

# MANAGING THE ENVIRONMENT



## Multiple choice

- |             |              |              |              |
|-------------|--------------|--------------|--------------|
| 1. <b>A</b> | 6. <b>D</b>  | 11. <b>D</b> | 16. <b>C</b> |
| 2. <b>C</b> | 7. <b>D</b>  | 12. <b>C</b> | 17. <b>A</b> |
| 3. <b>B</b> | 8. <b>B</b>  | 13. <b>B</b> | 18. <b>B</b> |
| 4. <b>A</b> | 9. <b>C</b>  | 14. <b>D</b> | 19. <b>B</b> |
| 5. <b>B</b> | 10. <b>A</b> | 15. <b>A</b> | 20. <b>D</b> |

## Short answer questions

### Question 1

- (a) **Ecologically sustainable development refers to achieving a level of economic growth that does not result in long term damage to the environment or the depletion of limited resources. It involves the preservation of living standards in both the present and in the future.**
- (b) **Economic growth provides a range of benefits such as lower unemployment and higher living standards. The pursuit of growth however, may lead to environmental degradation. Unfortunately, some economies may seek to maximise production levels and thus growth in the short term, even though this may come at the cost of the environment. Often, environmentally unfriendly production methods will allow an economy to achieve higher rates of economic growth faster and at lower cost in the short term, through the depletion of non-renewable resources and a failure to account for negative environmental externalities. The government restrictions required to enhance environmental preservation will not only increase business costs, but more generally will involve trading-off higher rates of growth in the short-term for more stable rates of growth in the long term – something which many economies, in particular developing economies which are struggling to compete with developed economies, may not be willing to do.**
- (c) **The most recent international attempt to promote ecologically sustainable development is the Kyoto Protocol. This agreement is a united attempt to control the growing effects of global warming through attempting to reduce the global level of fossil fuel emission. Despite wide-ranging global support for the initiative, Australia (following the United States' position) has refused to sign the agreement. The Government argues that the agreement would negatively impact upon Australia's resource industries. This lack of involvement indicates that the government's priority in economic management does not currently lie in an environmental arena. This position is however in contrast to Australia's participation in the WTO. The Doha Round is a new global trade round that is intended to achieve significant progress**

towards freer trade. The main items on the agenda for the new trade round are specific trading concessions for developing nations, reductions in agricultural protection and allowing environmental standards to be imposed on trade – all of which are supported by the Australian Government.

## Question 2

- (a) **Public goods are those goods which can be used by any consumer (they are non-excludable – and are also considered to be non-rival goods) the consumption of the good by a consumer does not reduce the quantity of the good available for other consumers. Examples include national defence and clean air.**
- (b) **Private firms are unwilling to supply as they are not able to restrict the use and benefit to those who are willing to pay – known as the free rider problem. Free riding is where consumers can benefit from the use of a good without paying for its use. This does not serve the interests of private firms, as the price mechanism cannot operate and profit is not maximised. If private firms cannot adequately charge consumers for using the good then they will be unable to find a profit incentive to provide the good. The government on the other hand does not have a profit motive in production and thus provides public goods.**
- (c) **The issue of dry land salinity is a serious environmental problem for Australia. It is a negative externality that arises from harmful land use practices and resource exploitation by farmers, miners and several primary industry based businesses. The acceleration of the salinity problem in recent years has hindered agricultural productivity and threatened biodiversity, while also restricting the availability of useable water. The Federal Government has introduced a National Action Plan to deal with the issue, which was implemented in 2002. Over seven years the government aims to spend \$1.4 billion on the funding of rural projects, that will attempt to rehabilitate waterways and land affected by salinity.**

**Another major environmental issue concerning Australia is the water quality surrounding the Murray Darling Basin region. These waterways have been subject to agricultural and industrial waste that is prompting the growth of harmful blue-green algae. This bacterial contamination has already destroyed much biodiversity, and significantly affected local industries. Although very little is being done about this specific issue, the government's National Heritage Trust is helping to protect and conserve Australia's vegetation, biodiversity, coasts and oceans. There has been an increase in funding by \$1.0 billion over five years from 2002-03 as an attempt to prevent this type of environmental deterioration occurring.**