

Problem Set #5

Due Friday, May 7 to TA at 9 am.

- 1) Kolstad, Chapter 14, #1
- 2) Kolstad, Chapter 15, #1, #3, #4
- 3) Kolstad, Chapter 16, #2, #3
- 4) Kolstad, Chapter 17, #3, #4, #5

- 5) Suppose that George W. Bush was interested in initiating drilling for oil in Alaska's Arctic National Wildlife Refuge. However, being committed to rational policy, he wants to know if the costs outweigh the benefits. You are charged with determining what values people place on keeping the Refuge undisturbed. (In this scenario, these values constitute the costs of drilling) Can you think of any revealed preference technique to obtain these valuations? If so, describe it? Suppose that revealed preference methods are unavailable, would you be willing to use a CV study to obtain these values? Would you include non-use values? Suppose that revealed preference and CV studies are unavailable, what would be your advice to the President (i.e., on what basis should he make a decision)?