floor and price ceiling and the price mechanism related with demand and supply. Supply and demand curves have to be combined. Supply it is a relation expression the quantity of well-defined good that producers are willing and able to sell at various prices during a given time period, other things constant. And the demand it is relations expression the quantity of a well-defined good that consumers are willing and able to buy at each possible price during a given period of time, other factors being constant.

- Price ceiling and price floor

What is the price floor and price ceiling? Price floor means is the price must be minimum price in a price, the price is fixed by the government. For example the price of oil must minimum at above RM17, cannot below this price because if the price more cheaper the demand will more than supply and shortage will happened, the producers will raise the price and earn more profit that will cause instability of equilibrium price. And the price ceiling means is the price must be maximum price in a price. For example the price of domestic car, myvi the price maximum be 40, 000, cannot higher the <https://assignbuster.com/role-of-government-in-mixed-economy/>

price again it is because if our higher the price, then the mechanism of car no worth the price, the demand will reduce and the price of our domestic car will sell curve will down and surplus occurs.

- Control section of supply

As a researcher, I researched one of factors causes the market failure was the advertisement company, why I said like this? Because the advertisement company often make the advertisement when push-off the new product and also will misguide the consumer go to buy something what no need and indirect to introduce the product. For example, a company push-off a pencil of new product and it want to spread its new product and of course through the media is the biggest can let the bulk of people know. When the advertisement company make advertisement they will make some effect at the paper or video moreover some of them will make the image with the original are different, example they will bright the outside colour of pencil then the consumer minds the colour is more bright then see the indeed colour are not same. So the government needs intervene to control the supply and limited their some product must be show original to consumer see or design must be a limited. Actually the reasons of the government intervene was to better for market failure, to achieve the equitable distribution of income and wealth, and promote the performance of economy in market. Ways intervene of government in our country has

- Reduce the land tax

Because if the land tax are more expansive it will cause scarcity of resources. For example the farmer uses the lands cultivate vegetables if the land tax is higher, they earn profit pay the land tax and cannot cover the

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expenses in living then they would not choose agriculture then the quantity of vegetables will decrease, so vegetables need to import from foreign country and the price of vegetables will increase it will affect the price mechanism.

- Change tax in some things

Change tax in some things. For example restaurant in Jusco, when we go to eat the restaurant will change tax for government, that for to do it is control the consumer expense and the money take from tax is use at other place for promote or help the who poor.

- Direct provision of goods and services

The government also can direct provision of goods and services. The government can be used to provide some goods and service and public goods to the population in the country. For example, the government can pays private sectors firms to help who are the people needs to reduce unnecessary for apply but check list and ensure that people are really needs to help.

- Subsidies and welfare payments

The government has provides subsidies to consumers then the price will lower in merit goods. When the government provides subsidies on something that will causes an increase in market supply and leads to a lower equilibrium price. And the welfare payments can be used to influence the overall distribution of income and wealth, example higher the value in richer households to cover and increase the value of welfare benefits for the poor to make the tax and benefit system better.

3. 0 Conclusion

These ways of intervene by government to correct for market failure and maintain the price mechanism balance. As a conclusion, as a researcher I gain and learned about more the intervene by the government in mixed economy. And ways of let market success example wider variety of products, because of the market system's competitive environment, business must adapt promptly to change in consumer demand and adjust their production plans accordingly. The potential to widen markets and gain increased profits results in the quality of goods and service being continually improved and up-dated. Therefore not only provides a wider choice and better quality of goods and service but also flexibility in the nature of production. Moreover, I also gain intervene by government also has drawbacks. Example government may allocate production resources inefficiently. For example allocate resources to non-growth industries where consumer is relatively weak also at least will hold-up economic growth. And also the governments are respond slowly to changes in the market conditions. But above these has an important in many current of price mechanism ways for example decisions on which sources of energy we rely on in future years.

In the economic globalization, economics is the study of how human social can distribute economic resources to meet the needs or the human limitation is not limited and unlimited economic resources unlimited human needs resulting shortage arises, but economic is a field that studies how individuals and societies face the problem of shortage . The economy is a system and is interrelated with a variety of other social systems. The economics include eight systems but are not limited, which part are

economic, political, religious, social, geographic, demographic, legal, and moral systems. The economic include economic growth, exchange rates, inflation rates and other. For example interest rates affect cost of a firm and affect capital and investment so to what located in a business grows and enlarge. In the part of 19th century, the political economy became ‘ economics’ and political economy is how and to what degree a government intervenes in the economy example tax policy, labour law, trade restrictions, tariffs, political stability, goods and service. The religious system is wants to understand belief and culture with each partner whether from foreign country or native country in the economics range. And the social system include more different section which are cultural sections, health understanding, population growth rate, age distribution, career attitudes and emphasis on safety. The geographic is about like earth’s surface, physical features, divisions, product, population and etc. Next is demographic, it means was include age, gender, height and weight about characteristic of person for in a community over a period of time. And the second last is part of legal, include discrimination law, consumer law, antitrust law, employment law, and health and safety law. These laws can affect how a company operates, and product needs from demand. The last of moral system, moral in the economics need to ensure individual employees, corporate management, policies and procedures. Besides, economy comes from the Greek word, nomos meaning oikou and household rules.

Background of ‘ The science which studies human behavior as a relationship between ends and scarce means which have alternative uses’

This sentence defined by Lionel Robbins . Lionel Robbins, full name was Lionel Charles Robbins, Baron Robbins, and he was born in 22 November 1898 and death in 15 May 1984 . He was a British economist and head of the economics department at the London School of Economics. He is known for his proposed definition of economics, and for his implement efforts.

2. 1 Analyze ‘ The science which studies human behavior as a relationship between ends and scarce means which have alternative uses’

This sentence definition by Lionel Robbins . Scarcity means that available resources are insufficient to satisfy all wants and needs. Human wants and needs are unlimited whereas the resources available to satisfy these needs are limited. In the several website, I searched the main point of Lionel Robbins’s definition have four importance point and on basis of theory from Lionel Robbins. These point was Lionel Robbins through in our live infer and gain. The first is The Human wants or ends are unlimited. I agree this important point, because the technology economy section growth continually, so naturally the standard living level will follow the era update and human wants are unlimited. They increase in quantity and quality over a period of time. They vary among individuals and overtime for the same individual. Now common impossible to find a person who will say in living things whatever are food, clothes or substance are completely satisfied. This is because when our get it satisfied in a place then we will feel it other place are not enough and that not end do it. The second point is the ends or wants vary in importance. Necessaries, comforts and luxuries are more importance for humans. Next, the point is scarcity of resources. The resources include have land, labour, capital and entrepreneur. Scarcity is a real and direct in <https://assignbuster.com/role-of-government-in-mixed-economy/>

the life. It occurs among the poor and the rich. For example the richest person on earth faces scarcity because he too cannot satisfy all things his wants. The last importance point is economic resources have alternative uses. The fourth important proposition of Robbins definition is that the scarce resources available to satisfy human wants have alternative uses.

2. 2 Resources (factors of production)

Economics is presented from two perspectives. One perspective is the technical analysis of the processes by which scarce resources are allocated for competing ends. An alternative perspective is the social context of provisioning. Each country has certain resources (called factors of production), generally the economics divide four categories which are land, capital, labour, and entrepreneur. Land means is include all natural resources. Example timber, mineral, rivers and we can use land develop pond for feeds the fish, cultivate the vegetables, fruit, trees on the land and get out variously of oil from the land.

The second capital is who person made things used to produce other things or take goods and produced in economy after to produce other goods and services. Example the machines, tools and structures for especially use at factories, the tractors can help the workers when need to move things of heavy to other place or the sewing mechines can help the tailor save the time and to done with rapidly to make a dress or cloths or part of hard to use hand to do . These are capital goods.

Next the labour, labour means is workers or consists of the physical and mental abilities of workers. Example the production potential of engineers,

secretaries and others producing output, and at the many section such as in the music department, the musician is a labour and at the house mother help our wash the cloths and cook dishes for us that mother called housewives, and in factory or company people who work at here called labours.

The last entrepreneur is an individual who organize resources for production introduce the new product and explain characteristic of the new product, specialty or advantage from the new product. And the entrepreneur is managerial and organization skill together with willingness to prepare to accept risks of problem from any section. Reality, economic resources are also called factors of production in order to emphasise their role in producing goods and services:

Output

Output means is what is produced and can be divided into goods and services. Goods is tangible can touch and calculate. Example the cloths, beverages, furniture, food, and all manner of living things use for us. And the service is intangible and can feel it. Example, barber service, computer repair, legal service and secretarial services.

2. 3 Economic Decisions

In the concept, the resources are separate into their highest valued uses. Supply, demand, interest choice, costs, benefits, production of relationships and exchange are tools that are used to describe and analyze the market processes by which individuals

separate the scarce resources to satisfy as many wants as possible. The three basic questions that are asked in the study of the economic decisions which are WHAT to produce, in the market economy, the decision about what is produced would be separately. Example decide what product can be produce and need what characteristic it will attract the consumer buy it then the firms will make out what consumers want to buy.

And the HOW to produce, the producers will check the list what product was the consumer favourite and bear popular before make out the product. They will earn more profit. Normally the producers will use least cost to produce these products and it will cause competitions in market.

And for WHOM are the goods and services produced, those with the biggest incomes are those who get the biggest share of what is produce. Example owners of oil wells, doctors own open the clinic, owners of irons and mines.

And other two question regard to economic issues I searched from website, I think these two question it useful in economic decision, that are HOW MANY UNIT goods should be produce, not always the goods must be produce same unit or quantity so when we wants to produce a product must be ensure the quantity needs to produce is correct and since not everything can produced, some goods will sacrificed for other goods

The second is WHEN the goods to produce, the time that a good is available may affect its value. Producers must have their new equipment ready for the ski season and must be find right time to available new product of them and also need to know other side is when wants to us to deliver the goods for their factory it can avoid unnecessary conflict.

2. 4 Opportunity cost

Opportunity cost created by Johnson Nakano. Opportunity cost means same as scarce means. Opportunity cost is useful when want to choice or calculate the cost of choice. And opportunity cost is the cost related to the greater right choice to who people has selected among these mutually exclusive choices. Opportunity cost a key concept was economics. This definition expressing ' the basic relationship between scarcity and choice'. Choice has alternative choice, alternative choice means is has many choice can choose. The concept of opportunity cost plays important of part ensure the scarce resources are efficiently. And scarcity necessitates trade-offs, and trade-offs result in an opportunity cost, the opportunity cost of a decision is must given up best alternative as a result of the decision. For example, a person who mind to continue study for increase his future earning potential and to quit his job, when to quit his job then his will lost wages for the period of time they are in school. Oppositely, if they select to continue employed and not return to school then the opportunity cost of that action is will lost the potential wage to increase. It can like say when get a thing as same time will lose a thing. But something is forced to choose, because the thing is limited. Any decision includes between two or more also has an opportunity cost. For example the earth lack of water now need to choose want to drink the water for quench thirst or want use the water bath for clear and comfortable, then must be choose for quench thirst because the water are limited if no to drink water will death.

3. 0 Conclusion

The definition of economics given by Robbins has doubt certain flaws.

However, it is more comprehensive in describing the problem of resource utilization. As a conclusion, I learned a lot of definition the sentence ‘ The science which studies human behavior as a relationship between ends and scarce means which have alternative uses’ by Lionel Robbins and gain more knowledge, one of was I gain it at the technology economy, no have what needs or want is will end do it so we should a contented mind is a perpetual feast with a common heart in the prosper world.