



# Environmental Policy

## - Discussion Questions -

### Are Economists Misunderstood?

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#### FULLERTON & STAVINS:

### “How economists see the environment”

Nature, Volume 395, October, 1998, p.433-434

1. According to Fullerton & Stavins, what are the 4 “myths” about how economists see the environment?
2. How does the First Welfare Theorem (FWT) of Economics help to disprove the first myth?
  - (a) What does the FWT say?
  - (b) What conditions are necessary for the FWT to hold?
3. Why do economists tend to recommend market-based solutions to environmental problems?
  - (a) What must be true for the market-based solutions to be efficient?
  - (b) What are the disadvantages/advantages of market-based solutions?
4. Why do economists prefer using market prices in evaluating non-market solutions?
  - (a) What do economists do when market prices are not available?
  - (b) Why is it important to be able to place a monetary value on environmental goods?
5. Why do economists tend to focus on issues of efficiency?