

Economic incentive

Business



Economic incentives What are economic incentives? Economic incentives are economic development laws that aim to stir growth and development in underdeveloped places.

2. At what point is efficiency achieved? How easily is efficiency in real world traditional regulatory approaches inefficient?

Efficiency is attained when the stipulated outcomes have been met mostly in terms of monetary value. Traditional regulatory approaches are inefficient since they used resources in mitigating the problem while it produced little revenues.

3. Who have focused on promoting the use of economic incentives to address environmental issues? What has been done since then?

The government has focused on the use of economic incentives to avert environmental issues. It has established laws that aim to protect the ecosystem, endangered species, natural resources, and wildlife. For instance, it uses economic incentives such as taxes, fees, and permits to encourage adherence to environmental laws.

4. What is externality? Explain how an externality can cause market failure

Externalities are the effects emerging from consumption or production of services and goods for which no appropriate money is paid. Externalities cause market failure in the event the price mechanism does not consider social benefits and costs.

5. Have traditional regulatory approaches worked?

Traditional regulatory approaches in environmental protection have not worked because they were flexible and allowed people to do what they wished without being held responsible.

6. Briefly, in a sentence of two, explain each of the economic incentives for

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protecting the environment given in this report.

Since environmental resources are free, people tend to overuse them thus leading to environmental destruction. Economic incentives aim to repair this scenario by placing a price for environmental destruction. Due to this, some environmental resources such as minerals are bought and sold thus, limiting people from overusing them. In the end, the environment is protected.

7. When compared to traditional regulatory approaches, do incentives-mechanism based increase the cost of effectiveness of pollution control? What is the evidence? How might high transaction costs interfere with the effect of incentives?

Incentives-based mechanism increases the cost of effectiveness because they offer a more cost effective way of attaining environmental quality.

There is clear evidence of their effectiveness in the sense that since their introduction, pollution has decreased, as industries are more conscious not to pollute the environment. If the transaction costs are raised, then it will force the government to reduce economic incentives.

8. How can traditional approach create an incentive to control pollution less than possible?

Traditional approach allowed industries to take control of pollution control efforts to an extent that would result in cost-effective distribution of pollution control burden. This in turn did not work as firms used inexpensive production technologies.

9. How can incentive-based approaches stimulate technological development of pollution control methods and devices?

Incentive-based approaches encourage industries to apply expensive production technologies, which would result in less cost incurred in

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controlling pollution. This approach will impose tax on pollution and activities that produce pollution. This in turn will encourage firms to adopt modern production technologies and devices that would make them pay less.

10. Do incentive-based mechanism have greater environmental benefits than traditional regulatory approaches?

They have greater environmental benefits than traditional because they promote culture of responsibility unlike traditional approach that allowed people to take charge of environmental matters.

11. Why would fees be set less than the marginal cost of pollution abatement?

Industries will realize past pollution costs and be encouraged to conduct profit and loss arithmetic in order to react efficiently to the fees. More so, these fees are set less than marginal costs to ensure that government objectives are met.

12. What are the differences between effluent reduction credit systems and cap-and-trade systems?

Effluent reduction system is a program that aims to reduce emission of pollutants in the air and water. On the other hand, cap and trade system allows governments and firms to trade emission allowances under a specified cap or limit firms from emitting pollutants.

13. What is required for a trading system to function properly? What are the reasons for opposition to these systems?

Trading system is a set of rules that determines terms of operation. For them to work well, all parties must meet the stated rules. More so, they have to modify operational parameters for each rule in order to see the negative and positive side of the rule. The main disadvantage for these systems is that

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they are intricate especially during developmental stages. They require solid comprehension of technical scrutiny and ability to make tough decisions.

14. What is a bubble in terms of air pollution control? Do bubbles save money? Do they reduce pollution?

Bubble is air pollution law that aim to protect air from pollution. Bubbles save money because industries understand the need to safeguard the environment therefore, they engage in cost effective activities. Bubbles reduce pollution because it encourages industries to modify their industries by installing pollution control equipment.

15. What are examples of trading programs

Trading programs are activities where governments and firms engage in emission trading.

16. Choose one of the examples of subsidies for pollution control discussed in class. Summarize and evaluate its effectiveness including its success and limitation.

Environmental fund is an example of subsidy for pollution control. Taxes have been applied on chemicals such as sulphur to generate money to pay victims of pollution related effects. It has been successful in controlling pollution since pollution victims are compensated. The main limitation is that it is difficult to assess exact number of pollution victims.

17. Explain how subsidies for economically beneficial activities might create an incentive for environmental harm. Are these economically beneficial activities beneficial in the long run?

Subsidies might create environmental harm because some industries might be willing to pay for dangerous chemicals such as sulphur, which in turn might increase environmental pollution.

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18. How can criminal and civil liability create an incentive for environmentally responsible behavior?

They pay fines and offer technological skills, which are friendly to the environment.

19. Why is tort liability typically ineffective at promoting environmentally responsible behavior, even when the laws are fairly strict?

Tort liability has failed to offer remedies for those affected by pollution. Tort liability allows a person to be compensated for damages caused by another person. Industries take advantage of this policy for their own gain. In this manner, firms will not be held accountable for polluting the environment.

20. Choose an example of voluntary programs for pollution control related to climate change. Summarize and evaluate its successes and limitations. Is this program still in place or it has been modified?

“Climate leaders” is a voluntary program that aims to protect the environment. It calls upon companies to develop strategies that help limit emission of poisonous gases in the environment. It has managed to draw emission goals for most companies. This program does not reach to big firms that produce large amount of pollutants to the environment.

Work Cited

Allen, Robert. *Global Economic History: A Very Short Introduction*. Oxford: Oxford University Press, 2011. Print.