

# Quiz 8 | Externalities

- Due Mar 5 at 11:59pm
- Points 20
- Questions 20
- Time Limit None
- Allowed Attempts 2

Take the Quiz Again

## Attempt History

	Attempt	Time	Score
LATEST	<a href="#">Attempt 1</a>	17 minutes	17 out of 20

 Correct answers are hidden.

Score for this attempt: 17 out of 20

Submitted Mar 5 at 3:02pm

This attempt took 17 minutes.



IncorrectQuestion 1

0 / 1 pts

A positive externality arises in a situation where a third party, outside the transaction,

- ☒ fails to allocate resources efficiently.
- ☐ pays a pollution tax to balance social costs.
- ☐ suffers from a market transaction by others.
- ☐ benefits from a market transaction by others.



Question 2

1 / 1 pts

If you are highly asthmatic, then having high levels of industrial air pollutants waft over your house every day

- ☐ would not affect your quality of life.
- ☐ is a positive externality.
- ☐ would be an external voluntary exchange.
- ☒ would be a negative externality.



## Question 3

1 / 1 pts

Typically, command-and-control regulation

- ☐ assigns a fee for each unit of pollution emitted.
- ☒ details which pollution-control technologies must be used.
- ☐ considers private costs of firms in its specifications.
- ☐ sets a cap on pollution in a region.



## Question 4

1 / 1 pts

If a steel manufacturer considers the costs of labor and materials, as well as the broader costs to others resulting from its manufacturing processes,

- ☐ its supply curve will be based on the perceived benefits of maximizing utility.
- ☐ the market outcome is less than the socially optimal outcome.
- ☐ too much of the product will be produced in the market.
- ☒ its costs will be the same as society's costs.



## Question 5

1 / 1 pts

Imposing a corrective tax in a market,

- ☒ would result in no dead weight efficiency loss.
- ☐ would increase the quantity of the good provided in the market.
- ☐ does not create revenue for the government.
- ☐ would shift the demand curve to the right.



## Question 6

1 / 1 pts

Property rights are

- ☐ able to specify allowable quantities of pollution.
- ☐ used only in the cases of endangered species.
- ☒ the legal rights of ownership.
- ☐ prohibited in market exchanges.



## Question 7

1 / 1 pts

Typically, a pollution charge is a form of tax imposed on

- ☒ the quantity of pollution that a firm emits.
- ☐ pollution control technologies.
- ☐ homeowners for their household waste.
- ☐ all industries in a market.



## Question 8

1 / 1 pts

Since 1969, when the Cuyahoga River in Ohio was so polluted that it spontaneously burst into flame, the overall quality of water in the U.S. has

- ☐ remained a non-issue.
- ☒ steadily improved.
- ☐ remained unchanged.
- ☐ steadily declined.



## Question 9

1 / 1 pts

When considering the tradeoff between economic output or growth and environmental protection,

- ☒ higher-income countries, where basic needs are already met, may be willing to place greater emphasis on environmental protection.
- ☐ one country effectively makes the decision for all economies with respect to environmental protection.
- ☐ lower-income countries, where basic needs have yet to be met, may be willing to place greater emphasis on environmental protection.
- ☐ higher-income countries, where basic needs are already met, may be less willing to place emphasis on environmental protection.



## Question 10

1 / 1 pts

\_\_\_\_\_ include both the private costs incurred by firms and also costs incurred by third parties outside the production process.

- ☐ Market costs

- ☒ Social costs
- ☐ External costs
- ☐ Private costs



## Question 11

1 / 1 pts

\_\_\_\_\_ describes a situation where a third party, outside the transaction, suffers from a market transaction by others.

- ☐ An equilibrium outcome
- ☒ Negative externality
- ☐ Positive externality
- ☐ A market failure



## Question 12

1 / 1 pts

Having an outdoor arena that will host country music concerts a half-mile from your neighborhood would be called a positive externality if you loved country music. If you hated country music that situation would be called?

- ☒ A negative externality.

Correct. A negative externality is a situation where a third party, outside the transaction, suffers from a market transaction by others

Learning Objective: Explain and give examples of positive and negative externalities

- ☐ A frictional externality.
- ☐ A public good.
- ☐ A great opportunity to learn to like country music.



## Question 13

1 / 1 pts

Which type of country would be most likely to invest heavily in environmental protection?

- ☐ A country with low GDP per capita
- ☐ A country that has newly achieved high GDP per capita

- ☐ A country with high levels of natural resources
- ☒ A country that has long-sustained high GDP per capita



#### Question 14

1 / 1 pts

Command-and-control regulation refers to laws that

- ☒ regulate behavior directly.
- ☐ utilize flexible market mechanisms to address externalities.
- ☐ use moral codes to encourage the internalizing of externalities.
- ☐ are typically the most economically efficient ways to address pollution.



#### Question 15

1 / 1 pts

How does a marketable permit program encourage innovation?

- ☐ By lowering the total allowable pollution each year.
- ☐ By rewarding companies that reduce pollution.
- ☐ By providing a market for companies that provide pollution testing.
- ☒ By providing a market for companies who can pollute less to sell permits to those who pollute more.



#### Question 16

1 / 1 pts

The social benefits of an innovation:

- ☐ are very easy to measure.
- ☐ are impossible to quantify and are therefore of no value.
- ☒ account for the value of all the positive externalities of the new idea or product
- ☐ are based on the social media attention generated by the innovation.



#### Incorrect Question 17

0 / 1 pts

Which of the following would result in a positive externality?

- ☐ A company does research on DNA that supports vaccine development.
- ☐ A power plant in a city neighborhood causes fumes that create respiratory problems.
- ☐ A city introduces a rental price control.

- ☒ A restaurant provides calorie data on its menu.



### Incorrect Question 18

0 / 1 pts

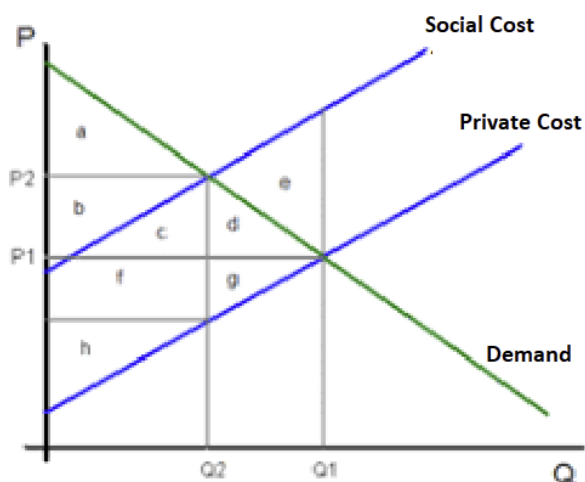
Which of the following examples illustrates the tragedy of the commons?

- ☐ Someone takes a public good to resell it.
- ☐ Someone takes all the books from a “take a book, leave a book” shelf at a town hall.
- ☒ Someone rides the bus without paying.
- ☐ Fruit and vegetables in a public garden go rotten because no one uses them.



### Question 19

1 / 1 pts



The difference in the costs illustrated in the graph above suggests that \_\_\_\_\_ exists in this market.

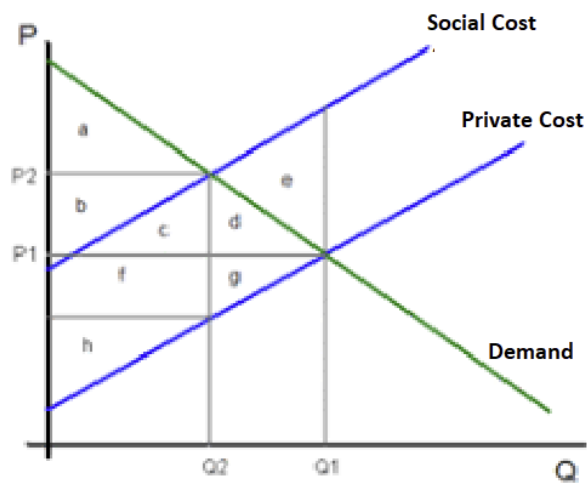
- ☐ nonrivalry
- ☒ a negative externality
- ☐ a positive externality
- ☐ a subsidy



### Question 20

1 / 1 pts

The socially optimal level of output in this market is



- ☐ 0
- ☒  $Q_2$
- ☐  $Q_1$

Quiz Score: 17 out of 20