

Short Answer Questions

Chapter 6.

1. In the early years of the European Union, the common agricultural policy set minimum prices which farmers could expect to receive for their goods. If these prices were set above the equilibrium market price, explain what you think the outcome for the agricultural market would be. Illustrate your answer with suitable diagrams.
2. What is the difference between a binding and non-binding price ceiling?
3. Some governments in Europe are considering imposing a price floor on the price of a unit of alcohol to try and limit alcohol consumption. Write a short briefing note on some of the factors which they may want to consider if the policy is to be successful in achieving its aim.
4. Rent control is designed to help those who are unable to access housing to do so. Discuss some of the factors which might determine the degree of success of such a policy.
5. At the All England Lawn Tennis Championships at Wimbledon in the UK, there are lengthy queues every year to get tickets. What does this tell you about the pricing policy adopted by the Wimbledon authorities? Suggest what the authorities could do to reduce or eliminate the queues along with a consideration of the potential costs and benefits of such a move.
6. Discuss the factors which determine the degree of unemployment that will result from the establishment of a binding minimum wage.
7. Describe the factors that determine the incidence of a tax on producers on the market for a product.
8. To what extent is a subsidy on rail travel beneficial to passengers? Explain your answer.
9. Use a supply and demand diagram to explain the incidence of a tax on whisky stating clearly any assumptions you have made in your analysis.
10. Should the opera and ballet be subsidised? Justify your answer.