This is a graduate level course in environmental economics of approximately 26 sessions of 1 hr 20 min each. It has as prerequisite a graduate course in microeconomics (e.g., Microeconomics Theory I). The main focus of the course is on the theory of externalities and regulation theory as applied to environmental problems. It will also cover some empirical aspects of environmental regulation and provides an introduction to environmental valuation. The lectures on environmental valuation will be given by Oscar Melo (omelo@uc.cl) from the Agriculture and Resource Economics Department.

Grading

two written examinations (60%); two referee reports (20%); class participation, which may include presentation of some paper (20%).

Texts

The course does not follow any text in particular. There are some books –available in the library– that are referenced a few times


Reading List

You are not expected to read everything that is on this list. However, the readings marked with a "snow flake" should be read in advance of the corresponding class. Note that I may change some of the readings, specially towards the end of the semester. Most article readings are available through WWW.JSTOR.ORG. I will provide copies with Ana María Artigas (artigas@faceapuc.cl) of the ones that are not.

Externalities and Public Goods

(2 sessions)

* Kolstad, ch. 3-7.
* MWG, ch. 11
* B&O, ch 4.

**Environmental Policy Instruments**

(1 session)
* Kolstad, caps. 8 y 9.
* Kolstad, Ulen and Johnson (1990), Ex ante regulation vs. ex post liability for harm: Substitutes or complements? *American Economic Review*.

**Adverse Selection**

(6 sessions)
* B&O, ch. 5.
* Kolstad, ch. 10.
* S. Baliga and E. Maskin (2002), Mechanism design for the environment, mimeo, Kellog-Northwestern University.

**Moral Hazard/Incomplete Monitoring**

(1½ sessions)

**Incomplete Enforcement**

(1½ sessions)

* Kolstad, cap. 11.
  Malik, A. (1990), Markets for Pollution Control when Firms are Non-compliant, Journal of Environmental Economics and Management 18, 97-106.

**Market Power**

(2 sessions)

* B&O, ch. 6.
* M. Liski and J.-P. Montero (2008), Market power in an exhaustible-resource market: The case of storable pollution permits, mimeo, PUC.

**Technology Innovation**

(1 session)


"Voluntary" Regulation

(1 session)


Empirical Analysis of Regulatory Performance

(2 sessions)


**Tax Interactions/Double Dividend**

(1\(\frac{1}{2}\) sessions)

* Kolstad, ch. 14


**Discounting, Irreversibility, Learning, Uncertainty**

(x sessions)


**Development, International Trade and Interjurisdictional Competition**

(x sessions)


Environmental Valuation

(5 sessions by Oscar Melo; to be completed)


