ENVIROMENTAL ECONOMICS

This is a graduate course environmental economics. Topics include: the theory of externalities and public goods, analysis of environmental policies, recent work on climate change, growth and the environment, innovation, health effects of pollution, environmental policy in open economies, second best issues (such as double dividend), and some issues in renewable resource management. The course is suitable for both M.A. and Ph.D. students. Students should be comfortable with microeconomic theory at the M.A. level (such as Econ 500) and should have some familiarity with econometrics. A previous course in environmental economics is not required.

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Requirements

Final exam 40%
Problem sets 20%
Report on an unpublished article 15% (Due Feb. 14)
Short state-of-the-art literature review 25% (Due last day of class)

The report on an article should be similar to (but a bit more detailed than) a referee report on an article for a decent journal. You should summarize and assess the contribution of the article, and provide critical and/or constructive comments. You should make a recommendation as to whether a revised version of the article would be suitable for publication in a top journal (such as the American Economic Review), or alternatively a good field journal (such as the Journal of Environmental Economics and Management); or whether it should be rejected. You will be responsible for choosing an unpublished paper to review. Your choice must be approved by me in writing (by email) before you write your review. Suggestions regarding how to find an article: check out websites of researchers working in the relevant area; NBER working papers; or recent conferences in the field, such as the Banff AERE conference, NBER Summer Institute, etc.

The short state-of-the-art literature review should be a review of a small number (4 or 5 papers?) of the most recent important contributions to a narrowly defined topic (for example, merits of using border taxes in a climate change agreement, effects of air pollution on human health, effects of subsidies to buy hybrid vehicles, etc). You should begin by reviewing the main questions and issues in your literature, what is known, what is controversial, etc. And then critically review the most recent important contributions. You are free to choose any topic in the field of environmental or resource economics (theory or empirical or both). The topic should be approved by me before you write the review.

There is no textbook. However, the following may be useful to consult for background reading.

PRELIMINARY READING LIST

0. Introduction


1. Externalities, property rights and public goods

Mas-Colell, Whinston and Green, Microeconomic Theory (1995), ch.11
Helfand and Rubin, "Spreading versus concentrating damages," JEEM 27 (July 1994): 84-91

2. Regulatory Instruments

Taxes, subsidies, regulations, permits


**Liability**


**Uncertainty**

Baumol and Oates, Ch. 5


**Innovation**


**Political Economy of Environmental Policy**


3. **Empirical Analysis of Selected Environmental Policies**


*Others may be announced*

4. **Effects of Pollution on Health**


Schlenker, W. and W. Reed Walker "Airports, Air Pollution, and Contemporaneous Health" mimeo 2011

5. **Second best (Monopoly, trade barriers and labour supply)**


6. **Economic Growth and Environmental Quality**


7. Environmental Policy in an Open Economy


8. Renewable Resources and Trade


9. Global environmental problems / Climate Change

Transboundary pollution and trade


**Estimating damages / Adaptation**


**Discounting**


**Fat tails**

Border Measures / Carbon Leakage


Karp, L."The income and production effects of leakage," mimeo, 2013


