

24/3/2018



Doon University, Dehradun
Mid Semester Examination, 2018

School of Social Science
MSc Semester – 4th (Economics)
Course code – SSEI - ~~208~~ 224
Environmental Economics

Time Allowed: 2 hrs

Maximum Marks: 30

Section – A

Attempt all questions

(5x2 = 10 Marks)

1. What is environmental quality?
2. State the sources of environmental damage.
3. Explain sustainable development.
4. Explain the dilemma of free-ridership.
5. Explain market failure from the point of view of environmental problems.

Section - B

Attempt any Two questions

(2x5=10 Marks)

1. Suppose a society is at the competitive equilibrium and a policy initiative sets the price above the competitive equilibrium price. With the help of a diagram explain the effect on society's welfare.
2. Explain Coase Theorem with the help of a suitable example.
3. What are public goods? Explain its characteristics with help of suitable examples.

Section-C

Attempt any two questions

(2x5=10 marks)

1. A textile mill releases pollution into nearby wetlands, and the associated health & ecological damages are not considered in the private market. Suppose you are environmental economist working with the following marginal benefits & costs for this market, where Q is thousands of pounds & P is price per pound.

$$MPB=800-0.5Q$$

$$MPC=20+0.3Q$$

$$MEB=0$$

$$MEC=0.4Q$$

- a. Find the competitive equilibrium, Q_C & P_E .

b. Suppose the textile mill owned the rights to the wetlands & it is negotiating with a private environmental group that is willing to pay the mill to produce less output. For

the 800th unit of output, determine the range within which a payment would be

acceptable to both parties.

2. Explain the explicit relationship between economic activity and the natural environment with the help of material balance model.
3. Suppose there are two firms Laundry and Steel Mill operating and Laundry has the right to clean air. Determine the efficient amounts of laundry and steel that would be produced.