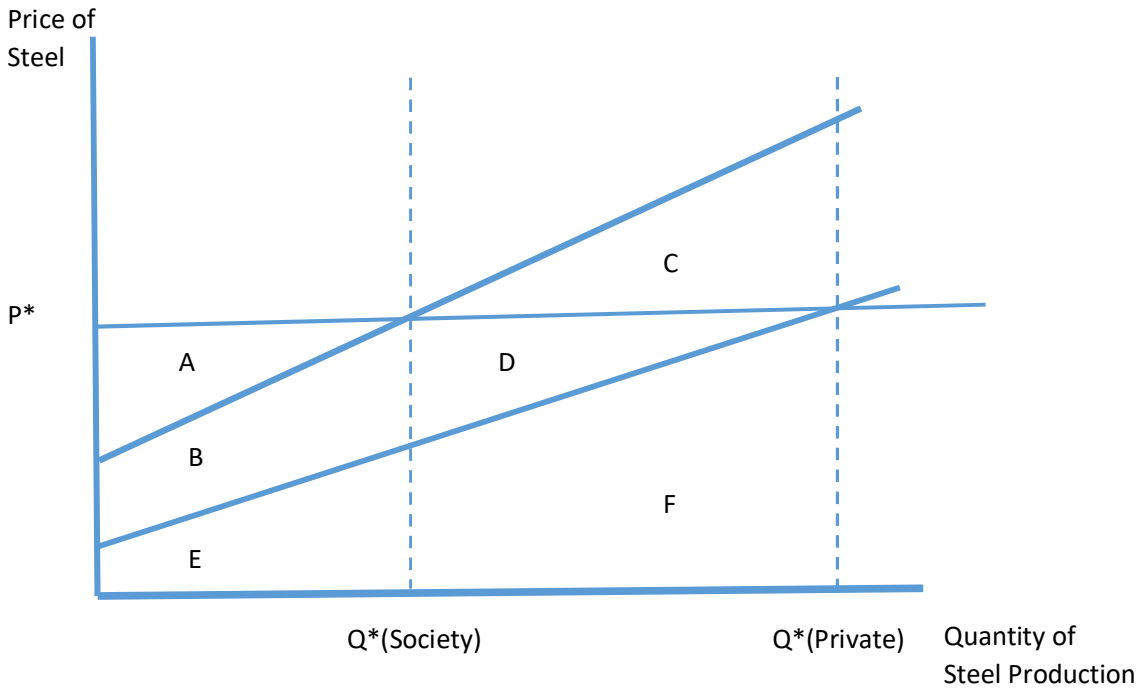


CEV406: Week 4: Work Sheet [Steel Company VS Downstream Community]



Pre-Negotiation Setting

Q1. Find the size of Net Benefit (Benefit – Cost) without any Negotiation

Steel Company	Society
Net Benefit if Produced at Q*(Private)	Net Benefit if Produced at Q*(Private)
Net Benefit if Produced at Q*(Society)	Net Benefit if Produced at Q*(Society)
Which level of output does Steel Company Prefer? (Q*(Society) OR Q*(Private))	Which level of output does Community Prefer? (Q*(Society) OR Q*(Private))

Private Negotiation

Q2. Now each party can negotiate. What do you negotiate, what are the outcomes (Q* and Net Benefit) of the negotiation?

Objective of Negotiation (Steel Company Side)	Objective of Negotiation (Community Side)
Strategy	Strategy
Negotiation Outcome (Q*, Net Benefit(Steel))	Negotiation Outcome (Q*, Net Benefit(Society))

Court System (1) Right to Pollute Water is given to the Company

Q3. Find the size of Net Benefit (Benefit – Cost) under this Scenario

Steel Company	Society
Net Benefit if Produced at Q^* (Private)	Net Benefit if Produced at Q^* (Private)

Court System (2) Right to Clean Water is given to the Community

Q4. Find the size of Net Benefit (Benefit – Cost) under this Scenario

Steel Company	Society
Net Benefit if Produced at Q^* (Society)	Net Benefit if Produced at Q^* (Society)