

GLOSSARY

1. Market Failure

It is a result of inefficient market condition or resource allocation that gives sub-optimal result

2. Public goods

A commodity that is non rival in consumption and yields benefits that are non excludable

3. none rivalness

The characteristic of indivisible benefits of consumption such that one person's consumption does not preclude that of another

4. None excludability

The characteristic that makes it impossible to prevent others from sharing in the benefits of consumption.

5. Free ridership

Recognition by rational consumer that the benefits of consumption are accessible without paying for them.

6. Externality

A spillover effect associated with production or consumption that extends to third party outside the market.

7. Property rights :

The set of valid claims to a good or resource that permits its use and the transfer of its ownership through sale. They are the legal rights of ownership facilitating exchange and prevalence of market.

8. Coase theorem :

Assignment of property rights, even in the presence of externalities, will allow bargaining such that an efficient solution can be obtained.

9. Competitive equilibrium

The point where marginal private benefit (MPB) equals marginal private cost (MPC), or where marginal profit (MTT) = 0

10. Efficient equilibrium

The point where marginal social benefit (MSB) equals marginal social cost (MSC) or where marginal profit (MTT) = Marginal external cost (MEC)