Figure 24-1: Negative Production Externality
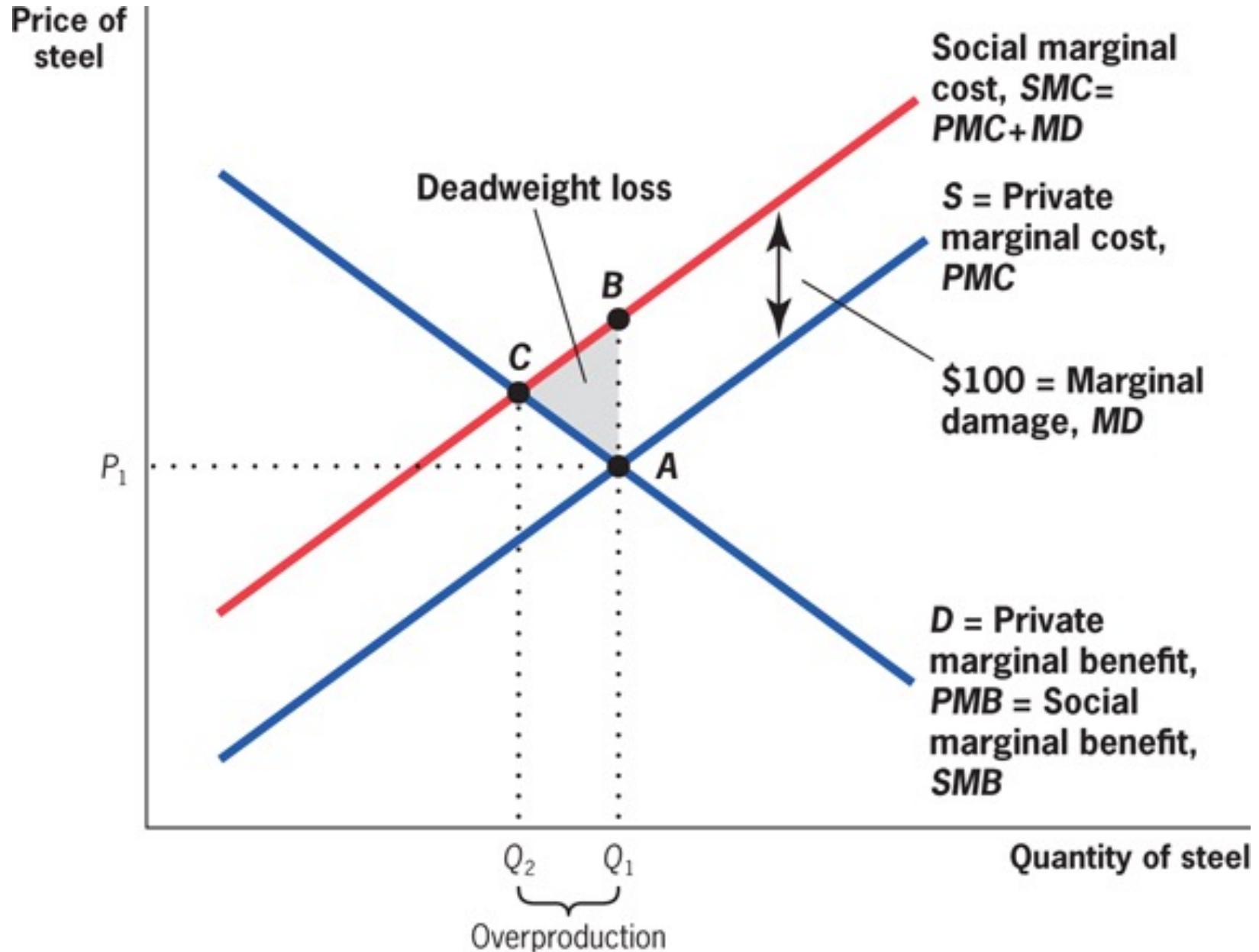

Price of steel

Social marginal cost, $SMC = PMC + MD$

Deadweight loss

S = Private marginal cost, PMC

B

C

$100 = Marginal damage, MD

P_1

A

D = Private marginal benefit, PMB = Social marginal benefit, SMB

Q_2 Q_1

Quantity of steel

Overproduction

Figure 5.2 Market Failure due to Negative Production Externalities in the Steel Market.

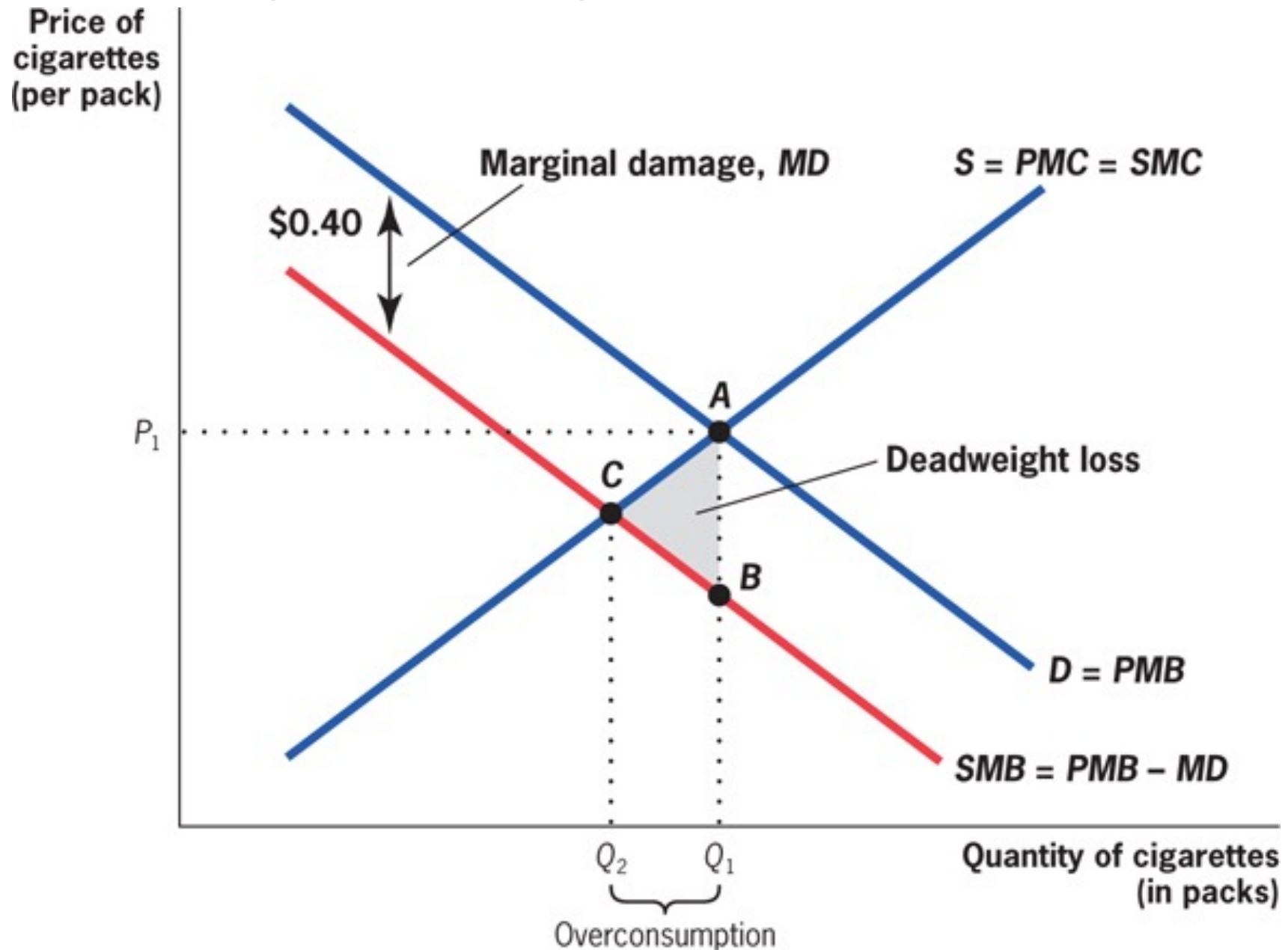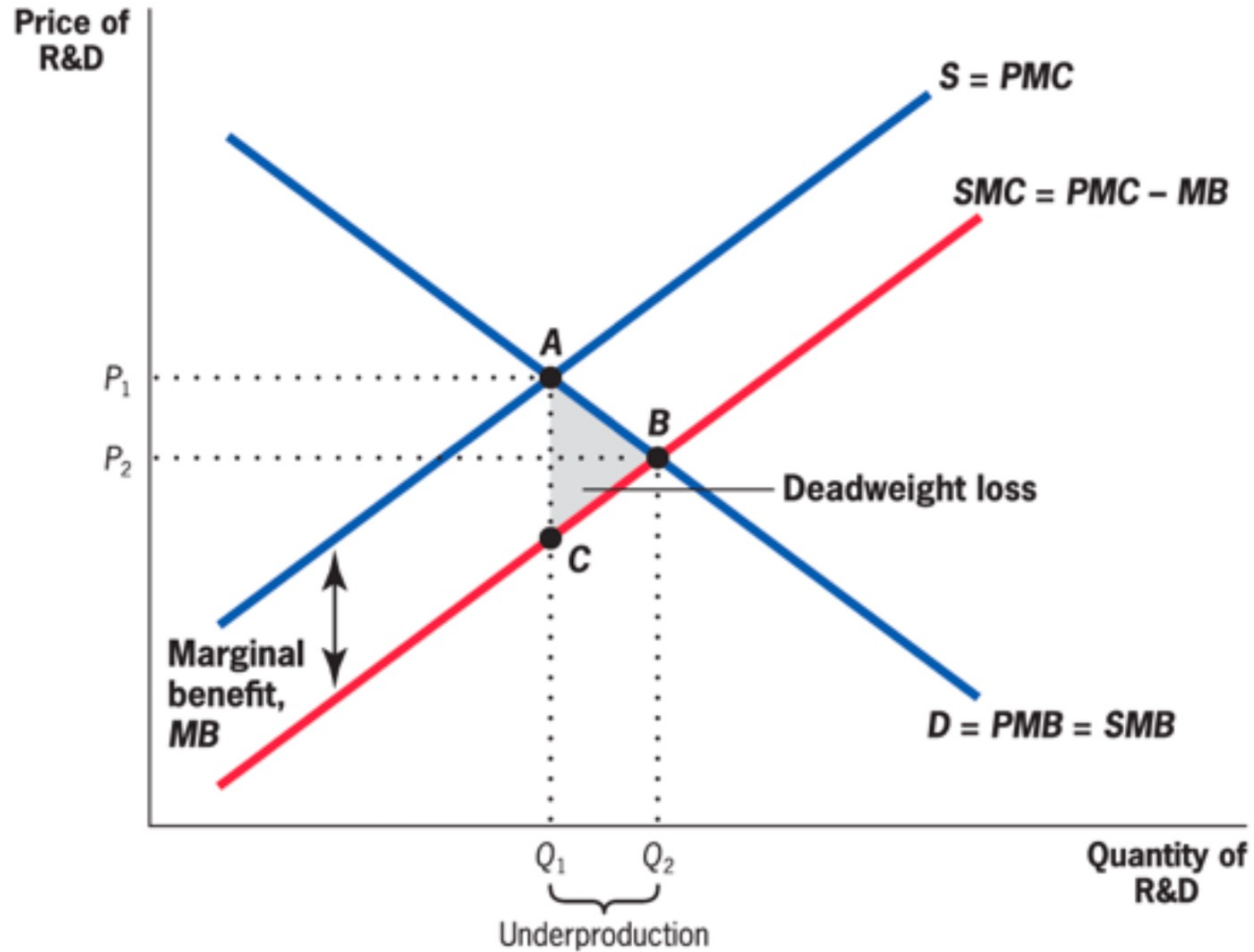# Figure 24-2: Negative Consumption Externality

Figure 5.3 Market Failure due to Negative Consumption Externalities in the Cigarette Market.

Figure 24-3: Positive Production Externality
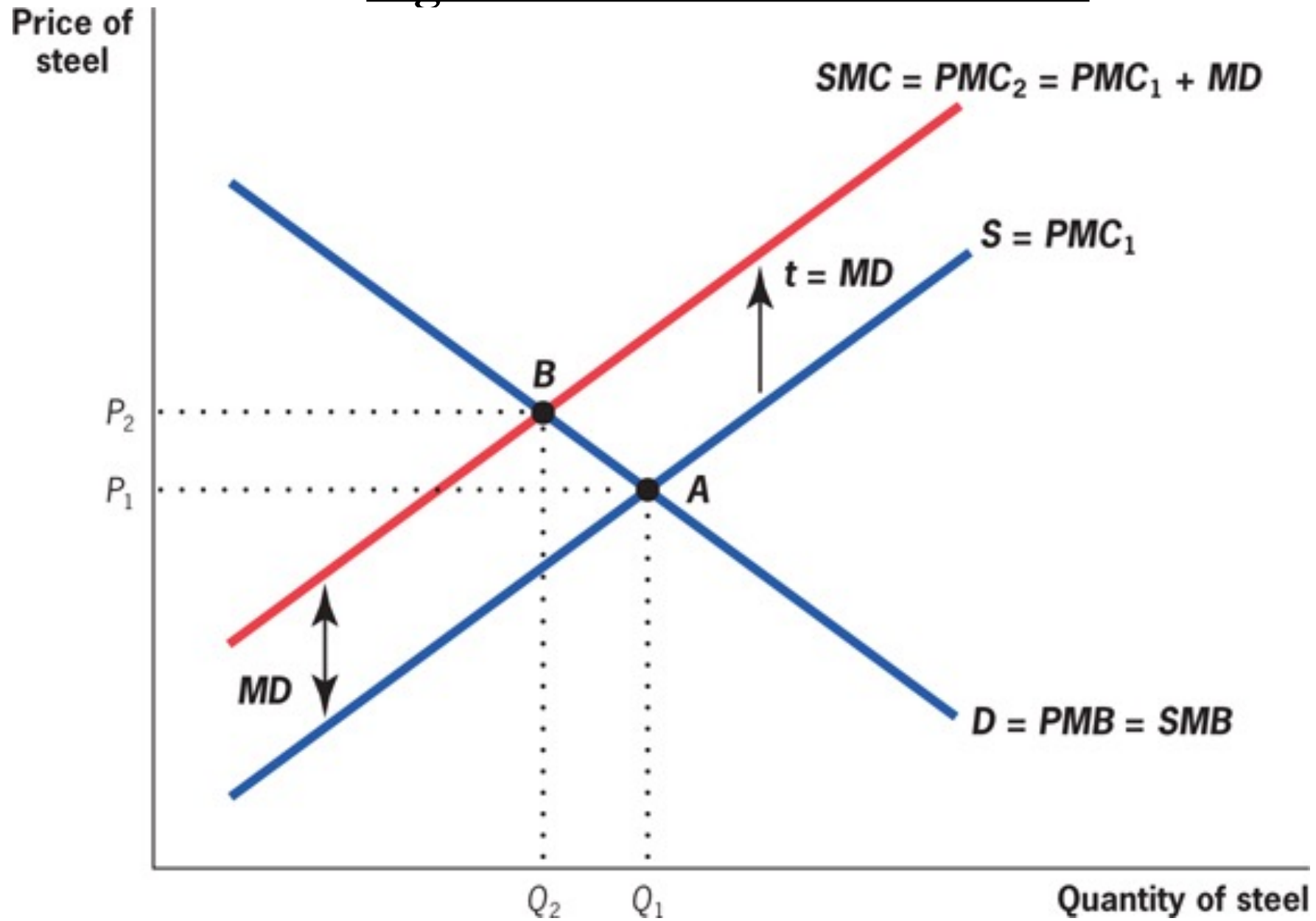
Figure 24-4: Corrective Taxation

Figure 5.6 Taxation as a Solution to Negative Production Externalities in the Steel Market.

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Fall 2023