**Externalities**

What is a social cost?

What is a private cost?

What is an externality?

**Citarum River Questions – Watch the video and answer the following:**

What social costs are there in this example?

What private costs are there?

Are there any benefits in this scenario?

Draw the externality diagram (negative externality of production) for the Citarum River situation:

**Positive Externality**

Positive Externality is when the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **is greater than** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Draw and annotate the diagram for a **positive externality of consumption**:

Explain why a welfare loss triangle occurs, even though this is a diagram to demonstrate positive externalities.

**Mr Wilson’s Thinking Further Challenge?**

**How might the government solve the problem demonstrated in a positive externality. What needs to be done? How might it be achieved?**