

CERGE-EI and the Faculty of Humanities (FHS) at Charles University

## **Environmental Economics in the Central European Context**

**Lecturer: Jana Krajčová**

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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, we will review some research articles that draw on the experimental methodology.

### **GRADING POLICY:**

Class participation and activity (10%),

Quick quizzes (20%)

Presentation (30%)

Final exam (40%)

## Course Outline:

WEEK:	TOPICS:
1	UPCES Orientation Lecture Series
2	Introduction, Market failures - externalities, tragedy of the commons, enforcement as public good
3	Interventionist solutions to the Externality problem – Pigouvian taxes and standards and charges
4	Interventionist solutions to the Externality problem – Marketable pollution permits
5	Non-Interventionist solutions to the Externality problem – The Coasian solution <b>Presentation topics to be agreed on</b>
6	Non-interventionist solutions to the Externality problem – Voluntary programs and self-regulation
7	Environmental Policy in the Czech Republic – History and current issues
8	<b>Students' Presentations</b>
9	Environmental Policy in the EU – History and Current problems
10	<b>Trip to Malešice Waste Treatment Facility POSSIBILITY</b>
11	Environmental Policy in the world context – History and Current problems
12	Renewable Resources (guest lecture + discussion)
13	<b>Final Exam</b>

## READINGS:

### Textbook:

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

**Lecture notes:** downloadable from <http://home.cerge-ei.cz/richmanova/Teaching.html>

**Articles** (also downloadable from <http://home.cerge-ei.cz/richmanova/Teaching.html>):

### WEEK 2

#### Required readings

*Andrew Schotter* - Chapter 17, Sections 17.1 and 17.2

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

*Hardin* - The Tragedy of the commons

#### Optional readings

*Levitt, List* - Field experiments in economics: The past, the present, and the future

### WEEK 3

#### Required readings

*Andrew Schotter* - Chapter 17, Sections 17.3 and 17.4

*Plott* - Externalities and Corrective Policies in Experimental Markets

*Yandle, Vijayaraghavan, Bhattarai* - The Environmental Kuznets Curve. A Primer

*Cason, Gangadharan* - Environmental labelling and incomplete consumer information in laboratory markets

#### Optional readings

*Stern* - The Rise and Fall of the Environmental Kuznets Curve

WEEK 4

**Required readings**

*Andrew Schotter* - Chapter 17, Section 17.3

*Porter et al.* - The design, testing and implementation of Virginia's NO<sub>x</sub> allowance auction

*Schleich et al.* - Incentives for energy efficiency in the EU Emissions Trading Scheme

**Optional readings**

*Godby, Schogren* - Caveat emptor Kyoto, Comparing buyer and seller liability in carbon emission trading

WEEK 5

**Required readings**

*Andrew Schotter* - Chapter 17, Sections 17.5 and 17.6

*Coase* - The problem of social cost

*Hoffman, Spitzer* - The Coase Theorem: Some Experimental Tests

*Harrison, McKee* - Experimental Evaluation of the Coase Theorem

WEEK 6

**Required readings**

*Potoski, Prakash* - Green Clubs and Voluntary Governance: ISO 14001 and Firms' Regulatory Compliance

*Potoski, Prakash* - Covenants with Weak Swords: 14001 and Facilities' Environmental Performance

**Optional readings**

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

*Prakash, Potoski* - Racing to the Bottom? Trade, Environmental Governance, and ISO 14001

WEEK 7

**Optional readings**

CENIA - The Environment in the Czech Republic 1989-2004, part 1

CENIA - The Environment in the Czech Republic 1989-2004, part 2

CENIA - The Environment in the Czech Republic 1989-2004, part 3

CENIA - The Environment in the Czech Republic 2007

CENIA – website of the Czech Ministry of the Environment's information agency Environment Center of Charles University

WEEK 9

**Required readings**

*Axelrod* - Nuclear Power and EU Enlargement: The Case of Temelín

*Vail* - Illegal Waste Transport and the Czech Republic: An Environmental Sociological Perspective

*Kramer* - EU Enlargement and the Environment: Six Challenges

*Kruzikova* - EU Accession and Legal Change: Accomplishments and Challenges in the Czech Case

**Optional readings**

*Jehlicka, Tickle* - Environmental Implications of Eastern Enlargement: The End of Progressive EU Environmental Policy?

*Hey* - EU Environmental Policies: A Short History of the Policy Strategies

*Camin, Vanderveer* - Enlarging EU Environments: Central and Eastern Europe from Transition to Accession

WEEK 11

**Required readings**

*Kramer* - Development of Environmental Policies in the United States and Europe: Convergence or Divergence?

*Muller* - Copenhagen 2009 Failure or final wake-up call for our leaders

**Optional Readings**

*Stern* – Action and ambition for a global deal in Copenhagen (UNEP Policy Update)

WEEK 12

**Required readings**

OECD Report - Deploying Renewables 2008 (executive summary)

OECD Report - Renewable Energy Essentials: Solar Heating and Cooling

OECD Report - Renewable Energy Essentials: Solar Thermal Power

OECD Report - Renewable Energy Essentials: Wind

WEEK 13

**Final Exam**