**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*

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.”

*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