Government economic aims and objectives?

- Achieve full employment
- Achieve sustainable economic growth
- Control government finances
- Promote balanced regional development
- Improve infrastructure
- Create a just social environment with an equal distribution of wealth
- Control price inflation
- Maintain state services
- Care for the environment
- Avoid market failure

How do governments intervene?

- By collecting taxes. Direct and indirect.
- By paying social welfare- unemployment, disability, PUP.
- By providing a subsidy or grant.
- Through public provision (stat companies).
- By operating government departments directly.
- By imposing laws and providing consumer protection. Through legislation. Ombudsman.
- By representing the irish people at EU level.
- By acting during national emergencies.
- By redistributing income.

Methods to redistribute income

- Minimum wage

Legislation for a price of labour. This allows a certain standard of living. May also increase the wage bill.

- Progressive taxation

A method which takes proportionately more in tax as a person's income increases. May reduce income inequality but may also cause a disincentive to work harder.

Advantages of government intervention

- FDI- the government can meet with the senior management of large MNCs and offer them tax incentives and grants.
- Regulates the development of monopolies
- Provides employment
- Social welfare
- Education
- Public goods- eg. traffic lights- goods that private companies wouldn't pay for.

Disadvantages

- Reduces entrepreneurship and initiative- if a government provides loss-making services, it reduces the need for a private company to come up with an innovative solution to that problem.
- Government bureaucracy- dealing with government agencies can be slow giving the high volume of paperwork needed to get things done.
- Government inefficiency- does not always seek out the best value for money which can lead to inefficiency.
- Public sector workers are protected. Strong trade unions.

Regulation is the mechanism by which consumers and their interests can be safeguarded to ensure that fair, reliable and sustainable services are delivered.

- Formulation of goals
- Setting of rules and standards
- Monitoring and gathering information
- Enforcement

Government departments- e.g. department of health

Statutory regulators- commission for communications regulation

Local authorities- e.g. parking areas in a town

Public sector bodies- food safety authority

Commission for communications regulations

Environmental protection agency

Food safety authority

Road safety authority

Why regulate?

- Public welfare- consumer protection.
- Environmental protection
- Working environment- e.g minimum wage, safety.
- Market failures
- Provision of public goods- regulation passed to provide public goods as a potential solution.
- Monopoly power
- Professional conduct

Is regulation effective?

- Improved public welfare
- Company closures
- Corrects market failure

Consequences

Increased cost to firms- paperwork

Consumers pay- adds to costs which are then put on consumers.

Government administration costs- expensive to monitor.