

THE OPEN UNIVERSITY OF SRI LANKA
POST GRADUATE DIPLOMA IN ENVIRONMENTAL SCIENCE
LEVEL 6-2012/2013
FINAL EXAMINATION -2013
NEP 1202 - ENVIRONMENTAL ECONOMICS AND MANAGEMENT
DURATION- THREE (03) HOURS



Date: 29.06.2013

Time: 9.30 a.m. - 12.30 p.m.

Answer five (05) questions only.

1. i. "What is the problem of the thinking "what to produce"? (5 marks)
- ii. Define "production possibility frontier". (5 marks)
- iii. The agricultural ministry of the provincial council decides to open up a part of the forest reserves in a bid to reduce unemployment and increase agricultural productions. How can this situation be explained using the production possibilities frontier? Use hypothetical data to show the trade off and its environmental implications. (10 marks)
2. i. Define the law of demand. (5 marks)
- ii. When would a consumer buy more at the same price? (7 marks)
- iii. "Market equilibrium is determined by the simultaneous forces of supply and demand" Explain. Support your answer with a graphical model (8 marks)
3. i. Use economic analysis to explain on the following statement: "An externality is a third party effect associated with either production or consumption of a good." (10 marks)
- ii. "Market failure is the underlying rationale of Environmental Economics" Evaluate. (10 marks)
4. i. Distinguish between Malthusian and Ricardian economic approaches to scarcity in natural resources. (10 marks)
- ii. J. S. Mill (1808-1873) admitted the view that 'economics progress must be conceived as a race between technical change and diminishing returns in agriculture' Explain. (10 marks)
5. One of the strengths of the Contingent Valuation Method (CVM) is its ability to capture existence environmental value. How can a researcher take advantage of this, yet avoid some of the biases associated with such a survey-based approach? (20 marks)

6. Use economic analysis to explain on the following statement: “The severity of land degradation is one of the major environmental problems in Sri Lanka” (20 marks)
7. Briefly, explain the market-based instruments available to influence environmental pollution. (20 marks)
8. Write short notes on any two (02) of the following. (20 marks)
 - i. The second law of Thermodynamics
 - ii. Travel cost method
 - iii. Renewable resources and non- renewable resources
 - iv. The criteria used in Cost Benefit Analysis (CBA)

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