

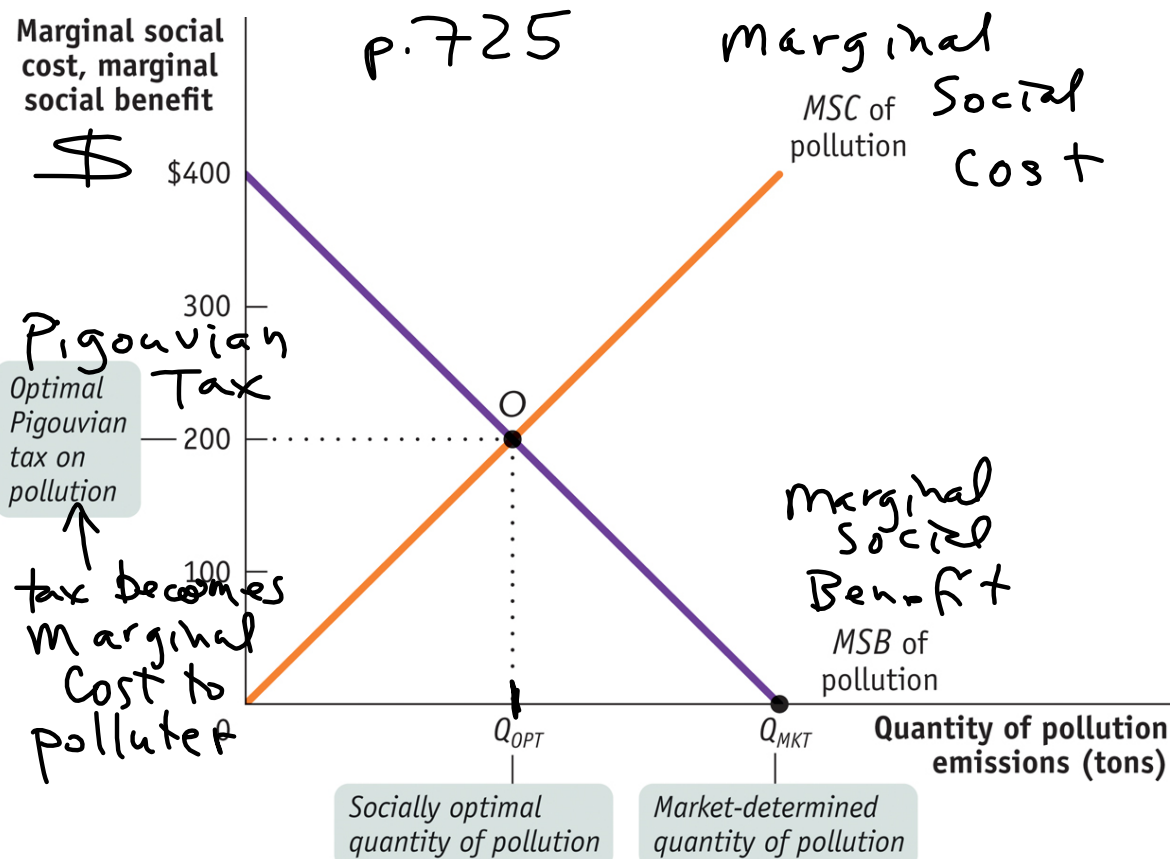
# Topic: Externalities

positive externality:  
a benefit not paid for

example: not get a flu shot.

negative externality:  
a cost not paid for

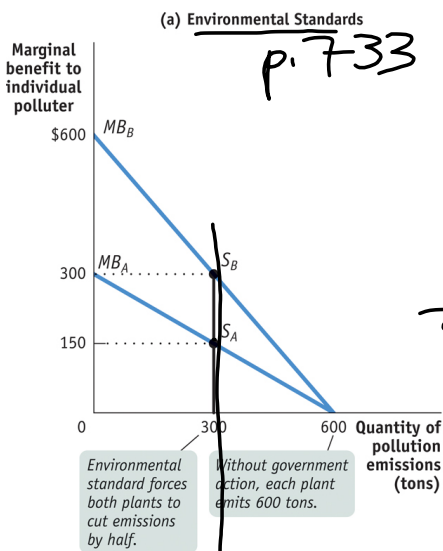
example: pollution



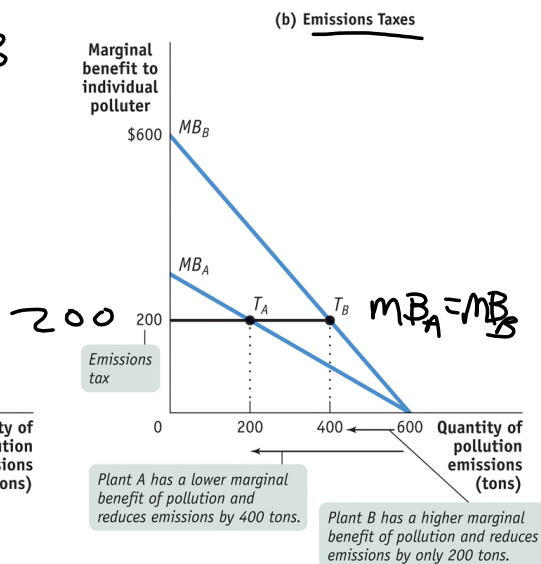
2 ways governments deal with negative externalities.

① Pigouvian Tax

② Environmental Standards -  
 Thou shalt not pollute more than X amount



Thou shalt not pollute more than 300 tons  
inefficient



Pigouvian Tax  
efficient