[**Externalities**](http://www.youtube.com/watch?v=yC5R9WPId0s)

**Negative Externalities**

**Social Costs**

(Total costs to society of an economic activity)

**External Costs**

(Spill-over costs to third parties)

**Private Costs**

(these are the costs to individual consumers or firms of an economy activity)

**Task 1: Can you identify the private and external costs associated with the following?**

|  |  |  |
| --- | --- | --- |
| **Economic Activity/Incident** | **Private Costs** | **External Costs** |
| Binge drinking of alcohol (consumption)  1.jpg | * The price of alcohol that the consumer pays * The negative health effects of heavy binge drinking e.g. liver disease * Lost income due to ill health which results in long-term absence * Breakdown of personal relationships as a result of the financial expense, ill-health and ‘unsocial’ nature of binge drinkers | * The latest [figures](http://www.telegraph.co.uk/health/healthnews/9083671/Health-minister-binge-drinking-costs-NHS-2.7bn-a-year.html) indicate that binge drinking costs the NHS £2.7bn a year; (note: the NHS is funded by the general taxpayer through NIC) * Increased policing is required to manage and control the negative effects of binge drinking * Those individuals who are intoxicated tend to be unsocial, causing noise, violence and general crime |
| Driving (consumption)  1.jpg |  |  |
| The mining and production of crude oil by companies such as British Petroleum (BP) (production)  1.jpg |  |  |
| Your own idea |  |  |

**Positive Externalities**

**Private Benefits**

(these are the benefits to individual consumers or firms of an economy activity)

**Social Benefits**

(Total benefits to society of an economic activity)

**External Benefits**

(Spill-over benefits to third parties)

Task 2: Can you identify the private and external benefits associated with the following?

|  |  |  |
| --- | --- | --- |
| **Economic Activity** | **Private Benefits** | **External Benefits** |
| Further Education (consumption)  http://t3.gstatic.com/images?q=tbn:ANd9GcSFjwqdXZkQA6MVXuqfyq0CSdPlO4RXfsODMwoaSuOgmXiuMh4V1g |  |  |
| Healthy Living/Eating (consumption)  http://t1.gstatic.com/images?q=tbn:ANd9GcSi8mretUtJE4DA5PC2IijoBgGpLt_4fRoR51itLHA4qMthpqlZ |  |  |
| Product research/development (production)  [http://t3.gstatic.com/images?q=tbn:ANd9GcSj3tRAIV4vnNzJNQgwd98X1Z12TVSP0y8EDblbYDXLRr4E5AjY9g](http://www.google.co.uk/imgres?q=r+and+d&um=1&hl=en&biw=1024&bih=600&tbm=isch&tbnid=MqprK3vjmj25XM:&imgrefurl=http://public.bakerhughes.com/graduate/engineering.aspx&docid=OfSSahUJF9CoRM&imgurl=http://public.bakerhughes.com/graduate/images/masts/mast_r_and_d.jpg&w=459&h=217&ei=EPVyUPWWBajL0QWsqoG4Ag&zoom=1&iact=hc&vpx=409&vpy=290&dur=999&hovh=154&hovw=327&tx=183&ty=94&sig=103535803100031052897&page=2&tbnh=133&tbnw=190&start=18&ndsp=20&ved=1t:429,r:12,s:18,i:185) |  |  |
| Your own idea |  |  |