Chapter review Questions

1. When and why does market failure occur?

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1. What are the differences between merit and demerit goods?

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1. How does traffic congestion cause a negative externality?

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1. How can consumption of demerit goods be decreased?

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1. What are the advantages and disadvantages of using taxation to deal with market failure?

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1. How can a subsidy increase the demand for public transport?

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1. What are the social benefits of the public provision of education?

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1. What is the debate concerning the conservation of resources and the use of resources?

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1. How do social benefits differ from private benefits of consumption or production?

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1. What is the debate concerning public and private sector provision of goods and services?

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