Figure 6.1  Trends in Emissions in Counties That Were and Were Not Subject to the Clean Air Act
Figure 6.2 Top 25 Fossil Fuel CO$_2$ Emitters in 2002
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Figure 6.3 (a) The Benefits of Trading

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Figure 6.3 (b) The Benefits of Trading

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Figure 6.4 Per Capita Annual Cigarette Consumption, 1900–2003

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Figure 6.5 Leading Causes of Death, 1999

- Heart disease, hypertension (27.3%)
- Smoking (18.5%)
- Cancer (16.4%)
- Stroke, Alzheimer’s disease (8.1%)
- Accident, suicide, homicide (6.0%)
- Diabetes, lung, liver, kidney diseases (5.4%)
- Respiratory diseases, flu, pneumonia (3.8%)
- Other (14.5%)
<table>
<thead>
<tr>
<th>Effect</th>
<th>Not an externality if . . .</th>
<th>An externality if . . .</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased health care costs</td>
<td>Insurance companies actuarially raise premiums for smokers.</td>
<td>Many individuals are insured by entities that spread the health costs of smokers among all of the insured; also, the health costs of the uninsured are passed on to others.</td>
</tr>
<tr>
<td>Less-productive workers</td>
<td>Employers adjust individuals’ wages according to productivity.</td>
<td>Employers do not adjust wages according to individual productivity, so that they must lower wages for all workers to offset productivity loss.</td>
</tr>
<tr>
<td>Increased number of fires</td>
<td>Smokers set fire only to their own property, requiring no help from the fire department, and insurance companies adjust premiums according to smoking status.</td>
<td>The fires damage nonsmokers’ property, raise the cost of the local fire department, or raise fire insurance premiums for all.</td>
</tr>
<tr>
<td>Earlier deaths</td>
<td>Smokers do not pay Social Security taxes or would not incur medical costs later in life.</td>
<td>Nonsmokers save money because smokers die too early to collect full Social Security benefits and because their deaths reduce the high health costs near the end of life (a positive externality).</td>
</tr>
<tr>
<td>Secondhand smoke effects</td>
<td>The effects are minimal or smokers account for their families’ utility when deciding to smoke.</td>
<td>The effects are serious and smokers do not account for their families utility when deciding to smoke.</td>
</tr>
</tbody>
</table>