

## Ch. 10 Externalities Property Rights

**External cost:** a cost of an activity that falls on people other than those who pursue the activity.

- also called a negative externality
  - ex: when people text and drive- puts you in harms way.
  - living near a hospital - lots of noise and traffic.
  - Smoking - horrible for you and the people around you.

**Externality:** an external cost or external benefit of an activity

- Negative Externality
- Positive externality

**External Benefit:** a benefit of an activity received by people other than those who pursue the activity.

- also called a positive externality
  - your neighbor plants beautiful flowers, you can enjoy looking at them and the smell of them.
  - good wifi signal

**Demand curve:** marginal benefit

**Supply curve:** marginal cost.

You maximize profit when  $MC=MR$  or  $MC=MB$