

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

There are several source management

a.) Restriction on transfers.

This sector focus on transferability of the right. And for lower benefit would trade to who receive higher benefit

b.) Subsidies and agricultural water pricing

Some subsidies and lead to negative net benefit

c.) Municipal and industrial water pricing

The price charged by water distribution utility do not promote efficiency. The water is an essential commodity. The price should not too low because the excessive demand will occur.

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

Poorly specified property right, market power and externalities.

Insecure property right:

Some property right of land still have an inefficiency allocation. It can determined by first-come, first served. Which they do not pay the cost. And they do not have actually hold the right to land.

Also it can create an opportunity cost, as the land could be more socially valuable.