

Comment for: Econ4910 Spring 2019
Candidate: 172303
Grade: A

Question 1

- a) Correct approach and answer (see suggested solutions).
- b) Correct approach and answer (see suggested solutions).
- c) Correct approach and answer (see suggested solutions).
- d) Correct approach and answer (see suggested solutions).
- e) Missing: basic idea that initial allocation does not matter if transaction cost are negligible. Candidate explains optimal allocation with transaction costs, however.
- f) Missing: basic idea that initial allocation does not matter if transaction cost are negligible. Candidate explains allocation principle with transaction costs, however.

Question 2

- a) Correct answer and intuition (see suggested solutions).
- b) Correct problem setup and approach. Calculus error (missing P in derivation). Correct intuition until equation (1). Then overshooting – equation (2) is response to sub-question (d) (see suggested solutions).
- c) Correct approach, carrying over calculus error from (a) and (b) (no additional points subtracted).
- d) Refers to correct approach in answer to sub-question (b), intuition correct.
- e) Correct answer. For full points, candidate would also have shown *why* counties are better off moving first (see suggested solutions).
- f) Question partially misunderstood – Norway is an outside country trying to encourage A and B to reduce logging. Within this misunderstanding: good answers. Missing: increasing v through conditional transfers.

Question 3

- a) Correct answer (see suggested solutions).
- b) Correct answer. Small deduction because the symmetry of the uncertainty is not represented (see suggested solutions).

Question 4

- a) Correct but incomplete answer. Deductions for the missing dynamics of the climate problem (see suggested solutions).
- b) Correct answer (see suggested solutions).

Overall the student has a very good grasp of the subjects and the methodologies tested in this exam.