

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)

Q.1) The problems that arise from inefficiently managing water resources are mainly derived from the problems of water sources and how the water is being distributed in our system. Firstly, people have faced water shortage ever since the emerging of water supply infrastructure. There are two main bodies of water consumption; one is surface water, and another is the depletable groundwater. Secondly, the demand of water is continuously rising as our economy expands. The level of dependence on water might be different, but it is clear that the accessibility of each sector to water is also another problem. This brings to the third problem which is lack of clean water. The reason is mainly derived from the rising amount of pollution that affects many bodies of water. Another aspect is that the way authorities manage the water leads to following issues: wrong incentivized use of water, underestimation of water usage, and capitalized regulations (ignoring the social cost of water.)

Q.2) Even though there are methods (such as bid-rent functions or land conversion) that use market value to allocate land use, problems still emerge from market or social inefficiencies. One of those sources of problem could be underestimation of environment. This refers to when the landowner weights the economic benefit over environmental and social benefits. For instance, the landowner might own a piece of land in the local area where community uses it for playground or leisure, and using it as a green area. However, the landowner might sell it for residential purpose or industrial purpose as he/she views the monetary benefit over social benefit.