

Contents in Brief

Preface	xvii
1 Visions of the Future	1
2 The Economic Approach: Property Rights, Externalities, and Environmental Problems	17
3 Evaluating Trade-Offs: Benefit-Cost Analysis and Other Decision-Making Metrics	45
4 Valuing the Environment: Methods	73
5 Economics of Pollution Control: An Overview	107
6 Stationary-Source Local and Regional Air Pollution	131
7 Mobile-Source Air Pollution	147
8 Climate Change	173
9 Water Pollution	195
10 Toxic Substances and Environmental Justice	227
11 The Quest for Sustainable Development	249
12 Visions of the Future Revisited	273
Answers to Self-Test Exercises	283
Glossary	291
Index	307

Contents in Full

Preface	xvii
An Overview of the Book	xvii
1 Visions of the Future	1
Introduction	1
The Self-Extinction Premise	1
Future Environmental Challenges	2
Climate Change	2
Example 1.1 <i>A Tale of Two Cultures</i>	3
Water Accessibility	4
Example 1.2 <i>Climate Change and Water Accessibility: How Are these Challenges Linked?</i>	5
Meeting the Challenges	5
How Will Societies Respond?	6
The Role of Economics	7
Debate 1.1 <i>Ecological Economics versus Environmental Economics</i>	7
The Use of Models	8
The Road Ahead	9
The Underlying Questions	9
Example 1.3 <i>Experimental Economics: Studying Human Behavior in a Laboratory</i>	10
Debate 1.2 <i>What Does the Future Hold?</i>	11
An Overview of the Book	12
Summary	13
Discussion Questions	13
Self-Test Exercise	14
Further Reading	14
2 The Economic Approach: Property Rights, Externalities, and Environmental Problems	17
Introduction	17

The Human–Environment Relationship	18
The Environment as an Asset	18
The Economic Approach	19
Example 2.1 <i>Economic Impacts of Reducing Hazardous Pollutant Emissions from Iron and Steel Foundries</i>	20
Environmental Problems and Economic Efficiency	21
Static Efficiency	21
Property Rights	23
Property Rights and Efficient Market Allocations	23
Efficient Property Rights Structures	23
Producer’s Surplus, Scarcity Rent, and Long-Run Competitive Equilibrium	24
Externalities as a Source of Market Failure	25
The Concept Introduced	25
Types of Externalities	26
Example 2.2 <i>Shrimp Farming Externalities in Thailand</i>	27
Perverse Incentives Arising from Some Property Right Structures	27
Public Goods	30
Imperfect Market Structures	31
Example 2.3 <i>Public Goods Privately Provided: The Nature Conservancy</i>	33
Asymmetric Information	34
Government Failure	34
The Pursuit of Efficiency	36
Private Resolution through Negotiation—Property, Liability, and the Coase Theorem	36
Legislative and Executive Regulation	39
An Efficient Role for Government	40
Example 2.4 <i>Can Eco-Certification Make a Difference? Organic Costa Rican Coffee</i>	41
Summary	42
Discussion Questions	42
Self-Test Exercises	43
Further Reading	44
3 Evaluating Trade-Offs: Benefit-Cost Analysis and Other Decision-Making Metrics	45
Introduction	45
Normative Criteria for Decision Making	45
Evaluating Predefined Options: Benefit-Cost Analysis	46
Finding the Optimal Outcome	47
Relating Optimality to Efficiency	48
Comparing Benefits and Costs across Time	49
Dynamic Efficiency	51

Applying the Concepts	51
Pollution Control	51
Example 3.1 <i>Does Reducing Pollution Make Economic Sense?</i>	
<i>Evidence from the Clean Air Act</i>	52
Estimating Benefits of Carbon Dioxide Emission Reductions	54
Example 3.2 <i>Using the Social Cost of Carbon: The DOE</i>	
<i>Microwave Oven Rule</i>	55
Issues in Benefit Estimation	56
Debate 3.1 <i>What Is the Proper Geographic Scope for the</i>	
<i>Social Cost of Carbon?</i>	57
Approaches to Cost Estimation	58
The Treatment of Risk	58
Distribution of Benefits and Costs	60
Choosing the Discount Rate	60
Example 3.3 <i>The Importance of the Discount Rate</i>	61
Debate 3.2 <i>Discounting over Long Time Horizons: Should</i>	
<i>Discount Rates Decline?</i>	62
Divergence of Social and Private Discount Rates	63
A Critical Appraisal	64
Example 3.4 <i>Is the Two for One Rule a Good Way to Manage</i>	
<i>Regulatory Overreach?</i>	65
Other Decision-Making Metrics	66
Cost-Effectiveness Analysis	66
Impact Analysis	68
Summary	68
Discussion Questions	69
Self-Test Exercises	70
Further Reading	71
4 Valuing the Environment: Methods	73
Introduction	73
Why Value the Environment?	74
Debate 4.1 <i>Should Humans Place an Economic Value on</i>	
<i>the Environment?</i>	75
Valuation	75
Types of Values	77
Classifying Valuation Methods	78
Stated Preference Methods	78
Contingent Valuation Method	79
Debate 4.2 <i>Willingness to Pay versus Willingness to Accept:</i>	
<i>Why So Different?</i>	81
Choice Experiments	83
Example 4.1 <i>Leave No Behavioral Trace: Using the Contingent</i>	
<i>Valuation Method to Measure Passive-Use Values</i>	84
Example 4.2 <i>The Value of US National Parks</i>	87

Revealed Preference Methods	89
Example 4.3 <i>Using the Travel Cost Method to Estimate Recreational Value: Beaches in Minorca, Spain</i>	90
Benefit Transfer and Meta-Analysis	91
Using Geographic Information Systems to Enhance Valuation Challenges	92
Example 4.4 <i>Using GIS to Inform Hedonic Property Values: Visualizing the Data</i>	94
Example 4.5 <i>Valuing the Reliability of Water Supplies: Coping Expenditures in Kathmandu Valley, Nepal</i>	95
Debate 4.3 <i>Distance Decay in Willingness to Pay: When and How Much Does Location Matter?</i>	96
Valuing Human Life	97
Debate 4.4 <i>What Is the Value of a Polar Bear?</i>	98
Debate 4.5 <i>Is Valuing Human Life Immoral?</i>	100
Summary: Nonmarket Valuation Today	102
Discussion Question	103
Self-Test Exercises	103
Further Reading	104
5 Economics of Pollution Control: An Overview	107
Introduction	107
A Pollutant Taxonomy	108
Defining the Efficient Allocation of Pollution	109
Stock Pollutants	109
Fund Pollutants	110
Market Allocation of Pollution	112
Efficient Policy Responses	113
Cost-Effective Policies for Uniformly Mixed Fund Pollutants	114
Defining a Cost-Effective Allocation	114
Cost-Effective Pollution Control Policies	115
Debate 5.1 <i>Should Developing Countries Rely on Market-Based Instruments to Control Pollution?</i>	120
Other Policy Dimensions	120
The Revenue Effect	121
Example 5.1 <i>The Swedish Nitrogen Oxide Charge</i>	122
Example 5.2 <i>RGGI Revenue: The Maine Example</i>	123
Responses to Changes in the Regulatory Environment	124
Instrument Choice under Uncertainty	124
Summary	125
Discussion Question	126
Self-Test Exercises	126
Further Reading	128
Appendix: The Simple Mathematics of Cost-Effective Pollution Control	129

6	Stationary-Source Local and Regional Air Pollution	131
	Introduction	131
	Conventional Pollutants	131
	The Command-and-Control Policy Framework	132
	The Efficiency of the Command-and-Control Approach	133
	Debate 6.1 <i>Does Sound Policy Require Targeting New Sources via the New Source Review?</i>	133
	Debate 6.2 <i>The Particulate and Smog Ambient Standards Controversy</i>	135
	Cost-Effectiveness of the Command-and-Control Approach	136
	Example 6.1 <i>Controlling SO₂ Emissions by Command-and-Control in Germany</i>	137
	Air Quality	138
	Market-Based Approaches	138
	Emissions Charges	138
	Emissions Trading	139
	Example 6.2 <i>The Sulfur Allowance Program after 20 Years</i>	141
	Summary	142
	Example 6.3 <i>Technology Diffusion in the Chlorine-Manufacturing Sector</i>	143
	Discussion Questions	144
	Self-Test Exercises	145
	Further Reading	145
7	Mobile-Source Air Pollution	147
	Introduction	147
	Subsidies and Externalities	149
	Implicit Subsidies	149
	Externalities	149
	Consequences	151
	Policy toward Mobile Sources	151
	History of US Policy	151
	The US and EU Policy Approaches	152
	Example 7.1 <i>Monitoring and Enforcement: The Volkswagen Experience</i>	152
	Lead Phaseout Program	153
	Example 7.2 <i>Getting the Lead Out: The Lead Phaseout Program</i>	154
	Fuel Economy Standards—the US Approach	154
	Debate 7.1 <i>CAFE Standards or Fuel Taxes?</i>	155
	Example 7.3 <i>Fuel Economy Standards When Fuel Prices Are Falling</i>	156
	Gas Guzzler Tax	157
	Fuel Economy Standards in the European Union	157
	Example 7.4 <i>Car-Sharing: Better Use of Automotive Capital?</i>	158
	Fuel Economy Standards in Other Countries	159
	External Benefits of Fuel Economy Standards	159

Alternative Fuels and Vehicles	159
Transportation Pricing	161
Example 7.5 <i>Zonal Mobile-Source Pollution-Control Strategies: Singapore</i>	163
Example 7.6 <i>Modifying Car Insurance as an Environmental Strategy</i>	166
Example 7.7 <i>The Cash-for-Clunkers Program: Did It Work?</i>	167
Example 7.8 <i>Counterproductive Policy Design</i>	168
Summary	168
Discussion Questions	170
Self-Test Exercises	170
Further Reading	171
8 Climate Change	173
Introduction	173
The Science of Climate Change	174
Example 8.1 <i>Betting on Climate Science</i>	175
Negotiations over Climate Change Policy	176
Characterizing the Broad Strategies	176
Game Theory as a Window on Global Climate Negotiations	176
Debate 8.1 <i>Should Carbon Sequestration in the Terrestrial Biosphere Be Credited?</i>	177
The Precedent: Reducing Ozone-Depleting Gases	180
Economics and the Mitigation Policy Choice	182
Providing Context: A Brief Look at Two Illustrative Carbon Pricing Programs	182
Carbon Markets and Taxes: How Have These Approaches Worked in Practice?	183
Three Carbon Pricing Program Design Issues: Using the Revenue, Offsets, and Price Volatility	184
Controversy: The Morality of Emissions Trading	187
Debate 8.2 <i>Is Global Greenhouse Gas Trading Immoral?</i>	187
Mitigation Policy: Timing	188
The Role of Adaptation Policy	189
Summary	191
Discussion Questions	192
Self-Test Exercises	192
Further Reading	193
9 Water Pollution	195
Introduction	195
Nature of Water Pollution Problems	196
Types of Waste-Receiving Water	196
Sources of Contamination	196
Types of Pollutants	198

Debate 9.1 <i>Toxics in Fish Tissue: Do Fish Consumption Advisories Change Behavior?</i>	200
Traditional Water Pollution Control Policy	201
The US Experience	201
Early Legislation	201
Subsequent Legislation	202
The TMDL Program	204
The Safe Drinking Water Act	204
The Clean Water Rule	205
Ocean Pollution	205
Efficiency and Cost-Effectiveness	206
Ambient Standards and the Zero-Discharge Goal	206
National Effluent Standards	208
Municipal Wastewater Treatment Subsidies	208
Pretreatment Standards	209
Nonpoint Source Pollution	209
Watershed-Based Trading	210
Example 9.1 <i>Effluent Trading for Nitrogen in Long Island Sound</i>	211
Atmospheric Deposition of Pollution	215
The European Experience	215
Developing Country Experience	216
Example 9.2 <i>The Irish Bag Levy</i>	217
Example 9.3 <i>Economic Incentives for Water Pollution Control: The Case of Colombia</i>	218
Oil Spills—Tankers and Off-Shore Drilling	219
An Overall Assessment	220
Example 9.4 <i>Deepwater Horizon BP Oil Spill—Estimating the Damages</i>	221
Summary	223
Discussion Questions	223
Self-Test Exercises	224
Further Reading	225
10 Toxic Substances and Environmental Justice	227
Introduction	227
Nature of Toxic Substance Pollution	228
Health Effects	229
Policy Issues	229
Example 10.1 <i>The Arduous Path to Managing Toxic Risk: Bisphenol A</i>	230
Market Allocations and Toxic Substances	231
Occupational Hazards	231
Example 10.2 <i>Susceptible Populations in the Hazardous Workplace: An Historical Example</i>	234
Product Safety	235
Third Parties	235

The Incidence of Hazardous Waste Siting Decisions	236
History	236
Environmental Justice Research and the Emerging Role of GIS	237
The Economics of Site Location	237
Example 10.3 <i>Do New Polluting Facilities Affect Housing Values and Incomes? Evidence from New England</i>	238
Example 10.4 <i>Which Came First—The Toxic Facility or the Minority Neighborhood?</i>	239
The Policy Response	240
The Toxic Release Inventory	242
Debate 10.1 <i>Does Offering Compensation for Accepting an Environmental Risk Always Increase the Willingness to Accept the Risk?</i>	243
Proposition 65	244
International Agreements	244
Example 10.5 <i>Regulating through Mandatory Disclosure: The Case of Lead</i>	245
Summary	246
Discussion Questions	247
Self-Test Exercises	247
Further Reading	248
11 The Quest for Sustainable Development	249
Introduction	249
Sustainability of Development	250
Market Allocations	251
Efficiency and Sustainability	252
Trade and the Environment	254
Debate 11.1 <i>Would the Protection of Elephant Populations Be Enhanced or Diminished By Allowing Limited International Trade in Ivory?</i>	255
Example 11.1 <i>Has NAFTA Improved the Environment in Mexico?</i>	259
Trade Rules under GATT and the WTO	259
Debate 11.2 <i>Should an Importing Country Be Able to Use Trade Restrictions to Influence Harmful Fishing Practices in an Exporting Nation?</i>	260
Natural Disasters	261
Example 11.2 <i>Enhancing Resilience Against Natural Disasters with Flood Insurance</i>	262
The Natural Resource Curse	263
Example 11.3 <i>The “Natural Resource Curse” Hypothesis</i>	263
The Growth–Development Relationship	264
Conventional Measures	264
Alternative Measures	266

Summary	268
Example 11.4 <i>Happiness Economics: Does Money Buy Happiness?</i>	269
Discussion Questions	270
Self-Test Exercises	270
Further Reading	271
12 Visions of the Future Revisited	273
Introduction	273
Addressing the Issues	273
Conceptualizing the Problem	274
Institutional Responses	275
Example 12.1 <i>Private Incentives for Sustainable Development: Can Adopting Sustainable Practices Be Profitable?</i>	276
Sustainable Development	278
Example 12.2 <i>Public–Private Partnerships: The Kalundborg Experience</i>	279
A Concluding Comment	281
Discussion Questions	281
Further Reading	281
Answers to Self-Test Exercises	283
Glossary	291
Index	307