

MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2017/2018 ACADEMIC YEAR**

**THIRD YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BACHELOR OF ARTS (ECONOMICS)**

**COURSE CODE: ECO 319**

**COURSE TITLE:** **ENVIRONMENTAL ECONOMICS**

**DATE: 21ST AUGUST 2018 TIME: 2.30 – 4.30 PM**

**INSTRUCTIONS TO CANDIDATES**

Answer Question **ONE** and any other **THREE** questions

*This paper consists of* ***3*** *printed pages. Please turn over.*

**QUESTION ONE**

1. Explain why the dynamic nature of the following concepts is considered important in their application to natural resource management:
2. Scarcity; **(4 marks)**
3. Reserves; **(4 marks)**
4. Conservation. **(4 marks)**
5. State the law of demand and give three reasons to explain the downward slopping nature of demand curve. **(4 marks)**
6. Describe the various reasons why it might be difficult for government interventions to perfectly resolve positive and negative externalities. **(4 marks)**
7. Suppose there is a groundwater basin that is being drawn from faster than it is being recharged from its aquifer, resulting in dropping water tables in the area. Explain the different ways that people improve this situation.**(5 marks)**

**QUESTION TWO**

1. Discuss briefly the Neoclassical perspective of human economy and natural environment (anthropocentric relationship); how different is it from the ecological perspective (biocentric relationship)? **(10marks)**
2. Discuss five economic assumptions about resources. **(5 marks)**

**QUESTION THREE**

1. Illustrate using a schematic view of how the human economy depends on the natural environment for factors of production, disposal of waste and consumption of amenities. **(7 marks)**
2. Are the following activities sustainable: Explain
3. imposing a tax on the sale of petroleum products and using the tax revenue to develop a substitute source of energy; **(4 marks)**
4. harvesting timber at a rate that exceeds new tree planting and natural regrowth. **(4 marks)**

**QUESTION FOUR**

1. A perfectly competitive markets system may not necessarily result to an efficient allocation of society’s resources. Explain. **(7 marks)**
2. Discuss the causes of market failure in environmental economics. **(8 marks)**

**QUESTION FIVE**

1. Many developing countries desire to achieve the same standard of living as developed counties. Several economists hold the view that there are not enough natural resources in the world for developing counties to achieve the same per capita use of resources as that of developed countries. Discuss ways in which this apparent conflict can be resolved. **(10 marks)**
2. Discuss the characteristics of efficient property rights and show how they can enhance agricultural development. **(5 marks)**

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