## Review Questions

14.

What is an externality?

15.

Give an example of a positive externality and an example of a negative externality.

16.

What is the difference between private costs and social costs?

17.

In a market without environmental regulations, will the supply curve for a firm account for private costs, external costs, both, or neither? Explain.

18.

What is command-and-control environmental regulation?

19.

What are the three problems that economists have noted with regard to command-and-control regulation?

20.

What is a pollution charge and what incentive does it provide for a firm to take external costs into account?

21.

What is a marketable permit and what incentive does it provide for a firm to account for external costs?

22.

What are better-defined property rights and what incentive do they provide to account for external costs?

23.

As the extent of environmental protection expands, would you expect marginal costs of environmental protection to rise or fall? Why or why not?

24.

As the extent of environmental protection expands, would you expect the marginal benefits of environmental protection to rise or fall? Why or why not?

25.

What are the economic tradeoffs between low-income and high-income countries in international conferences on global environmental damage?

26.

What arguments do low-income countries make in international discussions of global environmental clean-up?

27.

In the tradeoff between economic output and environmental protection, what do the combinations on the protection possibility curve represent?

28.

What does a point inside the production possibility frontier represent?