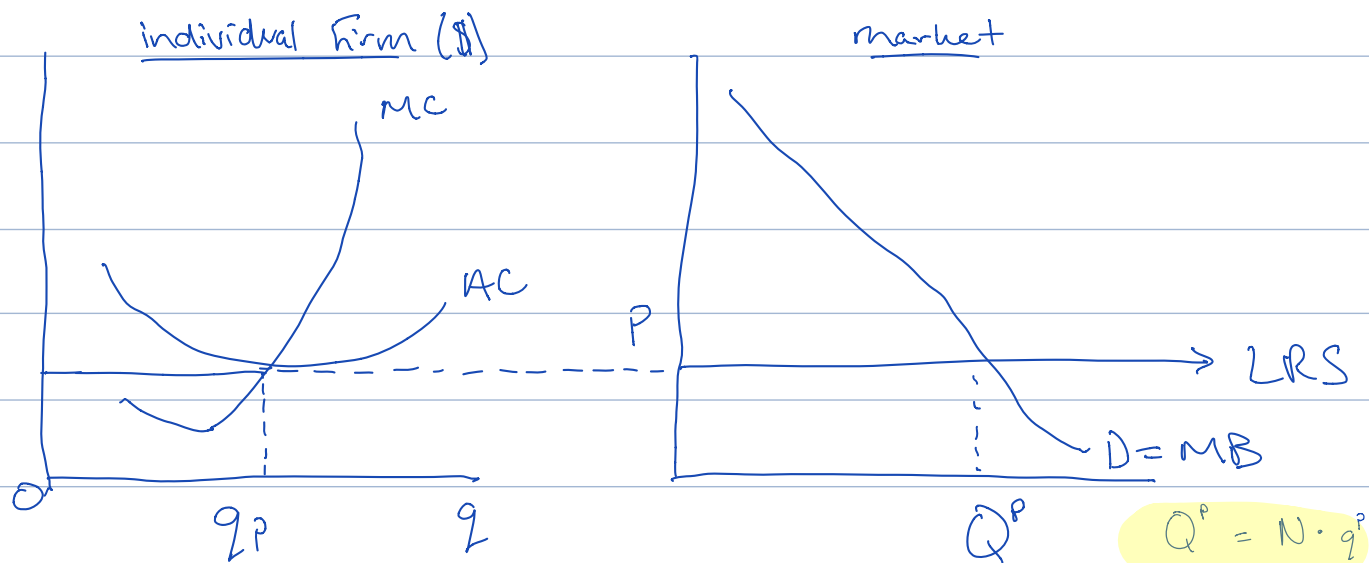


Case 1: Fixed Ratio between goods production and pollution emission



$x = \$$ value of emissions (damage) per unit of q

Case 2: Variable Ratio between goods production and pollution emission

Cost Benefit Analysis \rightarrow Net Benefit

\hookrightarrow Total Benefit - Total Cost

(\$)

(\$)

\swarrow
 \searrow Private Costs & External Costs
or Social Costs

- Outdated perspective:

- You are the value of what you are compensated for your labour

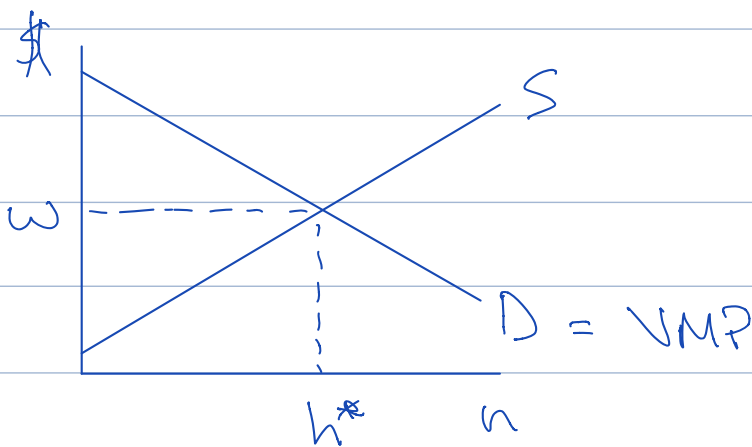
- Less - outdated:

- You are the value of what you produce

• Least - outdated:

- You have inherent value, and being in good health has utility that can be valued

Competitive Labour Market



Value of Marginal Product

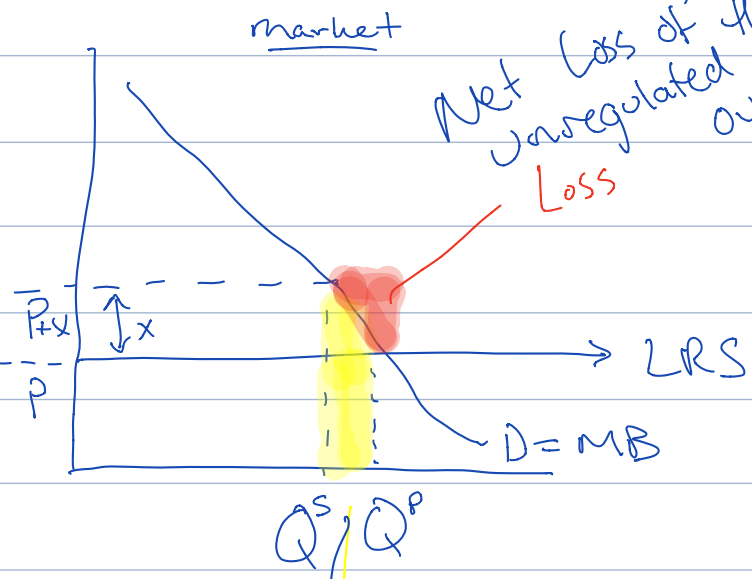
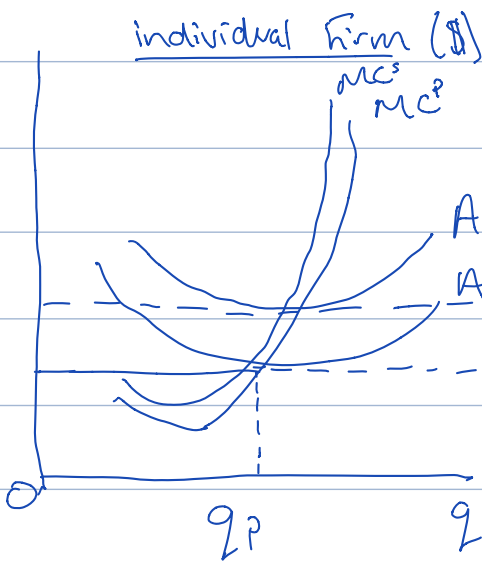
$$VMP = p^s \cdot MP_L$$

wage = the valuation of their last hour worked
= valuation of last opportunity from stopping working

A portion of Environmental Economics focuses on the valuation of:

Non MARKET GOODS

Inefficiency of an External Cost:



Social Gain