



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS

COURSE CODE: ECO 4105

**COURSE TITLE: NATURAL RESOURCE
ECONOMICS**

DATE: 15TH DECEMBER, 2022

TIME : 1430-1630 HRS

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** questions

QUESTION ONE

a) Explain three kinds of interactions between human economic activities and natural systems. **(6 marks)**

b) The Mass of Conservation Theory states that “*the sum of the weight of all inputs must be equal to the sum of all outputs*”. Based on this theory, explain the Material Balance Principle in the context of natural resource economics. **(9 marks)**

c) Discuss four key valuation methods for environmental goods and services in the market giving two examples for each method. **(10 marks)**

QUESTION TWO

Discuss the concept of environmental sustainability in the context of mutually reinforcing objectives of economic development and sustainable economy in developing economies such as Kenya. **(15 marks)**

QUESTION THREE

Neoclassical theory suggests that in the absence of scarcity rents, inefficiencies in the allocation of natural resources arise. In light of this school of economic thought, discuss the misallocation of natural resources under a common property system. **(15 marks)**

QUESTION FOUR

The conventional theory of supply and demand, which has been developed in relation to private goods is not necessarily adequate in explaining the forces working in environmental goods and services markets. Discuss:

i) Five unique characteristics which complicate the operations of natural resources markets. **(10 marks)**

ii) Two basic concepts adopted in pricing environmental goods and services in the market. **(5 marks)**

QUESTION FIVE

Discuss five policy options employed in Kenya to mitigate natural resource scarcity.

(15 marks)

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