Discussion Questions  
AEC 829  
October 11, 2004  

Please break into 5 groups….Group 1 has their birthdays in January and February, Group 2 has their birthdays in March and April and May  Group 3 has their Birthdays in June and July Group 4 has their birthdays in September and October and Group 5 has their birthdays in November and December. The recorder in each group will be the one whose birthday is closest to the first of the first month listed for their group. Discuss each of the questions assigned your group and the recorder should be prepared to summarize your groups answers.

RE: Bromley Chapter 2 Markets and Externalities

Groups 1-5 answer.

What is a potentially relevant externality? What is a pareto relevant externality? What is a pareto-irrelevant externality? What is a depletable externality? What is an undepletable externality? What is an inframarginal externality?

Group 1:

As discussed in your assignment #1,.Dahlman considers externalities to be nothing more than transaction costs. How would the differential incidence of transaction costs under different institutional arrangements influence the preferred choice of policy alternative with regard to an externality?

Group 2:

Bromley states: “As long as the institutional environment is permissive of coal mining without reclamation, it will appear that reclamation is not economically efficient” (p.43.). Explain this statement.

Group 3

How does the decision of whether to subsidize pollution prevention activities or regulate them rest fundamentally on a choice of presumptive property rights?

Group 4:

Bromley states: “It is the institutional environment that defines what is a cost, who shall bear unwanted costs, and how we compute what we consider to be the efficient outcome ( p 45). “Explain what he means. How does what you said relate to Samuel’s quote: ‘One man’s government interference is another’s government protection’”?
Group 5:

What is the difference between a property rule, a liability rule and an inalienability rule with respect to property rights? Give an example of each rule in the context of an environmental or natural resource problem. How does the type of rule relate to which costs must be considered by a decision-maker in using resources?

Re Bromley in Rethinking Markets

Group 5:

Bromley in his “Rethinking Markets” article states that the “market is not a mechanism for making social choices.” Explain what he means.

What does Bromley mean when he says there is no such thing as THE market (p. 1391)? Explain.

Group 4:

What does Bromley have to say about the Friedman concept that markets guarantee freedom?

Why does Bromley state (p.1392) that advocacy for the market rests on a false dichotomy between the free market and so-called government intervention (p1392)? Be specific. If one accepts his arguments, what does this say about the role of the economist in the policy process?

Group 3:

How does Bromley criticize the concept that markets are natural process that will automatically emerge—and that are largely self-regulating—if only governments will get out of the way.? Be specific

Group 2:

According to Bromley, when can market be regarded as efficient? Explain. Can markets flourish in the absence of governmental action? Explain.

Group 1:

Bromley states that the concept of comparative advantage is simply an artifact of a large number of natural conditions and social constructed policies (ie., institutional arrangements). What does he mean? If you accept Bromley’s argument, how might this view of comparative advantage influence economists’ discussions of whether European pursuit of multifunctional agriculture via subsides is a trade distortion.