8 Correcting market failure – Part 2 — Answers

Answers

Work through these after trying the questions yourself.

8.6 When a market leads to a poor (inefficient) use of resources.
8.7 It rises.
8.8 A helpful one (with a positive externality).
8.9 A tax that takes a larger share from higher incomes.
8.10 Income, from richer people to poorer people.

8.11 A progressive tax takes a *larger share* of income from the rich than from the poor. The government then uses that revenue to pay benefits and provide free services to poorer people. This transfers income from richer to poorer households — redistribution — narrowing the gap between them.