Course content and goals: This class will present the theory of using taxes and permits to ameliorate environmental problems. The goal of the class is to enable students to understand the classic and recent literature on this topic and to prepare them to make contributions to this literature.

Course Requirements: Students grades will be determined by: two referee reports (each worth 15 percent), and several presentations (the total number depends on the class enrollment, in total worth 30 percent of the grade), class participation (worth 10 percent) and a final paper (30 percent of the grade).

For the presentations, students will select a paper of interest, either from the readings below or their own choice, and lead the class in an analysis and critical discussion of the paper. The other students are expected to read the paper in advance and participate in the discussion.

For the final paper, students will make a research proposal. The proposal will include the research question and motivation, the method of analysis, and perhaps a rudimentary model. The idea is to identify a topic and begin down the road toward producing a research paper.

Course Schedule: I will lecture for the about the first six to eight weeks of the semester. The remaining time will cycle through student presentations, and perhaps presentations by me.

Course Outline and Readings:

Basic Theory: Taxes


Basic Theory: Permits


**Uncertainty and Instrument Choice**


**Spatial Issues**


**Incentive Schemes**


**Temporal Issues**


**Innovation**


**Initial Allocations**

Bohringer, C. and Lange, A. (2005), On the design of optimal grandfathering schemes for emission allowances. European Economic Review 49, 2041-2055


**Citizen Participation**


