# Unit 7—Market Failures: Externalities, public goods, natural resources

The production of coffee pods results in coffee pods that cause environmental damage being throw away. Currently consumers are not responsible for the costs of disposing of these coffee pods.

These unpriced coffee pods are an example of

1. Positive externality
2. Negative externality
3. Private cost
4. Private benefit

Consider the market for coffee in the graph to the right. Left unregulated, what is the equilibrium price and quantity?

What is the efficient price and quantity?

Is the efficient price higher or lower than the equilibrium price? The quantity?

Private markets with negative externalities are inefficient because

1. the price is too low and the quantity is too high.
2. the price is too high and the quantity is too high.
3. the price is too high and the quantity is too low.
4. the price is too low and the quantity is too low.

The market for coffee can be made efficient by

1. Taxing coffee pods
2. Subsidizing coffee pods
3. A price floor for coffee
4. A price ceiling for coffee