

# Environmental Economics in the Central European Context

Time: Tuesday 4pm – 7pm

Location: at CERGE-EI, Room # 11

**Instructor: Jana Krajcova**

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**Reading materials: <http://home.cerge-ei.cz/richmanova/Teaching.html>**

## 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 and international level. Students will learn about basic theoretical concepts of environmental economics 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. We will also review the debate over the environmental Kuznets curve. In the second half of the course, we will discuss the field data and environmental policies of the Czech Republic and place them into international context. Finally, if time allows, we will discuss current topics such as renewable resources and the controversy about their support schemes. Because experimental evidence complements theoretic insights, field data and simulating models nicely, we will review some research articles that draw on the experimental methodology. This course will help students 1) to see the environmental problems from the economic/behavioral perspective in order to understand how environmental protection is question of local policy design but at the same time a very complex international coordination game; 2) to learn about and understand local environmental burdens in broader context.

## GRADING POLICY:

Class participation and activity (10%),

**Homework (lecture 1) 5%**

Quick quizzes (20%)

Presentation (25%)

Final exam (40%)

## More detailed description of grading policy

- a) **Class participation and activity:** This is to reward the students that actively participate in class, ask or answer questions, participate in discussions. Unexcused absences (for other than medical reasons) are strongly discouraged, more than one absence will affect the final grade for the course. Please if you know you cannot make it to the class, it is always best to communicate with the instructor (send a short email explaining the reason) and agree on how to make up for the missed class.
- b) **Homework:** This is a specific of this semester because of the absence of the instructor during the first two weeks of your classes which we will have to make up for during the semester. Please do watch the documentary, take notes and then answer few questions below. Submit at [krajcova.janka@gmail.com](mailto:krajcova.janka@gmail.com) by Oct 9, midnight.
- c) **Quick quizzes:** After each class (by the end of the day) the instructor will upload (check the course webpage) a so-called Worksheet for the current lecture. Worksheet is a list of questions or problems that should help you to review the material discussed in class and thereby prepare for

the final exam. You are not expected to submit your answers regularly. Instead, the following class (unless informed otherwise in advance) will start with a quick quiz. In the quiz, the students will be asked to answer one of the questions from the worksheet in writing and submit to the instructor. You are allowed to use notes prepared before the class but everyone has to use their own notes and produce an original answer to the question asked. In case there is too much of similarities in answers from different students, all involved will receive zero points from the quiz. There will be no quiz on October 11.

- d) **Presentation:** Instead of a midterm exam, we will have students' presentations. Each student (or a group, (we will agree on this based on the final size of the class) will chose an environmental topic by October 25 (before the beginning of the class) and inform the instructor via email. If needed, the instructor will discuss the topic with the student/group. **All the topics need to be approved by the instructor in week 5 of the semester!!!** This is to avoid any disappointments on either side. You can choose any environmental topic that you find interesting and relevant. Topics from environmental economics or policy design are preferred. Examples: unusual/innovative environmental policies; comparison of two policies in different countries/cities to deal with environmental problems such as e.g. transportation, waste management, renewable support schemes etc.; evaluation of real-world environmental measures based on what we covered (incentive-compatibility, efficiency, implementation); international environmental issues/coordination/cooperation etc; a review of interesting academic article which is somehow connected to what we discuss in classes... Each presentation needs to include 1) your own contribution such as critical evaluation/assessment/comparison of various policies and link to the theory that we discuss and 2) references to all the sources that you use. For further inspiration you can also check the course webpage, some of the older semesters also include sample student presentations. More specific guidelines will follow. The slides that you will use should be emailed to the instructor no later than at the end of the presentations' day.
- e) **Final exam:** At the end of the semester we will have a cumulative final exam (that is everything that was discussed during the semester is relevant). It will be a 90-minute exam. The questions will be selected from worksheets. Also the questions that had previously appeared in quick quizzes can appear on the final exam. You can use one sheet of paper (A4 size), with notes on both sides, handwritten or printed (but remember that sometimes less is more ☺). **It is crucial that everyone prepares their own notes!!!** Every sharing of notes will be regarded as cheating. Similarly as for the quizzes, if there is too much of similarities in answers of different students, all involved will receive zero and it will, too, be regarded as cheating.

### **Some general information and guidelines:**

Use of notebooks or mobile phones in classes is not allowed. All the materials for classes will be uploaded before the class to the course web page – students are encouraged to print out the lecture notes and take notes on margins during the class. Take deadlines as given, not subject to bargaining. All the deadlines are announced well in advance and late submissions will not be accepted without penalization. Students who come after the quiz has started will not be allowed to take the quiz (unless there is a serious verifiable reason). Make-up quizzes can be allowed for excused absences; proper form and date have to be agreed on with the instructor. Plagiarism and cheating are serious academic offences and will not be tolerated. Random House Unabridged Dictionary defines plagiarism as “the unauthorized use or close imitation of the language and thoughts of another author and the representation of them as one’s own original work.” (Random House Unabridged Dictionary, 2nd Edition, Random House, New York, 1993) – make sure to avoid that ☺.

In case you have any problems (related to the course), questions or you feel like you need a consultation feel free to contact your instructor at [krajcova.janka@gmail.com](mailto:krajcova.janka@gmail.com). Keep in mind that communication with your instructor (written or personal) can help to avoid problems or difficulties!

**(Tentative) Course Outline:**

**[Check the online version for changes]**

<b>WEEK:</b>	<b>TOPICS:</b>
1 – Sep 27	Syllabus, Screening of "An Inconvenient Truth" → <b>Homework</b>
2 – Oct 4	<b>NO CLASS</b>
3 – Oct 11	Introduction: market failures - externalities, tragedy of the commons, environment as public good; Interventionist solutions to the Externality problem – Pigouvian taxes and standards and charges
4 – Oct 18	Interventionist solutions to the Externality problem contd. – Marketable pollution permits
5 – Oct 25	Non-interventionist solutions to the Externality problem - Environmental labeling; Environmental Kuznets curve <b>[Presentation topics to be submitted]</b>
6 – Nov 1	<b>Student Presentations [MIDTERM WEEK]</b>
7 – Nov 8	Non-interventionist solutions to the Externality problem – The Coasian solution
8 – Nov 15	Non-interventionist solutions to the Externality problem – Voluntary programs and self-regulation
9 – Nov 22	Environmental Policy in the Czech Republic – History and current issues
10 – Nov 29	Environmental Policy in the EU – History and Current problems
11 – Dec 6	Environmental Policy in the world context – History and Current problems, Renewable Resources
12 – Dec 13	<b>FINAL EXAM</b>

**Some useful links**

- CENIA ([www.cenia.cz](http://www.cenia.cz)) – website of the Czech Ministry of the Environment's information agency.
- Environment Center of Charles University (<http://www.cuni.cz/COZPENG-5.html>)
- European Environment Agency (<http://www.eea.europa.eu/>) - environment agency of the EU
- <http://ec.europa.eu/environment/enveco/index.htm> - web site of the EC

**READINGS**

- all reading materials are available for download at the instructor's web-page
- the first part of the course follows: **Schotter, Andrew (1997), Microeconomics. A Modern Approach.** Second Edition. Addison-Wesley; there are several editions of that book, when I refer to page/problem numbers it will always be consistent with the scanned version which can be downloaded from the course web page
- **REQUIRED readings are expected to be read prior to the class for which they are relevant**

- OPTIONAL readings provide specific information, methodological tools, particular economic models etc. for students that have deeper interest in environmental economics, are not required

## Screening of “An Inconvenient Truth”

### Homework

1. Please write up a short paragraph on
  - a. **[5 points]** What is your background in (micro)economics, environmental economics, experimental economics, statistics/econometrics; any prior environmental courses/experience?
  - b. **[5 points]** What do you expect from this course? (Think of general knowledge on “environmental” as well as specific regional topics that you find interesting.)
2. **[20 points]** You watched an influential environmental documentary “An Inconvenient truth.” Comment on the film along the points below; submit up to one page.
  - a. How useful/interesting have you found it? Briefly summarize the most important lesson learned.
  - b. What do you think was the goal of the filmmakers and do you think they have done well to achieve it? Or, in other words, what is the most important “value added” of the film, if any?
  - c. Have you seen any other influential environmental documentary that you would recommend? Briefly explain why.

**Please submit your homework via email ([krajcova.janka@gmail.com](mailto:krajcova.janka@gmail.com)) by Sunday, October 9, midnight. Late submissions will not be accepted. Thank you!**