

**Note sheet 1.4.3****Market failure****Types of market failure****Common access resources and the threat to sustainability**

- Describe, using examples, common access resources.
- Describe sustainability.
- Explain that the lack of a pricing mechanism for common access resources means that these goods may be overused/depleted/degraded as a result of activities of producers and consumers



- Evaluate, using diagrams, possible government responses to threats to sustainability, including legislation, carbon taxes, cap and trade schemes, and funding for clean technologies.
- Explain, using examples, that government responses to threats to sustainability are limited by the global nature of the problems and the lack of ownership of common access resources, and that effective responses require international cooperation.

### **Asymmetric information**

- Explain, using examples, that market failure may occur when one party in an economic transaction (either the buyer or the seller) possesses more information than the other party.

- Evaluate possible government responses, including legislation, regulation and provision of information.

## Abuse of monopoly power

- Explain how monopoly power can create a welfare loss and is therefore a type of market failure.
- Discuss possible government responses, including legislation, regulation, nationalization and trade liberalization