

ECON 315 Assignment 3 (Topic 4)

Directions:

- The due date is on the schedule page. (Late assignments not accepted.)
- You may complete the assignment in a group of up to three students.
- Submit the assignment in D2L.
- Submit only one assignment per group.
- List the names of all members at the beginning of the assignment.

Questions:

1. How does the concept of consumer surplus demonstrate the benefits consumers receive in a competitive market? What are some real-world examples of markets where consumer surplus is significant?
2. What are the 3 necessary conditions for a competitive market to be efficient? Explain why each condition is important for efficiency. Provide examples of markets that fail to meet one or more of the conditions.
3. The chapter states that "When it comes to the environmental realm, the problem most often is with the third condition, that is, the complete market assumption." Why do environmental costs and benefits often fail to be fully captured in market transactions? What implications does this have for the efficiency of markets in allocating environmental goods and services?