

1 Which **one** of the following is an example of government failure?

- ☐ A Market forces eliminating excess supply of a product by enabling its price to fall
- ☐ B A market bubble emerging in the value of shares on the stock exchange
- ☐ C The introduction of a tax that causes a decrease in external costs
- ☐ D The introduction of a tax that causes an increase in smuggling

(Total for Question 1 = 1 mark)

3 Which **one** of the following is a cause of government failure?

- ☐ A Excessive administrative costs involved in meeting environmental regulations.
- ☐ B A market bubble causing the price to rise excessively.
- ☐ C The existence of free riders leading to the under-production of public goods.
- ☐ D Under-production of foods with external benefits.

(Total for Question 3 = 1 mark)

1 Which **one** of the following is an example of government failure?

- ☐ A Government intervention leads to a net welfare gain
- ☐ B A new environmental regulation leads to excessive administrative costs
- ☐ C Speculators cause a market bubble to emerge in the housing market
- ☐ D Free riders lead to the underprovision of public goods

(Total for Question 1 = 1 mark)

2 Which **one** of the following is an example of government failure?

- ☐ A The non-provision of public goods by private sector firms
- ☐ B External costs of production in the manufacture of Tesla cars
- ☐ C Asymmetric information between a private dental practice and its patients
- ☐ D Excessive administrative costs in the provision of state-owned services

(Total for Question 2 = 1 mark)

- 5 A relatively high rate of indirect taxation on fuel in the Philippines leads to the smuggling of fuel from neighbouring countries. This results in the Philippine Government losing \$750 million of tax revenue a year.

Smuggling is an example of which **one** of the following concepts?

- ☐ A Government failure
- ☐ B Market failure
- ☐ C Unobtainable production
- ☐ D Consumer inertia

(Total for Question 5 = 1 mark)

- 1 Which **one** of the following is an example of government failure?

- ☐ A Overconsumption of sugar that creates external costs
- ☐ B Smuggling of petrol resulting from the introduction of an indirect tax
- ☐ C An increase in the price of timber that creates an incentive to increase its production
- ☐ D Government provision of flood defences to resolve the free rider problem

(Total for Question 1 = 1 mark)

- 9 The US state of South Carolina has proposed a regulation to stop the sale of energy drinks to children under the age of 18.

Explain **one** likely impact of this proposed regulation to stop the sale of energy drinks to children under the age of 18 in South Carolina.

- 9 In 2017 the Government of the Philippines imposed a 50% tax on the import of cars with a price above \$74 000. Since then the Government has seized smuggled cars. For example, in July 2018, it removed 800 smuggled cars from the market.

Explain why this tax on imported cars is an example of government failure.

- 13 In 2019 the price of a litre of diesel was 65% higher in Thailand than in Malaysia. The price difference was because of higher taxation on diesel in Thailand. This led to illegal smuggling. For example, on one night, Thai authorities seized 300 000 litres of diesel that was illegally imported from Malaysia.

Evaluate possible causes of government failure in a market of your choice.

(Total for Question 13 = 20 marks)

14 Between May 2021 and May 2022 some global commodity prices increased significantly. For example:

- fuel prices increased by 83.8%
- food prices increased by 23.6%
- beverage (drink) prices increased by 20.3%.

Evaluate possible methods of intervention that a government might use to limit the impact of increasing commodity prices.

Include at least one diagram in your answer.

(Total for Question 14 = 20 marks)