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Chapter 24

The role of government

Key terms

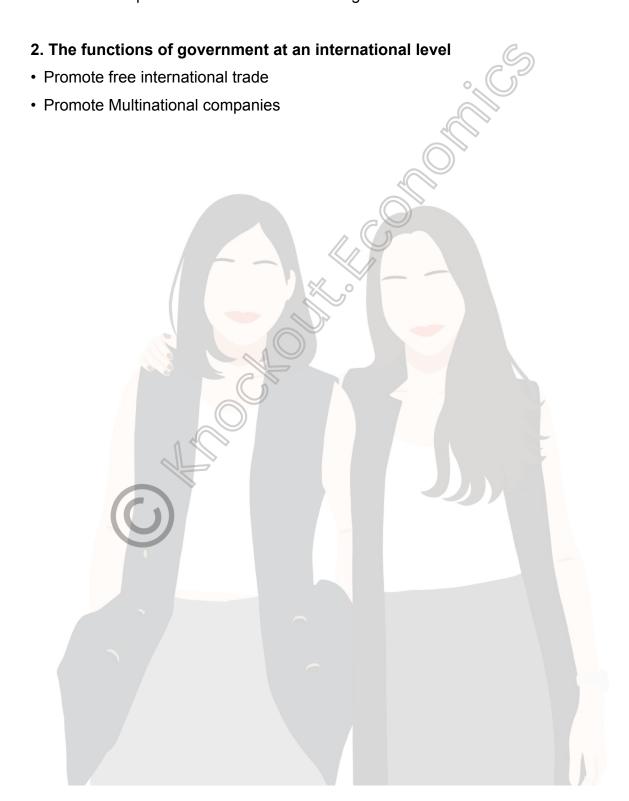
- 1. Local government : a government organisation with the authority to administer a range of policies within an area of the country
- 2. Natural Monopoly: an industry where a single firm can produce at a lower average cost than two or more firms because of the existence of significant economies of scale
- 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.



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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



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