# Ecological Economics and Resource Valuation

Economics · Answer Key · 10 Questions

**1. Which economic concept describes the decline in value of a natural resource, such as a fishery, due to uncoordinated harvesting by multiple independent actors?**

A) The Gini Coefficient
**B) The Tragedy of the Commons**
C) The Paradox of Thrift
D) The Jevons Paradox

**2. What is the formal economic term for the benefit provided by ecosystem services, such as bees pollinating agricultural crops, which is not captured in market prices?**

A) Negative Externality
B) Capital Appreciation
**C) Positive Externality**
D) Opportunity Cost

**3. In environmental economics, what is the 'Hotelling Rule' intended to determine for non-renewable natural resources?**

**A) The optimal rate of extraction over time**
B) The maximum sustainable yield
C) The cost of waste disposal
D) The tax rate on carbon emissions

**4. Which international agreement established the first market-based mechanism for trading carbon emission permits to address climate change?**

A) The Montreal Protocol
**B) The Kyoto Protocol**
C) The Ramsar Convention
D) The CITES Treaty

**5. What term refers to the economic value assigned to the preservation of a species for the sake of future generations, regardless of direct use?**

A) Option Value
**B) Bequest Value**
C) Existence Value
D) Replacement Cost

**6. The 'Jevons Paradox' observes that technological improvements in energy efficiency often lead to what outcome?**

A) A decrease in total resource consumption
**B) An increase in total resource consumption**
C) No change in resource consumption
D) An immediate market crash

**7. In natural resource management, what does 'Maximum Sustainable Yield' (MSY) represent?**

**A) The highest level of extraction that does not reduce the population's ability to renew**
B) The total extinction point of a species
C) The market price of a resource at peak scarcity
D) The maximum profit from a protected area

**8. Which economic measure is often criticized for failing to account for the depreciation of natural capital, such as the loss of topsoil or deforestation?**

**A) Gross Domestic Product**
B) Consumer Price Index
C) Purchasing Power Parity
D) The Big Mac Index

**9. What does the 'Kuznets Curve' in environmental economics suggest about the relationship between economic growth and environmental degradation?**

A) Degradation increases indefinitely with growth
B) Degradation decreases immediately as growth starts
**C) Degradation initially increases then decreases as an economy matures**
D) There is no relationship between growth and degradation

**10. Which type of economic policy instrument involves the government setting a limit on total pollution and allowing firms to trade the right to pollute?**

A) Command and Control
**B) Cap and Trade**
C) Subsidy Allocation
D) Direct Price Ceiling