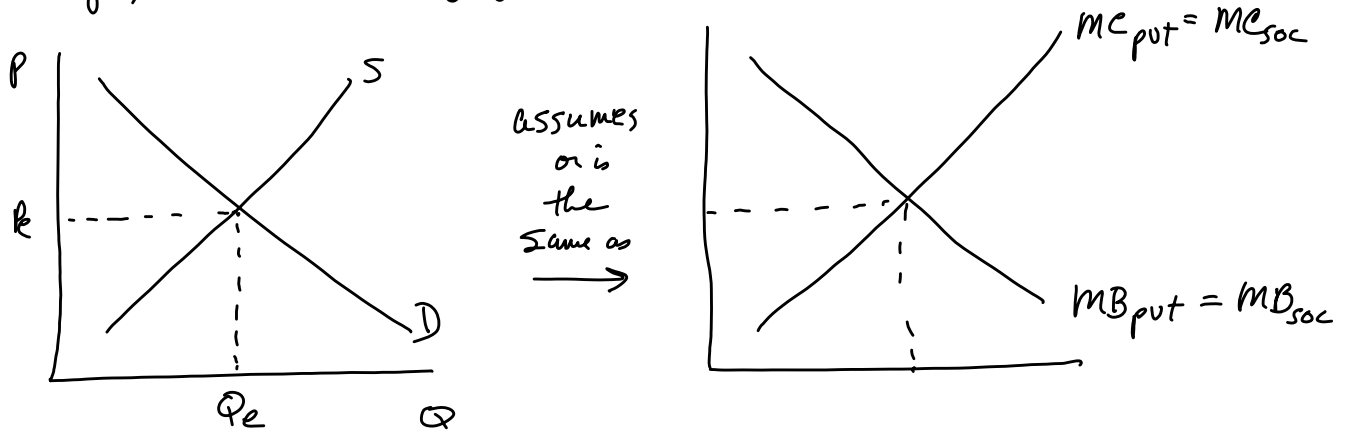


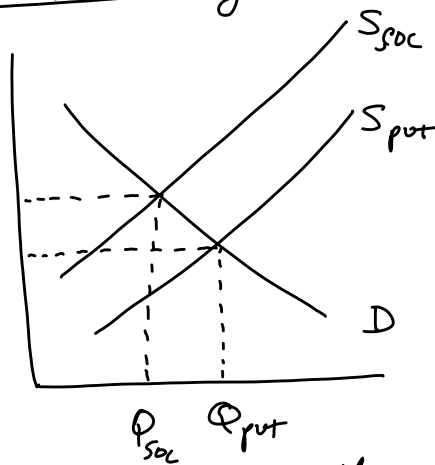
Can marginal cost be the same as marginal social cost?

Yes. The typical assumption is that $MC_{put} = MC_{soc}$ and $MB_{put} = MB_{soc}$ which is to say there is no spillovers or externalities on the supply (or cost) side or the demand (or benefit) side. Visually you can see this as:



If there is a negative externality then $MC_{soc} > MC_{put}$.

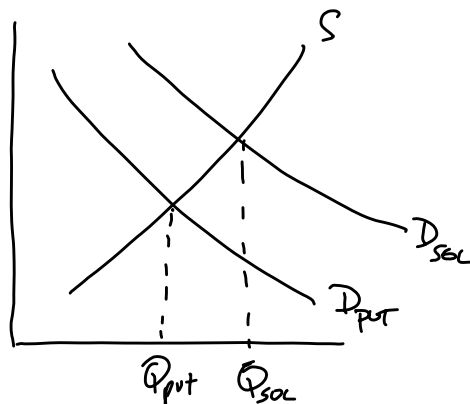
Example:
Air pollution



Q_{put} produced is said to be over produced.

If there is a positive externality then $MB_{soc} > MB_{put}$.

Example:
Education



private decision making leads to under production.