6. Market Failure and the Role of Government

Starter Quiz · 课前小测

AP Microeconomics Name: ______________ Score: ________

1. A market is socially efficient at the quantity where:
   - ☐ marginal social benefit equals marginal social cost
   - ☐ total revenue is highest
   - ☐ price is highest
   - ☐ marginal cost is zero

2. An externality is a cost or benefit that falls on:
   - ☐ a third party outside the transaction
   - ☐ only the buyer
   - ☐ only the seller
   - ☐ the government only

3. A good is ”rival” when:
   - ☐ one person’s use uses it up for others
   - ☐ non-payers can be excluded
   - ☐ it is free to make
   - ☐ the government provides it

4. Marginal-cost pricing (P = MC) of a natural monopoly gives the efficient quantity but often:
   - ☐ forces the firm to make a loss
   - ☐ gives the firm a huge profit
   - ☐ causes a shortage
   - ☐ raises the price above demand

5. Which is usually more unequal?
   - ☐ wealth (total assets owned)
   - ☐ income (yearly earnings)
   - ☐ they are always equal
   - ☐ neither shows inequality

6. At the socially efficient quantity, total surplus is as large as possible.

   ☐ True ☐ False

7. When a market cannot reach the efficient quantity on its own, we call it a market _________.

   ____

8. A good with a positive externality (like vaccination) is underproduced by the market.

   ☐ True ☐ False

9. When everyone waits for someone else to pay for a public good, it is the _________-rider problem.

   ____

10. Policy that blocks mergers to keep markets competitive is called _________ policy.

    ____

AP Microeconomics

1. **marginal social benefit equals marginal social cost**

   At MSB = MSC total surplus is maximised — the efficient quantity.

2. **a third party outside the transaction**

   The spillover lands on someone outside the buyer-seller deal.

3. **one person's use uses it up for others**

   Rivalry is about using it up; excludability is about keeping non-payers out.

4. **forces the firm to make a loss**

   A natural monopoly's average cost sits above marginal cost, so P = MC is below ATC — a loss.

5. **wealth (total assets owned)**

   Wealth (accumulated assets) is typically distributed far more unequally than yearly income.

6. **True**

   Making more or less than MSB = MSC would shrink total surplus.

7. **failure**

   A market failure leaves a deadweight loss and may justify government action.

8. **True**

   Buyers ignore the benefit to others, so the market makes too little.

9. **free**

   The free-rider problem leaves public goods underprovided, so the government steps in.

10. **antitrust**

    Antitrust policy limits the build-up of market power.