

2023

ECONOMICS — HONOURS

Paper : DSE-B(2)-1

(Environmental Economics)

Full Marks : 65

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Group - A

1. Answer *any ten* questions :

2×10

- (a) How does economics relate to environmental issues?
- (b) What are the major rules to attain Sustainable Development?
- (c) What is Dynamic Efficiency?
- (d) What is Ambient Permit System?
- (e) What is Hydrological Cycle?
- (f) What is Cap-and-Trade programme?
- (g) What is the Environmental Kuznet Curve?
- (h) What is Market failure?
- (i) What is Carbon Offsetting?
- (j) What is 'Displacement Hypothesis'?
- (k) What is global warming and its effects?
- (l) Do Pigouvian Taxes create deadweight loss?
- (m) Is the optimal level of pollution zero?
- (n) What is the basic difference between direct and indirect methods of environmental valuation?
- (o) What is 'Contingent Valuation Method'?

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Group - B

Answer *any three* questions.

2. What do you see as the greatest specific cost and benefit of globalization in the context of Environment? 5
3. Using demand-supply framework, explain how government can internalize the positive and negative externalities through taxes and subsidies. 5

Please Turn Over

4. Discuss Pareto optimality and explain how is it related to welfare maximization. 5
5. Discuss the ethical implications of Transboundary Pollution, Pollution Havens, and international Environmental Agreements. 5
6. Briefly explain Hedonic Pricing Method and mention two limitations. 3+2

Group - C

Answer *any three* questions.

7. (a) What is 'Property Rights'? (b) Explain COASE theorem graphically. (c) What are the policy significance of COASE theorem? 2+6+2
8. (a) Assume an economy of two firms and two consumers. The two firms pollute. Firm one and Firm two have marginal savings function as $MS_1(e) = 5 - e$ and $MS_2 = 8 - 2e$ respectively, where e is the quantity of emissions from each firm. Each of the two consumers has marginal damage function as $MD(e) = e$, where e is the total amount of emissions the consumer is exposed to.
 - (i) Find optimal level of pollution
 - (ii) Find appropriate Pigovian fees, and
 - (iii) Find emissions from each firm.
 (b) Examine and compare the long run effects of 'Taxes vs. Subsidies' approach to control environmental degradation. (2+2+1)+5
9. Do economic growth and sound environmental policy necessarily conflict? Identify some areas where a choice must be made between economic growth and environmental preservation and others where the two are compatible. 3+7
10. Will internalizing a negative externality result in the elimination of all environmental damage? Why or why not? 5+5
11. Compare and contrast Hedonic Price Method (HPM) and Travel Cost Method (TCM) of environmental valuation with their respective strengths, weaknesses, opportunities and challenges. 5+5

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