



Research Article

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Market Failure and State Intervention – The Balance Between Economic Freedoms and Public Responsibility

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DOI: <https://doi.org/10.2478/bjir-2025-0005>

Abstract

The market economy, at its core, operates on the principle of supply and demand, where economic actors—consumers and producers—make independent decisions based on their own interests. This economic freedom is often considered one of the main pillars of a developed society, allowing for innovation, competition, and economic growth. However, reality shows that the market is not always perfect and often faces challenges that lead to economic and social failures. These failures occur when market forces fail to allocate resources efficiently or ensure a fair balance between different actors.

One of the most debated issues in contemporary economics is the role of the state in dealing with market failures. On the one hand, classical economists and neoliberals argue that state intervention often undermines market efficiency, creating unnecessary bureaucracy and hindering free competition. They believe in a self-regulating market, where economic actors will naturally adapt to different conditions and correct problems without the need for outside intervention. According to them, any state intervention should be limited to ensuring legal order and protecting private property.

On the other hand, historical experience has shown that in many cases, market failure has led to major crises, social injustices and irreversible damage to the environment and public welfare. For example, industrial pollution, powerful monopolies that suppress competition and the lack of equal information between economic operators are some of the phenomena that require direct intervention by the state. In this context, the role of the state is transformed from a passive arbiter to an active factor that must establish rules and ensure a fair and sustainable economy for all.

This paper will analyze the main reasons that lead to market failure, examining the ways in which state intervention can help correct these problems. We will also explore the challenges that arise when the state becomes too involved in the economy, seeking to find a balance between economic freedoms and public responsibility. The main question that will be

addressed is: Is state intervention a necessity to ensure a fair and sustainable economy, or can it have negative consequences that harm competition and innovation?

Keywords: Market failure, state intervention, economic freedom, public responsibility.

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Balkan Journal of Interdisciplinary Research (Austria) E – ISSN 2411- 9725 / ISSN 2410-75

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