

First Exam

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

14 pts.

1) What is meant by the “Ultimate Resource” and who wrote a book with this title? Give some evidence that this view seems correct. And, suggest a way that this idea could be wrong.

14 pts.

2) a) Draw a well-labeled supply/demand diagram and the efficient level of production assuming that there is no market failure.

b) What is meant by the efficient level of production with no market failure.

c) If production of the good creates pollution that the producer doesn’t pay for, how does this change the efficient level of production? In what ways does this situation misallocate resources.

d) Show part c in your diagram.

14 pts.

3) a) When figuring the costs and benefits of a policy, does it matter when the costs and benefits occur? Why?

b) What way is there to add up the costs and benefits of policies that involve costs and benefits over time. Give a simple example.

16 pts.

4) a) What is meant by the sustainability of a resource?

b) What do we expect markets to do that helps with the sustainability of a resource?

c) If we maximize the PDV of a scarce resource, how will that shift the use of the resource over time? And how does that help those in the future?

16 pts.

5) How do environmental problems relate to property rights? Give an example.

10 pts.

6) a) What is the Malthusian view of population growth?

b) Does it seem to apply to developed countries? Why?

c) What can we do to help underdeveloped countries?

d) How does your answer to part c relate to other problems like global warming?

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

---