

**UNIVERSITY OF KABIANGA**

**UNIVERSITY EXAMINATIONS**

**2014/2015 ACADEMIC YEAR**

**THIRD YEAR SECOND SEMESTER EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF ARTS (ECONOMICS)**

**COURSE CODE: *ECO 319***

**COURSE TITLE: ENVIRONMENTAL ECONOMICS**

**INSTRUCTIONS:**

ANSWER QUESTION **ONE** AND ANY OTHER **THREE** QUESTIONS

**QUESTION ONE**

1. Define the term environmental economics. (2 marks)
2. Briefly explain THREE ways in which the society uses the environment. (9 marks)
3. I). Define the term Pareto Optimality. (2 marks)

Ii). Explain THREE criteria that have to be met for a market equilibrium to result in Pareto Optimality. (9 marks)

1. Highlight THREE techniques of evaluating impacts of environmental impacts. (3 marks)

**QUESTION TWO**

1. Define the term “externalities” (2 marks)
2. Distinguish between positive and negative externalities. Give an example of each. (4 marks)
3. I) with the help of an example, briefly explain how the presence of a positive externality may cause inefficiency in a competitive market economy. (4 marks)

II) Explain how a corrective subsidy may be used to internalize a positive externality in an economy. (5 marks)

**QUESTION THREE**

1. Public goods are characterized by as non-exclusive and non-rival. Define the two terms. (4 marks)
2. Briefly explain why natural environment may be defined as a public good. (3 marks)
3. With the help of well labelled diagrams, explain why private tend to supply less amount of public goods than the efficient level. (4 marks)
4. Highlight FOUR reasons why there is need for a special course in environmental economics. (4 marks)

**QUESTION FOUR**

1. Briefly explain THREE common causes of environmental pollution. (6 marks)
2. Suppose firm A is a coal-fired plant and we want to make sure that its emission into the air are limited as possible. As a policy maker, how do we do this? (4 marks)
3. Highlight FIVE criteria for evaluating the policy options stated in (b) above. (5 marks)

**QUESTION FIVE**

1. Explain any FIVE types of pollutants. (10 marks)
2. Illustrate how the trade-off between economic goods and environmental quality can be undertaken as an environmental economic advisor to your county government. (5 marks)