

Econ 101 | Vignette C

Covid Vaccine

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. Suggest and model a policy to correct the problem. Describe the impact this policy has on the market.

