

Intro Microeconomics | Vignette C

The Covid Vaccine

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Lets model Covid and assume the following.

1. There is a linear marginal private benefit curve for the vaccine.
2. The vaccine carries with it a positive externality.
3. There is a linear upward sloping supply curve for the vaccine. The supply curve for the vaccine is a little funny, and we'll talk about imperfect close substitutes in the next few weeks. But we'll just assume it's there.

Use a graph to discuss the welfare in the market and any potential market failure. An extra step is to discuss some policy options to correct any market failure you may find, but we haven't really gotten to corrective policies yet so no need for detail.

