# 6.4 The Effects of Government Intervention in Different Market Structures

Name: ______________ Class: __________ Date: ____________ **Total: 8 marks**

**KEY WORDS** per-unit tax 从量税 • natural monopoly 自然垄断 • antitrust policy 反垄断政策 • government failure 政府失灵 • market failure 市场失灵

## Objective

Build the skills to answer exam questions on **government intervention in different market structures**.

**You must be able to:**

- analyse how a **per-unit tax** or **subsidy** affects price, quantity, and surplus
- explain how regulation of a **natural monopoly** 自然垄断 can use marginal-cost or average-cost pricing
- describe the aims of **antitrust policy** 反垄断政策
- weigh correcting **market failure** against the costs of **government failure** 政府失灵

## 1 Worked examples

Study these first. Each one shows the method for a question type used later.

### Taxes and subsidies

A **per-unit tax** raises price and cuts quantity; a **subsidy** lowers price and raises quantity. Both change consumer and producer surplus.

### Regulating a natural monopoly

- **Marginal-cost pricing** ($P = MC$) is efficient but may make the firm lose money.
- **Average-cost pricing** ($P = ATC$) lets it break even.

### Antitrust and government failure

**Antitrust policy** limits market power and promotes competition. But intervention can itself be costly or misjudged — **government failure**.

## 2 Practice

**2.1** State the aim of antitrust policy. [1]

**2.2** State one way a government can regulate a natural monopoly's price. [1]

**2.3** Define government failure. [1]

## 3 Exam-style questions

**3.1** Antitrust policy aims to [1]

A | B
C | D

**A** create monopolies
**B** limit market power and promote competition
**C** raise taxes
**D** fix exchange rates

**3.2** Setting a natural monopoly's price equal to marginal cost is [1]

A | B
C | D

**A** profit-maximizing for the firm
**B** allocatively efficient
**C** a subsidy
**D** a tariff

**3.3** A government breaks up a dominant monopoly and regulates the successor firms' prices.

(a) Name the policy that limits market power. [1]

(b) State one benefit to consumers. [1]

(c) Name the risk that the intervention itself is costly or misjudged. [1]