

PCP Environmental Economic  
Theory  
Eiji HOSODA

Midterm Exam

27 November 2018

1. Explain the following words.

(1) Equi-marginal principle. (Suggested time: 7 minutes.)

- Lecture note 1: pp. 34~36, lecture note 3: pp. 27~29.

(2) Travel cost approach. (Suggested time: 7 minutes.)

- Lecture note 5: pp. 34~35.

2. Answer the following questions on public goods.

(1) Explain how public goods are defined.

(Suggested time 5 minutes.)

- Lecture note 2: pp. 37.

(2) Explain how the optimal supply of public goods is obtained, by means of a figure. (Suggested time: 10 minutes.)

- Lecture note 2: pp. 39~40.

3. Suppose that the government is trying to control pollution, considering the damage costs as well as the abatement costs. Explain how the optimal policy is deduced, by means of a figure or mathematics. (Suggested time: 15 minutes.)

- Lecture note 3: pp. 31~33.

4. Suppose that the government imposes carbon tax on firms which emit CO<sub>2</sub>. How is the tax shifted to consumers? Explain by means of figures.

- Lecture note 6: pp. 32~34.