

## Evaluation on intervention - economic welfare and equity



### UK criticises phone fee shake-up

A shake-up in mobile phone charges by the European Commission (EC) may have unintended consequences for consumers, according to the UK telecoms regulator.

European plans to cut phone bills could hurt those on low incomes, particularly people on pay-as-you-go tariffs, Ofcom and the UK Government said.



Reducing mobile phone fees may not mean cheaper costs for customers

Brussels wants the fees that mobile phone operators charge for handling each other's calls to be cut by 70%.

But regulators said phone firms may recoup lost income from customers.

When writing about government intervention in any market it is important to

1. Use **analysis diagrams** to show the possible effects
2. Identify which **stakeholders** in the market have been affected and in what ways
3. Bring in some **economic welfare** ideas into your answer
4. Evaluate the **consequences** and consider **alternative policy options**

### Stakeholders

Examples of stakeholders you might think of bringing into a discussion

1. Employees of a business / organisation
2. Communities where a business is located or affected directly by a decision
3. Suppliers to a particular business (e.g. back down the supply chain)
4. Shareholders and other investors / financiers
5. Government (and through them – taxpayers)
6. Trade unions (and the workers they represent)
7. NGOs and other advocacy groups (i.e. World Bank, IMF, Pressure Groups)
8. Local communities
9. International community
10. Competitors within a market

## **Revision check list when writing about government intervention**

In the longer essay-style questions you might be able to write about the following:

- Discussing costs and benefits to producers and consumers
- Thinking about short and longer-term effects of a policy measure
- Value judgements – identifying subjective views and who is making them – there might be some in the extracts that you can identify?
- The law of unintended consequences
- Importance of combinations of policies
- Can markets find their own solution to a problem?

### **Some topical issues on government intervention**

*Here is a brief selection*

National minimum wage – should it rise each year – even during a recession?

Government intervention in the housing market to help first-time buyers

Price capping for mobile phone charges (e.g. texting)

Minimum prices for drinks sold in supermarkets

Expansion of auctions for carbon credits

Reductions in VAT as a way of preventing a deep recession

Economics of the smoking ban

Road pricing to reduce congestion