[Glossary]

Market Failure

Subject:	Business Economics
Course:	B. A. (Hons.), 2nd Semester, Undergraduate
Paper No. & Title:	Paper – 201 Microeconomics-II
Unit No. & Title:	Unit – 5 Market Failure
Lecture No. & Title:	Lecture – 1 Market Failure

Glossary

Asymmetric information: situation where one side of the market (buyer or seller) has more information than the other side (buyer or seller)

Externalities: unintended costs or benefits imposed on third parties.

Free rider: someone who consumes a good or service without paying for it

Market failure: The failure of the market to achieve an optimal allocation of the economy's resources.

Moral hazard: situation where individuals in a market (buyers or sellers) react to market signals by altering their behavior in ways that undermine the benefits others derive from the market

Property rights: the right to own a good or service and to enjoy the benefits that the use of the good or service provides

Public choice: view that the allocation of public goods is determined by the need for government officials to keep their jobs

Public goods: benefits from these goods aren't diminished by consumption and cannot be withheld from anyone

Social cost: the cost to society of producing a good including both the private costs and the externalities costs

Third parties: People upon whom the externalities are imposed.