



University of Sri Jayewardenepura
Faculty of Humanities and Social Sciences

16

Economics

ECON 4165.02 – Environmental Economics

BA final year first semester end examination – August/September 2018

Time allowed: 03 hours.

Select **at least one** question from each section. Answer **five (05)** questions only.

This paper carries **75%** of the final assessment.

Part I

01. i. Briefly discuss the role of environment in the modern macroeconomic circular flow model. (07 marks)
- ii. Discuss the importance of Environmental Economics as a branch of Economics and its role in analyzing the performance of modern economies. (08 marks)
02. i. “An open access property can always be managed efficiently by transforming into a communal property.” Critically enquire. (06 marks)
- ii. Private property ownership in comparison to open access property always leads an economy to economic efficiency. Discuss using the key entitlements of a well defined private property. (09 marks)
03. i. Briefly explain the theoretical foundation of the carbon trading scheme under the Kyoto Protocol. (07 marks)
- ii. Explain how the price rationing strategies are operated as economic incentives for environmental protection. (08 marks)

04. i. What is meant by “externalities” and “internalizing externalities”? Give examples for different types of externalities.

(06 marks)

ii. “Zero environmental pollution is an efficiency standard.” Do you agree? Discuss.

(09 marks)

Part II

05. i. How can a natural resource classification be made? Demonstrate with examples.

(06 marks)

ii. Explain the conditions for optimum use of a non-renewable resource using Hotelling’s rule.

(09 marks)

06. i. “Economic rent for lands is generated as a surplus value.” Explain using the Ricardo model of land use.

(07 marks)

ii. “Von Thünen model attracts more importance with compared to Ricardo model in analyzing land use in modern economies.” Discuss.

(08 marks)

07. Discuss three (03) of the following topics briefly.

i. Public goods and market failures

ii. Information asymmetry and market failures

iii. Evaluative criteria of economic incentives for environmental protection

iv. Biologically sustainable yield of fisheries resources

v. Economic efficiency and social welfare

(5x3 marks)
