

## Difficult Environmental Cases and the Role of Government

**Full Length Text** — Part: 6 Chapter: 14  
**Micro Only Text** — Part: 5 Chapter: 11

To Accompany "Economics: Private and Public Choice 11th ed."  
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## Government Regulation and the Environment

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## Government Regulation and the Environment

- Some environmental harms are not easily measured or traced to their source.
  - *Example:* air pollution from vehicles and industry in Los Angeles or Denver
- Lack of information hampers common law protection of rights and resources.
- Environmental regulation such as the Clean Air Act (1990) is another way to reduce harm.

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### Government Regulation and the Environment

- Regulation's efficiency is also weakened when information is lacking.
- If downwind effects of one party's emissions are not known, then potential benefits of reducing those emissions are not known.
- *Tunnel vision* leads regulators of specific emissions to seek more authority to act, not to seek better information that might limit their actions.

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### Climate Change and the Uncertainty Problem

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### Climate Change and the Uncertainty Problem

- The buildup of carbon-dioxide (CO<sub>2</sub>) may be partially responsible for the 1° F rise in the Earth's temperature over the past 100 years.
- Effects of rising CO<sub>2</sub> interact with, and depend on, effects of water vapor and wind patterns.
  - Water vapor in the air is by far the most important influence on warming.
- Uncertainty about the impacts of CO<sub>2</sub> on the global climate, therefore, is very large.
- The effects of a warming climate on people and the economy are both positive & negative, so the net benefit or cost is uncertain.

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### Climate Change and the Uncertainty Problem

- The control of CO<sub>2</sub> emissions will require global regulation of emissions.
- To significantly reduce CO<sub>2</sub> emissions would be very costly.
- An alternative strategy to minimize any future climate change damage would be to increase economic efficiency and growth, making society more adaptable and resilient.

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### Market-like Schemes: Reducing the Cost of Specific Regulation

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### Market-like Schemes: Reducing the Cost of Specific Regulation

- With sufficient information and well-chosen goals – two difficult conditions – market-like approaches can cut the costs of regulation.
  - Pollution charges or taxes can move private costs toward social costs.
  - Emissions standards with tradable permits can shift control efforts to low-cost reducers of pollution.
- Any market-like approach can only be as efficient as the information and the intentions of regulators.

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### Property Rights as a Tool for Government Policy

- Tradable rights – property rights in one form or another – are being used by regulators to solve some resource management problems.
- For ocean fisheries, governments around the world promote efficient, sustainable harvests using *individual transferable quotas* (ITQs).

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### Weakening Property Rights: The Endangered Species Act

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### Weakening Property Rights: The Endangered Species Act (ESA)

- The ESA is intended to preserve species by protecting existing habitat.
- It allows the government to prohibit land owners from doing anything to disturb the habitat of any listed species.
- Prohibitions are usually costly to land owners.
- Under the ESA, the presence of any listed species reduces what the owner can do with the land, reducing its market value.
- As owners manage land, some are known to modify habitat to discourage the presence of any listed species within migrating distance.
  - Such a counterproductive consequence is an unintended effect of the strong ESA powers.

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## Government Ownership of Resources and Provision of Services

◀ [Jump to first page](#) ▶

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## Government Ownership of Resources and Provision of Services

- Government ownership of parks and other lands is one way to preserve environmental assets or to provide public access to resources.
- The management of parks and other federal lands is not paid for primarily from user fees.
- Without user fees and user responses to them, user valuations are missing.
- Users who pay little to finance provision, have less influence on management as a result.
- More and more state & federal land resources are becoming financed with user fees.

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## Questions for Thought:

1. Is there an advantage to park users, when parks are financed from user fees rather than from the government treasury? Discuss.
2. What incentive might there be for a research scientist to emphasize the most alarming possibilities, rather than the most likely ones?
3. What kinds of policies would further the adaptation strategy of dealing with an environmental risk such as global climate change?

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**Questions for Thought:**

4. Under a "cap-and-trade" pollution control system, how do tradable pollution permits minimize the cost of a given reduction in emissions?
5. "Weakening the Endangered Species Act to allow landowners to do things that might disturb members of a listed species, can only harm the species' chances of survival."  
-- Evaluate this statement.

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Special Topic 14**

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