TT TEXTBOOK TESTBANKS

Test Bank for Environmental Economics An Introduction 2024 Release 1st Field

TEST BANK SAMPLE PREVIEW

PUBLISHER

McGraw-Hill

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2024

RESOURCE TYPE

Test Bank

ISBN

9781260736229

Chapter 01 What Is Environmental Economics?

CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

1) A(n)________ in the economic world is something that leads people to channel their production and consumption efforts in a specific direction.
   A) moral obligation
   B) economic incentive
   C) property right
   D) ethical motive

2) Any economic system will produce destructive environmental impacts if the________ within the system are not structured to avoid them.
   A) ethics
   B) prices
   C) property rights
   D) incentives

3) An economy that has the ability to allow the level of people's well-being to rise or at least remain constant over time is________.
   A) sustainable
   B) equitable
   C) self-perpetuating
   D) efficient

4) People make the decision to pollute or not based on________.
   A) incentives
   B) social institutions
   C) economic institutions
   D) All of the choices are correct.

5) _______ organizations are more likely to respond to incentives that encourage pollution.
   A) For profit
   B) Not for profit
   C) Government
   D) All organizations are equally likely polluters.

6) Positive economics is the study of________.
   - A) what will be
   - B) what is
   - C) beneficial economic outcomes
   - D) economic outcomes that are most likely

7) ________ would include a study of what the economic penalties for water pollution should be.
   - A) Normative economics
   - B) Legal economics
   - C) Judicial economics
   - D) Market economics

8) _______ organizations are more likely to respond to incentives that discourage pollution.
   - A) For profit
   - B) Not for profit
   - C) Government
   - D) All of the choices are correct.

9) The economic approach to issues of the environment can be directly contrasted with the________, while the former relies on analytic models and incentives to explain environmental quality the latter interprets environmental degradation as a result of_______.
   - A) analytic approach; negative externality
   - B) direct approach; indirect policy
   - C) moral approach; unethical behavior
   - D) positive approach; opportunity cost

10) The total costs of environmental pollution include
   - A) expenditures of private businesses to comply with regulations
   - B) damage costs of pollution suffered by the exposed population
   - C) costs that government agencies incur in planning and enforcement of regulations
   - D) All of the choices are correct.

11) The technical name for the PAYT (pay as you throw) waste disposal program implemented in southern Maine communities, that charged a set price for each bag of trash is________.
   - A) municipal incentive
   - B) ineffective policy
   - C) flat fee
   - D) unit pricing

12) Command and control policies refer to
  A) communist government approaches to pollution control.
  B) regulations and laws that directly/indirectly specify pollution control technology.
  C) tax and spend pollution policy.
  D) regulation of pollution by the US military.

13) Examples of incentive-based programs include all but______________.
  A) emissions charges
  B) emissions taxes
  C) command and control programs
  D) market-based trading programs

14) Perverse incentives________.
  A) are financial incentives aimed at minors
  B) are incentives that only affect those who do not pollute
  C) are flat fee incentives that disproportionately affect the poor
  D) work against the overall objectives of a policy

15) Which of the following environmental policy issues would be considered a macroeconomic concern?
  A) potential tradeoffs between environmental protection and GDP growth
  B) wage rates in envirotech industries
  C) federal policy that regulates the oil industry
  D) federal policy that regulates the energy industry

16) Environmental policies have triggered all of the following macroeconomic concerns except
  A) stricter environmental policies retard economic growth.
  B) stricter environmental policies are associated with socialism.
  C) stricter environmental policies reduce employment.
  D) higher economic growth rates are associated with environmental degradation.

17) While the private sector may judge the effectiveness of environmental policy through the analysis of its effect on their________, the public sector judges the impact of environmental policy through________ .
  A) employees; elections
  B) benefit-cost analysis; non-profit statement
  C) advertising; congress
  D) profit-and-loss statement; benefit-cost analysis

18) Benefit-cost studies are often associated with political struggles, with environmental groups typically emphasizing
   A) democratic principles.
   B) the benefits of environmental programs and policies.
   C) the reduced costs associated with environmental programs and policies.
   D) the electability of politicians who are pro-environment.

19) The benefits of environmental improvement are typically________.
   A) easy to evaluate, but costs are not
   B) accrued to individuals and not society
   C) nonmarket in nature
   D) openly traded in the market

20) Globalization is a term used to refer to the changes taking place in the world economy, including all of the following except
   A) trade among nations.
   B) multinational firms and conglomerates.
   C) privatization of economic institutions.
   D) All of the choices are correct.

21) Many environmental issues are local or regional; however, some are international or global in scope. An example of a global environmental issue is________.
   A) destruction of stratospheric ozone
   B) greenhouse gases
   C) global climate change
   D) All of the choices are correct.

22) The fact that environmental policy is subject to politics means________.
   A) efficiency issues must be ignored
   B) economists must work to increase voter turnout
   C) economists must deal with distribution questions
   D) environmental economics has little influence on which policy is implemented

23) One of the most persuasive arguments that the profit motive is not solely the cause of pollution is________.
   A) the success of not-for-profit envirotech companies
   B) the environmental destruction experienced in countries with Communist regimes
   C) the stock value of solar energy firms
   D) the popularity of environmentally friendly household cleaners

Chapter 01 What Is Environmental Economics?

24) Environmental economics is the application of the principles of economics to the study of the use of environmental resources. As such, it draws mostly from the field of________.
   A) microeconomics
   B) environmental science
   C) operations research and supply chain management
   D) macroeconomics

25) Economics is the study of how and why individuals and groups make decisions about the use and distribution of________.
   A) money
   B) time
   C) human and non-human resources
   D) capital

26) All of the following are difficulties with relying on moral reawakening to combat pollution control problems, except
   A) moral rebuilding takes a long time.
   B) the separation of church and state prevents moral influence in policy.
   C) pollution problems compete for resources with other moral issues (poverty, housing, etc.).
   D) people do not pollute because they are morally underdeveloped.

27) Although the value of the total social cost has never actually been estimated for the U.S., it is a substantial fraction of the country's GDP. Former director of the EPA, William Reilly stated that
   A) "at this level of expenditure, there's a very large obligation to get it right."
   B) "the US can no longer afford pollution control."
   C) "private firms that pollute must reimburse the public for these expenses."
   D) "the mission of the EPA is to reduce the cost of pollution control."

28) Microeconomic topics and studies would include
   A) changes in GDP.
   B) rates of inflation.
   C) wage rates in the energy industry.
   D) the unemployment rate.

29) A cost effective policy regarding CO_2 emissions would ensure
   - A) the highest benefit cost ratio.
   - B) the largest emission reduction for the resources spent.
   - C) the greatest amount of utility per capita.
   - D) that each pollution source reduced their emissions by the same percentage amount.

30) Pollution control policies are of special importance to underdeveloped countries. Many have embraced________ policy approaches along with heavy reliance on________.
   - A) market based; US regulatory leadership
   - B) international trade; renewable energy sources
   - C) international; the legal system
   - D) command and control; voluntary pollution control

31) Emissions charges are
   - A) also called emissions taxes
   - B) a form of command-and-control policy
   - C) the same as fines for pollution
   - D) All the choices are correct.

32) The inverted-U model, comparing GDP per capita to environmental degradation, shows greatest environmental degradation occurring with
   - A) pre-industrial economies.
   - B) industrial economies.
   - C) post-industrial economies.
   - D) None of the choices are correct.

33) The influence of economists on environmental issues over the last decade has
   - A) increased.
   - B) decreased.
   - C) not changed.
   - D) cannot be determined.

34) Economics is a study of
   - A) people's behavior.
   - B) resource scarcity.
   - C) decision making.
   - D) All the choices are correct.

35) Economists believe people pollute because

A) people don’t care.

B) people have too many options for their time.

C) governments are filled with corruption.

D) pollution is the cheapest waste disposal method of waste products.

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Answer Key

Test name: Chapter 01 What Is Environmental Economics?

1) B
2) D
3) A
4) D
5) D
6) B
7) A
8) D
9) C
10) D
11) D
12) B
13) C
14) D
15) A
16) B
17) D
18) B
19) C
20) D
21) D
22) C
23) B
24) A
25) C
26) B
27) A
28) C
29) B
30) D
31) A
32) B
33) A
34) D
35) D