

Economic essay example

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Explain and evaluate government policies that can be used to address the market failure associated with (i) public goods (ii) common resources, including a case study of each. Discuss why 'government failure' can occur when the government attempts to correct for these two types of market failure. Introduction This paper presents about the explanation and evaluation of government policies to specify clearly the market failure associated with public goods and common resources. It will cover up the definition of government policies.

Explaining, comparing, and contrasting about market failure and government failure. Learning the idea associated with public goods and common resources, and to comprehend about the intervention created by the government, that attempts to solve market failure, but fails to do so.

Government policies In many ideas, the intention of government policies is to create resolutions to impact and control actions and affairs. The deeds taken by the government is to fix a public issue, in the hopes to defend and benefit the people.

Examples: The rules declared on making workers have the proper payment for their work, alongside of having an appropriate time to work. In the events, the policy of it all was to preserve the rights of all workers in general. From all these policies and statement, its main purpose is about the welfare of everyone, for their health, ethics and the positive outcome for all. Market failure There are some problems when there is a scarcity of markets, or non-competitive behavior, that leaves to being unable to achieve maximum productivity distribution, this all means Market failure.

With this failure, the government tries to solve and fix these issues.

Competitive markets attempt to mass produce goods and services, in hopes to succeed in the market with a perfect amount of products, with a suitable price that consumers would be willing to pay; at all these costs to attain a promising outcome. However in all actuality, these markets don't work according to how they visualize it to be and fail. " Such analysis plays an important role in many types of decisions and studies.

However, some types of government policy interventions, such as taxes, subsidies, bailouts, wage and price controls, and regulations, including attempts to correct market failure, may also lead to an inefficient allocation of sources, sometimes called government failure. " (Weller and Vowing 2004)

Public goods A good that is available for everyone that can be consumed and accessed fairly for everyone. It is known for neither being a product that is clubbable nor a rival product.

No private firms would produce these, especially since the government provides these goods for the sole purpose of society benefits from the usage of these goods or services. Examples of public goods: Streetlights, sewer systems and public parks. The issues with public goods are that some consumers believe that they don't need to contribute just to be provided, even if they are essential to society. Some consumers try to exclude themselves from contributing, but it's not possible, which gives them a retrospect that government pushes people to give and pay for these goods and all its production.

The nature about public goods is that they are non-clubbable, which means it would be difficult and impossible to let the consumer avoid the good. A method that most consumers would do, is the 'free rider' method, where people will wait on others to fork out some bills for the good, utilizing it for free. Case Study: Food security as a public good According to Cecilia Roach, a product such as food, will not be taken as a public, but more as a private good, an opposite of a public good, which makes it a rival and clubbable good, allowing non-payers from accessing it. Food security, however, is a public good. All individuals living in a food-secure society benefit from that condition, even if they were not contributing (paying) for its provision. " (Cecilia Roach 2006) And in other countries it is considered enjoyable by many people, contrast from private goods. Identifying the types and sources of market failures in the food system can help develop appropriate policies to deal with them. In some cases there would be under allocation of social resources through free markets.

The effective policy for food security requires an understanding of market failures found in today's food systems. Highlighting some common sources of market failures leading to food insecurity: negative externalities, corporate market concentration, unregulated use of common resources and the incapacity of unregulated markets to provide. However, they determine the best ways to achieve the goals of food security and the right for food.

Understanding food insecurity as market failure allows for the use of markets as effective tools of policy.

Common Resources Common resources are surrounding and habitual resources. An example: clean air and water, oil pools, congested roads and

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wildlife. Many people can either own these resources in common or by no one. It is open to everyone, but over usage of these resources can lead to problems, chances are, it will disappear, a destruction of it in a long term, leaving everyone in a difficult situation. Exploring through the issues of common resources, it gives a rise to market failure. Case study " One common resource that the nine countries bordering the Baltic Sea share is fish.

This case study report deals explicitly with the risk of overfishing in the Baltic Sea, whereas this risk is defined as a potentially adverse effect from fishing activities to a sustainable development of these activities from an economic, ecological and social point of view. The main commercially exploited species are cod, sprat, herring and salmon. Under the Common Fisheries Policy (CAP), the governing framework for fisheries management in the European Union, the main goal is to reduce the risk of overfishing and to achieve a long-term sustainable exploitation of fish stocks.

Stocks shall be maintained or restored to levels that can produce the so-called 'maximum sustainable yield', i. e. catching a proportion of fish which does not endanger future catches. " (Sell, Dryer and Rene n. D.)

Understanding these issues, we question why fishermen continue to go at a level to overfish. In their perspective, it is tough to stay 'hooked' in a market, especially in a highly competitive market.

Achieving fewer fish could leave them in trouble, meaning less income and a lower standard of living.

And if they maintain overfeeding, it could increase the scarcity of the fishes in the next decade, raising the prices of fishes and unfortunately, a decline in the market, due to fish stock being low. What's worse is the fish will lead to a future of extinction. Government failure (or non-market failure) Defines the failure of the government to provide goods and services or it usually occurs as well when the government intervenes in issues that would've been better off untouched from them or that required their attention towards society.

The clear hostility to acknowledging that government interventions can have costs as well as benefits raises a fundamental concern about whether government efforts to correct market failures that arise from market power in input or output markets, natural monopoly, imperfect information, externalities, and public goods are truly enhancing economic welfare. How can one conclude whether a market failure policy is a success? First, one must consider whether there is any reason for government to intervene in the market? that is, is there evidence of a serious market failure to correct?

Second, one must determine whether government policy is at least improving market performance? that is, is it reducing the deadweight loss from market failure? " (Winston 2004) The main aspect why do the government sets out to do these business is the hopes to please what society wants, to solve the problem. With their intervention at hand, it ends unsuccessfully an inefficient allocation of resources; the economy tries to fix market failures but fails instead and can lead to making a situation worse. Taxes- it raises the prices of goods and services but leaves a disincentive effect and inefficient operation on the market.

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Productive and allocation inefficiency- markets fail to produce and find scarce resources in the most efficient way. Missing markets- market fails in meeting a need or want. " A significant market failure is the failure to produce some goods and services, despite being needed or wanted. Markets can only form under certain conditions, and when these conditions are absent markets may struggle to exist. The most extreme case of a missing market is the case of pure public goods. " (Missing markets n. D.) Conclusion

In conclusion, this paper directly states on idea of the connections between all the elements of government policies, analyzing the contrast and comparison between common resources and public goods; and government failure and market failure. Presented about the two case studies based on 'Food security as a public good' and 'Overfeeding which leaves a market failure caused by both the market and the government. Plotting aspects on government failure, such as productive and allocation inefficiency, and missing markets. Works Cited Weller, David, and Dana R. Vowing. " Concepts and Practice.