

Economics of the Environment

Selected Readings



FOURTH EDITION

Edited by

Robert N. Stavins

HARVARD UNIVERSITY



W. W. Norton & Company

New York London

Contents

	Introduction	ix
I		
<hr/> <i>Overview and Principles</i>		
1		
	1 <i>How Economists See the Environment</i> Don Fullerton and Robert N. Stavins	3
	2 <i>The Tragedy of the Commons</i> Garrett Hardin	9
	3 <i>The Problem of Social Cost</i> Ronald Coase	23
	4 <i>Environmental Economics: A Survey</i> Maureen L. Cropper and Wallace E. Oates	50
	5 <i>Sustainability: An Economist's Perspective</i> Robert M. Solow	131
II		
<hr/> <i>The Costs of Environmental Protection</i>		
139		
	6 <i>Environmental Regulation and the Competitiveness of U.S. Manufacturing: What Does the Evidence Tell Us?</i> Adam B. Jaffe, Steven R. Peterson, Paul R. Portney, and Robert N. Stavins	141
	7 <i>Toward a New Conception of the Environment-Competitiveness Relationship</i> Michael E. Porter and Claas van der Linde	180
	8 <i>Tightening Environmental Standards: The Benefit-Cost or the No-Cost Paradigm?</i> Karen Palmer, Wallace E. Oates, and Paul R. Portney	203

III

*The Benefits of
Environmental
Protection*

217

- 9 *Nonmarket Valuation of Environmental Resources: An Interpretive Appraisal*
V. Kerry Smith 219
- 10 *The Contingent Valuation Debate: Why Economists Should Care*
Paul R. Portney 253
- 11 *Valuing the Environment through Contingent Valuation*
W. Michael Hanemann 268
- 12 *Contingent Valuation: Is Some Number Better than No Number?*
Peter A. Diamond and Jerry A. Hausman 295

IV

*The Goals of
Environmental
Policy:
Economic
Efficiency and
Benefit-Cost
Analysis*

317

- 13 *Is There a Role for Benefit-Cost Analysis in Environmental, Health, and Safety Regulation?*
Kenneth J. Arrow, Maureen L. Cropper, George C. Eads, Robert W. Hahn, Lester B. Lave, Roger G. Noll, Paul R. Portney, Milton Russell, Richard Schmalensee, V. Kerry Smith, and Robert N. Stavins 319
- 14 *Regulating the Regulators*
W. Kip Viscusi 325
- 15 *Cost-Benefit Analysis: An Ethical Critique*
Steven Kelman 355
- Replies to Steven Kelman*
James V. DeLong, Robert M. Solow, Gerard Butters, John Calfee, and Pauline Ippolito 365

V

*The Means of
Environmental
Policy: Cost
Effectiveness
and Market-
Based
Instruments*

371

- 16 *Economic Instruments for Environmental Regulation*
Tom H. Tietenberg 373
- 17 *Environmental Policy Making in a Second-Best Setting*
Lawrence H. Goulder 396
- 18 *Economic Prescriptions for Environmental Problems: How the Patient Followed the Doctor's Orders*
Robert W. Hahn 428

- 19 *It's Immoral to Buy the Right to Pollute*
Michael J. Sandel 449

Replies to Michael Sandel

- Steven Shavell, Robert N. Stavins,
Sanford E. Gaines, and Eric S. Maskin 451

VI

*Transboundary
SO₂ and Acid
Rain Control*
453

- 20 *An Interim Evaluation of Sulfur Dioxide
Emissions Trading*
Richard Schmalensee, Paul L. Joskow,
A. Denny Ellerman, Juan Pablo Montero, and
Elizabeth M. Bailey 455

- 21 *What Can We Learn from the Grand Policy
Experiment? Lessons from SO₂ Allowance
Trading*
Robert N. Stavins 472

VII

*Global Climate
Change*
493

- 22 *Reflections on the Economics of Climate
Change*
William D. Nordhaus 495

- 23 *The Cost of Combating Global Warming:
Facing the Tradeoffs*
Thomas C. Schelling 510

- 24 *Kyoto's Unfinished Business*
Henry D. Jacoby, Ronald G. Prinn, and Richard
Schmalensee 517

VIII

*Ecological
Values*
527

- 25 *Economic Analysis and Ecosystems: Some
Concepts and Issues*
R. David Simpson 529

- 26 *Conflicts and Choices in Biodiversity
Preservation*
Andrew Metrick and Martin L. Weitzman 542

IX

*Political
Economy*
557

- 27 *The Choice of Regulatory Instruments in
Environmental Policy*
Nathaniel O. Keohane, Richard L. Revesz,
and Robert N. Stavins 559

28	<i>The Political Economy of Market-Based Environmental Policy: The U.S. Acid Rain Program</i>	
	Paul L. Joskow and Richard Schmalensee	603
29	<i>A Political Economy in an Ecological Web</i>	
	Jason F. Shogren	646