

Undergraduate Program in Central European Studies

CERGE-EI and the School of Humanities at Charles University



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OUTLINE OF THE COURSE:

The aim of this course is to introduce students to some basic economic principles and theories explaining environmental issues and problems today and to explore existing policies at the national, international, and world level. Students will learn about concepts such as externalities, the tragedy of the commons, enforcement as a public good, interventionist solutions to the externality problem such as taxes and marketable pollution permits, as well as non-interventionist solutions to the externality problem such as the Coasian solution and self-regulation. Students will also review the debate over the environmental Kuznets curve. Because experimental evidence complements theoretic insights, field data and simulating models nicely, review some research articles that draw on the experimental methodology.

GRADING POLICY:

Midterm written exam (50%), final written exam (50%).

REQUIRED and RECOMMENDED READINGS:

Textbook:

Schotter, Andrew (1997), *Microeconomics. A Modern Approach*. Second Edition. Addison-Wesley. Of particular importance: Chapter 17 in that book.

Articles:

Axelrod, R. (2004), Nuclear Power and EU Enlargement: The Case of Temelín. *Environmental Politics*, 13, 153-172.

Camin, J., Vandever, S.D. (2004), Enlarging EU Environments: Central and Eastern Europe from Transition to Accession. *Environmental Politics* 13, 3 – 24.

Carter, N. (2007), Transforming environmental policy: Does Europe lead the way? *Environmental Politics* 16 (3), 523-528.

Cason, T., Gangadharan, L. (2002), Environmental labelling and incomplete consumer information in laboratory markets, *Journal of Environmental Economics and Management* 43, 113 - 134.

CENIA – website of the Czech Ministry of the Environment's information agency, http://www.cenia.cz/_C1257257003305C2.nsf/index.html

CENIA - The Environment in the Czech Republic 1989-2004

CENIA - The Environment in the Czech Republic 2007

Cherry, T.L., Kroll, S., Shogren, J.F. (2007), *Environmental Economics, Experimental Methods*. Routledge.

Clark, Friesen, Muller (2004), The Good, The Bad, And The Regulator: An Experimental Test of Two Conditional Audit Schemes, *Economic Inquiry* 42 (1), 69-87.

Coase, R. (1960), The problem of social cost. *Journal of Law and Economics* 3, 1 – 44.

Cotten, Ferraro, Vossler, Can public goods experiments inform policy? Interpreting results in the presence of confused subjects (Cherry, Chapter 10)

Environment Center of Charles University, <http://www.cuni.cz/COZPENG-5.html>

Evans, Gilpatric, McKee, Vossler, Managerial Incentives for Compliance with environmental information disclosure programs (Cherry, Chapter 13)

Godby, Shogren, Caveat emptor Kyoto, Comparing buyer and seller liability in carbon emission trading (Cherry, Chapter 3)

Greenstone, Gayer (2009), Quasi-Experimental and Experimental Approaches to Environmental Economics, *Journal of Environmental Economics and Management*, 57 (1), 21-

Harrison, G., McKee, M. (1985), Experimental Evaluation of the Coase Theorem. *Journal of Law and Economics* 28, 653 – 670.

Hey, C., EU Environmental Policies: A Short History of the Policy Strategies. (<http://www.eeb.org/publication/chapter-3.pdf>)

Hoffman, E., Spitzer, M. (1982), The Coase Theorem: Some Experimental Tests. *Journal of Law and Economics* 25, 93 – 98.

Holt, Shobe, Burtraw, Palmer, Goeree (2007), Auction Design for Selling CO2 Emissions Allowances Under the Regional Greenhouse Gas Initiative

Hoyt, Ryan, Houston, The Paper River: A Demonstration of Externalities and Coase's Theorem

Jehlička, P., Sarre, P., Podoba, J. (2005), The Czech Environmental Movement's Knowledge Interests in the 1990s: Compatibility of Western Influences with pre-1989 Perspectives, *Environmental Politics*, 14(1), 64-82.

Jehlička, P., Tickle, A. (2004), Environmental Implications of Eastern Enlargement: The End of Progressive EU Environmental Policy? *Environmental Politics*, 13, 77-95.

Kramer, L., (2002) Development of Environmental Policies in the United States and Europe: Convergence or Divergence? (http://www.iue.it/RSCAS/WP-Texts/02_33.pdf)

Kramer, J. (2004), EU Enlargement and the Environment: Six Challenges. *Environmental Politics*, 13, 290-311.

Kružiková, E. (2004), EU Accession and Legal Change: Accomplishments and Challenges in the Czech Case. *Environmental Politics*, 13, 99-113.

Levitt, List (2009), Field experiments in economics: The past, the present, and the future, *European Economic Review*, Elsevier, vol. 53(1), pages 1-18.

List (2004), Neoclassical Theory versus Prospect Theory: Evidence From the Marketplace, *Econometrica*, 2004, v72(2,Mar), 615-625.

Murphy, Stevens (2004), Contingent Valuation, Hypothetical Bias, and Experimental Economics

OECD (2006): The Political Economy of Environmentally Related Taxes. OECD 2006, pp. 25-66

Plott, C. (1983), Externalities and Corrective Policies in Experimental Markets. *Economic Journal* 93, 106 – 127.

Porter, Rassenti, Shobe, Smith, Winn (2009), Design testing and implementation of Virginia's NOx allowance auction. *Journal of Economic Behavior & Organization* 69, 190-200.

Potoski, M., Prakash, A. (2005a), Covenants with Weak Swords: 1001 and Facilities' Environmental Performance. *Journal of Policy Analysis and Management* 24, 745-769.

Potoski, M., Prakash, A. (2005), Green Clubs and Voluntary Governance: ISO 14001 and Firms' Regulatory Compliance. *American Journal of Political Science* 49, 235-248.

Prakash, Potoski (2006), Racing to the Bottom? Trade, Environmental Governance, and ISO 14001, *American Journal of Political Science*. 50(2), 350-364.

Schleich, Rogge, Betz (2008), Incentives for energy efficiency in the EU Emissions Trading Scheme

Stern, D.I. (2004), The Rise and Fall of the Environmental Kuznets Curve. *World Development* 8, 1419- 1439.

Vail (2007), Illegal Waste Transport and the Czech Republic: An Environmental Sociological Perspective, *Czech Sociological Review*, 43 (6), 1195-1211.

Yandle, B., Vijayaraghavan, M., Bhattarai, M. (2002): The Environmental Kuznets Curve. A Primer. PERC Research Study 02-1, May 2002

Zelmer (2003), Linear Public Goods Experiments: A Meta-Analysis, *Experimental Economics* 6 (3), 299-310.

WEEK:

TOPICS:

- 1** Introduction (history/outline)
- 2** Market failures: externalities, tragedy of the commons, enforcement as public good (river experiment)
- 3** Interventionist solutions to the Externality problem – Pigouvian taxes and standards and charges
- 4** Non-Interventionist solutions to the Externality problem – The Coasian solution
- 5** Interventionist solutions to the Externality problem – Marketable pollution permits
- 6** Non-interventionist solutions to the Externality problem – Self-regulation
- 7** *Midterm Exam*
- 8** Contingent valuation, Environmental Policy in the Czech Republic – History and current issues, Part I
- 9** Environmental Policy in the Czech Republic – History and current issues, Part II
- 10** Environmental Policy in the EU – History and current problems
- 11** Environmental Policy in the world context – History and Current problems
- 12** **To be determined by the interests of the class**
- 13** *Final Exam*