

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

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

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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. This course will help students to 1) learn about and understand local environmental burdens in broader context 2) 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.

### **GRADING POLICY:**

Class participation and activity (10%),

Quick quizzes (20%)

Presentation (30%)

Final exam (40%)

## Course Outline:

<b>WEEK:</b>	<b>TOPICS:</b>
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 - Environmental labeling; Environmental Kuznets curve
6	Non-interventionist solutions to the externality problem – The Coasian solution
7	<b>Students' Presentations</b>
8	Non-interventionist solutions to the externality problem – Voluntary programs and self-regulation
9	Environmental policy in the Czech Republic – History and current issues
10	Environmental policy in the Czech Republic – History and current issues contd.
11	Environmental policy in the EU – History and current issues
12	Environmental policy in the world context – History and current issues
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** (UPDATED LIST + download: <http://home.cerge-ei.cz/richmanova/Teaching.html>):

### WEEK 2

#### Required readings

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

*Hardin* - The Tragedy of the commons

#### Optional readings

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

*Greenstone, Gayer* - Quasi-Experimental and Experimental Approaches to Environmental Economics

### WEEK 3

#### Required readings

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

*Plott* - Externalities and Corrective Policies in Experimental Markets

#### Optional readings

*Holt, Laury* - Voluntary Provision of a Public Good

### WEEK 4

#### Required readings

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

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

*Porter et al.* - The design, testing and implementation of Virginia's NOx allowance auction

**Optional readings**

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

WEEK 5

**Required readings**

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

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

**Optional readings**

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

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

WEEK 6

**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 7 STUDENTS' PRESENTATIONS

WEEK 8

**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 9&10

**Optional readings**

CENIA - The Environment in the Czech Republic 2013

CENIA - The Environment in the Czech Republic 2010

CENIA - The Environment in the Czech Republic 2007

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

WEEK 11

**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

*Camín, Vandevveer* - Enlarging EU Environments: Central and Eastern Europe from Transition to Accession

WEEK 12

**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 13

**Final Exam**