Syllabus and Outline

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Business and the Environment
ECON-UB.0225, ECON-UA.290.001
Spring 2015
Tue and Thurs, 2 – 3:15 p.m., KMC 5-75

Environmental problems typically arise from “market failures.” This course examines several environmental issues at local, national, and international levels, with a particular focus this year on energy and climate change, but also briefly on water and population. Drawing on the theories of externalities, market failure, and mechanism design, it explores the causes of these problems and some of the potential remedies, including government regulation, “cap-and-trade,” and carbon taxes, as well as potential related business opportunities. The schedule will include lectures by relevant industry representatives.

Prerequisite: Microeconomics (ECON-UB 1) or Introduction to Microeconomics (ECON-UA 1) or Environment and Society (ENVST-UA 101), or equivalent.


Plus various articles, many of which are found in the following collections:


Copies of most of the articles cited below can be downloaded from JSTOR. I shall arrange for the others to be available. Other references will be added during the semester, especially in the area of potential business opportunities.

Outline and Reading Assignments
(Optional readings are listed as “Supplementary”)

1. **Introduction to the Course**
   BR, Ch. 1, pp. 1-16.
2. The Problem of Climate Change
   BR, Chs. 2-5, pp. 19-76.
   Supplementary:
   *Nature*, 395, 6701 (EE, Ch. 1).
   National Academy of Sciences, “Overview and Summary: Technology and

   BR, Chs. 6, 7, pp. 79-102
   R. Radner, “Notes.”
   Sandel, M. J., “It’s Immoral to Buy the Right to Pollute (with replies),” *N.Y. Times*,
   Supplementary:
   Hanemann, W. Michael (1994), Valuing the Environment through Contingent
   Should Care,” *J. of Economic Perspectives*, 8, 3-17.

4. Energy, I: Fossil Fuels and “Nuclear” Energy
   BR, Chs. 8-10, 12, pp. 103-149, 189-218.
   Supplementary:
   BR, Ch. 12, pp. 219-237.

5. Energy, II: Renewable and Biofuels
   BR, Chs. 13, 14, pp. 238-290.

6. Energy III: Efficiency
   BR, Ch. 11, pp. 150-188.

7. Energy IV: Summary
   BR, Ch. 15, pp. 291-311.

8. Energy V: Demand
   R. Radner, “Notes.”
   Austin, D., and T. Dinan (2005). "Cleaning the Air: The Costs and Consequences of
   Higher CAFE Standards and Increased Gasoline Taxes," *J. of Environmental
   Economics and Management*, 50 (3), 562-582.
9. Climate-Change Policy
BR, Chs. 16-18, pp. 315-349.

One or more of the following topics will be briefly treated, depending on the time available; references will be provided as needed: fishing, water, population, sustainability.

Additional Supplementary References, I
The following references contain case studies of environmentally efficient and socially responsible companies that are succeeding in their integration of those principles with profitability.


Additional Supplementary References, II
The following references provide more information about the topics in this course.


