

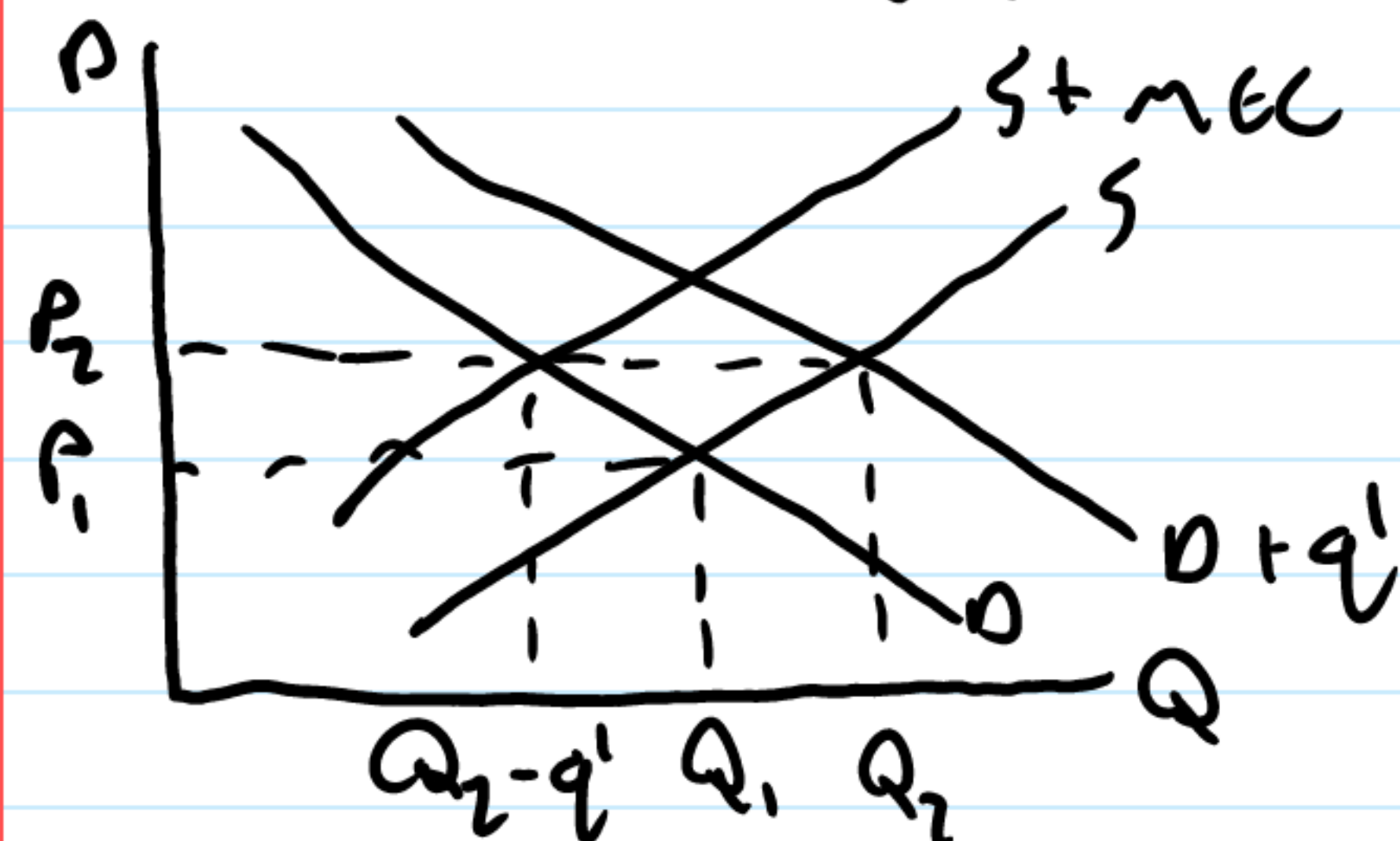
6.3 Opportunity Cost of Inputs Purchased in Distorted Markets

Saturday, September 26, 2020 4:27 PM

- Externalities

- Price unchanged $\rightarrow Q_2 - Q_1 = q'$
 $\hookrightarrow \text{Cost} = (1 + \text{METB})(\text{Exp}) + (\text{MEC})(q')$
 $= (1 + \text{METB})(P)(q') + (\text{MEC})(q')$

- Price changed



$$\Delta \text{External Cost} = (Q_2 - Q_1)(\text{MEC})$$

$$Q_p^0 = Q_2 - q'$$

- Tax to another jurisdiction?

METB \cdot Revenue Aid

- Legal restrictions on price?

Tutor Compensation

\$15/hr but wage = \$50/hr \rightarrow not compensated

$$\text{Cost} = 50q' + (\text{METB})(15)(q')$$