

# 07 Market Failure

Content Area: **Social Studies**  
Course(s): **AP Economics**  
Time Period: **Semester 1**  
Length: **2 weeks**  
Status: **Published**

## Standards

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SOC.6.1.12.EconGE.1.a	Explain how economic ideas and the practices of mercantilism and capitalism conflicted during this time period.
SOC.6.1.12.EconEM.2.a	Explain how the United States economy emerged from British mercantilism.
SOC.6.1.12.EconEM.2.b	Assess the effectiveness of the new state and national governments attempts to respond to economic challenges including domestic (e.g., inflation, debt) and foreign trade policy issues.
SOC.6.2.12.EconET.5.a	Compare and contrast free market capitalism and Western European democratic socialism with Soviet communism.
SOC.6.2.12.EconET.5.b	Articulate a point of view which assesses the reasons for and consequences of the growth of communism and shift toward a market economy in China.
SOC.6.2.12.EconGE.5.a	Evaluate the role of the petroleum industry in world politics, the global economy, and the environment.
SOC.6.2.12.EconGE.6.a	Evaluate efforts of governmental, non-governmental, and international organizations to address economic imbalances, social inequalities, climate change, health and/or illiteracy.
SOC.6.3.12.EconGE.1	Participate in a simulated meeting (e.g., President's Council, World Bank, International Monetary Fund (IMF), research evidence from multiple sources about an economic problem (e.g., inflation, unemployment, deficit), and develop a plan of action.

## Enduring Understandings

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1. The free market produces costs to society that must somehow be addressed
2. Government intervention in the economy can further social benefit, but eliminating all social costs is not feasible.
3. When markets fail, resources are misallocated, leading to outcomes that are not optimal for society as a whole.
4. Unequal or incomplete information between buyers and sellers (information asymmetry) can lead to inefficient transactions and market breakdowns.
5. Societies must consider various interventions (e.g., government regulation, taxes, subsidies, property rights definition, provision of public goods) to correct market failures, each with its own costs, benefits, and potential for unintended consequences (government failure).

## Essential Questions

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1. How do basic economic concepts help explain real-world outcomes?
2. What are the nature and functions of markets?
3. What roles and impacts do governments have on an economy?
4. Why can't the free market efficiently provide certain goods and services?

5. How can we balance individual freedom with the need to correct market failures for social welfare?

## Knowledge and Skills

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Students will be able to.....

1. Identify and explain the various forms of market failures:
  - Externalities
  - Monopolies
  - Public goods
2. Construct and interpret graphs of marginal social costs and marginal social benefits
  1. Provide examples of costs and benefits using diverse examples, including gender, sexual orientation, race, ethnicity, disabilities, religion, AAPI.
3. Identify socially optimal levels of output

## Transfer Goals

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Students will be able to independently.....

1. Use economic concepts and approaches to affect their personal decision making and to help them make sense of the real world economy
2. Propose solutions to some of our world's thorniest problems, recognizing the balance between market forces and government intervention.

## Resources

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### Textbook:

Krugman's Economics for AP by [University Paul Krugman](#) (Adapter), [Robin Wells](#) (Adapter), [Professor Margaret Ray](#) (Author), [David Anderson](#) (Author).

### Supplemental Readings/Sources:

ACDC Worksheets and PowerPoints

Articles from the Economist

Economics By Example Readings

FRQs and Practice Multiple Choice Questions

Review Book: 5 Steps to a 5

Ultimate Review Guide

Amsco Review Book

Additional Resources from WH databases, and articles connected to the content, including primary readings, historiography, and secondary sources.

## Internet/Digital Sources:

ACDC Youtube Video Clips

Crashcourse Economics Video Clips

AP Classroom Resources

Albert IO

Khan Academy

Internet

WH databases

AI (Gemini, ChatGPT, Magicschoolai)

Pear Deck

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### Assessments

<https://docs.google.com/document/d/1mKgdpriGuRcVHIVCJUdBek7lih12Q0ckKSTC4TMUXs/edit>

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### Modifications

<https://docs.google.com/document/d/1ODqaPP69YkcFiyG72ftT8XsUIe3K1VSG7nxuc4CpCec/edit?tab=t.0>

