



Environmental Policy

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Syllabus

Summer Term 2008

Lectures will be held Mondays, at 10.15-11.45, Room HS 20

Nature of the Course:

This course provides a survey from the perspective of economics of public policy issues regarding the use of natural resources and the management of environmental quality. The course covers both conceptual and methodological topics and recent and current applications. The course is structured in different parts, including

- an introduction to the principles of environmental and resource economics;
- a profound examination of environmental policy, with the focus on main environmental problems and causes (especially climate change);
- sustainability and macroeconomic aspects of environmental policy, including positive political economy.

Lecture Topics:

1. The Role of Economics in Environmental Policy
2. Development of Ideas on Natural Resources and the Environment
 - Malthusian Problem, Ricardian Stagnation
 - Mill, Jevons, Pigou and other Authoritarians
 - Spaceship Earth and the Club of Rome
 - The Sustainable Development Debate
3. Environment as a 'Good'
 - The Concept of Resource Scarcity
 - The Role of Markets and Their Signals
 - Market Failures (esp. Public Goods and Externalities)
 - Modelling Pollution
 - Optimal Level of Pollution
 - Coase
4. Environmental Regulation
 - Taxes and Subsidies
 - Regulations
 - Tradable Permits
 - [- Self Commitments and Social Norms
 - Regulation, Information and Enforcement]
5. [Valuing Environmental Benefits and Costs
 - Revealed Preference Approaches
 - Stated Preference Approaches
 - Cost Assessment
 - Benefit-Cost Analysis
 - Discounting]



6. Main Environmental Problems - Causes and Policy Options
 - Climate Change
 - Water Resources
 - Soil Degradation
 - Biodiversity
 - Energy and Resources
7. International Policy Issues
 - Trade, Growth and the Environment
 - Agreements and Treaties
 - [- Non Tariff Trade Protections]
8. Developing Countries and the Environment
 - Main Problems
 - Sustainable Development in Developing Countries
 - What can Developed Countries Do to Help?
9. Agriculture and the Environment
 - Main Problems, Possible Solutions
 - Agri-Environmental Policy in Europe
10. The Political Economy of Environmental Policy

References:

- Lecture notes and additional readings will be distributed in the course.
- There is no text book covering all the material in the course. The following books are only recommended as supplements to what is covered in the lectures.

PERMAN, R., YUE, M., MCGILVRAY, J. and COMMON, M. (2004): *Natural Resource and Environmental Economics*. 3rd Edition.

HANLEY, N., SHOGREN, J.F., and WHITE, B. (2001): *Introduction to Environmental Economics*.

EDWARDS-JONES, G., DAVIES, B. and HUSSAIN, S. (2000): *Ecological Economics. An Introduction*.

STAVINS, R.N. (2000): *Economics of the Environment: Selected Readings*.

Objectives of the course:

The main objective of this course is that the students learn how to think critically about issues relating to environmental economics. On successful completion of the course, students should be able to explain the economic rationale for government involvement in environmental issues, and be able to discuss what the impact of such involvement will be.

Accomplishing these goals requires not only a good knowledge of the theory of environmental economics, but also an ability to apply these theories to real world issues. Learning to apply economics to the real world takes practice. Therefore classroom discussion plays an important role in developing the skills to apply economic theory to the real world. Active participation in discussions is vital to success in this course. Don't be afraid to participate because you feel what you have to say is not important or may not be correct. You'll see that many of the things we will discuss in this course have no right answers, as policy solutions on environmental issues are not always straightforward and clear-cut.

My personal goal is to see all of the students develop a useful understanding of Environmental Policy, have a reasonable amount of fun getting to that point, and be personally satisfied with their performance.

Further information: <http://www.uni-hohenheim.de/apo>