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MARKET FAILURES

Analyze why a price floor/ceiling isn't efficient.

- Show DWL and inefficient allocation of resources.
- Differentiate b/w effective and ineffective price floors and ceilings.

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Illustrate how a government may intervene to correct for a market failure by fixing price.

- Price Floor/Ceiling
- Per unit tax/subsidy

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Understand that government intervention, though imperfect, may correct for a market failure.

- Public goods, pollution regulations, etc.
- Governments are 3rd Party Payers.
- Political pressures.

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Retrieve/Recall Categories of Market Failures

- Externality (+,-), Open Access Goods, Public Goods, Monopoly, Moral Hazard, Free Rider, Asymmetric Information, 3rd party payer, etc.
- Over Q and Under Q pools

EXTERNALITY GRAPH

Analyze how an externality graph analysis can be synthesized with other types of market failures.

- Use a per-unit tax or subsidy to correct for a market failure.
- Explore why lump sum incentives are unsuccessful.

Illustrate a positive and negative externality and analyze how per-unit taxes or subsidies can influence a market.

- MSC,MSB
- SOL and Dead Weight Loss
- Lump sum?

Identify that 3rd party costs/benefits are:

- Not experienced in the market.
- Not intentional.
- Not always explicit.
- Sometimes difficult to quantify.

Retrieve/Recall marginal analysis and externalities.

- MB as D
- MC as S
- MSB/MSC
- Positive and Negative Externality