PRIFYSGOL ABERYSTWYTH UNIVERSITY

**SEMESTER ONE 2025**

ABERYSTWYTH BUSINESS SCHOOL

# AB33220: Environmental Economics

Time allowed: **THREE HOURS**

**Answer THREE questions**

**Where appropriate you should illustrate your answers using diagrams and by giving practical examples.**

**CALCULATORS ARE PERMITTED (Casio FX-991, FX83 or FX85 models only)**

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STUDENTS MAY SUBMIT ANSWERS TO THIS PAPER IN EITHER WELSH OR ENGLISH

**Once seated, students may complete the front cover of the answer book(s) and the attendance slip ONLY.**

**DO NOT TURN THE EXAMINATION QUESTION PAPER OVER UNTIL INSTRUCTED TO DO SO.**

1. Critically evaluate how economic thought has addressed the relationship between natural resource limits and economic growth.

2. Explain the different types of market failure that lead to environmental degradation and assess the effectiveness of economic instruments in correcting these failures.

3. Describe the rationale for using stated and revealed preference methods in environmental valuation and critically discuss their respective advantages and limitations.

4. Using appropriate diagrams, analyse how alternative economic paradigms (e.g. neoclassical, environmental and ecological) conceptualise the determination of optimal environmental quality.

5. Compare the theoretical foundations and real-world performance of carbon taxes and tradable permit systems as mechanisms for achieving emissions reduction targets.

6. Discuss key developments in how economists have incorporated the diverse values of nature into environmental decision-making.

**END OF PAPER**