

## Quiz 2

(5 points)

Time: 22 September 2021 at 15:00-15:30 (30 minutes)

There are 2 questions. You need to answer all two questions. Please **submit** your answers in a PDF file with a file name "Quiz2\_StudentID\_FirstName Surname" via BE Moodle class before **15:40**.

Write a paragraph to answer two questions below:

**Question 1: What are the problems in water resource management?** (2.5 points)

**Question 2: What could be a source of inefficient allocation of land?** (2.5 points)

- 1) The first problem is water scarcity. Water scarcity simply means that water is fresh water is limited. There are 2 sources of water: 1) Surface water and 2) Groundwater. The second problem is the access to clean water. Example of this is the drinking water. This problem also arises the demand for water. Clean water demand increases which makes the water price increase. The water price will keep on increasing until the point where water is exhausted meaning that pumping of groundwater would when there are no more water or MC of pumping  $>$  Marginal Benefit. This will occur some problem since water will be exhausted. This is when  $MC = MB$ .
- 2) A source of inefficient allocation of land could be sprawl and leapfrogging, which basically means that land are inefficiently dispersed or distributed over a wide area. Public infrastructure could also raise problems. The problem will be related to the pricing of public services. Incompatible land-use may also be a problem since allocation that maximising net benefit may only benefit the owner but not the society as a whole. This source of inefficiency could also create negative externalities to the society for instance, house near the airport  $\Rightarrow$  loud noise will be the cause. Free-rider will also be a source of inefficiency since they will only be getting the benefit without paying making the owner not able to pay for the perceived land. Also the "first come first serve" this could make use of the land wrongly with that person.