

Second Exam

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

20 pts.

- 1) a) Were the natural gas shortages in the 1970's the beginning of resources "collapse?" Why? If not, what explains this problem? Use diagrams to illustrate the problem.
- b) What has been happening lately to natural gas supply. Describe this a little with any concerns that are associated with this change.

26 pts.

- 2) a) Is water priced efficiently? Discuss this some.
- b) Draw a well-labeled that shows a typical cost curve for water and that includes marginal user cost and the efficient price and quantity. Does your diagram suggest that the water company profit will be too high? If so, how can prices be structured to deal with this problem.
- c) Briefly describe a high cost source of water.

16 pts.

- 3) a) True or false, explain: The existence of world-wide malnutrition is ample evidence that Malthus was right. We don't have enough resources to feed ourselves.
- b) Briefly discuss the effects of GMU's on food supply.

20 pts

- 4) a) If the value of a stand of trees is \$1000 now and will be \$1200 five years from now and the discount rate (real, i.e. after inflation) is .02, do we expect the owner to let it or harvest it now?
- b) Are deforestation decisions in less developed countries based on calculations like these? If not, then what?

20 pts

- 5) Draw a well-labeled diagram that shows the efficient level of fishing. Explain what's efficient about what you show and whether a higher level of catch is possible and what it is about the typical fishery that leads to this result.

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

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