Name:

Lab Date: Student #:

1. Market Dynamics

A. National governments in North America modify building codes so that wood can be used in buildings greater than 10 stories. What happens to market price and quantities in log markets in BC? (Hint: show on a graph)

2. Property Rights and Tenure Systems

The evolution of property rights over natural resources in North America is consistent with the model that as resource values rise more sophisticated systems of property rights can be expected. Early settlers helped themselves to the abundance of fish, timber, water, and other resources of the land. Gradually, with settlement, pressures developed and so did the need to allocate resources. Today, we find ourselves with a complicated mixture of public, private and common property and policies that rely on a mixture of market processes and governmental regulation.

A. Property has several dimensions of economic importance. Describe these five dimensions in one or two sentences each.

B. Provide an example for one of the dimensions above in the context of managing natural resources in Canada.

2. Analyzing raw log exports

The allowable annual cut (AAC) in the North Island – Central Coast Forest District is set at $600,000m^3$. The sawmills in the forest district have the collective market demand for raw logs represented by the equation below:

$$\text{Domestic Demand:} \quad P_{(d)} = 175 - Q/4000$$

A. What is the market price for raw logs? (Calculate and demonstrate on a graph.)

B. Because the timber found in the North Island – Central Coast Forest District is of very high quality foreign buyers are very interested in purchasing raw logs for their own mills. With the additional foreign buyers in the market the demand for raw log is now:

$$\text{Foreign Demand:} \quad P_{(d+f)} = 200 - Q/4000$$

What is the new market price for raw logs? (Calculate and demonstrate on a graph.)

C. Suppose there is no ban on raw log exports and the supply remains the same, what impact does the higher demand have on BC's sawmill industry?