# Worksheet 1 (for lectures 1 and 2) – Environmental Policy in the Central European Context course

**I advise you to work through the following problems / questions well and as a group (make sure though that no one is free-riding); it's the ticket to performing reasonably well on the exams.**

1. According to Cherry et al (2008), experiments -- also for environmental economics -- serve at least three purposes? What are they?

2. According to Horowitz et al (2008), stated preference studies now make up a large proportion of valuation research. This is not simply for the original reasons – the inability to observe some actions and the need to measure existence values – but the growing recognition that econometric problems compromise many preference studies. … [here] they are concerned with two problems that have arisen as economists have applied stated preference approaches to valuation and review in particular two issues that are crucial to the acceptance and advancement of stated preference.

3. We also reviewed a couple of important articles on selection biases and ways to address them. Give a couple of examples of such biases (preferably related to environmental economics) and explain how laboratory or field experiments could take care of them.

4. What is the endowment effect and why is there a controversy about it?

5. Summarize the motivation, design, implementation, and findings of List (2004). Be specific about how List addressed the issue of the dealers being a particular kind of person and therefore in his earlier paper (List 2003) a selection bias might have driven his results.

6. Summarize the motivation, design, implementation, and findings of Cotton et al. (2008). Explain in particular how exactly the virtual-player treatment works and what it is meant to accomplish.
Identify in Figures 10.1. and 10.2. confusion and what seems to be altruism, warm-glow, or some other social preference. What are possible solutions that might contribute to subjects' confusion being reduced.

7. What is the Environmental Kuznets Curve? Where does its name come from? And what is the basic functional relationship claimed?

8. What do we learn from Table 1 in the article by Yandle et al. and Table 1 in Stern's article?

9. There are currently a number of dispute going on over methodology and reality of the EKC. Summarize, in your words, the critique of the EKC.

10. "The true form of the emissions-income relationship is likely a mix of two of the scenarios proposed by Dasgupta et al. (JEP 2002) illustrated in Figure 3. The overall shape is that of their 'new toxics' EKC – a monotonic increase of emissions and income. But over time this curve shifts down, which is analogous to their 'revised EKC' scenario. [innovations being adopted in high-income countries, and with a short lag in the majority of poorer countries.]" (Stern p. 1435) Comment (in particular in light of the related discussion in Yandle et al., as captured in their Figure 3).

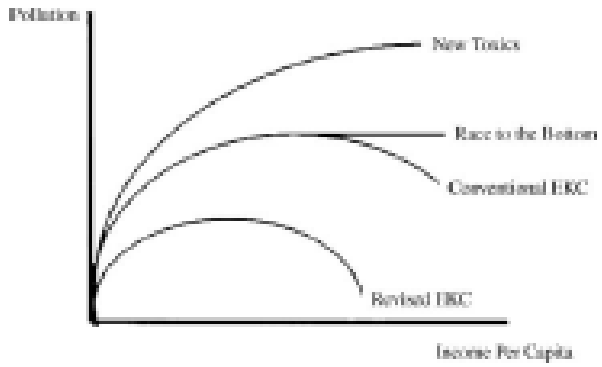


Figure 3. *Environmental Kuznets curve: alternative views. Source: Dasgupta et al. (2002) and Perman and Stern (2003).*

11. “The search for meaningful environmental protection is a search for ways to enhance property rights and markets.” (Yandle et a;., p. 18) Discuss.