Solutions

Each answer shows the steps, then the **result**.

2.1

- a cost or benefit that falls on a third party outside the transaction

2.2

- overproduction

2.3

- a Pigouvian tax (or tradable permits)

3.1 B

3.2 B

3.3

(a)

- a negative externality

(b)

- it overproduces

(c)

- a Pigouvian tax (or tradable permits)