

1. <b>What is the definition of market failure?</b>	Where the market mechanism doesn't result in socially optimum quantity or price	16. <b>What is non-rivalry?</b>	One person's consumption does not affect another's
2. <b>Name 3 types of market failure</b>	Information failure, externalities, public goods	17. <b>What is the free rider problem?</b>	where consumers can consume good without paying for it because it is non-excludable
3. <b>What is an external benefit?</b>	A benefit to a third party outside the transaction	18. <b>Are public goods under- or over-consumed in the free market and why?</b>	Underconsumed because no-one wants to pay for them; they all want to free-ride on someone else's purchase
4. <b>What is an external cost?</b>	A cost to a third part outside the transaction	19. <b>Give a reason why governments may choose not to provide public goods</b>	Expense, adverse consequences, crowding out, government inefficiency
5. <b>What is a social benefit?</b>	The total benefit to private individuals and third parties: Private benefit plus External benefit	20. <b>Give an alternative to full state provision</b>	Subsidisation, public-private partnerships
6. <b>What is a social cost?</b>	The total cost to private individuals and third parties: Private cost plus External cost	21. <b>What is information asymmetry?</b>	Where one party in a transaction knows more than another
7. <b>On a negative production externality diagram, how do you find socially optimum equilibrium?</b>	Where MB (MSB) meets MSC	22. <b>Why is information asymmetry a form of market failure?</b>	It can lead to a suboptimal level of output
8. <b>On a negative production externality diagram, how do you find private equilibrium?</b>	Where MB (MSB) meets MPC	23. <b>What is adverse selection?</b>	Where information asymmetry leads to a narrower market
9. <b>On a negative production externality diagram, how do you find Under/over consumption in a private market?</b>	Overconsumption - the difference between the quantity at social equilibrium and at private equilibrium	24. <b>What is moral hazard?</b>	Where one party changes their behaviour after a transaction
10. <b>On a positive consumption externality diagram, how do you find social equilibrium?</b>	Where MC (MSC) meets MSB	25. <b>How can independent reviews help moral hazard?</b>	People are less likely to change their behaviour if they know it may affect their future transactions
11. <b>On a positive consumption externality diagram, how do you find private equilibrium?</b>	Where MC (MSC) meets MPB	26. <b>What are the disadvantages of independent reviews?</b>	They can be faked or sabotaged.
12. <b>On a positive consumption externality diagram, how do you find under/over consumption in a private market?</b>	Underconsumption, the difference between the quantity at social equilibrium and at private equilibrium	27. <b>What are merit goods? (Edexcel)</b>	Goods which would be demanded more if consumers had full information
13. <b>What are the two features of public goods?</b>	Non-excludability and Non-rivalry	28. <b>What are demerit goods? (Edexcel)</b>	Goods which would be demanded less if consumers had full information
14. <b>What is the name for a good which displays only one feature?</b>	Quasi-public goods		
15. <b>What is non-excludability?</b>	You can't stop someone consuming it once it has been provided		