

Q.3 Read the following passage carefully and answer the questions given at the end. (20)

Some societies have experimented with eliminating the middleman. Prices can certainly be controlled better if the government acts as the middleman, because, after all, goods have to be lifted and transported to the other parts of the country. But governments are not usually very efficient or quick in these matters. Nor are they economical—a lot of file-and-paperwork and involvement of lot of people adds to the indirect expenses. Although in theory it ought to be possible to reduce prices by eliminating the middleman, in practice it seems to be an essential evil.

Business can be left to find its own level in accordance with the so-called 'laws' of supply and demand. By and large, Pakistan is what is called a 'sellers' market because essential goods are usually in short supply or are inclined to fall below the needs of an overgrowing population. Market manipulation in such a situation is easy and unfortunately fairly common. Goods usually disappear at about the time they are needed most, leading to price spirals and malpractices. Price control under such circumstances becomes a little unrealistic unless a huge department can be set up with vigilance terms and inspectors empowered to raid shops and warehouses. The efforts to control a seller's market are so great and the costs so high that in fact not a great deal of control can be exercised. An alternative method is to encourage the growth of buyer's market in which the customer has a choice between many competing products. Competition automatically forces good quality and low prices on the goods. This is at present only possible in the high production areas of the world. But competition leads to malpractices of a different kind. Survival for a business often depends upon the destruction of competing business and big companies have a natural advantage over small ones. An obsessive drive to 'sell' is generated in such a system. Huge sums are spent on advertising, the costs of which are transferred to the buyer. People are tricked and badgered into buying things they do not really need.

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- Q.1** What the author refers to as necessary evil and why?
- Q.2** Why government's involvement in buying and selling of goods is not feasible?
- Q.3** How do the middle men manipulate the prices in the market?
- Q.4** Does competition automatically force good quality and low prices of the goods?
- Q.5** How, in your opinion, the prices of essential goods can be controlled?

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COMPREHENSION 8

(i)

The author refers to "middleman" as a necessary evil. By middleman, the author means a market regulatory authority. Some critics believe that by eliminating middleman, prices of goods can be decreased. The claim is true theoretically but practically the elimination of middleman will do more harm than good.

(ii)

The government's involvement in buying and selling goods is not feasible because government processes usually slow. The processes are slow because of a lot of paper work. Moreover, the involvement of various government institutions and officials slow down the process.

(iii)

The middle men manipulates the market by creating artificial shortage of essential products. Whenever the demand of a certain product increases, supply is reduced to manipulate market and to generate more profits.

(iv)

Yes, competition automatically forces good quality and low prices of products. Whenever there are similar products by different brand in the market, prices decrease and quality increases. This

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is because customers will always prefer same quality product at a cheaper rate.

(v)

The prices of goods can be controlled by promoting competition in the market. State should only safeguard weak competitors from strong ones. Equal opportunities must be given to every company. However, state should also regulate market instead of controlling it.

