

Name:

### **Five Minute Exercise**

#### *Single Source Pollution Control*

**Given:**

Demand for a good is given by  $W2P = 500 - Q/2$

The supply of the good is given by  $MC = \$200$

Each unit of the good causes a negative externality of \$100

**Determine:**

The efficient *reduction* in output below the market equilibrium. That is, the difference between the market outcome and the efficient equilibrium.

Answer: