

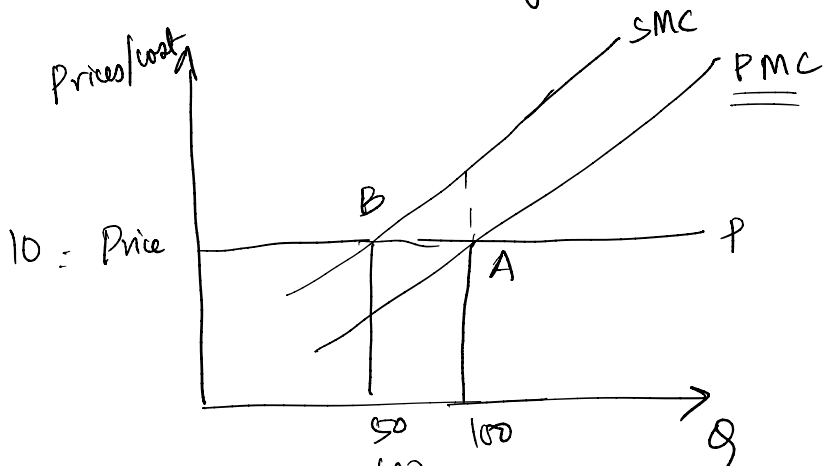
Market Failures

allocation \rightarrow not pareto efficient

Prices \rightarrow scarcity

private marginal cost \rightarrow firms

and another social marginal cost \rightarrow society

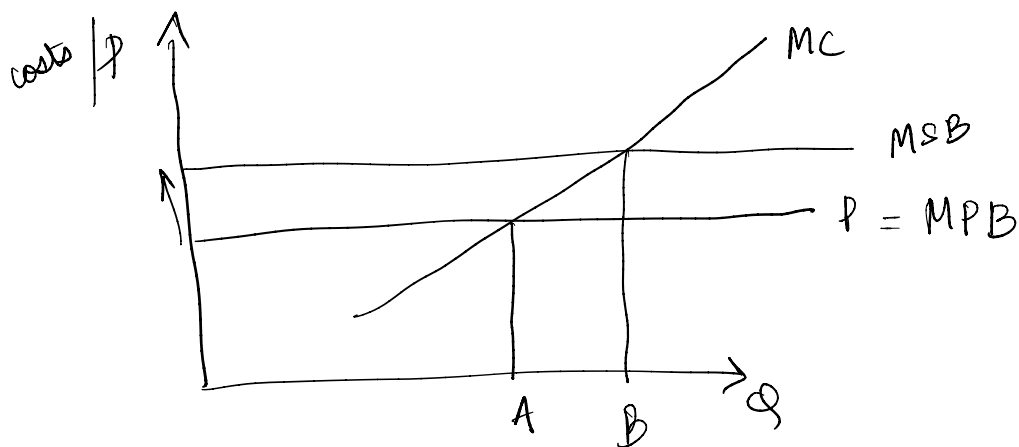


$$\pi = PQ - C(Q)$$

$$\frac{d\pi}{dQ} = P - MC = 0$$
$$\Rightarrow P = MC$$

$$\underline{SMC - PMC > P - PMC}$$

Coase Theorem

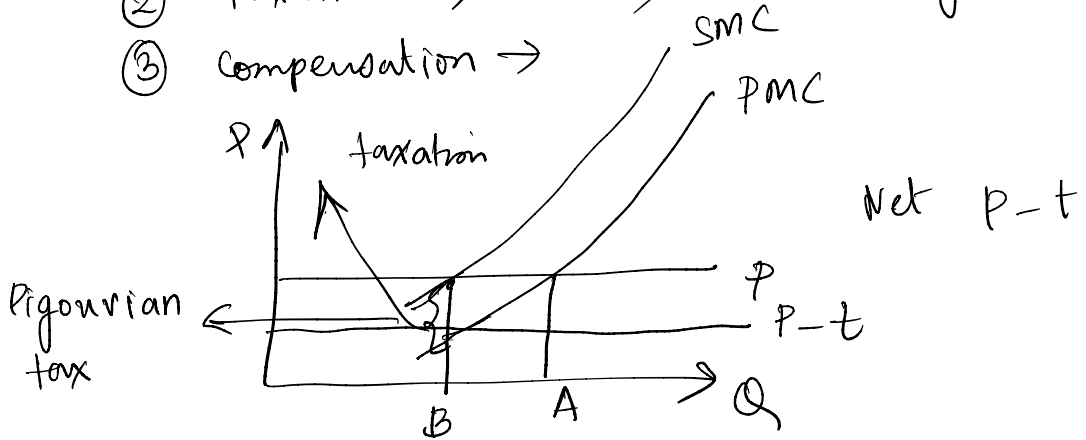


free externality

① MC

Government intervention

- ① Regulation → firms ↓, fishermen ↑
- ② Taxation → firms ↓, fishermen ↑, govt ↑
- ③ Compensation →



	<u>Rival</u>	<u>Non-rival</u>
<u>Excludable</u> →	Part property	Club goods
Non-excludable	Common pool resources	environmental goods

Core econ essp