

**10. Incorrect. The answer is false not true.** Taxes on pollution, pollution permits and subsidies to help to abate pollution are market oriented policies also known as 'incentive based' policies. Pollution standards, on the other hand, are a form of 'command and control' policy. The amounts of each of these policies can be seen in the figure below. A standard would be set to  $P_o$  while a tax and subsidy would be equal to  $T_o$  and  $S_o$ . If  $P_o$  marketable permits were issued the equilibrium market price would be  $MP_o$ , which is the same as the optimal subsidy or tax.

