

1.4 Research Project - Market Failure

Webnote 142

Time limit - 10 minutes maximum
Identified type of market failure
Explained examples/problems (that exist in the real world)
Solutions
Justification (make a decision on the best option)

Each member of the group must locate a news article that
discusses an issue of market failure.

B Setting:

Goal - Recommend economic policies plan that aims to intervene in failures of the market

Role - Economic policy advisor

Audience - Minister of the environment

Situation - Deforestation, environmental degradation, traffic congestion, under-consumption of merit goods, over-consumption of demerit goods, choice of country situation?

C How? Product/Performance

Ideas:

In class Presentation.

Shared broadly Between all our classes

With a class in another school?

Present ideas as a policy advisor to ISD parent (in the role of Environmental Minister) for feedback

Gr. 12 students provide feedback (which will serve as revision for them)

Products - examples

Video of presentation uploaded to website. Animation

<http://www.moovly.com> or

Screencast: <http://www.screenr.com>

Role Play

Interview

a -
 ent
 onomic terminology (with definitions)
 xplained examples model with diagrams
 :ages and disadvantages of each possible solution
 te the impact of each solution on multiple stakeholders
 ecommendation for action by government, supported with evidence

ategy should work because ...
 s is supported by this research
 research support this idea because ...

Student Success Criteria

Successful Understanding	Successful team
rms explained les, explanations and diagrams many viewpoints, graphs, real life examples cise	<ul style="list-style-type: none"> ● Both contribute to the project ● Communication of ideas ● Confident, workload spread evenly, both pitching creative ● Different roles ● Good understanding and good relation ● Feel confident in the project and presentation ● Meeting in free-periods to actually work together ● Dividing up work to do outside of school

ctions

et failure

f externalities

oncepts of marginal private benefits (MPB), marginal social benefits (MSB), marginal private costs (MPC) and marginal social costs (MSC)
 meaning of externalities as the failure of the market to achieve a social optimum where $MSB = MSC$.

nalities of production and consumption

g diagrams and examples, the concepts of negative externalities of production and consumption, and the welfare loss associated with

n of a good or service. Overproduction e.g. pollution , fracking. Overconsumption e.g.alcohol/ tobacco as demerit goods
Demerit goods are goods whose consumption creates external costs.

ng diagrams, the use of policy responses, including market-based policies (taxation and tradable permits), and government
the problem of negative externalities of production and consumption

Externalities of production and consumption

ng diagrams and examples, the concepts of positive externalities of production and consumption, and the welfare loss associated with
consumption of a good or service.

merit goods are goods whose consumption creates external benefits.

ng diagrams, the use of government responses, including subsidies, legislation, advertising to influence behaviour, and direct provisi

Public goods

Concepts of rivalry and excludability, and providing examples,

between public goods (non-rivalrous and nonexcludable) and private goods (rivalrous and excludable).

reference to the free rider problem, how the lack of public goods indicates market failure.

Implications of the direct provision of public goods by government.

Common access resources and the threat to sustainability

ng examples, common access resources.

Concept of sustainability to the problem of common access resources.

consequences of the lack of a pricing mechanism for common

resources in terms of goods being overused/depleted/degraded as a result

of producers and consumers who do not pay for the resources that they use, and that this poses a threat to sustainability.

ng negative externalities diagrams, the view that economic activity

based on the use of fossil fuels to satisfy demand poses a threat to sustainability.

view that the existence of poverty in economically less developed

countries creates negative externalities through overexploitation of land for

d that this poses a threat to sustainability.

ing diagrams, possible government responses to threats to

ncluding legislation, carbon taxes, cap and trade schemes, and funding for clean technologies.

3 examples, that government responses to threats to sustainability are limited by the global nature of the problems and the lack of c
s resources, and that effective responses require international cooperation.