

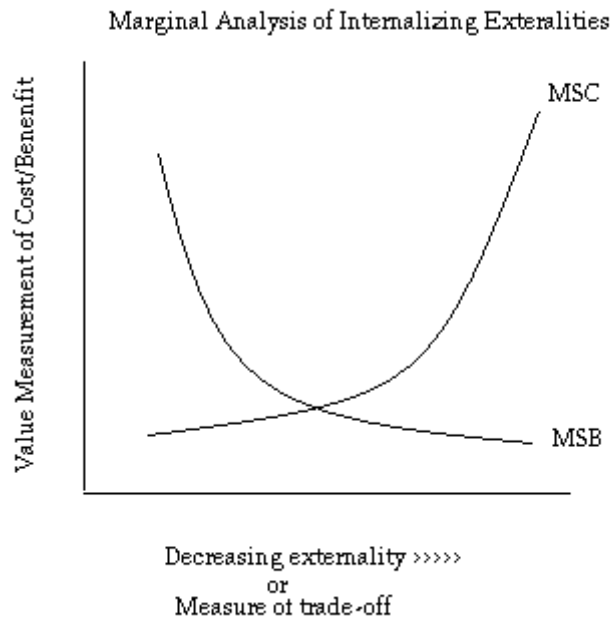
## Quiz- AP Economics

### Externality Graphs

\*\*\*all graphs must be label and titled appropriately\*\*\*

1. (2pt) Draw a supply and demand graph that shows a negative externality.
2. (1pt) Should the gov't impose a per unit subsidy or per unit tax to reach a socially optimal level of production? Explain.
3. (2pt) Show your explanations on your graph from #1.

### Example Graph:



4. (1pt) Why does MSB slope downward?
5. (1pt) Why does MSC slope upward?
6. (2pt) Draw a marginal analysis graph of the balance between one of the following items. (hint: think of the costs and benefits of each one)
  - a. Gains from Affirmative Action v. Rejected Qualified Applicants
  - b. Gains in Social Order v. Individual Liberty
  - c. Gains from Redistributing Income v. Economic Growth
7. (1pt) Give one other example, besides an externality situation, where a Marginal Analysis Graph can be used. Hint: you do these everyday!

E.C. Draw a supply and demand graph that shows a positive externality. Should the gov't impose a per unit subsidy or per unit tax to reach a socially efficient level?