Leaving Certificate Economics Worksheet

Market Failure (Chapter 7)

Name		**Date**	

Instructions:

– This is a shorter worksheet as there's less content in the chapter.

– Answer all questions. Use relevant terms like inefficiency, missing market, asymmetric information, externalities, non-rival, non-excludable, deadweight loss, where appropriate.

– Where asked, support answers with realistic examples.

Section A — Short questions (Answer all)

Answer briefly. (10 × 2 marks)

A1. Define **market failure**.

A2. What is meant by a **missing market / complete market failure**? Give one example.

A3. Explain **partial market failure** using the example of an *excessive price for a life-saving drug.*

A4. Define a **public good**.

A5. State and explain **non-excludability** using an example from the chapter.

A6. State and explain **non-rivalry** using an example from the chapter.

A7. Define a **private good** and give one example.

A8. Define **asymmetric information**.

A9. Define an **externality** and state whether it affects **buyers, sellers, or third parties**.

A10. State one example each of a **positive** and a **negative** externality from everyday life.

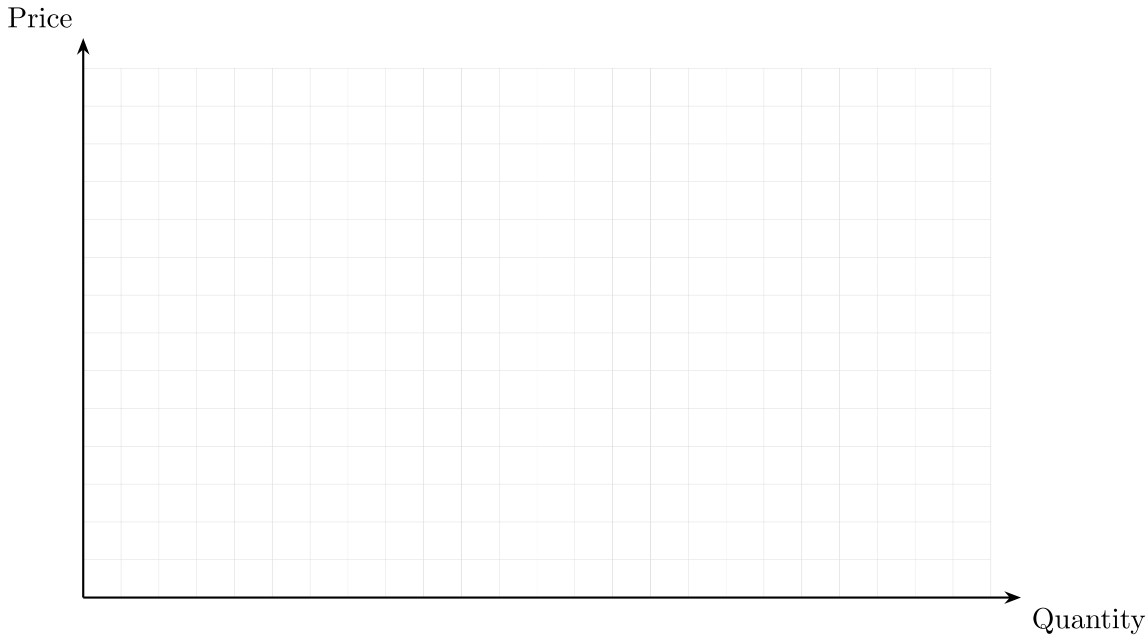
Section B – Diagrams & applied reasoning

B1. Monopoly power as a source of market failure

The chapter shows how a monopolist can restrict output and raise price, causing **deadweight loss**.

B1.1 On the diagram below, draw **S** and **D**. Then show:

- the competitive equilibrium (Q_{comp}, P_{comp}),
- the monopoly outcome (Q_{mon}, P_{mon}) with **lower quantity** and **higher price**,
- and **shade the deadweight loss triangle**.



B1.2 Explain, in your own words, why restricting quantity causes **inefficient allocation of resources**.

B2. Externalities: policy response

The chapter lists policy tools: **tax negative externalities** and **subsidise positive externalities**.

B2.1 Choose **ONE**:

- a negative externality (like noise pollution, air pollution), *or*
- a positive externality (like beekeeping benefiting orchards, vaccination).

Explain clearly:

(i) who creates the externality,

(ii) who the **third party** is,

(iii) and what the unintended impact is.

B2.2 Suggest one government intervention from the chapter notes and explain how it changes incentives.

Section C

Source (RTÉ, adapted):
"Technology retailers mislead shoppers with Black Friday deals. Survey of before & after pricing shows that many products are not discounted as claimed."

C1. Explain why misinformation by technology retailers represents a **market failure**.

C2. Evaluate how **government intervention** could address this market failure.