RAFFLES INSTITUTION
YEAR 5 H2 ECONOMICS 2024

MICROECONOMIC OBJECTIVES AND POLICIES

SUPPLEMENTARY WORKSHEETS

Please refer to relevant sections of your lecture notes to complete the questions.

1. Market Failure
    a. Define market failure.
    b. What are the sources of market failure?

2. Externalities
    a. Distinguish between externalities from consumption and production.
    b. With use of a diagram and examples, illustrate
        i. negative externalities in production
        ii. negative externalities in consumption
        iii. positive externalities in consumption
        iv. positive externalities in production
    c. Explain how the presence of externalities leads to market failure.

3. Public goods
    a. Explain what is meant by public goods.
    b. Explain why there will be zero provision of public goods in the free market.

4. Market Dominance
    a. Explain the cause of market dominance
    b. Explain how market dominance will result in allocative inefficiency and productive inefficiency

5. Information failure
    a. Explain what is meant by information failure.
    b. Explain how information failure will lead to over-consumption of demerit goods and under-consumption of merit goods.
    c. Explain how asymmetric information results in adverse selection and moral hazard.

6. Immobility of factors of production
    a. Explain the causes of immobility of FOP
    b. Explain how immobility of FOP result in market failure.

7. Income inequality and Inequity
    a. Explain the causes of income inequality
    b. Explain the effects of excessive income inequality lead to inefficiency and inequity.

8. Government intervention
    a. What are the different types of government intervention?
    b. Explain the effect of imposition of taxes in the market for alcohol.
    c. Explain the effect of subsidies in the market for education.
    d. Explain government failure.