**RWS#5: The Role of Government**

**Due for: Monday 20th January 2020**

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| **GENERAL INSTRUCTIONS:**  *Please complete a revision worksheet summarizing the work from the last two weeks. The work should be taking you* ***up to 2 hours*** *to complete and should consist of a 1 A4 double paged summary based on the questions below. Please print out a double sided version to be handed in and marked on the date above (emails will not be accepted so make sure you are printing off your sheet before the lesson).*  *Remember to use all of the space over your two sides of A4 and make sure the ‘margins’ in Word are put as ‘narrow’. Feel free to reduce the size of the font if you are running out of space but nothing less than size 10. A better way to reduce would be to reread what you have written and try to be more succinct; it must fit onto two sides of A4 only!*  *You should be reading and using all the compulsory resources below (remember you will have already read an awful lot of these for homework and in class but there are a few extras I want you to read.*  *This revision worksheet should be taking you 2.5 hours…I suggest you spend 45 minutes writing up all your notes from class into a rough draft. Then, spend the next hour reading any extra information or clarifying concepts if you do not understand them. Then use the final 45 minutes to edit the work, make it look pretty and print it off.*  *REMEMBER THAT IF YOU DO NOT HAVE A PRINTER AT HOME YOU MUST FIND TIME BEFORE THE LESSON TO PRINT IT OFF AT COLLEGE*  *ALSO MAKE SURE THAT AS WELL AS STORING A COPY ON A MEMORY STICK, YOU ALSO EMAIL YOURSELF SO THERE CAN BE NO COMPUTER ISSUES WHEN IT COMES TO PRINTING OFF YOUR WORK* |
| **SOURCES**  **COMPULSORY (YOU MUST USE)**   * Notes you have taken in class * PREP homework – notes we reviewed in class which you prepared at home: 2 * Course textbook – 97-98; 116 to 117 (from 5.8 Government intervention in markets to ‘Correcting market failures’); pp120-124   **EXTENSION (IF YOU HAVE TIME, TRY TO READ OR WATCH THESE)**  Economics Help Website (type it into Google) can give you good resources and explanations to read  **ALL OF THESE RESOURCES CAN BE FOUND ON GODALMING ONLINE – ANY ISSUES, EMAIL OLLY on** [**ods@godalming.ac.uk**](mailto:ods@godalming.ac.uk) |

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| **SPECIFIC INSTRUCTIONS:**  **TITLE: RWS5 (MICRO) – The Role of Government**   * **Rationale for Government Intervention: Market Failure (1/2 side of A4)**   + Briefly explain why some economists think ‘Markets Succeed’? You should refer to price equilibrium and the role of prices in allocating resources efficiently.   + Why might the ‘price mechanism’ and the ‘Free Market’ not be the best way to allocate all resources?     - Think about the impersonality of this method….can you put a price and value on everything? Love?     - What is ‘imperfect information’ and ‘asymmetric information and why might it be a reason for markets to fail?     - Why might a lack of competition lead to market failure?     - Why might the immobility of factors of production lead to market failure?     - Why might the market not benefit EVERYONE? HINT: Think about concepts of ‘inequality’   + What is the difference between partial and complete market failure? * **Application: Examples of Government Intervention (1 side of A4)**   Government Intervention can be categorized into three distinct areas:   1. PRICE MECHANISM ALTERATIONS    * Taxation      1. Draw a supply and demand diagram to show the effect of a tax and explain using the diagram how this intervention might work in trying to prevent consumers from overconsuming sugar.      2. Why might the tax not be effective at solving the problem however? 2. DIRECT CONTROLS AND PROVISION    * Government Provision:      1. Explain using Public Good theory why a firm in a free market would be unable to provide ‘Trident’ (the nuclear defence system) in the UK.      2. Why might there be issues (Government failures) with providing Trident?    * Price Controls      1. Explain using examples, how maximum prices and minimum prices might be used in a market to prevent a failure of the market. We looked at rental market for maximum prices and the EU’s CAP for minimum prices.      2. Why might there be problems with these types of intervention? 3. PERUSASION    * Guidance to Consumers      1. Explain, using a demand and supply diagram, how the current guidance about calorie intake is helping to reduce obesity.      2. Why might there be problems with this type of intervention?  * **The Morality of Government (1/2 side of A4)**   + Why does the Government ban category A and B drugs?   + Put forward Milton Freidman’s argument as to why the Government should remove their influence and remove the ban?   + Evaluate Milton Freidman’s ideas (i.e. put the other side of the story)   + Reach a conclusion: What do you think and why of whether Government’s should intervene in markets? |