

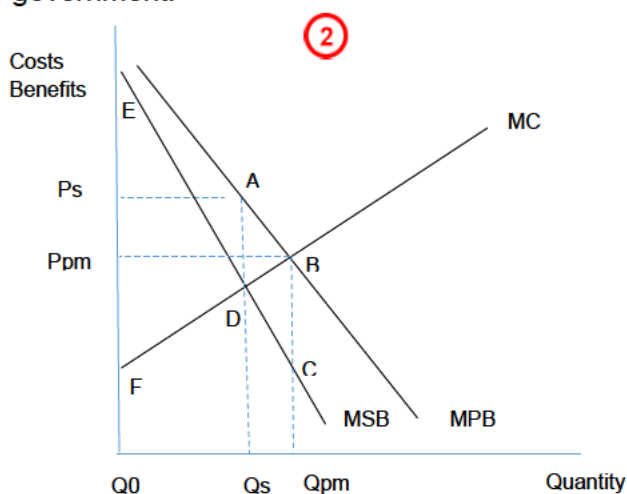
Student 6: High Not Achieved
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[Student explained the negative externalities associated with the over-consumption of alcohol and explained the policy of implementing a sales tax on alcohol in terms of efficiency and equity, using the SMC/SMB model to support the explanations.]

1

### Policy 2: Imposing a ban on alcohol

A ban's goal would be to stop all consumption of the good by making the quantity consumed equal zero, and this would be achieved by making the good illegal. In a perfect world, this would eliminate all spillover costs, as the quantity would not include any of the spillover costs. Because this is not a perfect world, banning a good would just drive its sale underground, increasing crime rates, and making the product GST free, lowering revenue for the government.



2

If consumption is reduced to zero, none of the good is being legally sold or consumed. All consumer and producer surplus has been made forfeit.

3

Banning is an effective way to stop the lawful consumption of alcohol; however, it is inefficient because it makes the good completely unobtainable except from the black market, which would most likely increase the crime rate of other unlawful activities, from those who regularly used the good before it was banned.

3

A perfect example of this is the United States' prohibition on alcohol from 1920 to 1933. The major increase in gang activity and costs of maintenance upon the country was huge, and was actually a hindrance on the government revenue.

Equitably this is not the greatest policy as some groups (such as social drinkers) will miss out on a luxury good, and they are not the ones causing the majority of spillover costs, and this is an easy catalyst for civil unrest.

4