*Figure 4. Determinant of hedonic prices for 1 day trips*

| Variable | Scenery | Lack of congestion | Fish density |
|---|---|---|---|
| Constant term | -4.505 | 21.528 | 55.779 |
| | (-1.22) | (4.89) | (2.39) |
| Income | -0.000 | 0.000 | 0.0033 |
| | (0.70) | (4.35) | (15.07) |
| Experience | 0.170 | 0.119 | -1.400 |
| | (7.45) | (4.36) | (9.66) |
| Scenery | -3.039 | 1.370 | -1.011 |
| | (6.26) | (2.36) | (0.33) |
| Lack of | 1.482 | -4.621 | 7.270 |
| congestion | (4.06) | (10.61) | (3.14) |
| Fish density | -11.348 | -2.540 | -141.62 |
| | (550) | (1.03) | (10.83) |
| No. 1-day trips | 0.440 | 0.636 | 5.380 |
| | (6.12) | (8.16) | (12.99) |
| No. 2-4 day trips | -2.873 | -0.251 | 20.582 |
| | (8.17) | (0.59) | (9.23) |
| No. 4+day trips | -4.752 | -14.1318 | 5.628 |
| | (6.56) | (16.56) | (1.23) |

Source: Brown and Mendelsohn (1984)

*Figure 5. The effect of pollution WP*

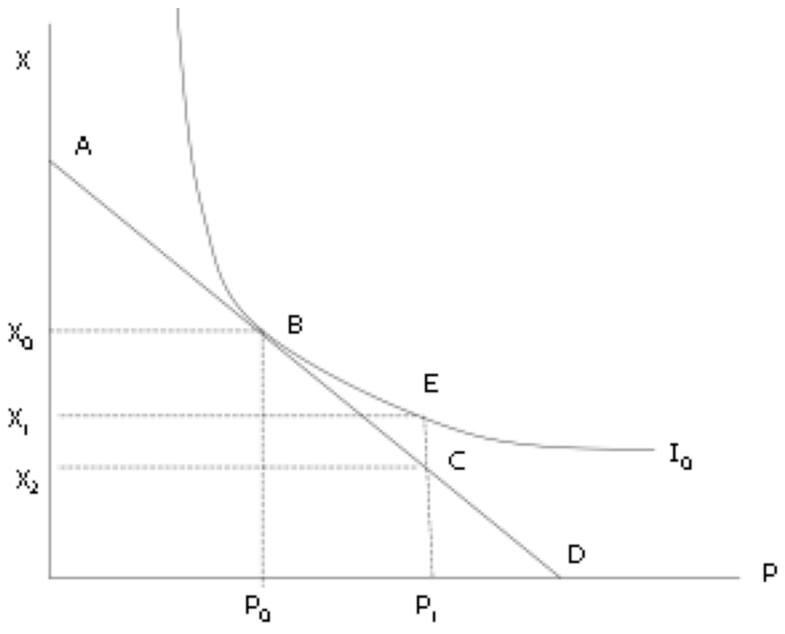
| Community | Change in WTP |
|---|---|
| *Poor-fair* | |
| El Monte | 11.10 |
| Montebello | 11.42 |
| La Canada | 22.06 |
| *Sample population* | *14.54* |
| Fair-Good | |
| Canoga Park | 16.08 |
| Huntington park | 24.34 |
| Irvine | 22.37 |
| Culver city | 28.18 |
| Encino | 16.51 |
| Newport beach | 5.55 |
| *Sample population* | *20.31* |

*Figure 6. The effect of pollution on rents*

| Community | Change in rent |
|---|---|
| *Poor-fair* | |
| El Monte | 15.44 |
| Montebello | 30.62 |
| La Canada | 73.78 |
| *Sample population* | 45.92 |
| Fair-Good | |
| Canoga Park | 33.17 |
| Huntington park | 47.26 |
| Irvine | 48.22 |
| Culver city | 54.44 |
| Encino | 128.46 |
| Newport beach | 77.02 |
| *Sample population* | 59.09 |

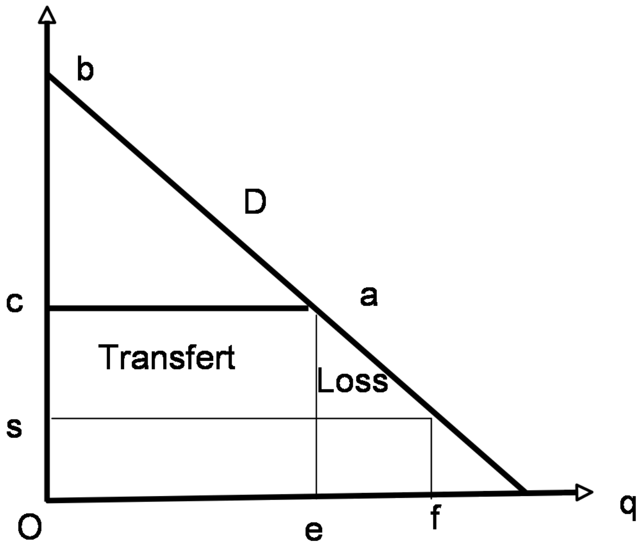
*Figure 7. The effect of pollution on rents*

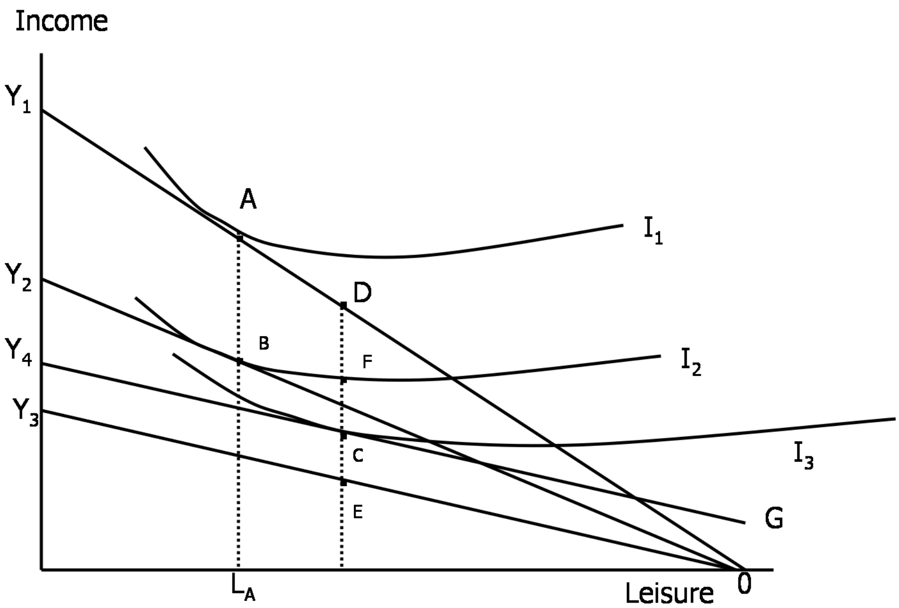
| Community | Change in rent | Change in WTP |
|---|---|---|
| *Poor-fair* | | |
| El Monte | 15.44 | 11.10 |
| Montebello | 30.62 | 11.42 |
| La Canada | 73.78 | 22.06 |
| *Sample population* | 45.92 | *14.54* |
| Fair-Good | | |
| Canoga Park | 33.17 | 16.08 |
| Huntington park | 47.26 | 24.34 |
| Irvine | 48.22 | 22.37 |
| Culver city | 54.44 | 28.18 |
| Encino | 128.46 | 16.51 |
| Newport beach | 77.02 | 5.55 |
| *Sample population* | 59.09 | *20.31* |



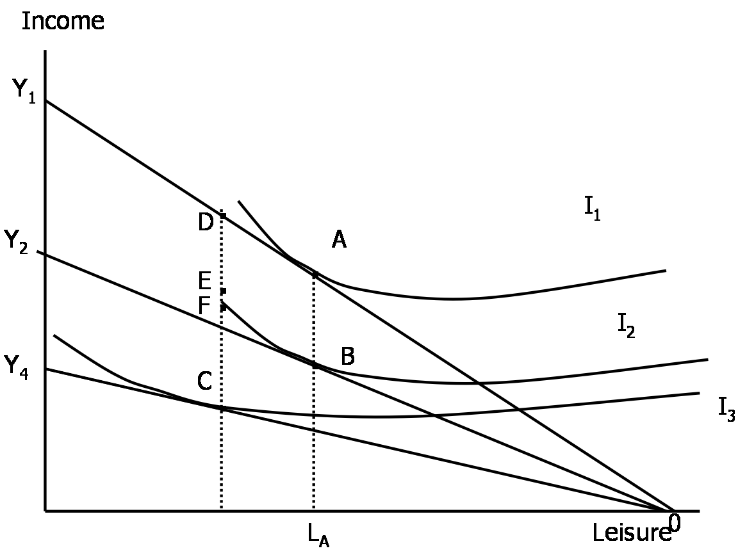

**Chapter 6. Marginal cost of public funds**

*Graph 1. Excess burden*



*Graph 2. Traditional approach*




The initial equilibrium is in A. After a tax is imposed the individual moves to B. The tax paid is AB. Then the tax is raised further still. C is the new equilibrium after the tax. DC is the total tax now paid. DE is the amount equal to the Previous tax AB. Hence CE is the additional tax raised. The welfare change is the difference between indifference curves $I_2$ and $I_3$ equal to CF (F gives the same level of utility as prior to the additional tax increases). The MCF is the welfare change divided by the revenue change ie. MCF=CF/CE. As drawn (i.e; for the backward-bending supply of Labour case), he MCF has a value less than 1. This is the modern approach.

*Graph 3. Modern approach*