

Market Failure

1. What is the definition of market failure?
2. Name 3 types of market failure
3. What is an external benefit?
4. What is an external cost?
5. What is a social benefit?
6. What is a social cost?
7. On a negative production externality diagram, how do you find socially optimum equilibrium?
8. On a negative production externality diagram, how do you find private equilibrium?
9. On a negative production externality diagram, how do you find Under/over consumption in a private market?
10. On a positive consumption externality diagram, how do you find social equilibrium?
11. On a positive consumption externality diagram, how do you find private equilibrium?
12. On a positive consumption externality diagram, how do you find under/over consumption in a private market?
13. What are the two features of public goods?
14. What is the name for a good which displays only one feature?
15. What is non-excludability?
16. What is non-rivalry?
17. What is the free rider problem?
18. Are public goods under- or over-consumed in the free market and why?
19. Give a reason why governments may choose not to provide public goods
20. Give an alternative to full state provision
21. What is information asymmetry?
22. Why is information asymmetry a form of market failure?
23. What is adverse selection?
24. What is moral hazard?
25. How can independent reviews help moral hazard?
26. What are the disadvantages of independent reviews?
27. What are merit goods?
28. What are demerit goods?

