

# EXTERNALITY

*Meaning: Externality refers to a consequence of an economic activity that affects third parties who did not choose to be involved, which can be either positive or negative.*

1. The factory's pollution created a negative externality that affected the health of nearby residents.
2. Economists often discuss how positive externalities, like education, benefit society as a whole.
3. Understanding externalities is crucial for creating effective environmental policies.
4. The rise of electric vehicles is seen as a way to reduce the negative externalities of traditional gasoline cars.
5. When assessing public projects, planners must consider the potential externalities they may generate.

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