Reminder: Be sure to have viewed ““A Crude Awakening” before today’s class

Questions based on “Exxon Valdez: You Can Put Price On Scenic Beauty”

1. In the article Myrick Freeman argues that economists have ways to put a dollar value on the damages caused by the Exxon Valdez oil spill. What techniques does he recommend?

2. One approach that he advocates is to ask “people directly about the values they place on these environments through what have become known as contingent-valuation surveys.” If a researcher asked you, “What would you be willing to pay to avoid an oil spill?” would this be an estimate of compensating or equivalent variation? Explain.

3. What are the two benefits that the author sees from putting a dollar value and fining Exxon? Do you agree that these are benefits?

Questions based on the Berck and Helfand (B&H) chapter 6

4. What is the difference between revealed and stated preference valuation studies?
5. In figure 6.1 the authors present an estimated demand curve for visits to a beach.
   a. How many trips would the authors estimate would be taken by someone who faces a cost per trip of $2?
   b. Draw the estimated inverse demand curve (with $/trip on the vertical axis).

   ![Graph](image)

   c. On your graph, shade in the predicted consumer surplus for an individual who faces a travel cost of $2 per day.
   d. Suppose that there’s an oil spill that makes the beach less attractive. Draw in a new demand curve that would be consistent with such an event.

6. In Table 6.4 the estimated parameter for Fecal coliform is negative. What does this mean in terms of whether people value clean water?

7. Explain the idea behind the value of a statistical life.

8. Explain why averting behavior can be used to place a value on an environmental disamenity (i.e., an environmental bad).