

Review of Environmental Economics

Economic efficiency

Pareto Optimality

Potential Pareto Optimality (compensation test)

Market Welfare Model

if: supply curve = marginal social cost curve

demand curve = marginal social benefit curve

there is a single, stable intersection of these two curves

then: market equilibrium = social optimum (efficiency)

Public goods

nonexclusion

nonrivalry (0 marginal cost)

Externalities: missing markets

Pigovian analysis

Coasian analysis

Approaches to uncertainty

Scientific protocol

Expected (Bayesian) utility analysis

Precautionary principle