

Economics is two things: (1) the development of models to explain the allocation of resources and the distribution of goods, including how the allocation and distribution will change if things exogenous to the models change (e.g. government policy), and (2) investigations and conclusions as to whether one allocation and distribution is better or worse than another. The former is typically called *positive economics* because it is devoid of judgments, the latter called *normative economics*.

The environment, simply put, is where everything comes from and where everything goes. All that we produce and consume has its origins in the environment. Commodities are rearrangements of stuff taken from the environment. We call these rearrangements production. Production produces three things: things we want (the stuff the producer will sell), waste, and pollution. Consumption of the wanted things is, again, nothing more than another rearrangement – the stuff doesn't disappear, rather most of it is discarded back into the environment as waste and pollution, a bit is recycled.

When we investigate how economists think about good and bad (whether one allocation is better or worse than another), two or three words come to mind: always efficiency and equity, and sometimes sustainability. We will need to understand these concepts and why economists use them to determine good from bad. Put another way, what are the ethical and philosophical foundations of normative economics?

Whether something is good or bad from an economist's perspective typically comes down to whose preferences count and whose preference don't count (white men? foreigners? women? future generations? animals?). We will return to this question of who is and who is not a member of society many times.

For those of you wondering, there is nothing in neoclassical economics that precludes animals from being members of society; whether they are members (have moral standing) is an assumption one can choose to make. That said, most economics assume, without thinking much about it, that only humans can be members of society (probably because few non-human animals choose careers in economics).

As an aside, note that there is nothing that says all member of society need be treated equally; that would be an additional assumption. For example, most would consider U.S. citizens, independent of age, to be members of the U.S. society, but most would not advocate equal treatment for babies and adults.

This is only my second time teaching this course. In my defense, I have been thinking about playing with the issues for quite a while. I need your input and suggestions in terms of topics and presentation. You either need to drop the class or to help me figure out what we are doing in the course. **I need your help. There is a lot of flexibility in terms of the material I present.**

My proposed objectives for the course (as of January 10, 2007) are pretty simple:

1. To make you think hard and long about economics and its foundations
2. To investigate the philosophical and ethical foundations of economics – think a philosophy course.
3. To think about how economics defines “good” and “bad”. That is, how do we, as economists, decide whether some allocation of resources and distribution of goods is better or worse than some other allocation and distribution.
4. Related to all of the above will be detailed discussions of “efficiency”, “equity” and “sustainability”.
5. To do a lot of the above in the context of environmental and natural resource applications – what I know the most about.
6. To make you spend great effort writing essays on the above topics. You will choose the topics for your essays with my help. So, writing well will be a big component of the course. When I use the word “essay”, I don’t mean term paper; rather, I mean something more in the five to ten page range, something that could become a future reading for the course. You will write two essays during the term. Each essay will go through at least three versions of refinements and improvements. I will likely discuss your essays in class, and you will be prepared to discuss them as well. You will also need to discuss your essays and ideas with your classmates outside of class.
7. In addition to the essays we have a few quizzes and take-home assignments. I don’t want to have a final.
8. Class participation will also be an important part of the class and your grade. If you don’t want to attend class on a regular basis and participate when you are there, you will not want to take the course.
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Some proposed topics (in no special order) are:

- The importance of defining society in questions of efficiency and equity
- Animal rights
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- Animal factory farms
- Another important topic is the extent to which ethics affects the magnitude and extent of market failures. That is, is instilling ethics in us, one way to reduce inefficiencies in the market place? Said another way, is one purpose of ethics to increase efficiency?
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An aside: what is *environmental economics*?

This course, per se, is not a course in environmental economics. I include the following so you know how a course in environmental economics differs from what we hope to do. A number of you have taken a course in environmental economics.

Environmental Economics considers the efficient and equitable use of society's scarce environmental resources. Environmental resources include air, water, land, wilderness areas, parks, wildlife and genetic diversity, and other ecological systems.

Environmental economics accepts, without much discussion, efficiency and equity as goals for environmental policy – we will question these goals.

A course in environmental resources would consider environmental resources from four perspectives: the market allocation, efficient allocations, equitable allocations, and government attempts to achieve more efficient and more equitable allocations.

Environmental economics is applied welfare economics (how to increase the welfare of society). It considers market failure (particularly externalities and common property resources), and the economic valuation of environmental amenities such as clean air, wilderness and ecological systems.

Courses in environmental economics and natural resource economics both consider natural resources but differ in that natural resource courses have historically dealt with the inter-temporal utilization of conventional renewable and nonrenewable natural resources such as fish, trees and minerals; whereas environmental courses have considered pollution and other environmental issues from a static perspective. This historical distinction is blurring.

I want to make a few comments about what environmental economics is not. Economics and environmental economics are not about making money or how to run a firm. Economics is the study of the allocation of society's scarce resources. Economics per se is not pro-market or pro-government. The purpose of a course in environmental economics is not to argue that government action to protect the environment is bad or good; sometimes it's bad, and sometimes it's good. The purpose of an environmental-economics course is not to extol the virtues of the market. Markets have many virtues, but, when it comes to the environment, they also have many faults. In some ways, environmental-economics courses can be described as courses on market failures and government actions to correct those failures.

Environmental economics is about measuring the costs of decreasing pollution, cleaning up the environment and protecting scarce ecological systems such as wetlands and wilderness. I want to stress that environmental economics is also about measuring the benefits of decreasing pollution, cleaning up the environment and protecting scarce ecological systems. An important issue is the costs and benefits to whom.

Environmental economists don't consider society's production of goods and services and the distribution of those goods and services as separate from the environment; put simply, what we take from the environment to produce our goods and services ultimately ends up emitted back into the environment in terms of emissions, pollution and wastes. Very simply, the total weight of what is taken from the environment to produce goods and services must eventually equal to weight of what we put back into the environment ("what goes in must come out"). This fact is often referred to as "materials balance". The same balance holds for energy – we change its form but do not create or destroy energy.

Course Details

Web page: My web site is located at

I am in the process of trying to get all of the class readings onto the web page for the course. The articles on the course web page are in either .pdf or .html format. Note that some of these files are large. See the course web page for details.

I will be revising and updating the list of articles during the semester.

You will write two essays: You will spend much time writing, working on, and revising your essays (each in the five to ten page range, no more). You will choose your topics with my guidance, and the guidance of your mentor (see below).

Each essay will go through at least three iterations. The intent of the first essay assignment will be to nail down your topic and produce a working draft. The second will be your essay. From your perspective it will be your best shot, from my perspective it will be a draft on which I comment. You

A lot more details will be forthcoming on your essays and the process. The specific essay assignments will be posted on the course web page.

Grading: *Your two essays will determine 60% of your course grade (35% for the best of the two, 25% for the other one).*

20% of your course grade will be for mentoring others (10% for each essay). You mentoring