



[Summary]

Market Failure

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

Summary

Market failure is a general term that describes the situations in which market outcomes are not Pareto efficient. Markets are formed under certain conditions in the absence of which the markets struggle to exist. Market failure occurs mainly due to four reasons viz. asymmetric information, presence of externalities, common property resources and consumption of public goods. All these reasons state that the markets fail due to inefficient allocation of resources and non-rival and non-excludable characteristics of the goods. Due to these reasons the markets for certain goods remain missing. Missing markets are the main cause for market failure.