

**AERE 519**  
**Outline and Readings**  
**Fall 2003**

**I Introduction**

Hanley et. al., Ch 1.

Crocker, T. 1999. "A Short History of Environmental and Resource Economics." In J. van den Bergh Ed., Handbook of Environmental and Resource Economics. Cheltenham UK: Edward Elgar.

**II Market Failure and the Environment**

**A. Competitive Equilibrium with Missing Markets for Environmental Goods**

Hanley et. al., Ch. 2.

Randall, A. (1973). "The Problem of Market Failure." *Natural Resources Journal*. 23:131-148.

W. Baumol, and W. Oates. 1988. The Theory of Environmental Policy. Cambridge, UK: Cambridge University Press.  
For this section, see Chs. 1-3.

R. Cornes and T. Sandler, The Theory of Externalities, Public Goods, and Club Goods, Cambridge University Press, 1996. Ch 3.

**B. Property Rights and Liability Rules**

R. H. Coase (1960). "The Problem of Social Cost." *Journal of Law and Economics*. 3:1-30.

R. Cornes and T. Sandler, The Theory of Externalities, Public Goods, and Club Goods, Cambridge University Press, 1996. Ch. 3,4.

J. Farrell (1987). "Information and the Coase Theorem." *Journal of Economic Perspectives*. 1:113-119.

P. Menell (1991). "The Limitations of Legal Institutions for Addressing Environmental Risks." *Journal of Economic Perspectives*. 5:395-418.

A. Schmid. (1995). "The Environment and Property Rights Issues." Ch 3 in D. Bromley Ed., The Handbook of Environmental Economics. Oxford UK: Blackwell.

**III The Design and Choice of Environmental Instruments**

**A. Environmental Instruments Design With Perfect Information In an Otherwise Undistorted Economy**

\*Baumol and Oates. Chs. 4, 11, 12, and 14.

\*For this and the following sections on environmental instruments, read Hanley et. al. Chs. 3, 4, and 5.

Spulber, D. 1985. "Effluent Regulation and Long Run Optimality." Journal of Environmental Economics and Management. 12:103-16.

**B. Environmental Instruments With Perfect Information In an Economy with Imperfectly Competitive Markets and Fiscal Distortions**

Baumol and Oates Ch. 6.

Barnett, A. 1980. "The Pigouvian Tax Rule Under Monopoly." American Economic Review. 70:1037-41.

Bovenberg, A., and de Mooij. 1997. "Environmental Levies and Distortionary Taxation: Reply." American Economic Review. 87:252-53.

Hahn, R. 1984. "Market Power and Transferable Property Rights." Quarterly Journal of Economics. 99:735-65.

Oates, W. 1995. "Green Taxes: Can We Protect the Environment and Improve the Tax System at the Same Time?" Southern Economic Journal. 61:915-22.

Malueg, D. 1990. "Welfare Consequences of Emissions Trading and Credit Programs." Journal of Environmental Economics and Management. 18:66-77.

Sandmo, A. 1976. "Optimal Taxation in the Presence of Externalities." Swedish Journal of Economics. 77:86-98.

Weinberg, M., and C. Kling. 1996. "Uncoordinated Agricultural Environmental Policy Making: An Application to Irrigated Agriculture in the West." American Journal of Agricultural Economics. 78:65-78.

### **C. Environmental Instruments With Stochastic Influences, and Imperfect and Asymmetric Information**

Baumol and Oates Chs. 5 and 13.

Laffont, J. 1994. "Regulation of Pollution with Asymmetric Information." In C. Dosi and T. Tomasi Eds., Nonpoint Source Pollution Regulation: Issues and Analysis. Amsterdam: Kluwer Academic Publishers.

Lewis, T. 1996. "Protecting the Environment When Costs and Benefits are Privately Known," Rand Journal of Economics, 27:819-847.

Roberts, M., and M. Spence. 1976. "Effluent Charges and Licences Uncertainty." Journal of Public Finance. 5:193-208.

Shavell, S. 1984. "A Model of the Optimal Use of Liability and Safety Regulation." Rand Journal of Economics. 15:271-80.

Shortle, J., R. Horan and D. Abler. 1998. "Research Issues In Nonpoint Pollution Control." Environmental and Resource Economics, 11:571-85.

Stavins, R. 1996. "Correlated Uncertainty and Policy Instrument Choice," Journal of Environmental Economics and Management, 30:218-32.

### **C. Innovation Incentive Effects**

Jung, C., K. Krutilla, and R. Boyd. 1996. "Incentives for Advanced Pollution Abatement Technology at the Industry Level: An Evaluation of Policy Alternatives." Journal of Environmental Economics and Management. 30:95-111.

Milliman, S., and R. Prince. 1989. "Firm Incentives to Promote Technological Change In Pollution Control." Journal of Environmental Economics and Management. 17:247-65.

Requate, T. "Incentives to Adopt New Technologies Under Different Pollution Control Policies." International Tax

and Public Finance. 2:295-317.

**D. Transactions Costs (Again)**

Malik, A. 1992. "Enforcement Costs and the Choice of Policy Instruments for Controlling Pollution." Economic Inquiry. 30:714-21.

Stavins, R. 1995. "Transactions Costs and Tradeable Permits." Journal of Environmental Economics and Management. 29:133-48.

**E. Explaining Environmental Policy**

J. Shogren. 1998. "A Political Economy in an Ecological Web," Environmental and Resource Economics, 11:539-55.

Hahn, R. 1990. "The Political Economy of Environmental Regulation: Toward a Unifying Approach," Public Choice, 65:21-47.

**IV. Environmental Costs and Benefits**

**V. Overview of Uses, Procedures, and Issues in Measurement in Environmental and Resource Values Economics**

Freeman. 1993. The Measurement of Environmental and Resource Values. Washington, DC: Resources for the Future, Inc. Ch. 1

Kopp, R. and V. Smith. (Eds.) 1993. Valuing Natural Assets. Washington, DC. Resources for the Future, Inc., Ch 1.

Randall, A. and M. C. Farmer. "Benefits Costs, and the Safe Minimum Standard of Conservation." D. Bromley Ed., Handbook of Environmental Economics. Oxford: Basil Blackwell. Ch. 2.

Vatn, A. and N. Bromley. "Choices Without Prices Without Apologies." Bromley (Ed.) Ch. 1.

Hanley et al. Ch. 12.

Ribaudo, M. and J. Shortle (2001). Estimating Benefits and Costs of Pollution Control Policies. Ch 4. in J. Shortle and D. Abler Eds., Environmental Policies for Agricultural Pollution Control. Wallingford UK: CABI Publishing.

**VI.**