

1. Does an unguaranteed minimum price cause a shortage or a surplus?	Surplus	15. Give 2 disadvantages of indirect taxes over other forms of intervention to correct a market failure	Difficult to predict results, cause deadweight loss
2. Explain 2 disadvantages of information provision	Expensive, changing habits is hard, consumers may not listen	16. Give 2 disadvantages of subsidies over other forms of intervention to correct a market failure in a market of your choice	Costs government money, welfare loss
3. Explain 2 disadvantages of regulation	Doesn't work with price mechanism, needs to be enforced, takes a long time to implement	17. Give 2 reasons why a government may wish to put a maximum price on a product	To protect consumers, to encourage consumption, to discourage production
4. Explain 2 disadvantages of state provision	No market mechanism to inform about consumer demands, expensive, no competition so can be inefficient	18. Give 2 reasons why a government may wish to put a minimum price on a product	Protect the producer, discourage consumption
5. Explain 3 benefits of tradeable pollution permits	Caps pollution (so gives certainty), Lowers abatement costs, raises revenue	19. Give 2 reasons why governments may wish to subsidise a product	To encourage consumption, to encourage production, to protect producers
6. Explain 3 disadvantages of tradable pollution permits	Hard to enforce, hard to know how many permits to allocate, raises costs of production	20. Give a benefit of guaranteed minimum prices over unguaranteed minimum prices	Certainty for producers
7. Explain 3 reasons why the government might want to provide goods	Market failure, equity, natural monopoly	21. Give a disadvantage of guaranteed minimum prices over unguaranteed minimum prices	Cost for government
8. Explain a benefit of information provision	Helps market to work properly so works with price mechanism	22. If a guaranteed minimum price is imposed, does a firm's revenue increase or decrease?	Increase
9. Explain a benefit of regulation	Gives more certainty than other laws	23. If a guaranteed minimum price is imposed, does firm's revenue increase or decrease?	Decrease
10. Explain in words why subsidies result in deadweight loss	Wasted resources on units where cost of production is greater than utility gained	24. If an unguaranteed minimum price is imposed, does a firm's revenue increase or decrease?	Depends on elasticity
11. Explain in words why taxes result in deadweight loss	Welfare lost from the units which are no longer consumed	25. Under what circumstances would a subsidy result in a significant fall in price for the consumer?	PED inelastic
12. Give 2 benefits of indirect taxes over other forms of intervention to correct a market failure	Raise revenue, they don't ignore price mechanism	26. Under what circumstances would a subsidy result in a significant increase in price for the producer?	PED elastic
13. Give 2 benefits of subsidies over other forms of intervention to correct a market failure in a market of your choice	Politically popular, works with the price mechanism	27. Under what circumstances would a subsidy result in a significant increase in the quantity of a good consumed?	PED elastic
14. Give 2 causes of government failure	Info gaps, unintended consequences, distorts price signals, admin costs	28. Under what circumstances would a tax generate a lot of government revenue?	PED inelastic

29. Under what circumstances would a tax result in a significant decrease in the quantity of the good consumed?	PED elastic
30. Under what circumstance would tax burden fall mainly on the consumer?	When supply is more elastic than demand
31. Under what circumstance would tax burden fall mainly on the producer?	When demand is more elastic than supply
32. What are the two types of indirect tax?	Specific and Ad Valorem
33. What forms might regulation take?	Age restrictions, packaging laws, bans
34. What is a guaranteed minimum price?	A legal price floor where the Government buys up the surplus
35. What is a maximum price?	A price ceiling above which a product cannot be sold
36. What is a minimum price?	A legal price floor below which the good cannot be sold
37. What is a subsidy?	A payment made by the government to a producer
38. What is a tax?	A charge levied by government
39. What is a tradeable pollution permit?	A right to pollute a certain amount, which can be bought or sold
40. What is ('command and control') regulation?	Where government decides if and how something can be produced and who can buy it
41. What is consumer tax incidence?	The portion of government revenue arising from a tax which comes from consumer surplus
42. What is deadweight loss?	The fall in total surplus that results from a market distortion, such as a tax
43. What is meant by 'government failure'?	Government intervention that fails to improve economic outcomes

44. What is producer tax incidence?	The portion of government revenue arising from a tax which comes out of producer surplus
45. What is the difference between an indirect and a direct tax?	Direct taxes are levied on income, indirect taxes are levied on expenditure.
46. What is the difference between the two types of indirect tax?	Specific taxes add a fixed amount, ad valorem taxes add a percentage