Figure 23–3

Corrective Taxation

SMC = PMC₂ = PMC₁ + MD
S = PMC₁
D = PMB = SMB

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

Image by Jaki King (designbyjaki.com) for MIT OpenCourseWare
Figure 23-1

Negative Production Externality

Market Failure Due to Negative Production Externalities In the Steel Market
Figure 23–2

Negative Consumption Externality

Market Failure Due to Negative Consumption Externalities in the Cigarette Market