

Name:

Five Minute Exercise

Efficient Abatement

Given:

The marginal benefit of abating Q_a units of an externality is $MBA = 1,400 - 2*Q_a$

The marginal cost of abating the externality is $MCA = 5*Q_a$

Initially, no abatement is being done: $Q_a = 0$

Determine:

The gain in social surplus from moving to the efficient amount of abatement.

Answer: