

Table 2: Relaxing Assumptions about Perfect Competition and Homo Economicus and Corresponding Market Failures

	Perfect Competition Assumption (p. 24)									Homo Economicus		
	1	2	3	4	5	6	7	8	9	Indi- vidually	Rational	Utility- Maximizer
	p. 24	p. 25	p. 25	p. 25	p. 25	p. 25	p. 25	p. 25	p. 25	?	?	?
Public good (p. 27)								X	X	?		
Common good (p. 27)							X		X	?		
(Natural) market power (p. 28)	X	X				X		X				
Principal-agent problem (p. 28)				X		X	X					
Adverse selection (p. 33)				X		X						
Moral hazard (p. 33)				X								
Efficiency wages (p. 37)				X		X	X					
Winner-take-all (p. 38)		X						X				
Different budget constraints (p. 40)												?
Diminishing marginal utility (p. 40)								X				?
(Employer) market power (p. 42)	X	X	X					X				
Positional externality (p. 41)									X	X		X
Business cycle (p. 50)											?	
Bubbles & panics (p. 50)										?	?	
De-/Inflation (p. 50)											X	
Undersaving Commons (p. 54)									X		?	
No trade for some (p. 58)			X									
Different terms of trade (p. 58)			X									
Factor price equalization (p. 59)			!									
Agglomeration (p. 59)	?	?	?					X				
	Infinite buyers & sellers	Easy entry & exit	Perfect factor mobil- ity	Perfect infor- ma- tion	Profit maxi- miza- tion	Homo- geneous prod- ucts	Zero trans- action costs	Const. return to scale	Property rights	Indi- vidually	Rational	Utility- Maximizer