

## 15.1

1/1 point (graded)

Which description about the three significant insights of the economic approach is generally incorrect?

- ☐ Economics is about “people doing the best with what they have”.
- ☒ The market aggregates individual choices to produce collective outcomes that mostly coincide with individual decisions.
- ☐ Properties of equilibrium can be evaluated using the criterion of efficiency.
- ☐ Under some key conditions, the market itself will produce Pareto efficient outcomes.



### Explanation

The market aggregates individual choices to produce collective outcomes that are sometimes spectacularly different from individual decisions. For example, if the firms in a fully competitive marketplace are each trying to maximize profits, none makes economic profits in equilibrium, yet the market equilibrium maximizes the sum of consumer and producer surplus.

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15.2

1/1 point (graded)

True or False? When the market itself does not produce desirable outcomes, economic theory may provide insights into why this occurs, and may provide guidance on how to get to a better outcome.

☒ True

☐ False



Explanation

Economic theories provide insights into why the market produces certain outcomes and may provide guidance on how to get to better outcomes. “Market failure” is an opportunity to use economics to address the root of the problem, such as bad incentives, externalities, tragedy of the commons, coordination failure, hidden information, etc.

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? Market Failure

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