Environmental Economics

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ENVIRONMENTAL ECONOMICS

Individual Incentives and Public Choices

Ian Hodge

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Preface

Environmental issues have gained considerable prominence, from very local concerns of land use or recycling to global problems discussed at major meetings of world leaders. The discovery of the hole in the ozone layer and the evidence of climate change indicate the pervasiveness of human impact on the planet. But these developments seldom cause the most obvious and immediate impact. Noise, air pollution or loss of countryside often have a greater apparent impact at a local level, at least in the short term. Environmental economics provides a framework for the analysis of these diverse issues. It offers a consistent approach which explains the underlying sources of the problems and evaluates potential solutions.

This book outlines the nature of this analysis. Part I explains the basic environmental problem, indicates the arguments about the quality of environment which we may seek, and examines the mechanisms which we may employ in order to achieve this quality. Part II illustrates these areas through four case studies, representing local and global environmental concerns. These show how economics has been applied in order to explain the causes of environmental problems, to investigate the costs of environmental damage and to assess the options for policy. Of course, different types of problem have been analysed in different ways and this is reflected in the approaches adopted in these chapters.

The book assumes little or no background in economics. All of the important concepts introduced are explained so that the book can be read independently of any other texts. There is absolutely no recourse to mathematics. In a short treatment, it is impossible to offer

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explanations with the rigour which might be expected in a full economics textbook. The purpose is to offer a relatively informal treatment to what has become perhaps an overly technical area of economic analysis. At the same time, the book reflects the state of the subject as it is currently practised, both in terms of the discussion in Part I and in the case studies in Part II.

Writing always incurs debts. Few, if any, of the ideas in the book are original, although I would like to think that there just may be one or two. Formal referencing has been avoided in the interests of the reader but details of sources are included in the sections on notes and further reading at the end of each chapter. Many of the ideas are by now in general circulation with the originators unknown. I apologise to anyone who may feel that their own ideas have remained unattributed here before they should have reached this state of anonymity.

I owe the idea for the book to Andy Leake and Stephen Rutt and, at least by this stage of the project, I thank them for it. I also appreciate the patience shown both by them and by Jane Powell in the long wait for some positive outcome. Chapter 2 has been co-authored with Diane Dawson and I am grateful to her for her contribution. The book has been read in full by Caroline Saunders and by Andy Leake. The chapter on rainforests was read by Arild Angelson. I appreciate their many helpful suggestions but inevitably cannot hold them responsible for what has subsequently emerged.

Much of the book was written while I was visiting the Department of Agricultural Economics at the University of Wisconsin, Madison. I am most grateful to Professors Philip Harris and Dan Bromley for the generous facilities which were made available to me there and for contributing to our stay in many ways. We all went to Madison and we should express our particular appreciation for the contribution that the Henry Vilas Zoo, Monroe Street Library and University of Wisconsin ice cream all made to our stay.

IAN HODGE