

AREC 350

Quiz #1
(50 pts. Possible)

Please answer the following four questions concisely and completely. Make sure you label your graphs and when asked, define necessary concepts and principles. Manage your time wisely.

- (10 points) 1. Hernando de Soto, in his article “The Mystery of Capital” argues that a formal property system is indispensable for capital formation. Please discuss why he makes this claim using your understanding of the key characteristics of an effective property rights system. In your answer, briefly discuss a country or situation that provides empirical evidence for your analysis.

(15 points) 2. Since the passage of the Endangered Species Act in 1973, many different types of organizations have maintained larger staffs in Washington, D.C. to monitor the federal government's implementation of this law. Using Douglas North's model of institutional change, analyze (a) an environmental group's (e.g. Sierra Club) constant vigilance to protect the law, and (b) a national housing development association's efforts to change the law. Define the terms used in North's model.

(15 points) 3. Dawn Smith, a recent graduate of AREC 350, works for a large computer chip manufacturer. Her office is responsible for siting (i.e. locating) new chip manufacturing plants throughout the U.S. Often the siting of these plants creates conflict in the communities where the plant might be located. Many citizens do not want large manufacturing plants in their backyards. Dawn uses a set of guidelines for negotiating through these conflicts. Briefly discuss the steps that she might follow to reach a win-win outcome in these negotiations.

(10 points) 4. Native American Farms (NAF) and the city of Santa Fe (SF) are entering negotiations on a water rights issue concerning flows in the Santa Fe River. Both parties believe that they have something to gain from a negotiated settlement. However, NAF believes that its potential gain from a lawsuit exceeds any potential gain that SF might have in the courts or politically. Using the mutual gains model, illustrate the starting point for this negotiation and the area of potential gains from a negotiated settlement. Please note in your graph which party has the most to gain from a negotiated settlement.