

# Market failure in environmental pollution assignment



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The idea of giving the environment a price has been a controversial issue as to whether introducing economics will inevitably save it, but with that idea considered, the environment has been increasingly difficult to place a value on. By using environmental valuation methods such as, contingent valuation (willingness to pay), opportunity costs and hedonistic pricing, the measurement

Of environmental gains and losses can be represented in economic terms and by summing up these gains and losses an estimate pricing of the environment can be placed (Ebbed 1997). The environment is constantly subjected to market failure, where a market is incomplete or is failing to do what it aims to (failure to protect the environment) (Slated 2000), and appropriate measures are continuously being devised to extend the market and prevent the further degradation of environmental and natural resource problems.

An environmental market failure well represented in attempts to be fixed is the emissions of pollution onto the atmosphere contributing to the enhanced green house effect (Teenager camp: Lewis 2009). This is due to the demand of pollution by the environment being negative, because clean air is much preferred than heavily polluted air, yet there is a huge supply of pollution into the market from industry, thus causing market failure (Breeder et al. 2007).

In the aim to reduce current levels of pollution, there has been the introduction of efforts such as command-and-control (CA) procedures and market based instruments (Mob's) effect (Teenager ; Lewis 2009). The

benefits and fall downs of each and how they intervene in a failed market for pollution will be discussed and to determine if they can completely extend the market and solve the issue. Command and control 'CA' methods are based and prioritize on developing emissions standards (Teenager ; Lewis 2009).

These methods are government orientated (Stouffer 2004) and due to this, CA theories are well understood throughout society (commercial and public) because of government economical support, advertisement and incentive rebates. The term 'command' refers to a set tankard and maximum level of permissible pollution while 'control' refers to the monitoring which enforces the regulation levels of the set permissible pollution (White 2012).

This form of solving the pollution crisis by extending the market through pollution limitations is difficult to completely achieve as determining optimum pollution and the persuasion and disciplining of firms which have no incentive to decrease emissions can be difficult. Although the theories and practicalities of the method are very successful it is only a sufficient regulator and controller of pollution when all regulations are understood and followed by all parties of pollution Market Based Instruments The more cost effective and efficient enforcers of pollution reduction are Mob's.

Although usually associated with maintaining the regulation in the buying and selling of goods and services, it has become an increasingly used policy tool to reduce the costs of securing environmental outcomes (Market Based Instruments for MR. Change 201 1). The basic economic principle of supply and demand is incorporated into the environment and management of

resources it provides and unlike 'command and control' methods, Market's SE price or other economic variables such as; tradable permits, taxes, licenses and property rights to provide incentives for polluters to reduce their pollution (Teenager ; Lewis 2009).

Taxes Introducing a tax policy to regulate the amounts of pollution released into the environment is the most efficient, although overall most unfounded, method of achieving goals in pollution reduction (Ebbel 1997). The method allows for firms to decide how much they are willing to pay in taxes for their benefit in production which releases pollution but also raises revenue.

Even though firms tend not to gain from taxes, the government generates revenue so society in turn gains (Teenager ; Lewis 2009). As many businesses reject the idea of paying additional and increasing costs for something which once came free (emitting pollution) their incentives to decrease the amount of pollution they produce means less money spent. Firms must establish the balance between how much they are willing to pay on taxes in relation to how much they are willing to gain or lose in profit.

This method succeeds in most areas but there is a fall down where large firms can afford to pay high taxes to produce more product and income and thus large amounts of pollution are still emitted. In these situations, market extension is not always achievable. Permits Permits are developed on the basis of having the right to emit certain amounts of pollution of a defined period of time (White 2012). They are created and distributed by the government to the firms partaking in pollution emissions on a cost per permit basis (Viscose 2008).

This method of market based instrument limits firms on their share of emitting buy requiring polluters to purchase permits while also allowing firms to trade their unused permits for money or other benefits. This is a simple way to attempt to control the amount of emitted pollution by firms but it also can fail in its purpose in certain situations. If the government doesn't properly allocate the share of permits between polluters, there can be too little permits allocated, firms may not produce enough product and revenue and can potentially have overall losses in the business.

If there are too many permits distributed it may result in excess pollution permits and more incentive for industries to produce more pollution for more production than initially intended. In the same way that larger firms may choose to pay more tax to pollute more, the same situation may occur if there is no regulation in the buying and trading of permits, money is able to buy more permits and thus more produced pollution. These aspects of permits are the flaws which can prevent achieving market extension.

When considering mechanisms of Market's and command and control methods, they can be used to address environmental problems but because advantages and disadvantages can be recognized, the problems can only be delayed to longer periods of extension before the market fails again as wherever there is a disadvantage in a strategy the complete solution of an issue through that strategy theoretically impossible The idea of easily being able to solving these problems through appropriate market extension is a falsity as the way of human life at present, where earth is thought to be an infinite source and supply for human resources, is not sustainable and the inevitable fate of the environment remains unknown.

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