



New chat



1. Input:

MO

Describe the following externalities: 1 A negative externality of production 2 A positive externality of consumption.



2. Output ChatGPT:

1. A negative externality of production occurs when the production of a good or service imposes costs on third parties who are not involved in the transaction. For example, a factory that emits pollution into the air or water, causing harm to nearby residents or wildlife, is producing a negative externality. The cost of the pollution is not reflected in the price of the product being produced, so the producer does not bear the full cost of their actions.
2. A positive externality of consumption occurs when the consumption of a good or service benefits third parties who are not involved in the transaction. For example, if someone decides to install solar panels on their home, the resulting reduction in carbon emissions benefits society as a whole by reducing the negative effects of climate change. The homeowner may not receive any direct compensation for this benefit, but it is a positive externality of their consumption. The benefit of the positive externality is not reflected in the price of the good or service being consumed, so the consumer does not receive the full value of their actions.



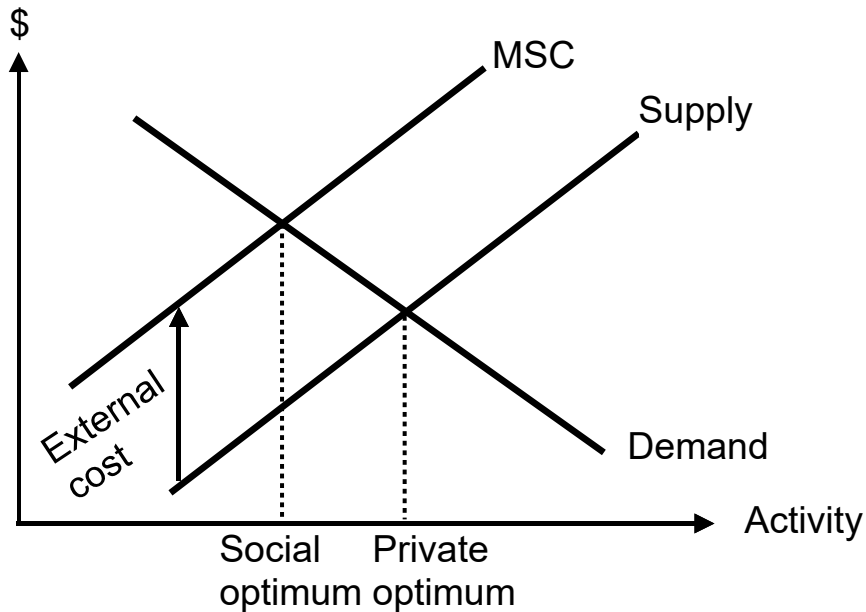
Send a message.



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3. *Graphs* about externalities

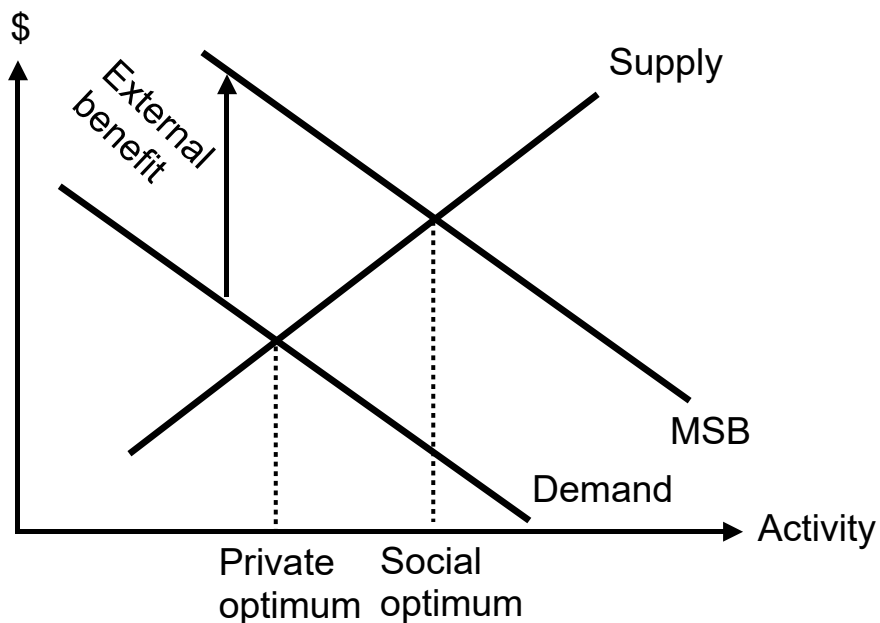
Negative externality by production (ex.: pollution)



Consequence: **Over**production (external cost is not taken into account)

MSC = Marginal social cost

Positive externality by consumption (ex.: solar panels on the roof)



Consequence: **Under**production (external benefit is not taken into account)

MSB = Marginal social benefit