

Name:

Five Minute Exercise

Deadweight Loss Due to an Incorrect Permit System

Given:

Marginal benefit of abatement: $MBA = 2000 - Q_a$

Marginal cost of abatement: $MCA = 400 + 19 \cdot Q_a$

Original emissions: 300 tons

Permits issued: 200 tons

Determine:

The deadweight loss due to the permit policy.

Answer: