

ECO 150: Worksheet for Week 5.

This is a set of short exercises designed to help students apply market failures to recent and historical examples.

1. Christopher Neely from the San Francisco Fed [writes about price floors and ceilings](#).

Using a model of supply and demand, show how wage controls during World War II impacted the current health insurance market.

2. Read this article [about the Aral Sea](#).

Using a model of supply and demand, show how this is an example of an externality?

Is this an example of a free market leading to a market failure?

3. Detroit residents [protested a Nickelback concert at halftime of a Lions game](#): “do we really want the rest of the US to associate Detroit with Nickelback?”

How is this a negative externalize?

Can you think of an example of a negetive externaility that cannot be loosely defined as pollution?

4. In the U.S. and many other countries, the government intervenes to encourage education. This [short article](#) discusses whether education is a public good or if it exhibits positive externalities. This [scholarly article](#) discusses the evidence of externalities surrounding education.

Explain why most economists argue that education is a positive externality rather than a public good?

5. This [article](#) argues that students in college classrooms are an example of a market failure (I vehemently disagree but the article offers an interesting perspective).

What is the market failures that the authors see in colleges being in-person?

6. Read this article by Sterling Price about [adverse selection in health insurance markets](#).
How did the original Affordable Care Act try to reduce adverse selection?

7. Read this article on [the tragedy of the commons](#).

How is this an example of a public goods problem?