

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 problems in water resource management is sources of inefficiency that include 3 main problems. The first one is Restrictions on Transfers, Second one is subsidies and agricultural water pricing, and the last one is Municipal and industrial water pricing.

The restriction on Transfers can be a direct result of the transferability of the rights. One of earliest restriction required users to fully exercise their water property rights or else they would lose them is Beneficial use. And a restriction establishes a value hierarchy of uses is preferential use.

The subsidies and agricultural water pricing, for example, the subsidies to irrigated agriculture project in the Westlands Water District.

The municipal and industrial water pricing is the prices charged by water distribution utilities do not promote efficiency.

②. The sources of inefficient allocation of land are insecure property rights, Undervaluing environmental amenities, and Incompatible land uses.

insecure property rights

In developing countries, the property rights to land are either informal. So, land uses can be determined by first-come, first-served basis. And the results in the opportunity costs associated with other potential use of land that can be more socially valuable. And the potential remedies establish property rights to mitigate or avoid the problem of over-exploitation.

Undervaluing environmental amenities

It is positive externalities and the potential remedies direct protection of those land by regulations such as the preservation of wetlands. For example a large farm that has beautiful views for neighbors.

Incompatible land uses

It is the cost of negative externalities, so the private net marginal cost is lower than the social net marginal cost. And the potential remedies zoning and setting standards for all properties.