Economics Practice – Markets

1. Read the extract below and answer the question that follows.

Iran MPs approve cutting food subsidies

Tue, 20 Oct 2009 13:08:34 GMT

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Iran's Parliament has approved a proposal to gradually cut subsidies for food and transportation services, amid fears that the bill might hike up prices.   
  
According to Article Four of the bill, subsidies on food items such as wheat, rice, oil, milk and sugar as well as subsidies on postal and transportation services will be gradually cut in five years.   
  
Lawmakers, however, excluded medicine subsidies from the article before approving it.   
  
On the Parliament's evening session, lawmakers also passed Article Five of the bill which eliminates subsidies for flour and bread.   
  
On Sunday, the Parliament passed two other articles of the bill that would gradually cut energy subsidies in a bid to reduce dependence on fuel imports by lowering demand.   
  
The bill needs the approval of the Guardian Council before it can be implemented.

Source: <http://www.presstv.ir/detail.aspx?id=109156&sectionid=351020102>

1. With the aid of a diagram, show how the cuts in subsidies for things like bread and milk and sugar will likely affect these markets.

# Read the extract below and answer the question that follows.

# Senior Scots cop calls for minimum alcohol price to cut domestic violence

[Oct 12 2009](http://www.dailyrecord.co.uk/news/health-news/2009/10/12/)

A TOP Scots cop yesterday stepped up calls for a legal minimum price for alcohol.

Strathclyde Chief Constable Stephen House said he was "very keen" to drive up the cost of booze to curb domestic violence.

And he said he had "no hesitation" in backing SNP plans to set a minimum price, expected to be 40p per unit of alcohol.

He said: "We are very keen to see measures taken to drive people back out of where they are at the moment, which is drinking at home, getting very, very drunk, turning in many cases to violence behind closed doors.

"We've seen that we can successfully control violence in the public space."

House said cost was"the biggest significant issue" in stopping people drinking in pubs.

He added: "If you look at the differential in price between alcohol being bought in a pub or club and what you can pay for alcohol in an off licence, particularly supermarkets, it is simply saying economically to people there is no point going out.

"I think we need to rebalance the picture."

SNP MSP Michael Matheson said: "His support for the proposals is very welcome."

Source: <http://www.dailyrecord.co.uk/news/scottish-news/2009/10/12/senior-scots-cop-calls-for-minimum-alcohol-price-to-cut-domestic-violence-86908-21740902/>

2. With the aid of a diagram, show how a minimum price per unit of alcohol would help to reduce the level of drinking and violence in Scotland.