

→ use consumer surplus → new bridge (more lanes)
 - reduced travel time (less congestion)
 D = WTP → for shorter commute

P_0 - travel cost before bridge
 P_1 - " " after

use ΔCS → Benefit - Cost Analysis
 if $B > C$ - viable

Markets fail

→ chapters 10 & 11

- absence of property rights

Good → bundle of property rights

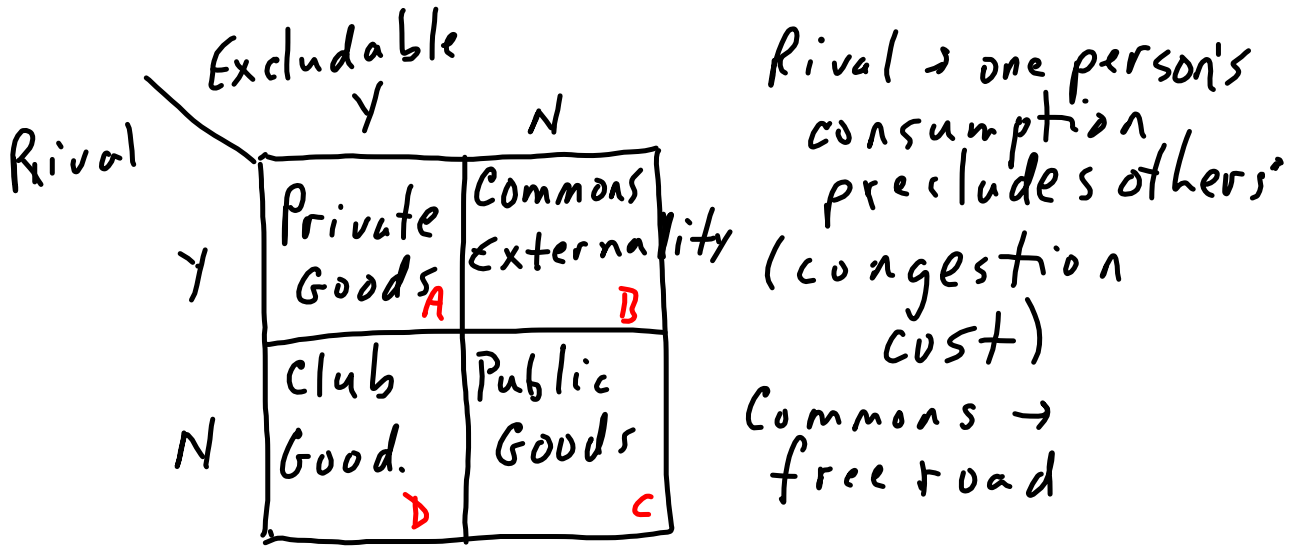
- use rights - maybe limited

Eminent Domain - exclude others

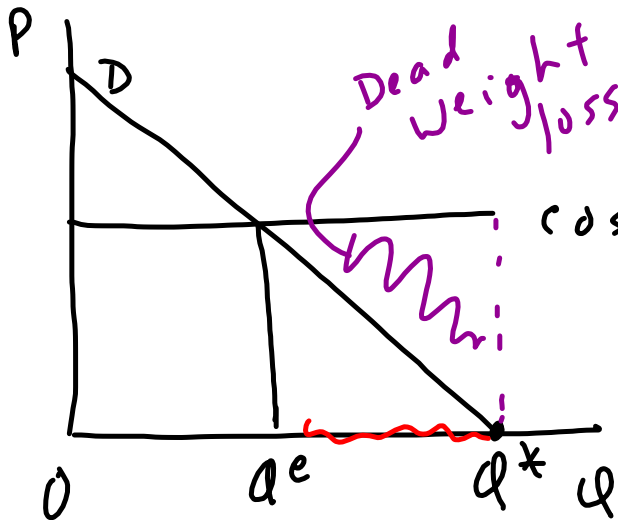
- sell

too much
or too little

If absent → market
will not reach equilibrium
- loss of efficiency PS +/or ES



Box B → Externalities - right to exclude absent & result excessive use of good (don't have to pay)



if $P = 0$
 (can't
 exclude)

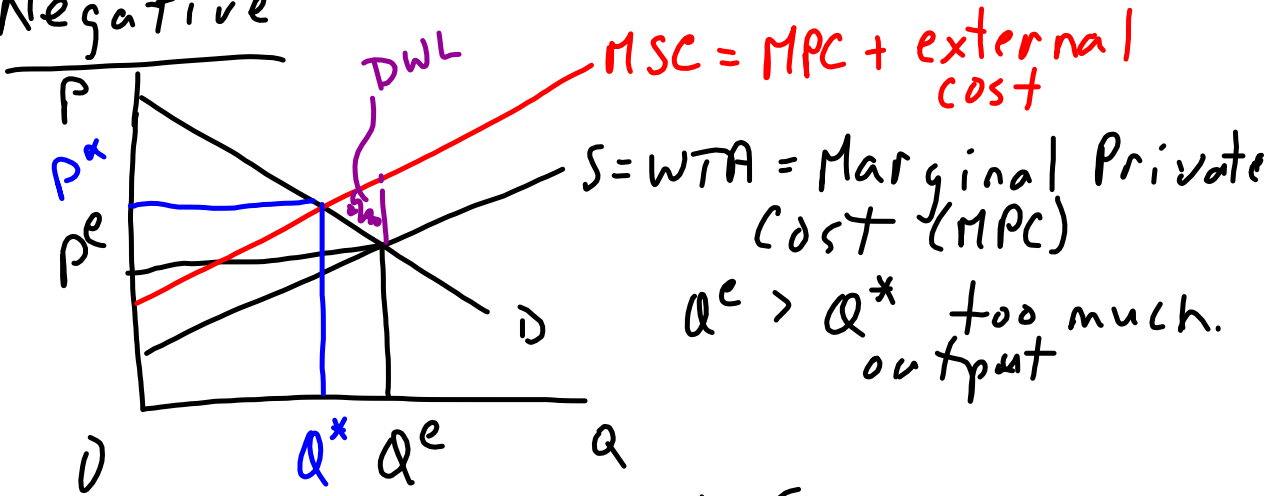
cost = WTA at Q^*

$WTP = 0$

$Q^e \quad Q^* \quad WTP < WTA$

Externality \rightarrow impose a cost - negative
 \rightarrow confer a benefit - positive
 lack of exclusion \rightarrow can't compel
 payment

Negative



- noise
- air pollution
- blight
- water pollution
- congested roads

Duke Energy
 - 6 million coal ash spill on Dan R.
 - electricity → coal
 - by products -
 air emission
 store ash.