State & Market

Political Science

The recurring argument about where the boundary sits.

Market failure

- Externalities and public goods
- Information asymmetry
- Market power
- Missing markets for risk
- Argues for intervention

Government failure

- Capture by organised interests
- Information the state lacks
- Weak incentives to control cost
- Rigidity and political cycles
- Argues for restraint

THE DIFFERENCE THAT MATTERS

Comparing a real market to an idealised state, or the reverse, is the most common error in this debate.

Educational reference. The useful question is comparative: which imperfect institution handles this specific problem better.