



YouTube Title: “Gandalf Goes to the World Cup” <http://www.youtube.com/watch?v=7B2LPxggvqY>

Video Length: 1:33 minutes

Chapter 4: The Role of Government, p. 70

Topic: Market Failure, p. 71

Key Terms: Externalities, social and market demand, market failure

Learning Objective 1: The nature and causes of market failure.

Summary

This clip depicts world cup fans invading Middle Earth with their vuvuzelas (plastic horns about two feet long that produce a loud monotone note).

Economic Application

The fans playing their vuvuzelas produce a negative externality in Middle Earth. This negative externality drives a wedge between the market and social demand for vuvuzela playing.

Multiple-Choice Question

The Fellowship of the Ring thinks that fans playing vuvuzelas produce:

- a) a positive externality.
- b) a negative externality.
- c) a private cost.
- d) a social benefit.

Discussion Question

What could the people in Middle Earth do to remedy this market failure?