

EASTERN UNIVERSITY, SRI LANKA
FIRST YEAR SECOND SEMESTER EXAMINATION IN AGRICULTURE- 2015
EC: 1201 NATURAL RESOURCE ECONOMICS

Answer All questions

Time: 2 Hours

1. a. What are Resources and how will you differentiate it from a Non- resource?
- b. Explain the term "Flow Resource" using an example.
- c. "Resources are multi attribute and have different dimensions". Explain this statement using an example.

(30 Marks)

2. a. Graphically illustrate the "Schaefer Model" of fisheries.
- b. In the typical economic model of an efficient fishery, would a fall in the price of fish generally result in a larger or a smaller sustainable harvest? Explain briefly.

(20 Marks)

- a. What do you understand by the term "Externalities" and graphically illustrate the Negative production and Positive consumption externalities.
- b. Consider the market for education. The marginal social cost of education (MSC) and the marginal private benefit of education (MPB) are given by the following equations where Q is the number of units of education provided per year.

$$MSC = 10 + Q$$

$$MPB = 100 - Q$$

You are also told that each unit of education provides an external benefit to society of Rs.10 per unit. This external benefit is currently not being internalized in the market.

- i. Given the MSC and MPB curves, what is the current number of education units produced by the market?
- ii. Is the current level of market production for education the socially optimal amount of education? Explain your answer.

(30 marks)

4. Write **Short Notes** on the following.
- a. Efficient allocation of surface water
 - b. Economics of forest harvesting

(20 Marks)