

Government Intervention and Failure

1. What is a tax?
2. What is the difference between an indirect and a direct tax?
3. What are the two types of indirect tax?
4. What is the difference between the two types of indirect tax?
5. What is producer tax incidence?
6. What is consumer tax incidence?
7. What is deadweight loss?
8. What is a subsidy?
9. Under what circumstance would tax burden fall mainly on the consumer?
10. Under what circumstance would tax burden fall mainly on the producer?
11. Explain in words why taxes result in deadweight loss
12. Give 2 benefits of indirect taxes over other forms of intervention to correct a market failure
13. Give 2 disadvantages of indirect taxes over other forms of intervention to correct a market failure
14. What is a subsidy?
15. Give 2 reasons why governments may wish to subsidise a product
16. Give 2 benefits of subsidies over other forms of intervention to correct a market failure in a market of your choice
17. Give 2 disadvantages of subsidies over other forms of intervention to correct a market failure in a market of your choice
18. Explain in words why subsidies result in deadweight loss
19. Under what circumstances would a tax generate a lot of government revenue?
20. Under what circumstances would a tax result in a significant decrease in the quantity of the good consumed?
21. Under what circumstances would a subsidy result in a significant fall in price for the consumer?
22. Under what circumstances would a subsidy result in a significant increase in price for the producer?
23. Under what circumstances would a subsidy result in a significant increase in the quantity of a good consumed?
24. What is a minimum price?
25. Give 2 reasons why a government may wish to put a minimum price on a product
26. Does an unguaranteed minimum price cause a shortage or a surplus?
27. If an unguaranteed minimum price is imposed, does a firm's revenue increase or decrease?
28. What is a guaranteed minimum price?
29. If a guaranteed minimum price is imposed, does a firm's revenue increase or decrease?
30. Give a benefit of guaranteed minimum prices over unguaranteed minimum prices
31. Give a disadvantage of guaranteed minimum prices over unguaranteed minimum prices
32. If a guaranteed minimum price is imposed, does firm's revenue increase or decrease?



Government Intervention and Failure

33. What is a maximum price?
34. Give 2 reasons why a government may wish to put a maximum price on a product
35. What is a tradeable pollution permit?
36. Explain 3 benefits of tradeable pollution permits
37. Explain 3 disadvantages of tradable pollution permits
38. Explain 3 reasons why the government might want to provide goods
39. Explain 2 disadvantages of state provision
40. Explain a benefit of information provision
41. Explain 2 disadvantages of information provision
42. What is ('command and control') regulation?
43. What forms might regulation take?
44. Explain a benefit of regulation
45. Explain 2 disadvantages of regulation
46. What is meant by 'government failure'?
47. Give 2 causes of government failure

