

Economics 3250
Spring 2012

Dr. Lozada
Final Exam

Do Not Turn This Page Over Until You Are So Instructed!

This exam has 50 points. There are eight questions on the exam. Most of the questions are worth 6 points, but two are worth 7 points.

Put your answers to the exam in a blue book or on blank sheets of paper.

You have two hours to take this test.

Answer the questions using as much precision and detail as the time allows. Correct answers which are unsupported by explanations will not be awarded points.

Answer all of the following eight questions.

1. **[7 points]** In class, we thoroughly discussed a graph showing that if all other markets are perfect, then imposing a tariff on the import of food is inefficient. Explain this, using the graph we drew in class (or a similar one).
2. **[6 points]** Describe the following biases of the Contingent Valuation method:
 - (a) Part-whole bias;
 - (b) Starting-point bias.
3. **[6 points]** Contrast “reserves” and “resources”—or explain why they cannot be contrasted—from:
 - (a) a “Ricardian” viewpoint;
 - (b) a “Malthusian” viewpoint.
4. **[6 points]** Discuss the relationship between this passage from Chapter 14:

“For established firms within a regulated industry, the potential benefits of what is called ‘regulatory capture’ are very strong. This ‘capture’ concept refers to the tendency for the regulator and the polluter to seek common ground and cooperation. Once captured, administrators begin to see that they need to protect existing members of an industry and, therefore, regulate it accordingly. New entrants are excluded, subsidies are offered and difficult decision are put off until prospects ‘improve.’

“The tendency of existing firms to pursue protection through regulation is known as ‘rent capture’. Rent-seeking behavior (persuading governments that subsidies, etc., are essential) tends to bias investment decisions and spawns inefficiency and further extension in regulatory capture (Young, 1992).”

and this passage from Chapter 6:

“Why Governments Fail . . . Even in democratic countries, governments may act to please a particular pressure group rather than the community as a whole.”

5. **[7 points]** Attached to this exam are the first and last pages of a *New York Times Magazine* article on fishing. Connect it to something we studied this semester.
6. **[6 points]** Discuss some reasons why the success of international negotiations to deal with “climate change” (also known as “global warming”) has been so different than the success of international negotiations to deal with the depletion of the ozone layer.
7. **[6 points]** Define “institutional weakness” and describe its environmental consequences.
8. **[6 points]** Compare and contrast the “communalist” and “deep ecology” schools of thought.