AGEC 350
Day 2

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

Remember RAT on Tuesday; the reading assignment is long!

REMEMBER

• Real RAT on Tuesday over the 1st half of Module 1
• Reading and videos are on Canvas

Survey Results: Recent Results
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.**
   1) Tell the group something about yourself that no one else in the room knows.
   2) What is the most important issue in the world today related to environmental and resource economics?

2. **Choose the top 2 as a team?**
   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.**
   Complete the answer sheet. Hold it up when you’re finished and we will collect them. Hold on to the questions.

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.
• Describe one cost to the students?
• Describe one cost to the university?
• Describe 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.
An environmental cost
(class discussion)

• **What is Ozone (video)?**

• **In 2014 the USEPA considered a policy to reduce the ozone standard from 75 parts per billion (ppb). Reducing to 70 ppb will cost the country about $5 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?

  *The actual costs for a reduction to 70 ppb was $3.9 billion*

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Team Activity 2

• **In 2014 the USEPA considered a policy to reduce the ozone standard from 75 parts per billion (ppb). Reducing to 70 ppb will cost the country about $5 billion annually and getting to 65 ppb will cost $15 billion.**
  (Assume the current limit is 75 ppb)

• What is the marginal cost of a 5 ppb reduction?

• What is the marginal cost of the 2nd 5 ppb reduction?

• What does the marginal costs curve look like?
  (assume only 5 ppb increments are possible)

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Team Activity 3

• **Suppose the city of College Station is going to implement a new policy, changing nighttime (quieter) noise restrictions to two hours earlier, 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, changing nighttime (quieter) noise restrictions to two hours earlier, from 10:00 p.m. to 8:00 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?