

Name: \_\_\_\_\_

### A CLEAN AIR FABLE FIRST HEARD BY AN OLD WELL

Edmund was a wise old man. And he was asthmatic. Thus, he has a tendency to wheeze. He decided he was breathing too much dirty air, and that he should put a new air cleaning system into his house. He talked to doctors, engineers, air system specialists, and sought opinions of anyone with an interest. He learned that the cleaner the air the more expensive the equipment he must install. And he did some heavy thinking about what it would mean to him to wheeze less. He learned the degree of comfort he would experience at different levels of clean air. He decided to place values on different amounts of clean air according to these comfort levels. The cost and benefit data are

Percentage Of <u>Clean Air</u>	Total <u>Benefits</u>	<u>MB</u>	Total <u>Costs</u>	<u>MC</u>
0%	0	—	0	—
10%	50	—	45	—
20%	130	—	50	—
30%	205	—	58	—
40%	269	—	68	—
50%	319	—	81	—
60%	351	—	96	—
70%	371	—	116	—
80%	386	—	150	—
90%	398	—	200	—
100%	406	—	280	—

Now Edmund displays his wisdom. He consults an economics student—you. He states: “I want to cut down on my wheezing. For this I “need” cleaner air. But how much? Here are the costs and the values I place on the benefits of less wheezing. What percentage of clean air should I aim for? \_\_\_\_\_% (fill in the blank)