

Chapter 01 What Is Environmental Economics?

Multiple Choice Questions

1. A(n) _____ in the economic world is something that leads people to channel their production and consumption efforts in a specific direction.

- A. moral obligation
- B. economic incentive**
- C. property right
- D. ethical motive

Difficulty: Easy.

2. Any economic system will produce destructive environmental impacts if the _____ within the system are not structured to avoid them.

- A. ethics
- B. prices
- C. property rights
- D. incentives**

Difficulty: Easy.

3. An economy that has the ability to allow the level of people's well-being to rise or at least remain constant over time is _____.

- A. sustainable**
- B. equitable
- C. self-perpetuating
- D. efficient

Difficulty: Easy

4. People make the decision to pollute or not based on _____.

- A. incentives
- B. social institutions
- C. economic institutions
- D. all of the above**

Difficulty: Easy

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5. _____ organizations are more likely to respond to incentives that encourage pollution.
- A. For profit
 - B. Not for profit
 - C. Government
 - D.** All organizations are equally likely polluters

Difficulty: Easy

6. Positive economics is the study of _____.
- A. what will be
 - B.** what is
 - C. beneficial economic outcomes
 - D. economic outcomes that are most likely

Difficulty: Easy.

7. _____ would include a study of what the economic penalties for water pollution should be.
- A.** Normative economics
 - B. Legal economics
 - C. Judicial economics
 - D. Market economics

Difficulty: Easy.

8. _____ organizations are more likely to respond to incentives that discourage pollution.
- A. For profit
 - B. Not for profit
 - C. Government
 - D.** All of the above

Difficulty: Easy.

9. The economic approach to issues of the environment can be directly contrasted with the _____, while the former relies on analytic models and incentives to explain environmental quality the latter interprets environmental degradation as a result of _____.
- A. analytic approach; negative externality
 - B. direct approach; indirect policy
 - C. moral approach; unethical behavior**
 - D. positive approach; opportunity cost

Difficulty: Moderate

10. Pollution control costs today probably equate to
- A. 1% to 2% of US GDP.**
 - B. 20-25% of the US GDP.
 - C. the state of Iowa's domestic production..
 - D. the amount spent on US healthcare..

Difficulty: Easy

11. The technical name for the PAYT (pay as you throw) waste disposal program implemented in southern Maine communities, that charged a set price for each bag of trash is _____.
- A. municipal incentive
 - B. ineffective policy
 - C. flat fee
 - D. unit pricing**

Difficulty: Easy.

12. Command and control policies refer to
- A. communist government approaches to pollution control.
 - B. regulations and laws that directly/indirectly specify pollution control technology.**
 - C. tax and spend pollution policy.
 - D. regulation of pollution by the US military.

Difficulty: Easy

13. Examples of incentive based programs include all but _____.
- A. emissions charges
 - B. emissions taxes
 - C. command and control programs**
 - D. market-based trading programs

Difficulty: Moderate

14. Perverse incentives _____.
- A. are financial incentives aimed at minors
 - B. are incentives that only affect those who do not pollute
 - C. are flat fee incentives that disproportionately affect the poor
 - D. work against the overall objectives of a policy**

Difficulty: Easy.

15. Which of the following environmental policy issues would be considered a macroeconomic concern?
- A. Potential tradeoffs between environmental protection and GDP growth**
 - B. Wage rates in envirotech industries
 - C. Federal policy that regulates the oil industry
 - D. Federal policy that regulates the energy industry

Difficulty: Moderate.

16. Environmental policies have triggered all of the following macroeconomic concerns except:
- A. stricter environmental policies retard economic growth
 - B. stricter environmental policies are associated with socialism**
 - C. stricter environmental policies reduce employment
 - D. higher economic growth rates are associated with environmental degradation

Difficulty: Moderate

17. While the private sector may judge the effectiveness of environmental policy through the analysis of its effect on their _____, the public sector judges the impact of environmental policy through _____.
- A. employees; elections
 - B. benefit-cost analysis; non-profit statement
 - C. advertising; congress
 - D. profit-and-loss statement; benefit-cost analysis**

Difficulty: Moderate

18. Benefit-cost studies are often associated with political struggles with environmental groups typically emphasizing

- A. democratic principles.
- B. the benefits of environmental programs and policies.**
- C. the reduced costs associated with environmental programs and policies.
- D. the electability of politicians who are pro-environment.

Difficulty: Moderate

19. The benefits of environmental improvement are typically_____.

- A. easy to evaluate, but costs are not
- B. accrued to individuals and not society
- C. nonmarket in nature**
- D. openly traded in the market

Difficulty: Moderate

20. Globalization is a term used to refer to the changes taking place in the world economy, including all of the following except:

- A. trade among nations.
- B. multinational firms and conglomerates.
- C. privatization of economic institutions.
- D. all of the above.**

Difficulty: Easy

21. Many environmental issues are local or regional; however, some are international or global in scope. An example of a global environmental issue is _____.

- A. destruction of the stratospheric zone
- B. greenhouse gases
- C. global warming
- D. all of the above**

Difficulty: Easy

22. The fact that environmental policy is subject to politics means_____.

- A. efficiency issues must be ignored
- B. economists must work to increase voter turnout
- C. economists must deal with distribution questions**
- D. environmental economics has little influence on which policy is implemented

Difficulty: Moderate

23. One of the most persuasive arguments that the profit motive is not solely the cause of pollution is _____.

- A. the success of not-for-profit envirotech companies
- B. the environmental destruction experienced in countries with Communist regimes**
- C. the stock value of solar energy firms
- D. the popularity of environmentally friendly household cleaners

Difficulty: Moderate

24. Environmental economics is the application of the principles of economics to the study of the use of environmental resources. As such, it draws mostly from the field of _____.

- A. microeconomics**
- B. environmental science
- C. operations research and supply chain management
- D. macroeconomics

Difficulty: Easy

25. Economics is the study of how and why individuals and groups make decisions about the use and distribution of _____.

- A. money
- B. time
- C. human and non-human resources**
- D. capital

Difficulty: Easy

26. All of the following are difficulties with relying on moral reawakening to combat pollution control problems, except:

- A. moral rebuilding takes a long time.
- B. the separation of church and state prevents moral influence in policy.**
- C. pollution problems compete for resources with other moral issues (poverty, housing, etc.).
- D. people do not pollute because they are morally underdeveloped.

Difficulty: Moderate

27. In 2005, US expenditures to control pollution cost approximately \$130 billion, causing former director of the EPA, William Reilly to state

- A. "at this level of expenditure, there's a very large obligation to get it right."**
- B. "the US can no longer afford pollution control."
- C. "private firms that pollute must reimburse the public for these expenses."
- D. "the mission of the EPA is to reduce the cost of pollution control."

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Difficulty: Easy

28. Microeconomic topics and studies would include

- A. changes in GDP.
- B. rates of inflation.
- C. wage rates in the energy industry.**
- D. the unemployment rate.

Difficulty: Easy

29. A cost effective policy regarding CO₂ emissions would ensure

- A. the highest benefit cost ratio.
- B. the largest emission reduction for the resources spent.**
- C. the greatest amount of utility per capita.
- D. that each pollution source reduced their emissions by the same percentage amount.

Difficulty: Moderate

30. Pollution control policies are of special importance to underdeveloped countries. Many have embraced _____ policy approaches along with heavy reliance on _____.

- A. market based; US regulatory leadership
- B. international trade; renewable energy sources
- C. international; the legal system
- D. command and control; voluntary pollution control**

Difficulty: Moderate

31. Emissions charges are

- A. also called emissions taxes**
- B. a form of command-and-control policy
- C. the same as fines for pollution
- D. all the above

32. The inverted-U model, comparing GDP per capita to environmental degradation, shows greatest environmental degradation occurring with

- A. pre-industrial economies
- B. industrial economies**
- C. post-industrial economies
- D. none of the above

33. The influence of economists on environmental issues over the last decade has

- A. increased
- B. decreased
- C. not changed
- D. cannot be determined

34. Economics is a study of

- A. people's behavior
- B. resource scarcity
- C. decision making
- D. all the above

35. Economists believe people pollute because

- A. people don't care
- B. people have too many options for their time
- C. governments are filled with corruption
- D. pollution is the cheapest waste disposal method of waste products