

## **Exercises No.5**

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**Q1.1.:** What does dualism within dualism refer to?

**Q1.2.:** When is a country considered 'poor'?

**Q2:** Consider 'cleared land'  $N_j$  as an open-access resource.  $f(N_j) = N_j^2$ , the price obtained from cleared land equals  $p$ , the total cost function is given by  $C(w_N; N_j) = w_N N_j$ , whereas  $w_N$  denotes the wage paid to clear land.

- a) Set up the profit function  $\Pi$ .
- b) Determine the amount of land cleared under open-access.
- c) Determine the socially efficient amount of land cleared when property rights are established.
- d) What happens if the price obtained from clearing land is twice as much within the open-access scenario?