

# Topic: Government Intervention

## Starter Activities

- Unintended consequences [activity](#)
- Podcast link for [topic](#) and [here](#)
- Google [form](#)

## Reasons for Government Intervention

Reason	Explanation
Correct market failure	<ul style="list-style-type: none"> <li>• It can <b>discourage consumption / production</b> of demerit goods               <ul style="list-style-type: none"> <li>◦ E.g taxing cigarettes reduces consumption</li> <li>◦ E.g subsidising electric cars increases production</li> </ul> </li> </ul>
Government revenue	<ul style="list-style-type: none"> <li>• Revenue is earned through <b>taxation, privatisation</b> and sale of goods/services</li> <li>• Revenue is used to fund <b>essential services / merit goods</b>, e.g hospitals / schools</li> </ul>
Support firms	<ul style="list-style-type: none"> <li>• Governments support firms in <b>key industries</b> to help them be competitive</li> <li>• It ensures <b>fair prices for producers/suppliers</b>. Eg. if a market price is too low the government can introduce a price floor that has a guaranteed market price for suppliers.               <ul style="list-style-type: none"> <li>◦ E.g subsidies for agriculture</li> <li>◦ E.g tax breaks</li> <li>◦ E.g quotas for international competition</li> </ul> </li> </ul>
Equity / fairness	<ul style="list-style-type: none"> <li>• The government aims to <b>redistribute income</b> from rich to make it more <b>fair</b></li> <li>• It helps provide <b>fair prices for consumers</b>, especially for essential goods and services. Eg. If the market price is too high, the government can introduce a <b>price ceiling</b>.               <ul style="list-style-type: none"> <li>◦ E.g progressive taxes</li> <li>◦ E.g minimum wages for low income earners</li> <li>◦ E.g laws preventing monopolies from setting higher prices</li> </ul> </li> </ul>
Protect consumers	<ul style="list-style-type: none"> <li>• Governments try to protect consumers from <b>being exploited</b> <ul style="list-style-type: none"> <li>◦ E.g government regulate the gambling industry so that consumers don't get into debt</li> </ul> </li> <li>• Can prevent consumers from being exposed to <b>anti-competitive behaviour</b> <ul style="list-style-type: none"> <li>◦ E.g end aggressive advertising by gambling firms to that attract &amp; exploit consumers</li> </ul> </li> </ul>
Support low income households	<ul style="list-style-type: none"> <li>• Governments may want to <b>reduce poverty</b> and improve <b>standard of living</b> of lower income households               <ul style="list-style-type: none"> <li>◦ E.g through <b>social welfare payments</b>, free health care / education or a progressive tax system</li> </ul> </li> </ul>

**Exam Question 2023**

- (c) In budget 2023 the Irish government introduced a €600 electricity credit for all households.  
 (i) Explain the main economic reason for the above government intervention.


**Exam Question**

- (c) Up to €10,000 a minute is spent in Ireland by consumers on online gambling.  
 Adapted from the Irish Times

- (i) Outline two reasons why it is important that the gambling industry in Ireland is regulated.

1.
2.

**Types of Government Intervention**

Intervention	Explanation
<b>Price ceiling</b>	<ul style="list-style-type: none"> <li>A <b>price ceiling</b> is a maximum price set by the government. Sellers cannot legally sell the good or service at a higher price <a href="#">(video)</a></li> </ul>
<b>Price floor</b>	<ul style="list-style-type: none"> <li>A price floor (minimum price) is set by the government <b>above</b> the existing free market equilibrium price and sellers cannot legally sell the good/service at a lower price</li> </ul>
<b>Tax</b>	<ul style="list-style-type: none"> <li><b>Indirect tax</b> is levied on expenditure / goods &amp; services (VAT)</li> <li><b>Direct tax</b> is levied on income (PAYE)</li> </ul>
<b>Quota</b>	<ul style="list-style-type: none"> <li>A quota is <b>physical limit</b> on goods and services (usually being imported into a country)</li> </ul>
<b>Subsidy</b>	<ul style="list-style-type: none"> <li>Subsidy is the <b>amount of money</b> paid by the government to a firm or individuals, per unit of output</li> </ul>
<b>Help to buy schemes</b>	<ul style="list-style-type: none"> <li>Helps <b>first-time buyers</b> purchase a newly-built house or apartment</li> </ul>
<b>Ban</b>	<ul style="list-style-type: none"> <li>The use or production of a particular good or service is <b>prohibited</b> in a country</li> </ul>
<b>Age restrictions</b>	<ul style="list-style-type: none"> <li>Laws that prohibit an activity based on age</li> </ul>
<b>Nudges</b>	<ul style="list-style-type: none"> <li>Influencing <b>human behaviour</b> or choices using <b>incentives</b></li> <li>Through education, advertising, warnings, reminders</li> </ul>
<b>Legislation / regulation</b>	<ul style="list-style-type: none"> <li>Rules or laws that can be legally enforced</li> </ul>
<b>Public Provision</b>	<ul style="list-style-type: none"> <li>Government acts as provider / provision of essential services</li> <li>E.g Department of education, HSE</li> </ul>

**Identify the Government Intervention**

	<b>Scenario</b>	<b>Intervention</b>
1	EPA places a limit on how much waste a factory in Limerick can release into the air each year.	
2	A maximum is set for what tenants can pay in rent in certain areas to keep housing affordable.	
3	The government launches a campaign warning people that using these dodgy boxes is illegal and unsafe, it can expose users to scams, malware, and fines.	
4	To reduce binge drinking, a threshold is set for the sale price of alcohol to curb harmful consumption.	
5	Government gives 30,000 to new first time buyers	
6	A charge is placed on sugary beverages to discourage overconsumption and improve health.	
7	Cigarette packets must include graphic health warnings to discourage smoking.	
8	A limit on the sale of alcohol is introduced to reduce excessive consumption.	
9	Financial aid is provided to farmers who produce crops that are more environmentally friendly.	
10	The government funds free secondary education and provides teachers, classrooms, and textbooks.	
11	CPCC checks that shops aren't misleading customers with false "sale" prices or anti-competitive behaviour.	
12	A maximum price is set on prescription medications to ensure they remain accessible.	
13	To protect European farmers, the EU sets a limit on the amount of garlic that can be imported from China.	
14	The government passes a law banning smoking in indoor public places, including pubs and restaurants.	
15	Vapes can only be sold to people above a specific age.	
16	Posters and ads show smiling families and slogans like "Protect yourself. Protect others. Get vaccinated."	

**Exam Question 2023**

**(c)** In budget 2023 the Irish government introduced a €600 electricity credit for all households.

**(i)** Explain the main economic reason for the above government intervention.


**(ii)** Outline one possible economic disadvantage of this government intervention.

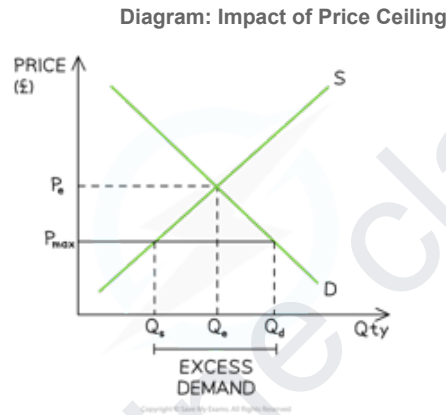

**(iii)** In your opinion does the above government intervention encourage electricity users to reduce their use of electricity?

Yes:  No:

Explain your answer.


## Price Ceilings (Maximum Prices)

- A [price ceiling](#) is a maximum price set by the government. Sellers cannot legally sell the good or services at a higher price. [Irish rent control example](#) and [the economist](#).
- The price ceiling is **set below** the existing equilibrium market price
- Governments will often use price ceilings in order to help consumers if the market price is too high, especially for **essential goods and services**
  - Sometimes they are used for long periods of time e.g. rent controls to keep rents lower in housing rental markets
  - Other times, they are short-term solutions aimed at limiting unusual price increases e.g. petrol



### Diagram analysis

<b>Effect</b>	A price ceiling is set below the equilibrium price ( $P_{max} < P_e$ ).
<b>Reason</b>	Consumers want to buy more at the lower price, while producers are less willing to supply because the price is now less profitable.
<b>Equilibrium</b>	<p>This causes the quantity demanded to rise (<math>Q_e \rightarrow Q_d</math>) and the quantity supplied to fall (<math>Q_e \rightarrow Q_s</math>).</p> <p>The market is now in disequilibrium — the equilibrium price (<math>P_e</math>) and quantity (<math>Q_e</math>) no longer apply.</p> <p>This creates excess demand (shortage) equal to <math>Q_s Q_d</math>.</p>

## Evaluating the use of Price Ceilings

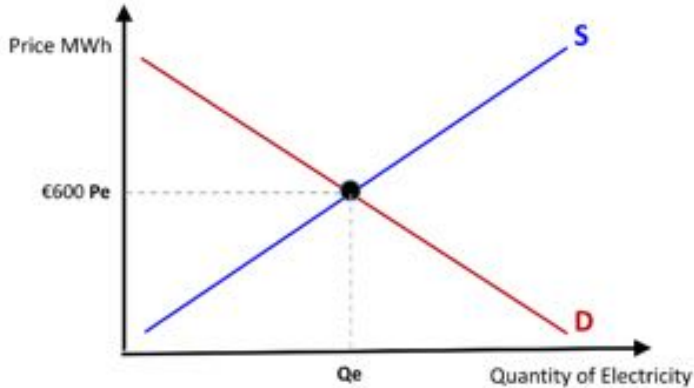
Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• <b>Lower Prices:</b> Some consumers benefit as they purchase at <b>lower prices</b>. For these consumers, their consumer surplus increases</li> <li>• <b>Stabilise prices:</b> Price ceilings can stabilise markets in the short-term during periods of intense disruption, e.g. Covid supplies at the start of the pandemic</li> <li>• <b>Consumer Surplus Increase:</b> Tenants benefit from paying less than they would in an unrestricted market, increasing their disposable income.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Creates Rental Shortages:</b> Some consumers are unable to purchase due to the <b>shortage</b> <ul style="list-style-type: none"> <li>◦ e.g. price ceilings of housing rentals in the property market create a shortage</li> </ul> </li> <li>• <b>Falling Producer Surplus:</b> Producers lose out as the price is below what they would usually receive.</li> <li>• <b>Shadow Economy:</b> The unmet demand usually encourages the creation of <b>illegal markets</b> and <b>exploitation of consumers</b></li> <li>• <b>Government supply intervention:</b> When used in necessity markets, Governments may be forced to <b>intervene further</b> by supplying the good/service themselves in order to meet the excess demand</li> </ul>

**Exam Question: 2024**

During 2022, the equilibrium megawatt price per hour for electricity was €600. In an effort to combat the energy crisis, the European Commission considered a €200 per megawatt hour limit on the price of electricity.

Adapted from The Financial Times

- (a) Illustrate, on the diagram below, how the European Commission's proposal above would alter the diagram.



Answer (b) or (c)

- (b) Explain your understanding of the economic term price ceiling.

Price ceiling:

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OR

- (c) In Budget 2024 the government announced energy credits of €450 for all households. Explain why you think the government introduced this credit.

Explanation:

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**SEC 2022**

The infographic below shows data extracted from the Residential Tenancies Board (RTB) for Q2, 2021 Rent Index.



www.rtb.ie

- (a) (i) Outline two possible reasons for the disparity in average rents between Dublin City and Waterford City in Q2, 2021.

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- (ii) Outline two possible interventions the Irish government could pursue to support balanced regional development in Ireland.

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## Price Floors (Minimum Prices)

- A price floor (minimum price) is set by the government **above** the existing free market equilibrium price and sellers cannot legally sell the good/service at a lower price. [Video](#)

Minimum price is set for **three reasons**:

- To act as a **disincentive to consume** a good or service / **demerit good**
- To attempt to **raise incomes** for producers for goods and services, such as agricultural products. Perhaps to protect them from high foreign competition.
- To **protect workers** by setting a **minimum wage**, to increase disposable income and meet cost of living.

Diagram: Impact of a Price Floor

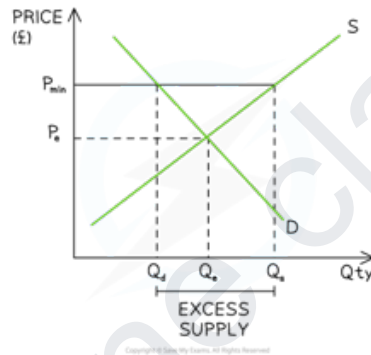


Diagram Analysis

<b>Effect</b>	A price floor is set above the equilibrium price ( $P_{min} > P_e$ ).
<b>Reason</b>	Producers are encouraged to supply more at the higher price because it is more profitable, while consumers are discouraged from buying as the good or service is now more expensive.
<b>Equilibrium</b>	<p>This causes the quantity supplied to rise (<math>Q_e \rightarrow Q_s</math>) and the quantity demanded to fall (<math>Q_e \rightarrow Q_d</math>).</p> <p>The market is now in disequilibrium — the equilibrium price (<math>P_e</math>) and quantity (<math>Q_e</math>) no longer apply.</p> <p>This creates excess supply (surplus) equal to <math>Q_d Q_s</math>.</p>

## Evaluating the use of Price Floors (Minimum Prices)

Advantages	Disadvantages
<ul style="list-style-type: none"> <li><b>Producers receive a higher price</b> Minimum prices guarantee farmers or producers a price above the market equilibrium. Governments often buy up the surplus and either store it or export it, ensuring stable income for producers.</li> <li><b>Demerit output falls</b> If a minimum price is applied to goods like alcohol or tobacco, the government does not purchase the excess supply. This leads to lower consumption, helping reduce the negative externalities associated with demerit goods.</li> <li><b>Helps reduce external costs</b> By setting a minimum price, producers cut back output to match demand. This reduction can limit harmful effects on society and the environment, such as pollution or overproduction.</li> </ul>	<ul style="list-style-type: none"> <li><b>High cost to government</b> Buying and storing the excess supply requires government spending, which has an opportunity cost. The money could be used for other priorities like healthcare or infrastructure.</li> <li><b>Risk of over-dependence</b> Farmers or producers may become reliant on government support instead of improving efficiency or adapting to market changes, leading to inefficiencies in the long run.</li> <li><b>Can cause unemployment</b> Since producers reduce output to match the lower demand at the minimum price, less labour may be needed, leading to job losses in the industry.</li> </ul>

## Minimum Wages (Price Floor)

- Governments often intervene in the labour market by **setting a minimum wage**  
They do this in order to improve equity & avoid the exploitation of worker
- A minimum wage is a legally imposed wage level that employers must pay their workers
  - It is set **above the market rate**
  - The minimum wage/hour often varies based on age



A national minimum wage ( $MW_1$ ) is imposed above the market wage rate ( $W_e$ ) at  $W_1$

### Diagram Analysis

- The market equilibrium wage & quantity for truck drivers in the Ireland is seen at  $W_e Q_e$
- The government imposes a national minimum wage (**MW**) at  $W_1$ 
  - Incentivised by higher wages, the supply of labour increases from  $Q_e$  to  $Q_s$
  - Facing higher production costs, the demand for labour by firms decreases from  $Q_e$  to  $Q_d$
- This means that at a wage rate of  $W_1$  there is **excess supply of labour** & the potential for **unemployment equal to  $Q_d Q_s$**

## Evaluation of National Minimum Wage

[Video](#): The Economist - Minimum Wage, does it hurt people?

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• <b>Guarantees a minimum income</b> A minimum wage ensures that all workers earn at least a basic income, which helps reduce income inequality and raises the standard of living for low-paid employees.</li> <li>• <b>Increases consumption</b> When workers earn more, they have more disposable income to spend on goods and services. This can boost aggregate demand, leading to higher GDP and potentially more job creation.</li> <li>• <b>Incentivise workers to be more productive</b> A higher wage can motivate employees to work harder, reduce absenteeism, and improve efficiency, as workers feel more valued and rewarded for their effort.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Raises the costs of production</b> Businesses may face higher wage bills, which increases overall production costs. To maintain profit margins, firms might raise the prices of their goods and services, potentially fuelling inflation.</li> <li>• <b>May increase unemployment</b> If firms cannot pass on the higher costs to consumers through higher prices, they may respond by cutting staff or reducing working hours. This could lead to increased unemployment, especially among young or low-skilled workers.</li> </ul>

## Supermac's Prices Set to Go Up as Boss Points to Raised National Minimum Wage

Keith Kelly, 28 December 2023

Supermac's, the Irish fast food chain, will raise its prices in response to the upcoming national minimum wage increase. Pat McDonagh, the founder of Supermac's, explained that the minimum wage, which is set to rise by €1.40 to €12.70 per hour from January 2024, is one of the main factors driving up costs for the business. While McDonagh does not oppose the wage rise, he pointed out that other factors, such as the return of a 4.5% VAT, rising food costs, energy price increases, and higher insurance and overhead expenses, will contribute to an overall cost increase of around 10%.

McDonagh acknowledged the broader economic context, highlighting the high cost of living and accommodation in Ireland, which has made the wage increase necessary. The wage hike will affect around 500 of Supermac's 1,500 employees, representing 3% of the company's turnover. McDonagh also stated that while price increases are inevitable, he will try to ensure they remain within what the market can bear.

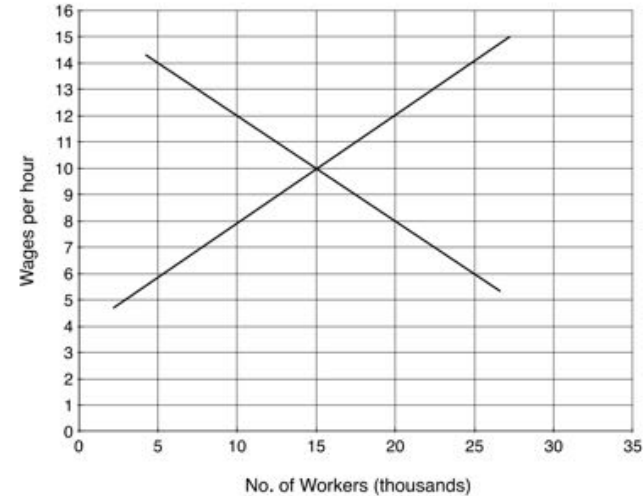
In addition to the wage rise, McDonagh hopes that the higher pay will help attract more workers to the hospitality sector, which is currently facing a labour shortage. He noted that many young people are not interested in hospitality jobs, preferring more standard office hours, and the industry relies heavily on non-national workers. McDonagh warned that rising costs and the labour shortage may result in the closure of some businesses in the near future.

### Questions

1. Define two key economic terms
2. Draw a diagram to show how the increase in the national minimum wage might affect Supermac's costs and prices.
3. Evaluate the impact of the national minimum wage rise on Supermac's (considering consumers, workers, and the business itself).
4. Discuss the potential long-term effects of the minimum wage increase on the hospitality sector in Ireland.
5. Recommend another government policy that could help address the labour shortage in the hospitality industry in Ireland.

### Exam Question

- (a) The diagram below shows the demand and supply of labour. Using this diagram state the equilibrium wage level.



Equilibrium Wage Level:

- (b) Using the diagram above, calculate how many people could lose their jobs if the government decided to introduce a minimum wage of €14 per hour.

Workings:

Answer:

## Regulation & Legislation

(c) Outline **two** advantages to the Government of increasing the minimum wage rate.

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- Legislation is the process of creating laws
- Regulation is the process of monitoring and enforcing the laws
  - Laws on smoking
  - Laws on gambling

### Evaluation of Regulation

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Individuals or firms will change behaviour if they fear being <b>fined/imprisoned</b> for breaking rules, e.g selling cigarettes to minors is illegal</li> <li>• They help reduce external costs of <b>demerit goods</b> (protects consumers)</li> <li>• Fines can generate <b>extra revenue</b> for government</li> </ul>	<ul style="list-style-type: none"> <li>• Enforcing laws require government to hire <b>more workers to regulate</b></li> <li>• Enforcing laws is a complex process to determine if <b>firms / consumers</b> are breaking law</li> <li>• The regulation can create <b>illegal markets</b> which could generate an even higher external cost to society</li> </ul>

### Exam question 2024

(c) Up to €10,000 a minute is spent in Ireland by consumers on online gambling.  
Adapted from the Irish Times

(i) Outline two reasons why it is important that the gambling industry in Ireland is regulated.

1.
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## Ban / Banning

(iii) Explain, giving an example, one **advantage** of a government regulation.


- **Think - pair - share**

- Take a few moments to think individually about any **bans or restrictions** you've heard about in the news or encountered in your studies.
- These could range from bans on harmful products, behaviours, or even advertising.

### Group Activity: Analysing Bans and Restrictions

- **Objective:** Each group will analyse a specific ban or restriction. You will work collaboratively to evaluate the policy's impact and present your findings to the class.
- **Prepare a Presentation:**
  - Create a short presentation (2-3 minutes) that summarises your group's findings.
  - Answer each of the key questions clearly
  - Include visual aids such as charts, graphs, or images to support your points.
  - Be prepared to answer questions from the class.

### Key Questions

1. **Why was the ban or restriction put in place?**
  - What problem was the ban intended to address? Was it health-related, environmental, or social?
  - Why do you think the government chose to implement this particular ban or restriction?
2. **Who benefits from the ban, and who might be harmed?**
  - Think about the different stakeholders: consumers, businesses, the government, and society.
  - Who are the main beneficiaries of this ban? Who may experience negative effects or unintended consequences (e.g., consumers, businesses)?
3. **What are the economic effects of the ban?**
  - **For consumers:** How does the price or availability of the banned product impact consumer choices?
  - **For businesses:** How do companies that produce or sell the banned product respond? Do they raise prices, adapt their products, or lose customers?
  - **For the government:** How does the ban affect government revenue (e.g., through taxes) and spending (e.g., health-related costs)?
4. **Is the ban effective?**
  - Example: Did the smoking ban reduce smoking rates? Did the plastic bag ban lead to less environmental pollution?

### Case Studies

1. Plastic Bag Bans (Ireland, Kenya, California)
2. Smoking Bans (Ireland, Australia, USA)
3. Alcohol Sales Restrictions (Sweden, Russia)
4. Animal Testing Ban (EU, India)
5. GMOs (Genetically Modified Organisms) Regulations (EU, USA, Africa)
6. CFC (Chlorofluorocarbons) Ban (Global)
7. Animal Testing Ban (EU, India)
8. Electronic Cigarette Bans (Singapore, Thailand)
9. Single-Use Plastic Straw Ban (California, UK, Australia)
10. Wild Animal Circus Ban (Austria, Bolivia, Costa Rica)
11. Seatbelt Laws (Various countries)
12. Cosmetic Product Testing Ban (EU, Israel, India)

13. Social media age ban for children under the age of 16 (Australia)

- **Ban:** The use or production of a particular good or service is **prohibited** in a country
  - E.g On advertising alcohol in public places or ban on smoking in public

**Exam 2022 Deferred paper**

A new law banning ticket touting / ticket scalping came into effect in July 2021. It prohibits the reselling of tickets above face value for designated events (an attendance of above 1,000 people).


(a) Outline two reasons **why** the government introduced this legislation.

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(b) The maximum capacity of the Croke Park stadium is 82,300 spectators.  
In your opinion, will the new law alter the supply curve of tickets available for the All-Ireland finals to be held in Croke Park this year?

Yes:  No:

Explain your answer with the aid of a fully labelled diagram.

Diagram	Explanation
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**Taxes**

- **Indirect tax** is levied on expenditure / goods & services (VAT)
- **Direct tax** is levied on income (PAYE)
  - Derelict home tax
  - Plastic bag levy
  - Sugar tax
  - C02 tax
  
- Indirect taxes are often levied to discourage consumption of a **demerit good** and generate tax **revenue** for the government

**Diagram of Impact of Tax**


**Exam Question 2021 OL**

- (c) The table below shows the comparison in income taxes paid on a salary of €18,000 in various countries. Adapted from Irish Tax Institute

**Tax paid on a salary of €18,000**

Germany	€4,770
France	€4,015
UK	€2,119
Switzerland	€1,120
Ireland	€510

- (i) Using the data above **name** the countries where an employee would pay the:

The lowest tax	
The highest tax	

- (ii) Is Value Added Tax a direct tax or an indirect tax?  
Explain your answer.

Answer:
Explanation:

- (iii) Outline **two** reasons why the Irish Government may intervene in the economy.

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**Exam Question 2021**

**Question 4**

In budget 2021, the price of a 20 pack of cigarettes rose from €13.50 to €14.00.

Cigarettes are classed as 'Demerit Goods' and as such their purchase constitutes a market failure.

- (c) Explain why the Irish Government intervenes by imposing higher taxes on cigarettes in budgets.


## Subsidies

- Subsidy is the **amount of money** paid by the government to a firm or individual, usually in the form of cash payments
  - E.g the temporary wage subsidy scheme used by the government during the pandemic (wage of reducing firms costs)
  - E.g Agricultural subsidies, Electric cars, Solar panels, Electricity
- **Reason government use subsidies**
  - Subsidy can lower the cost of production, increasing supply of goods and **lowering the price**
  - Guarantee supply production of **essential goods**, such as food / electricity
  - Enables producers to compete with **international competitors**, therefore protecting home industry

### Diagram of Impact of Subsidy


## Evaluation of Subsidies

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• <b>Lowers prices</b> By reducing production costs, subsidies allow firms to charge lower prices. This encourages greater consumption of socially beneficial goods, such as healthcare, education, or renewable energy.</li> <li>• <b>Helps change consumer behaviour</b> Subsidising products like electric cars makes them more affordable, encouraging consumers to switch from harmful alternatives (petrol cars) to greener options.</li> <li>• <b>Can be used to help firms compete internationally</b> Subsidies reduce domestic production costs, making firms more competitive against foreign producers. This can boost exports, protect local jobs, and strengthen the balance of payments.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Opportunity cost of government spending</b> Funding subsidies requires government revenue. The money could have been used for other priorities, such as healthcare, education, or infrastructure.</li> <li>• <b>Can create excess supply</b> Guaranteed incomes may encourage overproduction, leading to waste and inefficiencies (e.g., farmers producing more crops than the market demands).</li> <li>• <b>Prone to political pressure / lobbying</b> Businesses may lobby governments to secure subsidies for their own interests. For instance, oil companies often receive subsidies despite being highly profitable, leading to unfair allocation of resources.</li> <li>• <b>Create inefficiency</b> If firms rely heavily on subsidies, they may become complacent, failing to innovate, cut costs, or improve productivity, which harms long-term competitiveness.</li> </ul>

### Exam Question





## Nudges / Incentives

- Influencing **human behaviour** or choices using **incentives or disincentives**
- Through education, advertising, warnings, reminders
  - HSE advertising on vaccinations
  - Deposit return scheme
  - Increased taxes on cigarettes
  - Subsidy on electric cars

### Class Discussion: Real-World Examples of Nudges

Discuss the following examples of nudges in groups:

- 1. HSE Advertising for Vaccinations**
  - How does this work as a nudge?
  - Why is this an example of a positive incentive?
  - What are the potential benefits of increasing vaccination rates?
- 2. Deposit Return Scheme for Plastic Bottles**
  - How does this nudge encourage recycling?
  - How does it affect consumer behaviour, and what are the environmental benefits?
- 3. Increased Taxes on Cigarettes**
  - Why does increasing the price of cigarettes serve as a disincentive?
  - What are the expected results of this policy on smoking rates?
- 4. Subsidy on Electric Cars**
  - How does the subsidy act as an incentive for people to buy electric cars?
  - What are the social and environmental benefits of using incentives to promote electric cars?

- (b) (i) Governments can use incentives to encourage certain human behaviour and the tax system to discourage certain human behaviour.

Outline one possible **incentive** the government uses to encourage certain human behaviour and one possible **tax measure** to discourage certain human behaviour. Give an example to support your answer in each case.

Encourages:
Discourages:

- (ii) Outline two interventions, other than incentives/taxes, that a government could consider implementing to influence consumer behaviour.

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