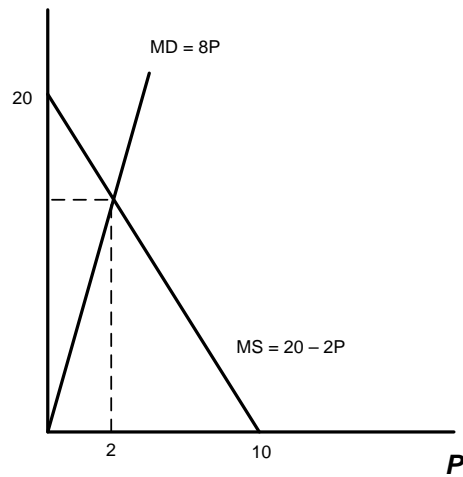


Kolstad Answer Key Fall 2012

Question 5

(a) $MD^T = 8P$



(b)

(c) $P = 10, P^* = 2$

(d) $MWTP^T = 80 - 8A$ $MC(A) = 2A$

(e) $A^* = 8$

Q 6: If we aggregate (vertically) the Marginal Willingness to pay, the optimal amount of reduction is 5. If each region prices independent of the other, then OECD reduces 3 and the Rest reduce 1 for a total of 4

