

Worksheet 1 (for Lecture 1) – 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. Number of points indicates the expected scope of the answer (should roughly correspond to time in minutes).

1. **[10 points]** Which is, in your opinion, the greatest challenge for current environmental policy? Explain.
2. **[10 points]** Use an example to explain what is selection bias; why/when does it occur; and how can the researcher deal with it such that his/her analysis remains valid? We also mentioned couple of other biases and ways to address them. Give at least three examples of such biases (preferably related to environmental economics) and explain the nature of the problem there.
3. **[5 points]** Why is experimental economics a useful tool for environmental policy design? We mentioned at least three purposes. What are they (feel free to provide more)?
4. **[5 points]** What is contingent valuation and how is it useful for environmental policy design?
5. **[10 points]** What is externality? Provide an example (preferably environmental) and discuss. Can you think of a way how to correct for externality in your example?
6. **[10 points]** What are the main attributes of public good? Using an example, explain how and why a free rider problem can naturally arise. Can you think of solution?
7. **[10 points]** “The rational man finds that his share of the cost of the wastes he discharges into the commons is less than the cost of purifying his wastes before releasing them. Since this is true for everyone we are locked into a system of “fouling our own nest.” (Hardin, p. 1245) Discuss.
8. **[10 points]** “The search for meaningful environmental protection is a search for ways to enhance property rights and markets.” (Yandle et al., p. 18) Discuss.