

In a market with asymmetric information, the purchasers and the sellers have different information about the quality being sold; while the former knows nothing about the seller's product, the latter knows well what he is selling.

Both of them will then try to get the best bargain, but missing information about quality really can affect negatively the market.

This externality present between the sellers of bad quality goods and those who sell good quality goods is what affects negatively the market. In fact the purchaser does not know whether to trust more one or the other, and they have to rely only on their capacities.

When an individual decides to try to sell a lemon, he affects the purchasers' perceptions of the quality of an average good and this hurts the people who are trying to sell a good quality good