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

Answer All questions

Time: 2 Hours

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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)

3. 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 being produced by the market?

ii. Is the current level of market production for education the socially optimal amount of education? Explain your answer.

(30 arks)

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

(20 Marks)