

Second Exam

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

15 pts.

1) True or false, explain in terms of undiscovered and sub economic resources: "Identified reserves of most resources will last only a handful of decades, therefore the concerns of the Beyond the Limits study are of utmost importance."

17 pts.

- 2) a) Draw a well-labeled diagram that shows a price ceiling that makes a difference.
- b) What immediate problem does it create?
- c) What is the presumed motivation for the ceiling?
- d) What is the likely long run consequence of the ceiling as far as resource availability is concerned?
- e) Briefly describe an example where a price ceiling has been imposed.

17 pts.

- 3) a) The political economy of water markets may make water the most likely resource where an economy could overshoot and collapse. Explain.
- b) Draw a well-labeled diagram that shows how increasing block rates can be used to address the concern in part a.

17 pts

- 4) a) True or false, explain: "Wide spread hunger around the globe proves that Malthus was right."
- b) Draw a well-labeled diagram that shows supply and demand for food, where a much higher level of demand is met without much of a price increase.
- c) Tie the poverty problem and resource availability question into the diagram that you have in part b.

17 pts.

- 5) The owner of a forest might harvest it at any time. Might that time be sensitive to
- a) the forest's rate of growth? Why?
  - b) the interest rate? Why?
  - c) the demand for residential lots? Why?
  - d) global warming? Why?
  - e) species extinction? Why?

17 pts.

- 6) a) Draw a well-labeled diagram showing the efficient level of fishing effort.
- b) Use your diagram to show the level of effort that occurs when a common resource, such as a fisherie, is open to all who wish to use it. Do we observe this sort of resource use in unregulated markets? Explain.
- c) What sorts of regulation have been tried to make fisherie use more efficient. Relate them to your diagram.

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

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