Public Choice

economic → agents (economic actors) max objective subject to constraints

- voters
- politicians

bureaucrats - EPA
USFS
NPS
BLM
Corps of Engineers

Voters - utility

Max (value of programs - taxes)

↓

environmental

Politicians max votes

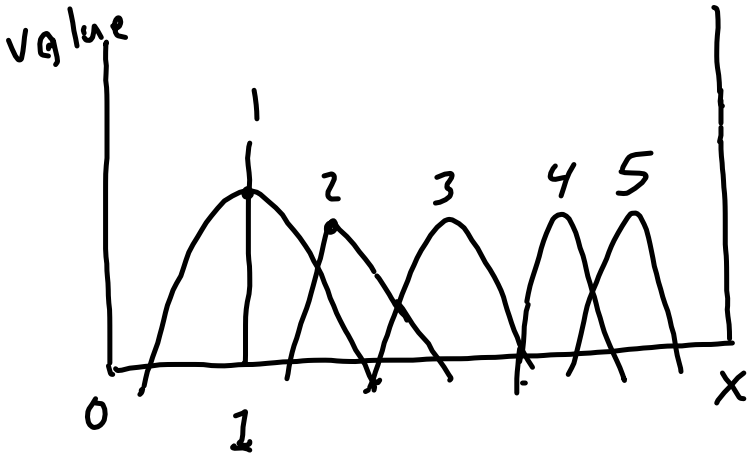
program cost → taxes ↗ cost votes

program benefits → good

↓

not easily recognized

Majority rule - single peak preferences



- median voter theorem

level of X decided by MV

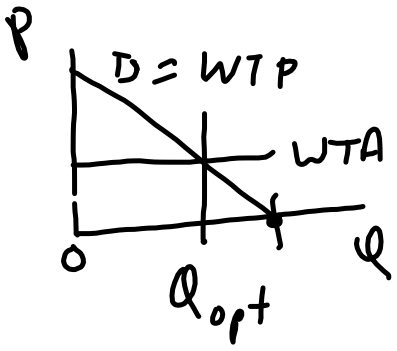
winning coalition of 3 → include #3

coalition of 1, 4, 5 ?

Single issue votes - not common
Information regarding effects

Passed a law → fund
voting → funding

Externalities → absence of property rights - unpriced goods



production function

$Q = Q(K, L)$

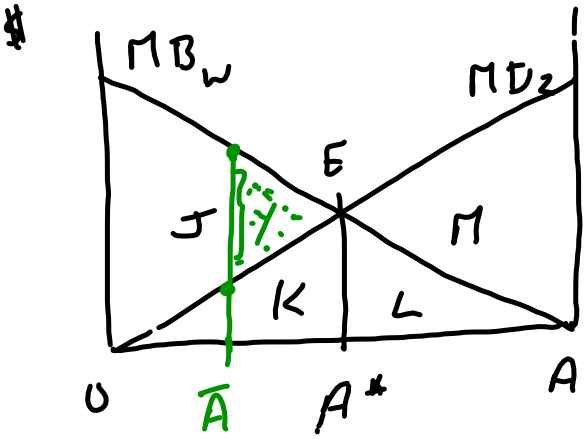
K: capital

L: Labor

$Q = Q(K, L, Z)$

↳ environment
air shed
water shed

no property right
to $Z \rightarrow p_z = 0$



Coase Theorem

J. Law + Economics
1960 pp 1-44

Area under MB ⇒ Total Benefits
MD ⇒ Total Damages

① Property right assigned → get A^*

If w to produce beyond A^* - L = WTA_W
cust to z is L + M = WTP_Z

If z share of M ?

w → pay L + M only yield L

② Reciprocal
avoid harm to Z
impose cost on W
- care in setting standard → A*

GMO → Bad

Pollution optimum not zero

- mechanisms ?

liability assigned →

Hand Rule - Learned Hand
US v. Carroll Towing

$P_L \cdot (\$L) > C_A$ - avoidance costs

expected value of Loss

Negligent → liable for damages

P_L (#L) < C_A no negligence

CERCLA (1980)

comprehensive environmental response compensation + liability act

Superfund.

Ex post

- assigns liability
  joint + several liability