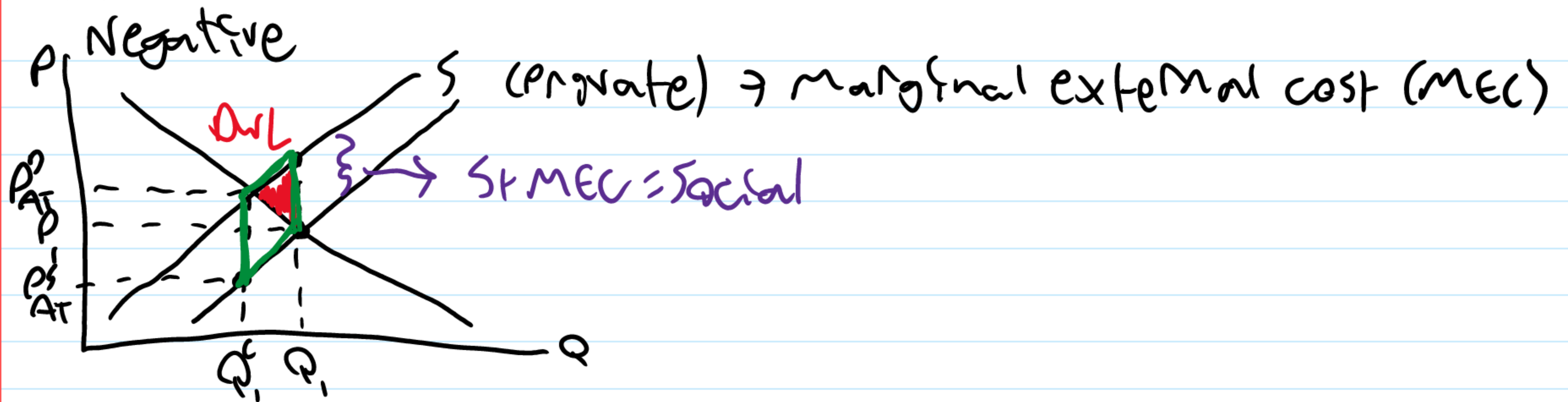


5.13 Externalities

Saturday, September 19, 2020 1:55 PM



tax = MEC → Q_{eff} → eliminate DWL

$$P_{AT}^0 - P_{AT}^S = t = MEC$$

$$\Delta CS = -(P_{AT}^0 - P_1) \cdot Q_{eff} - \frac{1}{2}(P_{AT}^0 - P_0)(Q_1 - Q_{eff})$$

$$\Delta PS = (P_1 - P_{AT}^S) \cdot Q_{eff} - \frac{1}{2}(P_1 - P_{AT}^S)(Q_1 - Q_{eff})$$

$$\Delta GS = t \cdot Q_{eff} = MEC \cdot Q_{eff}$$

$$\Delta \text{External Value} = MEC \cdot (Q_1 - Q_{eff}) \quad \text{External Gain}$$

Positive externalities

