

Wallace Oates (1999)  
An Economic Perspective on Environmental  
and Resource Management:  
An Introduction

In: Oates WE (Ed).

*The RFF Reader in Environmental and Resource Policy.*

Washington, DC: Resources for the Future, xv-xx.

Environmental Economics: Contradiction in terms?

Economics is the study of

## Environmental Economics

- So environmental economics is just the study of how to apply economics and its tools and methods to environmental “goods.”

### Three Basic Messages of Environmental Economists: Message 1

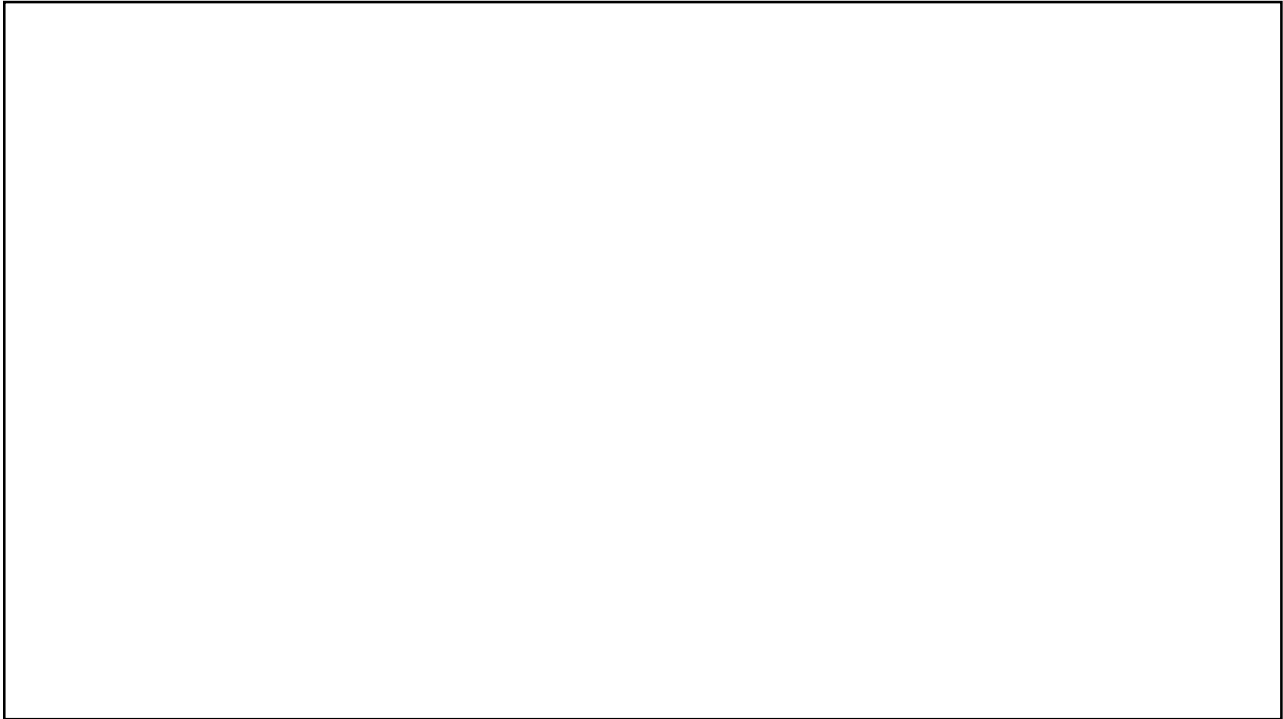
Free markets and the environment:

- For many goods
- But for other goods
- → need for public intervention in the form of environmental regulation

### About Efficiency:


## Externalities

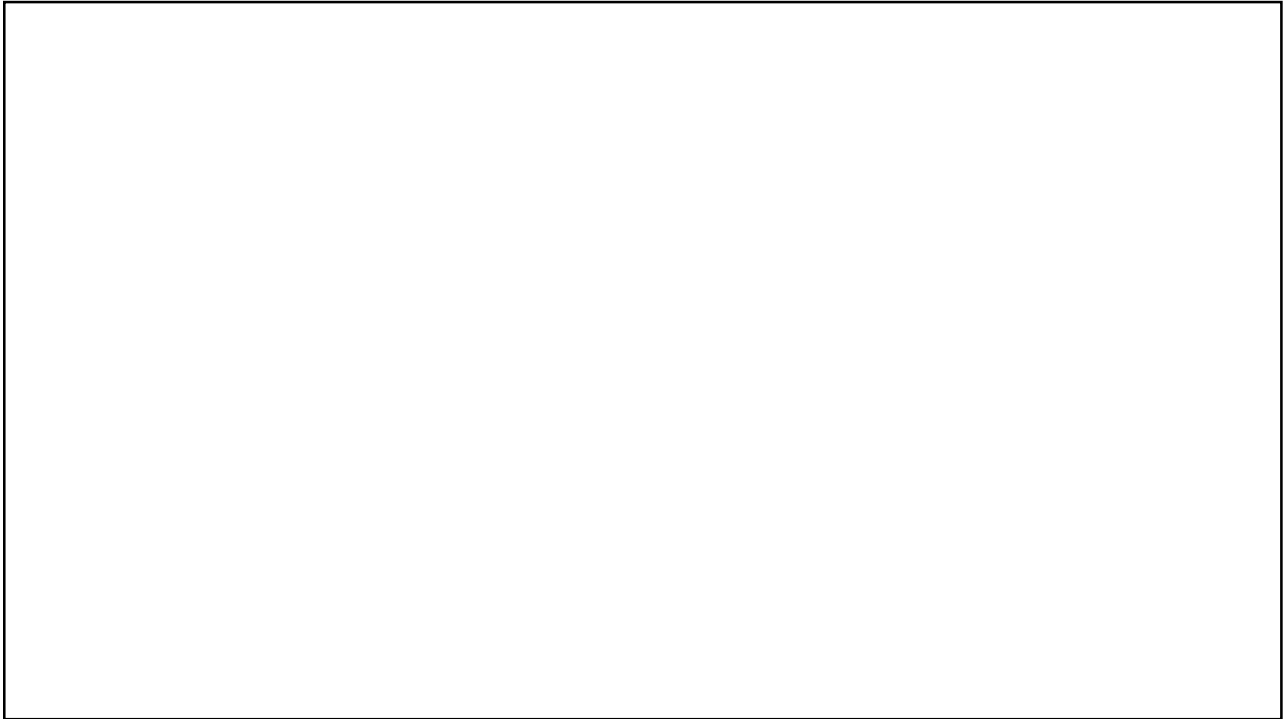
- Negative externalities:
- (Positive externalities: agents do not take benefits for others into account. → for example, education)



## Three Basic Messages of Environmental Economists: Message 2

Setting standards for environmental quality:

- How clean should the environment be?
- Compare
  
- Benefits and costs from social perspective!
- Not easy to calculate, particularly benefits.
- Should



## Three Basic Messages of Environmental Economists: Message 3

Choosing policy instruments:

- How to achieve target (independent from whether target is efficient or not)?
- Good system of regulatory instruments

**Examples of Different Types of Policies**
