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[2] Cost exceeds willingness to Pay by the three. (a) Pareto fails both options. (b) Majority would vote no for A and yes for B, (c) Side payments would be too big to meet Pareto improvement.

[5]

Kayaking	K
Dodos	D
Hiking	H

		Boris	Maggie	William
	FIRST	H	D	K
	SECOND	K	H	D
	THIRD	D	K	H

		Boris	Maggie	William		K	D	H	
	K v D	K	D	K		2	1	-	K WINS
	D v H	H	D	D		-	2	1	D WINS
	K v H	H	H	K		1	-	2	H WINS

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Demand Q = 50 − P or P = 50 − Q

MC = 10   MEC = 15   MSC = 25

a) Competitive, ignore externality P = 10 Q = 40,
b) Monopoly Q = 20, P = 30
c)   Competitive: CS = 800 PS = 0   TD = 15*40 = 600   NET: 200
              Monopoly   CS = 200 PS = 400,   TD = 300   NET: 200 + 400 − 300 = 300
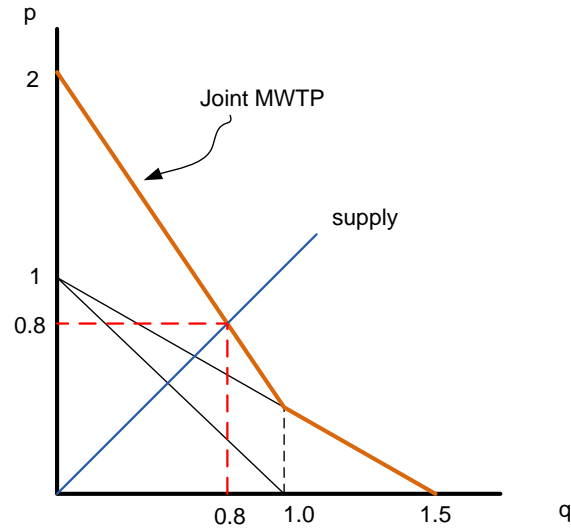
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Public good: sum demands vertically

$qH = 1 - P$ and $qM = 2 - 2P$ or

$p = 1 - q$ and $p = 1 - 1/2q$

Sum MWTP: $P = 2 - 1.5q$

MC: $P = q$ (supply)

Substitution: $P = 2 - 1.5P$ => $2.5P = 2$, => $P = 0.8$ and $q = 0.8$

#5,

    (a) $MD^T = 8P$

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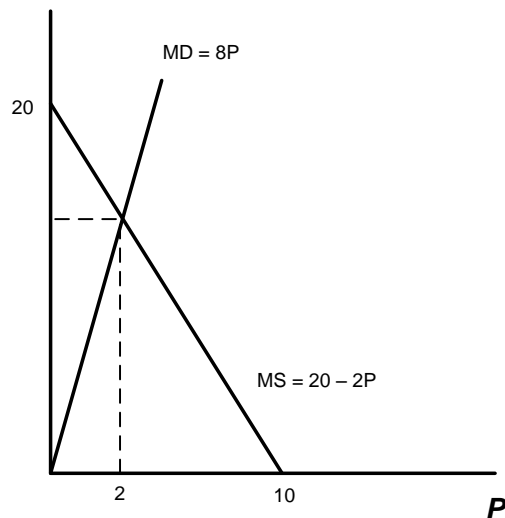
    (c) $P = 10$, $P^* = 2$

    (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