GV100 Week 09 Market Failures and
Government Justification Questions

<u>Lecture:</u>

1. What is an example of a situation in which asymmetric information exists?
2. What is an example of a real monopoly or oligopoly (and what is the difference between the two)?
3. What are examples of positive and negative externalities?
4. What is an example of a negative consequence of moral hazard?

<u>Reading:</u>

5. What is Akerlof's basic argument?
    a. Do you find this convincing? Why?
6. What solutions to the problem does Akerlof outline?
    a. What concept, covered in a previous week, are those solutions examples of?
7. Can you think of a problem with Akerlof's analysis relating to the employment of minorities?
    a. What is a potential solution to this?
8. Can you think of an example of a regulation that causes no harm?
9. How can Coase's argument about assignment of liability be related to issues of causality?
10. What does Coase argue is the difference between economists and judges?
    a. Coase's differentiation of economists and judges can be seen as a manifestation of the tension between economic and social considerations in ideology. Can you think of an example of this tension manifested in policy?
11. What is the main advantage of firms according to Coase?
    a. What are transaction costs?
12. Do you agree with Coase that government is a unique form of firm? Why?
    a. Do you agree with Coase that, unlike government, firms can never avoid the market? Why?
13. What does Coase mean when he argues that that the opportunity costs approach should be applied to social arrangements?
14. If decisions relating to the social effects of actions should take into account all possible cost effects, and those effects are multifarious, then what is the role of agenda control?
    a. It's big; whoever defines the costs that are most important is very powerful.