

Goods in millions,  $y$

Policy-maker's  
indifference curves

Abatement  
Cost

$\bar{y}$

$y_b$

$x_b$

$x_r$

$\bar{x}$

Environmental quality,  $x$

Initial  
feasible  
frontier

Feasible  
frontier  
with R&D

$u_3$

$u_2$

$u_1$

$b$

$r$

