

THE EXTERNALITIES AND THEIR USAGE IN THE ENTERPRISES PRACTICES

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The externality is an economic phenomenon, which operates anti coincident like the external effect market. Near the negative externalities happens to waste or growth additional cost definite subject, near the positive externalities rises utility, eventually anti coincident profit definite subject. The public ownership goods are being next possible because marketable failure price system at being optimum allocation of resources. Public ownership goods are goods or services, for that are typical two characteristics: irreducibility and necessity.

The typical public goods are for example National defense, police, net highways and roads, but can it also duty bound vaccination against infectious illness etc. So it occurs, for example, when seller knows more than buyer about quality marketed product, when firm knows more about market conditions its rivals than they themselves, when managers know more about firm than its proprietary.

The taxation is one of possible solutions of negative externality problems. It is though from far not always to present an ideal solution. Taxation negative externalities present source government receipts that the great extent eliminates infectivity erosive optimum allocation.

The externalities are always detected, when market jumps secondary effect production or consumption. It misses corresponding price fixing department signals that would reflect them outer, external costs. Enterprises injurious life environment spend then costs on modulation waste only to the height corresponding loads that them rise „ in-house”, then which for them constitute real cost items. They are markedly; often manifold, lower than costs general, „ social”. It is true that national as well as international frame, which includes the environmental dimension, is necessary.

Key words: externalities, basic characteristic externality, positive and negative externalities

Introduction

Externality is economic phenomenon, which operates anti coincident like external effect market. Near negative externality happens to waste or growth additional cost definite subject, near positive externality rises utility, eventually anti coincident profit definite subject. Public ownership goods are being next possible because marketable failure price system at being optimum allocation of resources. Public ownership goods are goods or services, for that are typical two characteristics: irreducibility and necessity.

Typical public goods are e.g. National defense, police, net highways and roads, but can it also duty bound vaccination against infectious illness etc. So it is that e.g. ..., when seller know more than buyer about quality marketed product, when firm knows more about market conditions his rivals than they ourselves, when managers know more about firm, than her proprietary.

Taxation is one of possible solving problem negative externality. It is though from far not always presents ideal solution, in comparison with direct regulation offers in - line position several really significant advantages. Taxation negative externalities present source government receipts that the great extent eliminates infectivity erosive optimum allocation.

Externalities are detect always, when market jump secondary effect production or consumption. It is missing corresponding price fixing department signals that would reflect them outer, external costs. Enterprises injurious life environment spend then costs on modulation waste only to the height corresponding loads that them rise „ in - house”, then which for them constitute real cost items. They are markedly; often manifold, lower than costs general, „ social”. It is true in national also international frame.

For private estates their small quantity reflects in their price. For narrow, "more precious" is estate, by higher is his price. Price the separate groups. Which the definite estate they may - and want to buy and derive benefit from those that him buy cannot - or refuse, that is why him use cannot. Price so operates not only like detector "rarity" or "non rarity", but also disjunctive mechanism. Safeguards allocating estate in situation, when is bigger requirement (demand) than dispensable quantity this estate (supply). Environmental goods however aren't mostly goods private, but so - called goods public.

Public funds goods - in contradistinction to private estates - have some specific line that the prohibitive of free incidence price mechanism. It is especially necessity: No can not be out from consumption environmental estate, no matter what already technically or ethically. Therefore they are in uncontrolled drive (= really only ideal) of free market economy public funds houses and lands available free of charge.

Problems are beginning in moment, when public funds environmental goods happen scarce and among by various user, who are not selection memory price mechanism (houses and lands are free of change), begins competition and rivalry.

Effective structure proprietary rights, which is able to produce efficient allocation in efficient market economy, shows four principal characteristic:

Wide usage - all sources are privately owned and the entire licenses are completely specified.

Exclusiveness - all profits and costs makes like result ownership and usage sources would have had arose proprietor and only proprietor, namely directly or indirectly their sale other,

Convertibility - all the property rights would had be transferable for either proprietor on second on base voluntary shift,

Reclaimable - property rights would have had be protected against unqualified appropriation or similar hits by other persons or institutions.

If isn't access to public estates some mechanism bound or otherwise controlled, may be exploited however - then also socially undesirable. On incidence active demand and unlimited access happens in absolute most cases to their plunder.

Environmental problems come up also then, when is able to some of the participants market shift proprietary rights (sales and purchase) apply extreme authority on achievement result. It happens generally that time, when there has been monopoly on production or sale definite estate.

Definitions of corporate management, strategic management and environmental management.

Rise externality in consequence market failure

Crooked market processes aren't only cause rise uneconomical. Next significant source trouble are political effect. Nowadays reasons that the environmental problems rise even more often in consequence political errors than failure economic institution.

"Malfunction governments" in conjunction with market disorders ("malfunctioning market") makes that the source problems happen inadequate instructions. Specific interest groups develop political activity as well, so as to reach "extraordinary rent". Lobbying affect decision making governments and next institution in benefit his interest and in this sense make an effort as well about changes in Legislation. That way achieves higher netted utility, indeed at the expense of the total social utility. Thank his aggressiveness "cut more from cakes, than which they pertains".

These questions are smoothing - out subject theory public funds election. This theory examines policy like economic activity. It Supposes, that people entertain not only in economic, but also political areas. It means, that they try fill above all his needs and that watch above all its utility. This postulate (which isn't used like ethical absence, but as a fact) pays for policy, bookkeeper's administration, pays but also for voter and representatives interest groups. Theory public funds election supposes that the political play, analogous to market, has its rules and his player that they entertain in terms of maximization his focus. Says that the government it is impossible personify and comprehend like monolithic formation, but on the contrary like file individual that they promote various politics. Is therefore unreal expect from decision making of the state same consistency index and rationality as in the case of individual decisive in the marketplace about private estate. That is why is effectiveness expenses from public agent's expressive inferior to expenses from private agents - that is why have be expenses of the state minimized.

Possibilities suppression rise externality

Existence negative externality leading to the „ market failure" also mechanism public funds election leading to the occasional „ failure governments" call out - in conjunction with next reasons - necessity free market economy environmentally regulate. Democratic country so does via state (government) statesman life environment.

State has series different possibility, which way those role acquit. It is able to elect administrative access, when promotes requisite behaviour single participant (contaminators and derogate) form directive provision (orders and bans, limits, technical standards). It is able to elect market oriented access, whose essence is by the help of different procreation support incidence market. Here too has available wide toppe possibility (may help charges and given to count externality, is able to create simulated market environmental houses and lands form bankable permission, is able to clear delimitation proprietary rights create room for mutual act among take part in societies and so on etc ..).

Resources policy life environment

What resources have democratic governments at abatement uneconomical rising owing to externality, so developed disturbed life environment?

Normative tools

These are first of all:

- Regulation (negative precepts and instructions),
- Limits (material, time),
- Standards and technical specification

Normative tools, on which was (and continue to be) based environment policy mature land, was environmentally effective, and proved however also much absence:

Direct regulation is macroeconomics very expensive and relatively too little effective, because desirable environmental objective aren't reach's smallest possible reached with minimum total social costs. Generally mandatory solution in form normative recipe functions for all area and linger respect at it, that every contaminator has other costs on reduction pollution;

Contaminators are coercion to performance specified directive recipes without stimulation to their next positive passage of lines, shelter highly defensive. So like every coercive system, so also system direct environmental regulation evokes near contaminators by definition negative bearings won plastered then to the their not very head postures to protection life environment;

Areas application directive requirement often results in an also hard economics incidence for many subjects. You then, often on the basis social argumentation (especially threats losses working seats), create strong and often successful stress on the policy and authorities administration in terms of "softening" directive recipes or conferment reserves, whereby original intention loses signification;

Effective realization system direct regulation requires extensive administrative machinery. By features in life also quantity ailments that the behaviour such apparatus guides (disproportionate bureaucracy, expensiveness, danger corruption, etc ...).

Economics tools

The Economics tools have been - among others - constructed in an effort to avoid through many dangers handicap directive tools, so as uneconomical system direct administrative regulation.

They are based on indirect interaction behaviour subjects that it be harmful to (pollute, unreasonably devastate) life environment. In contrast to normative tools then waste on the basis direct power coercion, but through economics calculation.

Substance incidence economic tools is compensation, foreground. Completion missing or insufficient value sign that the offers standard market mechanism. The absence these signals happens also in mature economies in consequence described failure market, i. e. in cases, when happens to rise ecological negative externality.

Calculation externality into load calculation authors pollution interlock economic instruments essentially effectively than tools directive, whereupon is historically primarily found system direct regulation ward ships life environment land OECD. It is it possible because:

Minimize total social cost necessary on achievement given environmental effects (their affect is on whole area, but watch to different loads single subjects on prevention pollution),

Goad subjects to economically optimum pollution abatement (no only to performance mandatory norms and limits),

Minimize pretensions on state office work (because functions in terms of games market coming) and thanks that cut costs, hold under danger corruption.

Other tools

Into these chaps belongs to so - called "private approaches". Not all situation demand direct activity governments. In a row cases they may give to most effective solution approaches resting about private initiative - so - called private parley and action in court.

Voluntary deals with safeguard of the state. In last time successfully enlarge on also some avenues of approach based on voluntary decision actual or virtually contaminator bind to minimal destruction life environment. Belongs to here above all environmental marking products, construction ecologically oriented systems drive companies (EMS) and voluntary settlements among state and industrial enterprises.

Ecolabelling is marking ecologically frugal products. It is due to for purpose notify consumer about it that this given to product them to life environment "friendly", that his consumption has smaller or no negative environmental incidence than other comparable, but untitled produce. Consumer is able to (quite optionally) decide, if wants shelter near to life environment and prefer this way marked product, or no. So it has been

marking ecologically thrifty products trustfulness, must be stipulate reputable authority (state authority or entrusted and out controllable institution).

Basic characteristic externality

By malfunction price system at inducing efficient allocation happens also at that time, when among firms and consumer exist terms, that are not accordingly captured market prices.

Production or consumption is able to be benefiting or demand additional cargo that the favoritism or weight subjects, which these activities non - combatant. This besides – external – effects production or consumption is given name externalities.

Externality detects at that time, when production or consumption one's subject makes unintended costs or contributions other subjects, neither would the incurred costs or got revenue, for then pay.

Externality they may exist among consumer, among manufacturers or among consumer and manufacturers, whereas always is concerned relation, which is not cursed with system prices. Externality can be dual character, positive and negative.

The Positive externalities. This is a situation, when activity one's subject bears benefit other subject and that costs with him united doesn't need to cover.

The Negative externalities. This is such situation, when activity one's subject bears costs other subject that him aren't recoverable, and they of them at the same time gains no advantage.

Negative externality rise e.g. . At drainage chemical wastes to the creek influent to the pond with breeding fishes that the offers livelihood fisherman. Positive externality is able to come into being e.g. . In that case, when house owner in residential quarters provide hound that the will discourage pertinent housebreaker also from home neighbors. Benefit that the will originate neighbors, linger evidently owner dog at his gaining and breeding in consideration.

Externality and conditions effectiveness

If it's with production connected existence negative externalities, producer at option height exit weigh against price and marginal cost, whereas is taking in consideration only private marginal cost, no additional cost, which in consequence his production rise other subjects market. Shaping price these way made goods isn't based on all loads necessary to his production.

Conditions general effectiveness, as it is know from previous chaps, must be in the event of existence externality forced so, to be taken also additional cost, eventually additional utility.

Total marginal cost. It is given sum private marginal cost production and external marginal cost (External Marginal Cost, EMC), which are additional cost rising in consequence negative externality:

$$SMC = MC + EMC$$

In the case **positive externality** do not take author in consideration additional utility that his activity bears other economic subject. Result his activities however isn't only private marginal utility, but total marginal utility (that is of bigger), and for shift goods isn't operative tolerance dimensions displacement, but total tolerance dimensions displacement.

Total marginal utility (SMU) is sum private marginal utility that the given to activity bears her author, and external marginal utility. External marginal utility (External Marginal utilities, EMU) is additional utility that the extract other subjects:

$$SMU = HIM + EMU$$

Negative externality and effectiveness

Biggest problem companies are certainly negative externality. For an explanation effects negative externality and their graphic illustration most often employs simple mock - up economies, for hen produce two commodities X and Y, whereas production of goods x is without externality and production of goods Y is connected negative externalities.

It means, that on production X are general marginal cost coincident with private costs ($SMC_X = MC_X$), while in production Y are total marginal cost greater than private marginal cost ($SMC_Y > MC_Y$).

Necessary condition total effectiveness is equanimity general tolerance dimensions transformation product with general tolerance dimensions displacement. Ratio, in which are two goods replaceable from standpoint production and of all undervalued cost.

$$SMRPT = SMRS$$

Price system connected private motivation firms however lead to allocation only on the basis tolerance dimensions transformation product, then equality:

$$MRPT = \frac{P_Y}{P_X} = SMRS$$

So, it is $SMRPT > MRPT$,

$$\text{Because } SMRPT = \frac{SMC_Y}{SMC_X} > MRPT = \frac{MC_Y}{MC_X}.$$

Because private and social tolerance dimensions transformation product dissent, there are not created conditions for optimum allocation sources among production goods X and Y. private sector has from look general effectiveness tendency produce too much goods, whose production is connected negative externalities, because decision making about height exit finds on out of focus, undervalued loads.

The social cost of uneconomical

Socially efficient height exit designates equality of the total marginal utility and general marginal cost:
 $SMU = SMC$.

In graphic formulation it is possible total marginal utility express curve demand. Effective exit Y_E in this case we can determine point of concurrence graphics demand graphics general marginal costs. Curve SMC poll sum waveform MC and EMC, because general marginal cost are sum private boundary loads and external boundary loads (Fig. 1.).

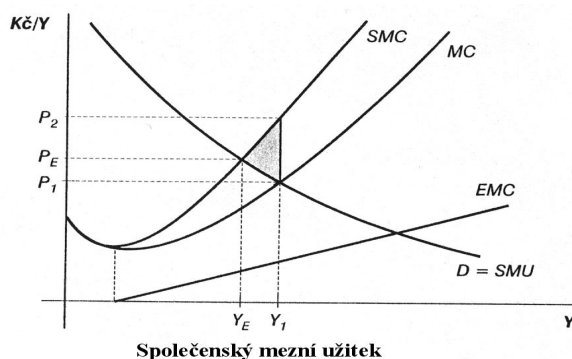


Fig. 1. Social marginal utility

Exit market goods connected with negative externalities however is not determine with reference to general height costs. Height exit on such markets designates composition demand and private marginal costs: see exit Y_1 designate point of intersection graphics D and graphics MC. It is evident, that this way down exit is in comparison with globally efficient height exit too big.

Source this uneconomical is inadequate price performance. Price P_1 is too low on it, so as to be recoverable total marginal cost (P_1 means only private marginal cost). Stopping - off total marginal costs production Y_1 would make possible until price P_2 . At the same time is P_1 too high on it, so as to private firm manufactured exit only in an amount Y_E and his height motivates to production superfluous range exit Y_1 .

Total costs these uneconomical are expressed shaded flat on picture that the present's disparity between total marginal costs and demand for level of output among Y_1 and Y_E . For every exit higher than equilibrium output Y_E are marginal total costs uneconomical given difference among total marginal costs and total marginal utility (vertical distance waveform SMC and SMU, (D)). Total costs uneconomical are summing these differences for all levels production that will exceed efficient level.

Positive externality and uneconomical

Similarly as in the case of negative externality is also in the event of positive externality possible prove that their existence leads to inadequate range exit. In contrast to negative externality happens in the event of

positive externality to too starvation wages production, because is not counted definite part positive contribution given to activities.

On Fig. 2. means demand curve private marginal utility that the given to activity bears her author. It votes for range Y_1 his activities, corresponding point of intersection graphics demand and marginal costs. In point activity however at the same time produces external utility other subjects, expressed curve EMU. Total marginal utility is given sum private and external marginal utility: curve SMU obtain sum graphics D and EMU.

Globally effective level of output Y_{EE} , with them general marginal utility additional troop activities agree with marginal costs these activities, designates point of intersection graphics SMU and MC on picture. Uneconomical rises that is why, that operator activities no gains all utility that the passes of his activities. Therefore is price P_1 too low at it, to him possessed to exit on globally desirable level Y_E (will offer only exit Y_1). Total costs uneconomical resulting from existence positive externality are expressed shaded flat on picture that the presents discrepancy between general marginal utility and marginal costs (vertical distance graphics SMU and MC) for level of output among Y_1 and Y_E . For every exit lower than Y_E are marginal total costs uneconomical given difference among general marginal utility and marginal costs. Total costs uneconomical are given sum these differences for all levels production, that are inferior to level efficient.

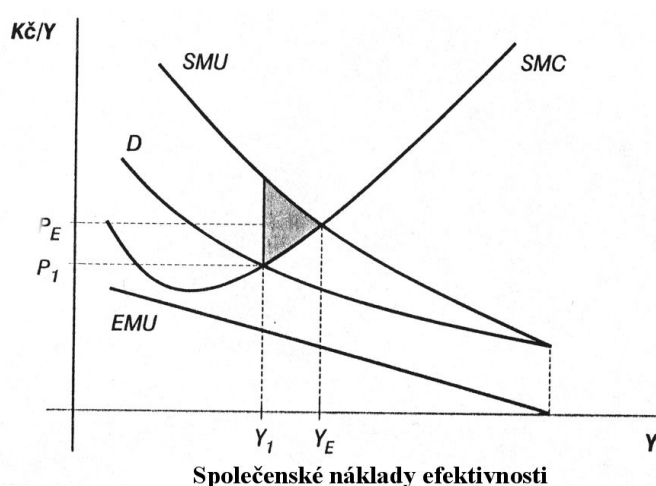


Fig. 2. Social cost of uneconomical

Basic cause existence externalities are roughly determinate proprietary rights. An exist externality they may state authorities respond more accurately delimitation and easier reaching proprietary rights. Externality cannot show, if are proprietary rights frame so, to answer conditions theorem of Coase, which tells that the if harms act one's parties second side and get - together they may mutually without additional transaction costs negotiate, it is possible with negative externalities energetically settle regardless of it, if law people ascribes liability for undesirable costs their activities.

It is impossible if negotiate free of expenses, then indeed on responsibility resulting by law matter. Generally it is possible to most effective result grow up behind presumption that the according to law will carry burden necessary to elimination harmful consequences the side that it can do with the lowest costs.

Taxation is one of possible solving problem negative externalities. Even if from far not always presents ideal solution, in comparison with direct regulation offers in a row situation several really significant advantages. Taxation negative externalities present source government receipts that a great extent eliminates uneconomical optimum allocation.

Conclusions

Externalities are source of uneconomical. They are rising at that time, when production or consumption one's subject makes no thoughtful costs or contributions (benefit) other subjects (product or service has adjacent effects on to someone third that the however production or services directly non - combatant)

Externalities may exist among consumer, among manufacturers, among consumer and manufacturers. Distinguish (exist) two sorts externalities, accordingly if other subjects bear cost or benefit:

Positive (positive) externality activity one's economic subject bears benefit other, whereas it doesn't need to cover. Negative (negative) externality activity one's economic subject bears costs subject other that the it is not defrayable

Most frequent possibility interaction rise externalities are economic policy of the state. Economically more effective is but private parley, just as prove by evidence H. Coase in his research work.

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