

Second Exam

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

20 pts.

- 1) Suppose we have a resource where depletion is a concern.
- Explain how the marginal user cost is important and how it effects the efficient level of use.
  - If the resource is controlled by a monopolist how does this affect the level of resource use? (A diagram would be good here.) What is the irony when it comes to judging economic efficiency and the interplay of monopoly power and resource depletion?

20pts.

- Use a supply and demand diagram to explain the efficient level of energy consumption as related to global warming and national security.
- Does the national security dimension of energy consumption seem as important as it once was? Why?

20 pts.

- Describe the property rights problem with water supply.
- Who sells water and why is it cheap?
- Where do we most fear a water shortage and what can be done about it?

20 pts

- World hunger is a problem: is it because we have a Malthusian shortage? Explain.
- True or false. GMO's are just the latest technology improving our food supply. Explain.

20 pts

- How does the discount (interest) rate affect the supply of forest products?
- If lumber is taken from public lands, is this always managed in an efficient way? Explain.

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

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