EE375 Applied Economics for Natural Resources and Environment
Semester 1/2021 (August 9 - November 27, 2021)
Instructor: Dr. Supawan Saelim

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. There are 4 potential problems related to water resource management. The first one is water scarcity which is physical shortage or access of water as a result of related organisation failing to ensure regulalar supply or not having enough infrastructure. Moreover, rapidly increasing urbanisation put pressure on water resource near them so the problem is worsen. Secondly, access to clean water is a problem as well. This includes accessability to clean drinking water and water stress which is a ratio between total fresh water used and all available freshwater resource. Thirdly, demand of water for energy is skyrocketing which is beyond what is predicted. Lastly, water quality is another problem because polluted water could lead to rise in problem of limited drinking water supply.

2. Market problems could be a source of inefficient allocation of land. This is poorly determined property righs, market powers and externalities. This includes insecure property rights which is an informal or not existing property right, instead, ownership of land base on first come - first served principle. It means that the occupiers do not have to respond for any cost as they do not hold any right to the land they occupied. Moreover, low-valued uses could dominate high-valued use by default. Secondly, undervaluing environmental amenities is when positive externalities (benefit) may be undervalued by the owner as benefits are not accrued especially to them so the owners might choose new allocation that is not the highest-value. Lastly, incompatible land use is when cost of negative externalities is not acurved exclusively to the owner so it is ignored.

Other potential sources are public sector problems such as inefficient tax and user fee structures and government failure such as public policies that might bias land-use allocations

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