AGEC 350
Day 2

Find your team
If you were not here on Tuesday, see
Dr. Woodward

REMEMBER

- Real RAT on Tuesday over the 1st half of Module 1
- Reading and videos are on the web
  http://tinyurl.com/AGEC350

Survey Results: Recent Results

1. Overall, the quality of the natural environment in the U.S. is getting worse.
2. The price of gasoline in the U.S. will probably be lower 5 years from now than it is today.

3. Human-caused global warming is a well-proven fact.

4. For the most part, government regulation of environmental policy is a bad idea.
Get to know your teammates then make your first decision

1. **Introduce yourselves.**
   Tell the group something about yourself that no one else in the room knows.

2. **What are the most important environmental & resource issues in the world today?**
   As a group, come up with 2 issues that you think are the most important issues in the world today related to environmental and resource economics.

**RAT process**

1. **iRAT.** You get 4 answers for each question. You can put all your eggs in one basket or split your answer across different answers. However, there is only one correct answer and splitting will, on average, lower your score.
2. **tRAT.** 1 scratch = 4 points; 2 scratches = 2 points, 3 scratches = 1 point
3. Write your team number on the back of the scratch off and your scores on the strip
Cost

- What is cost?
- Is it always an opportunity cost?

Yes, cost is always an opportunity cost?
Opportunity cost is the value of the best alternative not taken.
The value may be in dollars, but that is not necessary.

Team Activity 1

- Suppose Texas A&M is considering requiring 2 more courses to the number required to graduate.
- What is one cost to the students?
- What is one cost to the university?
- What is one cost to society not included in the above?
(by "one cost" I mean a description, not a $ amount)
In each case, be clear of what is being given up.
Team Activity 2

- Suppose the city of College Station is going to implement a new policy, changing nighttime (quieter) noise restrictions from 10:00 p.m. to 8:00 p.m.
- What are 2 costs that should be taken into account?
  - Be clear of what is being given up.

Class Discussion

- Suppose the city of College Station is going to implement a new policy, making nighttime noise restrictions earlier than 10:00 p.m.
- Suppose you wanted to create the marginal cost curve for this. (margin being earlier time)
- What is the appropriate margin?
- What would the curve look like?

One more cost (class discussion)

- The USEPA estimates that reducing ozone pollution to 70 parts per billion will cost the country about $3.9 billion annually and getting to 65 ppb will cost $15 billion. (Assume the current limit is 75 ppb)
- What types of costs should have been counted in these costs estimates?
- Who bears those costs?
Team Activity 3

- The USEPA estimates that reducing ozone pollution to 70 parts per billion will cost the country about $3.9 billion annually and getting to 65 ppb will cost $15 billion. (Assume the current limit is 75 ppb)
- What is the appropriate margin?
- What does the marginal costs curve look like?