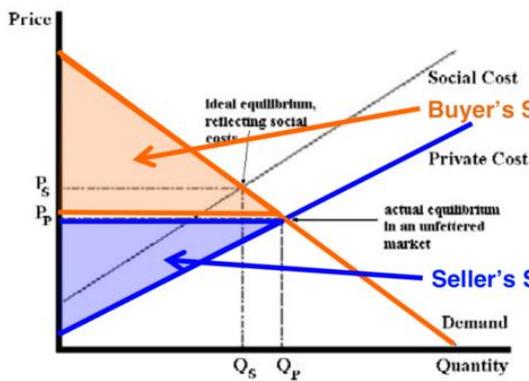
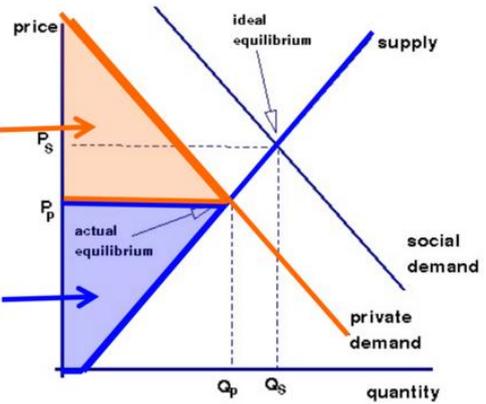


Social Costs



Social Benefits



The value of externalities that create social costs (represented below by a social cost curve that is everywhere above the actual cost curve for sellers) and social benefits (represented below by a social demand curve that is everywhere above the actual demand curve for buyers) can be assessed by considering the "ideal equilibria" in which market prices reflected these social costs and benefits. As before, these prices are defined by the intersection of the supply and demand curves, and in both situations the price is greater than the actual market price. When there are social costs, buyers and sellers are "free-riding" on costs created for other members of society by their transactions. When there are social benefits, society is free-riding on the value created by market transactions that are not captured by the market price.

In our case there is a negative externality. So, per-unit amount of the negative externality will be: $(\$3 - \$6) = -\$3$ per water park attendee.