

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]