

## *Homework Set Two*

### *Law and Economics*

1. Spurr, Chapter 4, problems 1-3.
2. You have now read the Coase Paper, which should qualify you for answering the following problem. Water quality management involves a variety of problems, including but not limited to the following:
  - The Acme Paper Mill is located along Lake Pleasant, along with 1000 vacation homes. What level of effluents should Acme be permitted?
  - The Able Paper Mill proposes to build a plant along Lake Pushwah, where there are now 1000 vacation homes. Should Able be permitted to build?
  - The Aster Paper Mill is located along Lake Piquah, along with the 1000 units of the world famous Lake Puquah resort. What level of effluents should Aster be permitted?
  - The Agway Paper Mill proposes to build a plant along Lake Pesky, which has 1000 vacation homes, all of which belong to the Pesky homeowners association. Should Agway be permitted to build?

Devise a process to settle these and similar issues. You are not being asked to come up with a solution. Thus saying “build or operate if the benefits of the paper mill exceed the cost of the effluents” (actually an incorrect solution). Give me a process or law regulating the decision, and show me how it will achieve economic efficiency.

Your answer should be typed, double spaced, and should not exceed four pages.