Market Failure

Economics

The conditions under which markets do not allocate efficiently.

Type and mechanism.

Failure	Because
Externalities	Costs or benefits fall on third parties
Public goods	Non-rival and non-excludable, so under-supplied
Information asymmetry	One side knows more than the other
Market power	One seller restricts output
Missing markets	No market exists for the good at all

Market failure is an argument for examining intervention, not automatically for intervening. Government failure is also possible.