

**Exam I**  
(100 points)

- (12 pts) 1. There are various arguments for and against using something different than a real private rate of time preference for evaluating public water decisions. Choose one such argument that is interesting to you. Explain this argument to the best of your ability. Indicate your "buy-in" to this argument on a scale of 1-10 (10=your most emphatic agreement; 1=that's a bunch of rubbish) and why.
- (12 pts) 2. Describe and explain any single general circumstance in which it would not be acceptable to qualify a policy-generated, secondary economic impact as a beneficial policy effect. [Do not use an example condition; discuss a general reason that dictates why unacceptability holds for all example conditions of this type.]
- (21 pts) 3. Cornrus Irrigation District charged its members \$20 per af last year and was then asked to deliver 40,000 af to these members. Statistical studies of Cornrus and its neighboring irrigation districts place the price elasticity of water demand at  $-1$ . Provide and document two justifiable estimates of the price CID should use if it wants its members to demand 50,000 af this year.
- (25 pts) 4. Select either 3 surface water doctrines or 3 ground water doctrines and, after naming the 3, describe three ways in which the 3 are different. For the third way (C), use "the ability of the doctrine to encourage efficiency in water use". The other 2 ways (A and B) are available to you to select.
- (30 pts) 5. Name the four market failures that potentially impinge on the prospective efficiency of water markets, and for each one, (a) define it and (b) indicate the general manner in which it interferes with the prospective efficiency of tradable water rights. If the interference is minimal in your opinion, state why you believe so. [Part (b) is not asking for an example for each of the four cases.]