

Current Events

Quick Review

The Priority of Wealth

Other priorities for the environment

Risk

Today:

How Much is the Environment Worth?

1. Why don't free markets fix environmental problems on their own?

Because of

- Because the **price** of something that people buy and sell may not take some very important things into account, like side effects that hurt or help other people.
- **Negative Side Effects** result occur when a producer sells something for a price on something she produces without adding to the cost of the extra harm that she or he does to other people - for example, tanneries that produce leather also produce pollution that harms people downstream, but the producer sells leather without paying these costs.

Example: The Costs of Climate Change

- **Positive Side Effects** result when the price for something people buy and sell does not take into account the *benefits* for other people - for example, homeowners who purchase and plant milkweed, a plants that helps sustain the monarch butterfly population

Example: “**Ecosystem services**” are the benefits that nature provides to people -

Undisturbed systems do many things that benefit humans

2. **Common Pool Natural Resources** are areas of natural resources that are so large that it is hard to keep people from using them. Examples are oceans and lakes, forests, large areas of pasture, and aquifers. Each person’s use of such resources subtracts benefits that others might enjoy. If one person catches all the fish in a lake, there are no more fish for anyone else. If one person uses all the water in a large underground pool of water, no one else will have water to use.

It is hard to keep people from benefitting from the natural environment at everyone else’s expense.

3. **The Tragedy of the Commons** The tragedy of the commons is a dilemma that develops when a group holds a common pool natural resource in common. If each person acts rationally in his or her own self-interest, often the resource will be depleted or destroyed by the group, even if the individuals know that their behavior will ultimately be harmful. For example, if all the people who can fish in a lake try to get as many fish as possible for themselves, all the fish will be gone.

4. **Benefit-Cost Analysis:** federal agencies assess the economic value of the benefits of a regulation, and the costs of a regulation, and then decide whether the benefits exceed the costs (Rosenbaum, 167)

Given dominant priorities of economic growth, is it *politically* necessary to emphasize the economic benefits of the environment to achieve environmental protection?