**Chapter 6 Government Intervention in Markets**

1. Purpose and Methods of Government Intervention

a) The purpose of government intervention, including reference to market failure.

b) Methods of intervention:

• indirect taxation (*ad valorem* and specific)

• subsidies

• maximum and minimum (guaranteed) prices.

• tradeable pollution permits

• extension of property rights

• state provision

• regulation

• provision of information.

c) Contexts in which governments may intervene:

• health

• housing

• education

• transport

• environment

• energy

• agriculture

• commodities

1. Government Failure

a) ‘Government failure’ as intervention that results in a net welfare loss.

b) Causes of government failure:

• information gaps

• lack of incentives

• unintended consequences

• excessive administrative costs

• moral hazard