

Worksheet 1, October 11, 2016

Environmental Economics in the Central European Context

I advise you to work through the following problems /questions well and as a group (make sure though that no one is free-riding); it's the ticket to performing reasonably well on the exams. Number of points indicates the expected scope of the answer (should roughly correspond to time in minutes).

1. **[10 points]** Which is, in your opinion, the greatest challenge for current environmental policy? Explain.
2. **[10 points]** What is externality? Provide an example (preferably environmental) and discuss. Can you think of a way how to correct for externality in your example?
3. **[10 points]** What are the main attributes of public good? Using an example, explain how and why a free rider problem can naturally arise. Can you think of solution?
4. **[10 points]** "The rational man finds that his share of the cost of the wastes he discharges into the commons is less than the cost of purifying his wastes before releasing them. Since this is true for everyone we are locked into a system of "fouling our own nest." (Hardin, p. 1245) Discuss.
5. **[5 points]** Solve Problem 1 from Schotter's textbook, 2nd edition, p. 585 (in the 3rd edition it is Problem 1 on p. 651).