## Econ

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   1. Adverse Selection
      1. When a party enters into a contract with another party who has more information
      2. Example
         1. Lemons problem – Using the used car market, there are two cars – a lemon mustang worth $2,000 and a cherry mustang worth $6,000. You can’t distinguish from lemons and cherries by looking at them. The market has 50/50 lemons to cherries, thus the market price is $4,000. With due time eventually the cherry cars will be replaced with lemons because the companies selling cherry’s are losing money due to them being worth $6,000 but being sold for $4,000.
   2. Moral Hazard
      1. When a party of a contract passes the cost of their behavior on to another party
      2. If I have automobile insurance, I shouldn’t drive very carefully since if I get in wreck insurance will pay for it. Had the insurance company known this they wouldn’t of sold you the insurance.
   3. Public Good Failure
      1. If the total benefits outweigh exceeds total cost then we should do it
      2. Cycling – see defense example.
      3. Log rolling – trading of votes for a favorable outcome