

### **Problem Set #1**

*Due Friday, February 27 to TA at 9 am.*

This problem set is an effort to encourage you to review the intermediate microeconomics concepts and tools that are used to evaluate environmental problems from an economic perspective. Many of these concepts will be utilized throughout the remainder of the semester. Feel free to work cooperatively but each person is required to turn in their own problem set that provides the solutions in their own words. The answer key will be passed out at the Recitation at 9 am on Friday, February 27. Consequently, late problem sets will not be accepted.

- 1) Kolstad, Chapter 3, #1, #2, #3
- 2) Kolstad, Chapter 4, #4, #5, #6
- 3) Kolstad, Chapter 5, #1, #2, #5
- 4) Kolstad, Chapter 6, #2, #5, #7
- 5) Using the supplemental readings (e.g., Chapters 13-15 of the EESR Reader), discuss 3 criticisms of the Cost-Benefit approach to making choices about environmental problems. Feel free to use examples (e.g., the global climate change problem) to illustrate the three points. Now critique each of these criticisms from the perspective of neo-classical economics. Do you find the critiques or the criticisms of the critiques more convincing? Why?