

**SA422 HOUSING ECONOMICS AND FINANCE 2008/2009**  
**Prerequisite Class 8: Housing Market Failure**  
**(Week 9: 4 December 2008)**

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1. Why does  $MU = P = MR = MC = \min AC$  in perfect competition?
2. Give examples of possible market failures within the housing system which might arise from:
  - i. poor quality information;
  - ii. locational externalities;
  - iii. asymmetric information;
  - iv. monopoly power;
  - v. wider social costs and benefits of housing;
  - vi. interdependence of utilities (i.e. housing as a merit good).
3. Clarify how each market failure impacts on the equation in question 1.
4. In each case explain what the effect of the market failure might be on demand, supply and prices.