

CHAPTER
3
SECTION 3

STUDENT ACTIVITY
Market Failures and Externalities **3**

Work with your team to fill in the table below. For each public good or service, describe the reasons that the free market might have trouble producing that good or service efficiently (market failure), any positive externalities it produces, any negative externalities it produces, and what the government can do to limit any negative externalities.

Public good or service	Market failure	Positive externalities	Negative externalities	How government can limit negative externalities
Interstate highways				
Public libraries				
Street lights				
National defense and the military				
Flood control projects				