Review Session - Midterm #2

EconS 330

October 29, 2013
- Midterm #2 will be on **November 4th, 2013, at 11:10am**.
- Duration time: 50 minutes
- 6 questions
- Total points 100.
- Midterm #2 represents 15% of your total grade.
- Chapters (Tietenberg and Lewis): CH 7, 8, 9, 10, 11, 12 and 21.
- Chapter 18 (Natural Resource and Environmental Economics, Perman et al, 2003) posted on the class website.
Important Topics

- CH 7: Energy (Oil)
- Natural Gas: Price Controls
- Characteristics of price ceilings
- Energy consumption by economic sector
- Oil: The Cartel Problem
- Price Elasticity of Demand
- National Security Problem (VP)
Important Topics

- CH 8: Recyclable Resources

1. The Composition of demand effect
2. Incentives (demand and supply) and several types of costs are involved
3. The Disposal Decision: Old and new scrap
4. Efficient level or Recycling: $MC_P$, $MC_S$ and $MC_R$
5. Corrective public Policies
6. Product Durability: Types of product obsolescence
7. The market process may not work efficiently
Important Topics

- CH 9: Water

1. The efficient allocation of Scarce Water: Groundwater and Surface water
2. Overview of the various variable charge rate structures
3. Should Water Systems be privatized?
Important Topics

- CH 10: Land and CH 11: Food
  - 3 hypothetical uses of land (bid rent functions)
  - The Economic Approach to population Control
  - Two forms of the global scarcity hypothesis
  - Soil-Loss relationship (additional material)
  - The market for food (supply and demand)
  - The role of agriculture policies
Important Topics

- CH 12: Forest
  - Harvesting decision
  - Two costs which are important in the decision of forest harvesting
  - Biological dimension (AIG)
  - When to cut the forest? When the rate of growth of the forest is equal to the interest rate
  - Single rotation model
  - Infinite rotation model