

# Environmental Economics for Environmental Sciences (ENR-21306)

David Zetland

Environmental Economics and Natural Resources Group

Pollution policy with imperfect information (Perman 7)



# Summary from yesterday

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- **CAC:** Results at high opportunity cost (wrong choices), pleases “do something” crowd, but may be ineffective in short and long run (farmers with nonpoint pollution)
  - **Institutions:** Can be very effective but volunteers are tricky. Coasian bargaining works with low TCs
  - **Taxes:** Transparent and direct (good incentives for new T&T, but people hate paying them)
  - **Subsidies:** Rarely better than taxes, except for those who get paid
  - **Cap and Trade:** Seems “controlled” but hard to deal with overallocation and fraud.
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# Today's topics

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- <http://www.kysq.org/teach.html>
- First, we play a game!
- ...and then we stop! Great game 😊