Econ 2205   Fall 2014
Environmental Economics   R. Claycombe
                          First Exam

Write all answers in your blue book and show all work there. Return your exam in your blue book.

14 pts.
1) b) Static or simple allocative efficiency says that we should allocate resources so that MB = MC. Relate this to what markets do.
b) Dynamic efficiency has to do with the use of resources over time. Relate this to discounting and explain maximizing the PDV of net benefit.

14 pts.
2) What is cost\benefit analysis? How does it relate to resource allocation? If government is doing it, can we presume that it is unbiased?

14 pts.
3) Give an example of how imperfectly defined property rights can lead to environmental problems. Include the exclusion principle in your discussion.

16 pts.
4)

Q	P	TR	MR
1	10		
2	9		
3	8		
4	7		
5	6		

a) Copy this table on your test and fill the TR and MR values.
b) If MC is constant at 3, identify the profit maximizing quantity.
c) Is this level of output economically efficient? Why?

16 pts.
5) What is an externality? Give an example of one and a well-labeled diagram that shows its effect on the efficient allocation of resources.

10 pts.
6) Suppose that you want to make a resource last 100 years. Under what circumstances would it be best it be best to divide it up evenly over that time.

16 pts.
7) In what way is population growth a problem? Do developed and under developed countries have the same growth rates? What seems to be the explanation? And what does your answer suggest about policies that will help with sustainability?

I have neither given nor received unfair aid on this test.
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