

Lectures 6

September 25

Problems with the Market: The environment

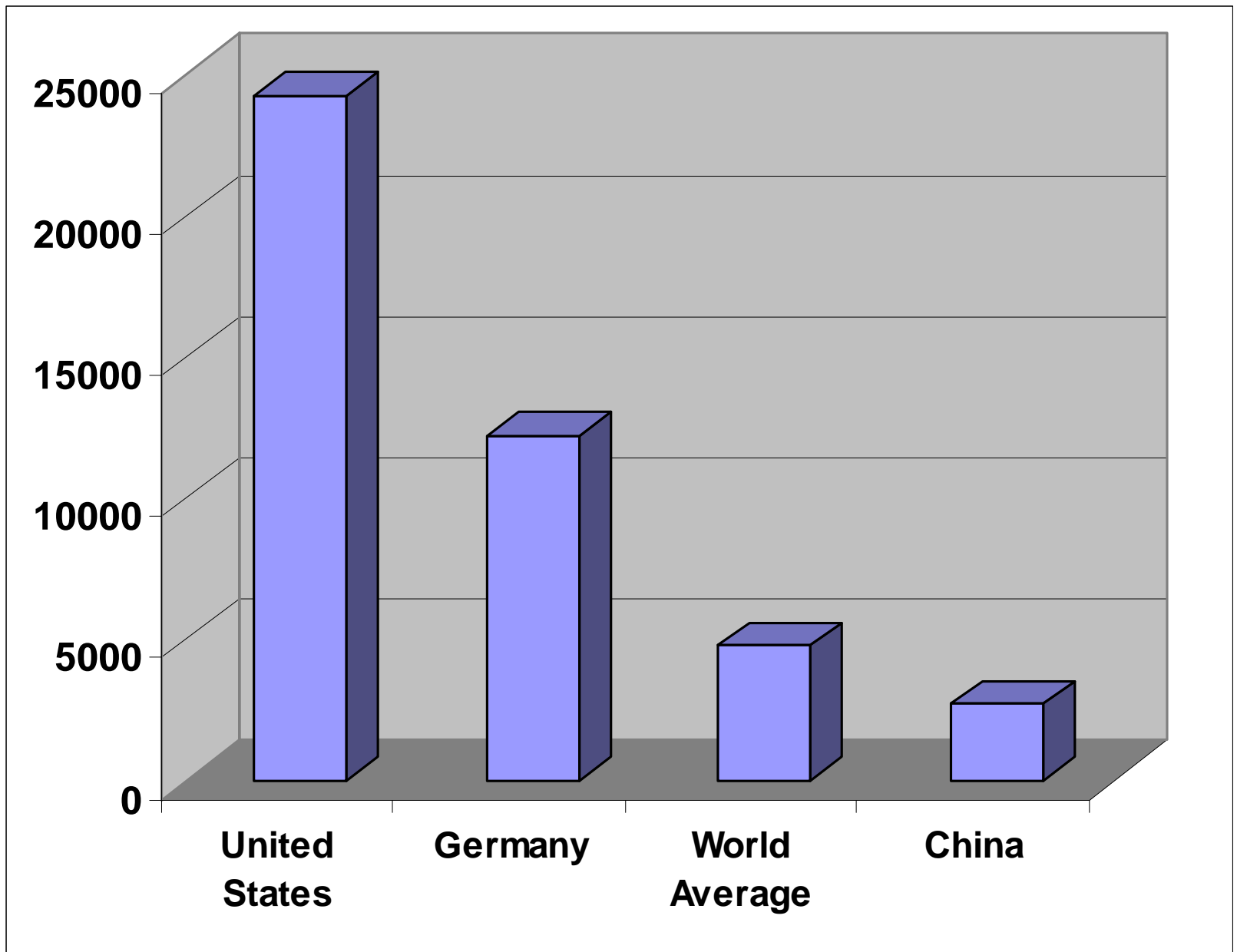
Example of Environmental problem from individual free-riding

Your Choice

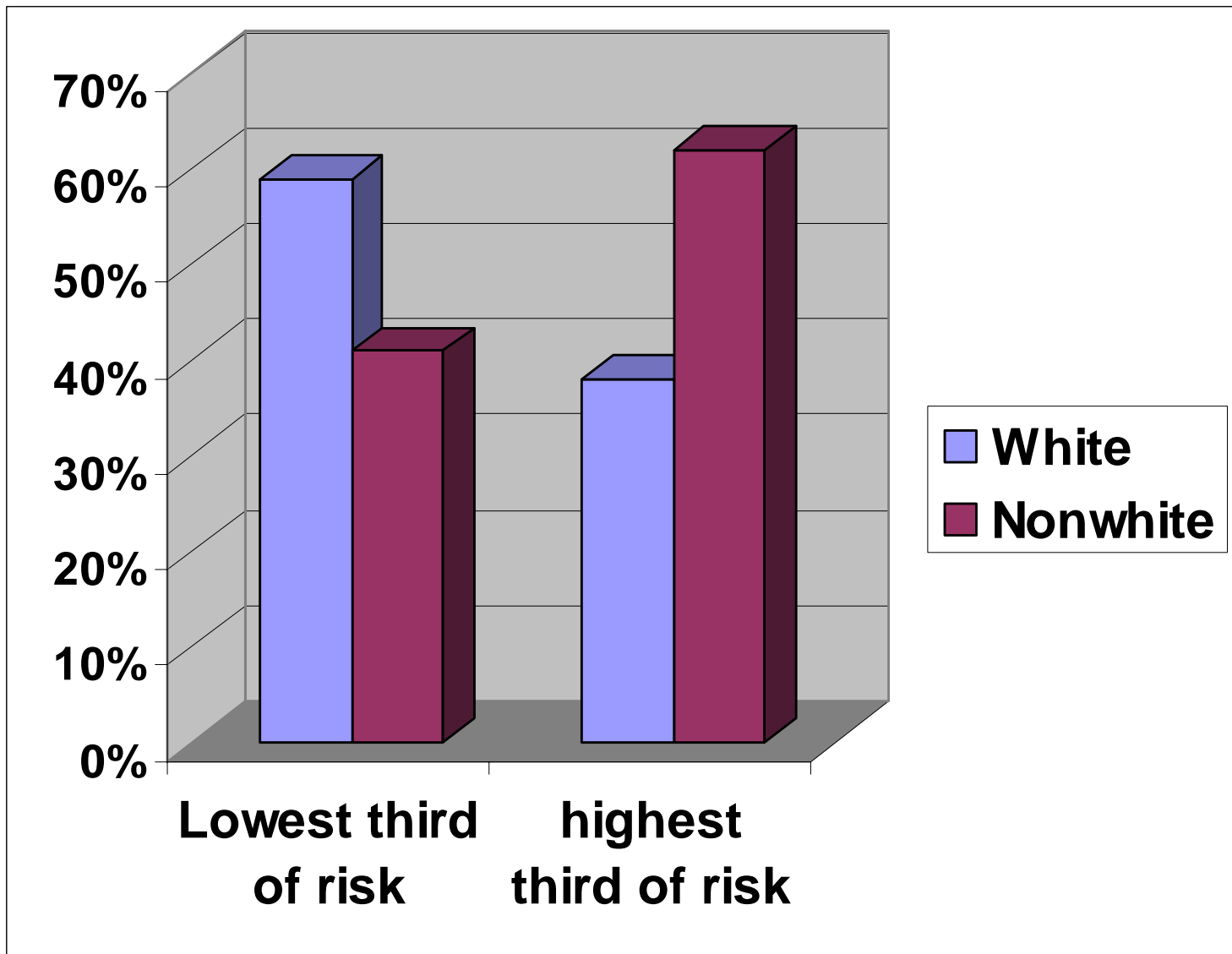
		Your Choice	
		<i>Recycle</i>	<i>Don't recycle</i>
Everyone else's choice	<i>Recycle</i>	\$50 A	\$100 B
	<i>Don't Recycle</i>	-\$50 C	\$0 D

Individual annual cost of recycling = \$50

Individual long-term benefit from recycling = \$100



**Annual Fossil Fuel consumption per person in 2003
(measured in equivalent pounds of coal)**



**Composition of census tracts in California
by cancer risk from toxins in the air (2000)**

**Total subsidies for energy from the US
government in 20th century =
Over \$250 billion**

- 50% for oil
- 25% for electrification
- 8% for nuclear
- 0.15% for solar

Environmental Protection Agency budget as a % of Federal Budget

