

# Lecture 1. Introduction to the Subject

## What is meant by environmental economics?

Environmental economics is the study of the cost-effective allocation, use, and protection of the world's natural resources. Economics, broadly speaking, is the study of how humans produce and consume goods and services.

## Why is environmental economics important?

Environmental economics promotes sustainable development, economic valuation of natural resources, and strategies for stability by addressing issues like externalities and other environmental concerns. Its objective is to balance the sustainability of the environment and economic development for the benefit of society.

## What is the focus of environmental economics?

Its main focus is on the efficient allocation of environmental and natural resources and how alternative environmental policies deal with environmental damage, such as air pollution, water quality, toxic substances, solid waste, and global warming.

## The Economics of Environmental Quality

The economics of environmental quality is characterized in two dimensions. These are resource allocation and income distribution. The optimum allocation of resources leads to economic efficiency.

## Analytical Tools of Environmental Economics

Economic tools for solving environmental problems that will be considered in the subject include taxes on environmentally harmful activities, tax deductions for “environmentally friendly” activities, making polluters or “risk creators” pay for environmental damages, and allowing private ownership of environmental assets.

## What are the 6 steps in environmental analysis?

The environmental analysis process consists of the following steps:

- ❖ Identify environmental factors
- ❖ To conduct an environmental analysis, start by selecting environmental factors to evaluate
- ❖ Gather information
- ❖ Evaluate your competitors
- ❖ Forecast the impact
- ❖ Assess your strategies

## Environmental economics encompasses the following concepts:

- ❖ Sustainable Development
- ❖ Market Failure
- ❖ Externalities
- ❖ Valuation
- ❖ Cost-Benefit Analysis

## Is environmental economics micro or macro?

Environmental economics has traditionally fallen in the domain of microeconomics, but recently approaches from macroeconomics have been applied to studying environmental policy