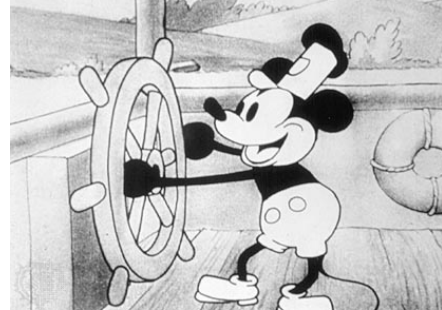


## R WOW Externalities (Spillover Costs) The Olympics and Disneyland



**An Externality is:**

**My Examples:**

Positive:

- My fire alarm breaks, but my neighbor's wakes me up.
- My friend buys clothes in my size, so I wear hers so I don't have to buy my own.
- My 85-year-old neighbor has WIFI but doesn't know how to lock it, so I freeload of hers.

Negative:

- I like to sleep in on Saturday mornings but my neighbor's parakeet shrieks at 4am.
- My neighbors are partiers and keep me up all night.
- I don't have to get up until 7:30am, but the neighbor's gardener feels it's necessary to mow the law at 7am.

**Your Examples:**

Examples of **positive** externalities:

Olympics

- 1.
- 2.
- 3.

Disneyland

- 1.
- 2.
- 3.

Your examples:

- 4.
- 5.

- 4.
- 5.

Examples of **negative** externalities:

Olympics

- 1.
- 2.
- 3.

Disneyland

- 1.
- 2.
- 3.

Your examples:

- 4.
- 5.

- 4.
- 5.

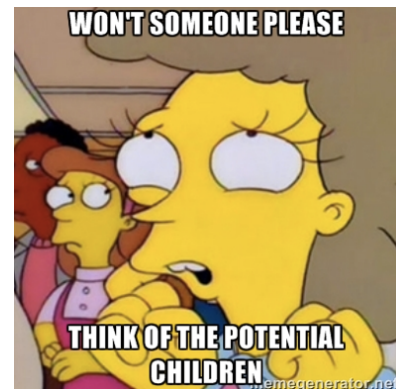
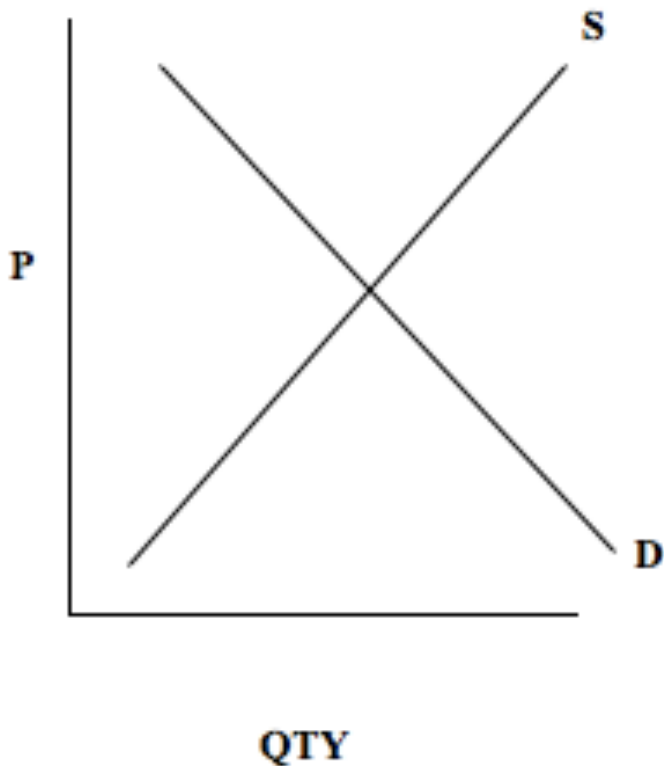
How do we control **negative** externalities? \_\_\_\_\_.

How do we control **positive** externalities? \_\_\_\_\_.

**Negative externalities** are an example of a \_\_\_\_\_. To limit negative externalities the government implements \_\_\_\_\_ that will minimize the negative effect.

### **Negative Externalities, the Law, and Smoking**

Cigarette smoking has increased in your neighborhood. As a result, cigarette butts litter the streets, ashtrays are overflowing, and children are getting asthma. This increase in pollution is costing taxpayers money. To offset this negative externality, the government imposes a 2-dollar tax to the supplier.



Laws that serve as disincentives to the supplier shift the supply curve to the \_\_\_\_\_.