

**ECON 460**  
**Midterm exam Preparation**

Midterm exam will be on November 5<sup>th</sup> 2010

The exam will cover the lecture materials, readings and homework assignment.

The format of the exam will be as follows:

1. A few short answer questions that covers the basic material of the textbook
2. A set of problems to solve that are based on the homework assigned and any numerical examples covered in the lecture.
3. There will be one essay style question

Tips: Make sure you can sum individual functions (Willingness to pay, Marginal cost, Marginal Savings, Marginal Damages, supply and demand, etc) both HORIZONTALLY and VERTICALLY (depending if private or public good)

Know how to calculate Total Abatement Costs and Total Damages from areas under relevant curves.

**Essay Question:**

It is a type of literature review. The papers are:

**On Marketable Air-Pollution Permits: The Case for a System of Pollution Offsets** by KRUPNICK, OATES AND VANDEVERG

**Marketable Permits for the Prevention of Environmental Deterioration** by MCGARTLAND AND OATES

**Preparation:**

1. Describe the basic model common to both papers
2. Explain the contribution of the first paper. In other words, what is its social contribution? What problem does it address? What are the limitations of their work?
3. What is the contribution of the second paper? What issue is it trying to address that is not found in the first paper?