Objectives for Chapter 11  The Efficiency of Perfect Competition

Efficiency
1. Define general equilibrium.
2. Distinguish the effects on a general equilibrium of a given change in one market.
3. Define allocative (or Pareto) efficiency.

Perfect Competition
4. Outline why we know that resources are allocated efficiently, outputs are distributed efficiently, and the correct mix is achieved in a perfectly competitive economy.
5. List each of the conditions necessary for perfect competition.

Market Failures
6. Identify four causes of market failure and describe how they arise.
7. Explain how each cause of market failure might be rectified.