

# Environmental economics assignment

[Economics](#)



**ASSIGN  
BUSTER**

Choosing the instrument The instrument may be: Command and control: The rule will command the polluter to produce up to a certain level (to reduce emissions) , using technological and environmental rules. Economic instrument (Market based): Will be incentives to abate pollution and disincentives to pollute Taxes Subsidies Tradable permits. From the point of view of the intervened market (Fuel market), this can be seen in two steps as: Fuel market p Private equilibrium( $u^*$ ,  $Q^*$ ):  $u^*$   $Q^*$  Social equilibrium( $u^*$ ,  $q^*$ ): (What ought to be) The tax is an estimate of the monetary value of pollution that before the intervention was assumed by the society q The cost of production after the Tax, adds the cost of pollution to the production en polluter now has internalized the actual cost to production.

As a result, quantity decreases and the price increases (after the intervention the cost is assumed by the polluter) The cost of consumption after the Tax, takes money from the consumer that now has to pay the tax plus the value of the fuel (environmental fee per liters). The consumer now has internalized the actual cost of consumption. As a result, the quantity decreases and the price increases paid increases (PC). The producer also is affected by a lower quantity.

Transport related air pollution Additional to any market based instrument, major advances can be reached incorporating technology. - Catalytic converters (Reduce NOx by 90% and Lower particulate matter emissions) - Modern engines - Hybrid cars - Lower size cars (Europeans v/s American cars) 26 Government should promote other ways of transport, e. G. Bikes - Public transport to be well integrated and enough available - Policies to reduce the

<https://assignbuster.com/environmental-economics-assignment/>

quantity of travels E. . . , Pay toll in certain ways Tax more polluting ways of transport 27 Market based instruments: The case of Treatable permits become an alternative way to control pollution but they are not the panacea (advantages and problems). The case of US. The main air pollution problems are - Smog - Sulfur 28 ASS USA Smog: - Knox and VOCE transformed in troposphere's OZONE - E. G. Los Angles, SAA Paulo, City of Mexico