

(d) Evaluate the argument that market failure can be solved by government intervention.

(20)

Market failure ^{occurs} when resources are insufficiently allocated/used. Government intervention is when the ~~g~~ Government provide extra resources or take them away to/from a market.

Many methods of ~~g~~ Government intervention are very successful in preventing market failure, an example of this is taxation like on the Chinese steel market. Another example is subsidies as ~~reducing~~ increasing benefits of purchasing items can increase demand.

However some times ~~g~~ Government intervention is not enough ~~so~~ for example the smoking market has been causing negative impacts on other markets for years despite efforts with taxation from the Government. Sales of cigarettes remain prevalent in



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Society so the government are still introducing policies to help fight it. The newest policy being only packs of 20+ in all black wrappers with side effects and graphic images on the front to deter sales further.

In most cases Government intervention prevents market failure but aiding failed markets usually requires things like subsidies ~~on~~ which in long term can create an issue in Government funds so taxes may increase.

Government intervention rarely solves market failure as it failed for a reason but it can usually prevent it.

