KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2007/2008

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF ENVIRONMENTAL

ECD 402: ENVIRONMENTAL ECONOMICS AND COMMUNITY DEVELOPMENT

DATE: Wednesday 11th June, 2008 **TIME:** 8.00 – 10.00 a.m.

INSTRUCTIONS:

Answer question ONE and any other TWO questions.

Q. 1 Clearly distinguish the following sets of terminologies:

(i) Inductive and deductive methods of studying economics.

(ii) Accounting profits and economic profits.

(iii) Isocost line and Isoquant

(iv) Gross national products and gross domestic product.

(v) Social costs and private costs

(vi) Intermediate good and final good.

(vii) Monopoly and monopsony

(viii) Extractive and amenity resources

(ix) Community-based development and sustainable development.

(x) Microeconomics and macroeconomics. [30 marks]

Q. 2 (a) Given X is a traded commodity with normal demand and supply curves. Suppose that the government levies a quantity tax on X. With the aid of a well-labelled diagram explain how the tax affects the quantity, price and profitability of good X in the market.

[10 marks]

(b) It is widely acknowledged that most of the problems afflicting the environment are as a result of its exploitation as an economic resource. With relevant examples, explain some of the economic responses to these problems of environmental exploitation. [10 marks]

Q. 3 (a) Most environmental degradation in Kenya is caused by manufacturing firms. Do you agree with this statement? Explain your answer in detail. [10 marks]

(b) Using relevant examples, discuss government taxation as a tool for environmental conservation. [10 marks]

Q. 4 (a) Outline and briefly explain four goals of macroeconomic policy. [8 marks]

(b) Write short notes on cost benefit analysis as a tool of environmental valuation. Highlight its strengths and weaknesses. [12 marks]

Q. 5 (a) Part of the problem affecting management of environmental resources is poor pricing. Outline and briefly explain the challenges of assigning a price to environmental resources [10 marks]

(b) Outline and briefly explain five principles of a good tax system. [10 marks]