

Chapter 24

The role of government

Key terms

1. Local government : a government organisation with the authority to administer a range of policies within an area of the country
2. Natural Monopoly : an industry where a single firm can produce at a lower average cost than two or more firms because of the existence of significant economies of scale
3. Strategic industries : industries that are important for the economic development and safety of the country e.g. food industry and national defence
4. National Champions : Industries that have the potential to be world leaders
5. Trade bloc : A regional group of Countries that removes trade restrictions between themselves.
6. Free international trade : the exchange of goods and services between countries without any restrictions.



1. The functions of government at local and national level

- Government directly provides public goods
- Government protects strategic industries
- Government provides and subsidises merit goods

2. The functions of government at an international level

- Promote free international trade
- Promote Multinational companies

