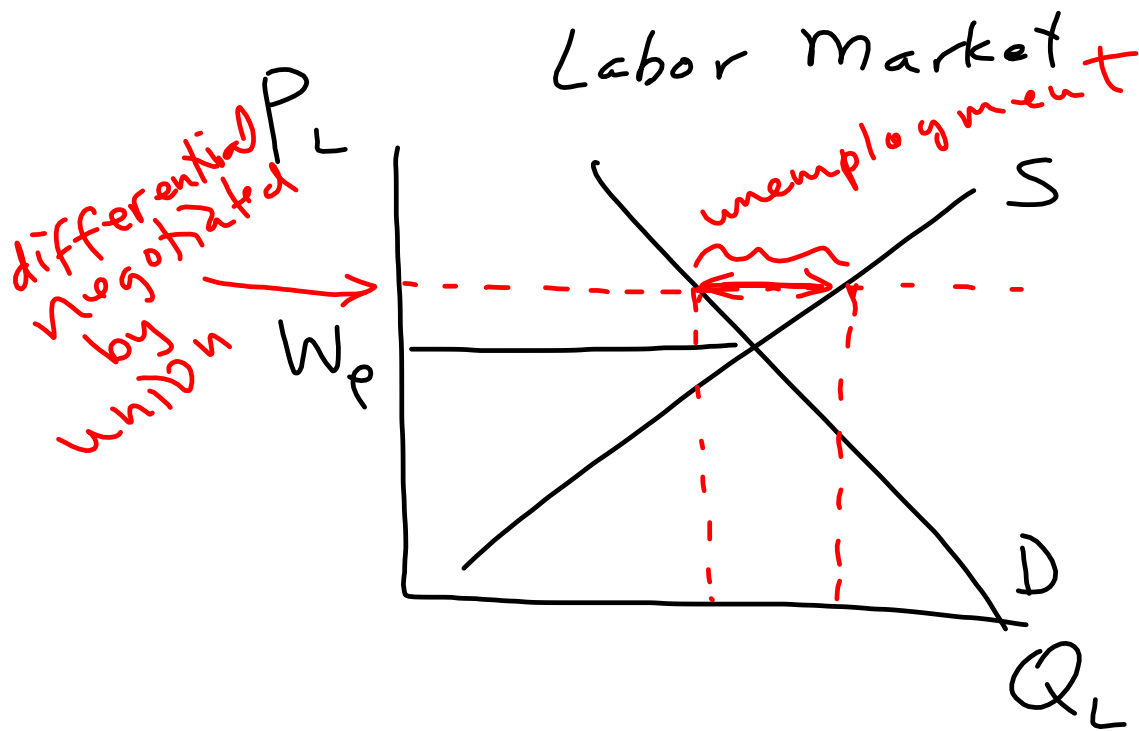
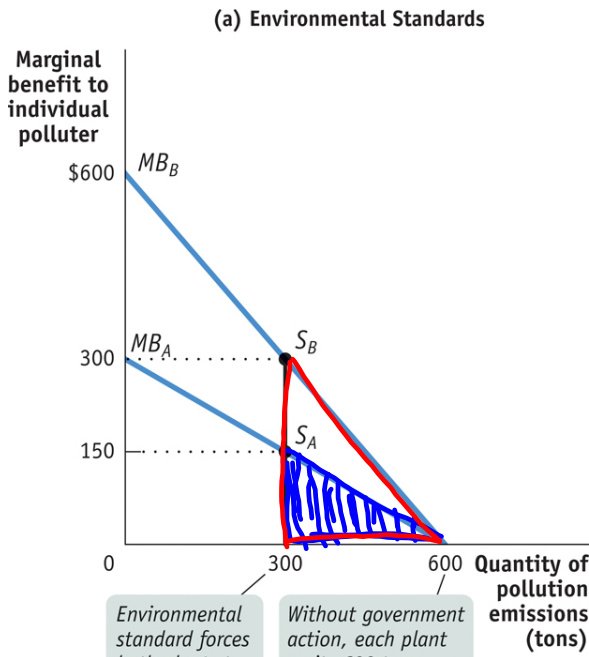


1. ANS: D PTS: 1 DIF: M REF: Module 73/37
MSC: Definitional
2. ANS: E PTS: 1 DIF: M REF: Module 73/37
MSC: Critical Thinking
3. ANS: E PTS: 1 DIF: M REF: Module 73/37
MSC: Definitional
4. ANS: B PTS: 1 DIF: M REF: Module 73/37
MSC: Definitional
5. ANS: B PTS: 1 DIF: M REF: Module 73/37
MSC: Critical Thinking
6. ANS: D PTS: 1 DIF: M REF: Module 73/37
MSC: Critical Thinking

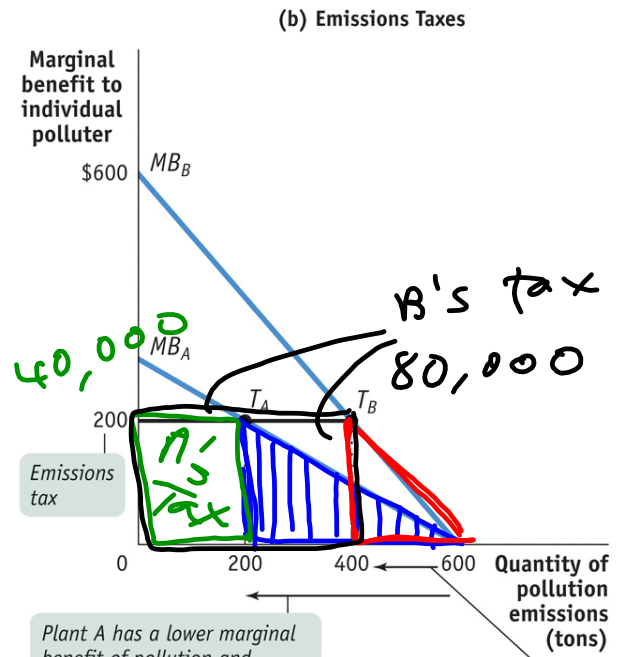
compensating differential:
higher wage to
compensate for
special situations
of risk or
inconvenience

"efficiency" wage -
higher pay to
motivate loyalty
or special
performance





Cost to A: 22,500
 Cost to B: 45,000



Cost to A: 40,000
 Cost to B: 20,000

Tradable Emission

Permits - another approach to externalities - market-based

- government auctions of licences to pollute
- = free market in licenses