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
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.

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**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

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**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.

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**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

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 ppn increments are possible)

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?