

## 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)

Q1: water scarcity; water should access to everybody!

problems in water resource management

- restrictions on transfers

↳ with lower marginal net benefits would trade their rights to those with higher marginal net benefits.

- subsidies and agricultural water pricing

- municipal and industrial water pricing

↳ because water need to access to everybody (necessity)

so, pricing are usually cheap.

↳ the marginal scarcity → excessive demand for water.

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Q2; undervaluing environmental amenities could be a source of inefficient allocation of land!

if you are owner of beautiful farm, then its may be beautiful view for neighbors if your neighbors get benefits from beautiful view but they didn't pay for it. Owner of the farm may see the other opportunities that create more benefits.

They may sell the land in order to build house.  
owner of farm don't want to carry cost alone!