

Not way for Govt to act in a market economy

The Straits Times 5 October 2018

It is shocking that the Government is resorting to legislation to compel companies to pay bonuses to cleaners (Cleaning firms must pay cleaners annual bonus from 2020; Oct 3).

The issue is not about the work conditions of cleaners or any group of workers.

It is about a government in a supposedly market economy intervening by the force of law in the management of private companies in a most intrusive way, in terms of not only how much they should pay their workers, but now also in what manner they

should do so.

What if a company has fallen on hard times? What if a worker underperforms?

What if a company prefers to average out the bonus and spread its payment monthly along with salaries? Should it be made to close down by the force of law?

Does this country still believe in the principle that those who risk their own fortunes to set up enterprises and create jobs should be left alone to mind their own business and face the consequences of their own decisions?

Cheng Shoong Tat

Quiz

1 of 10

Question

Refer to the attached article from The Straits Times. The government policy highlighted in this article was consistent with The Invisible Hand Theory.

True/False

True

False

Quiz

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Question

Refer to the attached article from The Straits Times. The author expressed right-wing views about the economy in this article.

True/False

True

False

Quiz

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Question

Refer to the attached article from The Straits Times. The author expressed support for laissez-faire.

True/False

True

False

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Question

Refer to the attached article from The Straits Times. In theory, the total economic surplus of society is likely to increase after the implementation of the government policy mentioned in this article.

True/False ▼

- True
- False

Quiz 5 of 10

Question

When society's factors of production are allocated to produce goods and services demanded by consumers, we have an economic system that:

Multiple Choice ▼

- Answer 1
results in profitable producers. ✗
- Answer 2
is driven by central planning. ✗
- Answer 3
promotes consumer sovereignty. ✗
- Answer 4
encourages greater social equality. ✗

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Question

Which of the following is not an outcome that is facilitated by the price mechanism in the market economic system?

Multiple Choice ▼

- Answer 1
Producers will earn economic profits. ✗
- Answer 2
Consumer sovereignty. ✗
- Answer 3
Efficiency in resource allocation. ✗
- Answer 4
Producers are guided by price signals in decisions that relate to resource allocation. ✗

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Question

Which of the following is not a goal / characteristic / outcome of the command economic system?

Multiple Choice ▾

- Answer 1: Encourage greater income equality. ✗
- Answer 2: Bureaucrats answer the questions of What, How and for Whom for society. ✗
- Answer 3: No private ownership of property and factors of production. ✗
- Answer 4: Creative destruction takes place in the economy. ✗

Quiz 8 of 10

Question

During the market cleansing process, scarce resources are redirected from less productive producers to more productive ones resulting in moral hazard situations in the economy.

True/False ▾

- True
- False

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Question

Government grants and subsidies may create distortions in the economy whereby certain sectors end up being disproportionately larger or smaller than their optimal size as determined by free market forces.

True/False ▾

- True
- False

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Question

Which of the following is not a characteristic of capitalism?

Multiple Choice ▾

- Answer 1: The allocation of resources is driven by "dollar votes" that consumers cast for goods and services. ✗
- Answer 2: The allocative function of price will facilitate the flow of scarce resources to their highest valued uses. ✗
- Answer 3: The rationing function of price facilitate the efficient distribution of scarce goods to the highest bidders. ✗
- Answer 4: Government provides grants and subsidies to increase total economic surplus and improve social equality. ✗