

MASTER OF ARTS EXAMINATION, 2018  
2<sup>nd</sup> Year, 4<sup>th</sup> Semester (OLD)  
ECONOMICS  
Environmental Economics

Time: Two hours

Full Marks: 30

**Answer any 5 questions.**

- 1) Explain the difference between fund and stock pollutants. Consider the case of the emission of a fund pollutant which follows a trajectory in the form of an inverted U. The peak emissions correspond to a level which is above absorptive capacity. Suggest a case in which pollution is monotonically increasing with time (economic development)? Use a diagram. 6 = 2 + 4
- 2) How can pollution havens be created by trade liberalization? How can scarcity of human capital in developing countries affect the creation of pollution havens? 6 = 4 + 2
- 3) Consider a firm which is a price taker and is characterised by increasing marginal cost of production. If the operations of the firm generate an inverted U shaped marginal damage curve then illustrate the following with the help of diagrams: a) Socially optimal level of pollution equals the privately optimal level; and b) Socially optimal level of pollution equals zero. Assume that 1 unit of pollution is generated by 1 unit of output. 6 = 3 + 3
- 4) Consider a dirty good whose production generates pollution as a joint product. By making appropriate assumption show that this technology can be seen as one in which pollution is an input. 6
- 5) Explain why a system of tradable emission permits is superior to an emission charge. 6
- 6) Identify the simplifying assumptions in Coase Theorem which will surely not hold in real life. What measure can then be taken so that this theorem does not lose its bite? 6