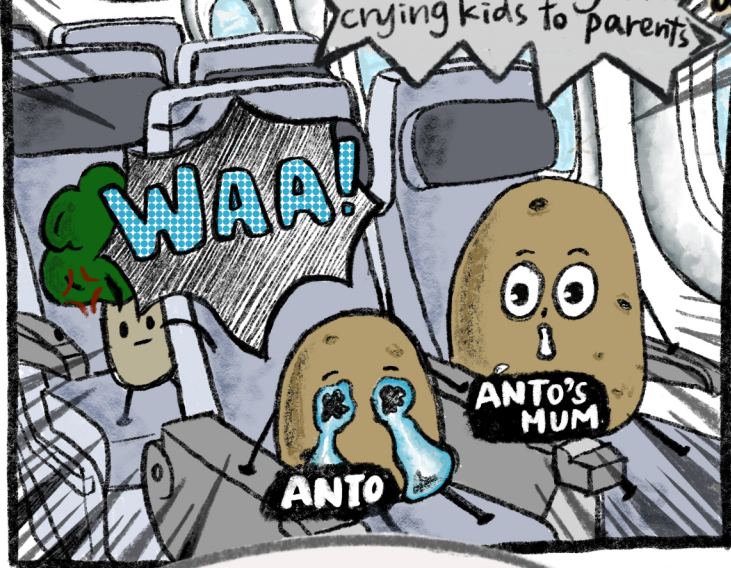


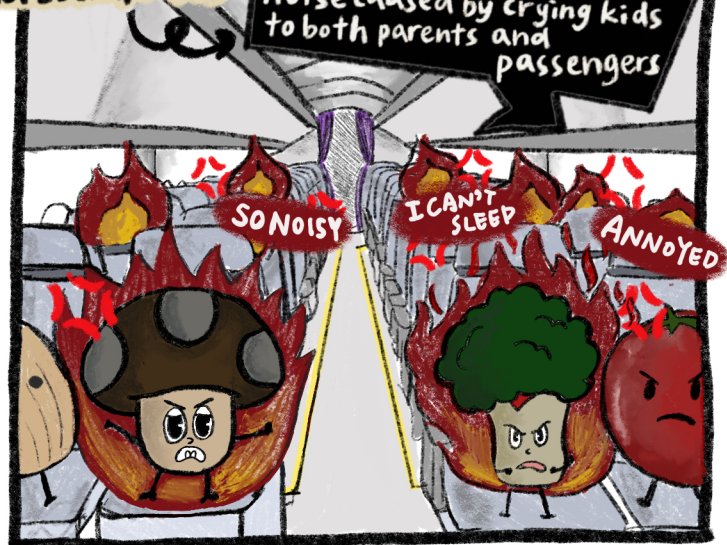
EXTERNALITY

ON A PLANE



DIVERGENCE between private costs and social costs

external cost: noise caused by crying kids to other passengers
social cost: noise caused by crying kids to both parents and passengers



Due to the increasing amount of complaints about the noise from crying babies on aeroplanes, the government has implemented a new policy of charging parents for their crying kids as a compensation to the affected passengers.



GOVERNMENT SOLUTION!

imposition of charges can raise the marginal private cost, leading to a decrease in consumption and fall to efficient noise level.

