

The Politics of Environmental Regulation

Tuesdays & Thursdays 1:00 PM—2:30 PM, Seigle Hall L003

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Course abstract: Finding political solutions to environmental problems, both local and global, requires governmental regulation due to market failures; a prominent example in point is the regulation of international carbon emissions to address the issue of climate change. Building on this basic notion, this course reviews governmental regulatory policies, discusses instrument choice, and examines government-firm interaction over regulation from a domestic and international perspective. In doing so, we will, for instance, study how costly regulation affects economic growth, if trade competition in a globalized economy can trigger regulatory races to the bottom, or why firms may voluntarily commit to (international) environmental standards. The course draws mostly on illustrating examples from the U.S. and Europe and will make use of empirical and formal political economy literature.

Office hours: If you have questions concerning a particular reading, desire feedback on your writing, or want to discuss further any of the class topics, I strongly encourage you to come to my office hours or make an appointment by email.

Email contact: I am more than happy to answer questions by email, but be reasonable and do not expect an immediate response. If you have important matters to discuss, plan ahead and leave sufficient time.

Grading: Your grade will be determined by the quality of your writing (60% of grade), and class participation/ presentations (40% of grade). There is no final exam. The requirements are as follows:

- *Analytical summary (40% of grade):* Each student will write one analytical summary, which summarizes and critically discusses one assigned reading. This summary should (i) identify the paper's research question, (ii) provide a brief overview of the paper's context, and (iii) explain the main logic of the key argument. In addition, I would like each analytical summary to also (iv) introduce, summarize, and discuss a *second* paper of a student's choice. The chosen text has to complement the assigned reading, but can either confirm or contrast the main argument. The reference list of the assigned reading should be a good starting point to find an appropriate second paper. In case of doubt, check back with me whether the paper you have in mind is a suitable one.

Analytical summaries should be no longer than 1,000 words, as I prefer concise write-ups without any clutter. So, think carefully about what to include and what not to include in your summary! When writing your essay, think of your audience being a scholar who is familiar with the key concepts, the literature, and the academic discussion, but has not

read the paper being reviewed very closely. Summaries are to be turned in to me in class on Tuesday for presentations on Thursday the same week. Only Thursday readings can be chosen for analytical summaries.

- *Presentation of analytical summary (10% of grade)*: Each student who wrote an analytical summary on a given assigned reading briefly presents this reading plus the add-on reading s/he chose for her/his analytical summary. Presentations should take no longer than 15 minutes and are simply to refresh everyone's mind what the gist of the reading was. No formal PPT presentation is needed, yet the use of the chalk board may be advisable. Presentations also serve as discussion starters, and students should prepare a couple of opening questions.
- *Climate change policy brief (20% of grade)*: In Week 5 (February 10th and February 12th classes), in which there will be no class, I ask you to prepare a policy brief on the current state of climate change negotiations. For this, I ask you to carefully review the [Lima Call for Climate Action](#) as well as other official sources from the latest UN Climate Talks in Lima, which are available from the official [UNFCCC](#) website. In groups of two/three students, you are asked to identify what the *most* contentious issues were prior to the Lima meeting and how they were resolved (if at all). Your document should list and explain the main points and be in the form of an "executive summary" to a policy-maker who is familiar with the general climate debate, but did not follow the events in Lima closely. This report should be no longer than 500 words; concise and effective writing is again a plus. The policy brief is to be emailed to me (patrickbayer@wustl.edu) by Monday, February 16th, 9 AM.
- *Newsflash (20% of grade)*: Each week, starting Week 7, we will devote 45 minutes to review a current topic of environmental regulation/politics, as discussed in the news. For this, students are grouped in pairs and are asked to pick a (fairly recent) news report that caught their interest; no topic is off limits as long as the newspaper article centers on an environmental problem. These reports are to be shared and read in class. I expect the two students who chose the article to familiarize themselves with the specificities of the environmental problem, with the political debate, and other relevant background information, so that they can serve as "experts" on this issue. Please make sure to email me your news article *one week prior* to the class in which you present it. Today, many newspapers have good environmental sections and *The New York Times*, *The Washington Post*, *The Guardian*, or *BBC News* may be natural starting points. However, you are free to chose from whatever paper you like.
- *Class participation (10% of grade)*: The seminar greatly benefits from interaction and discussion. Active class participation is therefore encouraged and rewarded.

Notes on writing: On all assignments, I will grade until either I have found five writing errors (including spelling and grammar) or I have completed the paper. Please proofread your work.

Cheating and plagiarism will not be tolerated. For further information on definitions of cheating and plagiarism, be advised to check the [university document](#). Please make sure to clearly mark and list all the original sources in your work.

Readings: All readings listed below are compulsory and are to be read *prior* to each session. Readings will be available from the University's [Blackboard website](#), where I will also add the supplementary papers from the analytical summaries. Whenever you have difficulties in getting hold

of a paper, feel free to contact me via email or ask me in class. Please be also reminded that the library offers advice on how to access electronic resources.

Class format: Except for the first couple of weeks, the class follows a standard structure. Each week will cover a different topic, as shown in the syllabus below. In Tuesday classes, we will spend the first 45 minutes on the newsflash assignments (starting in Week 7). After that, I will then introduce each week's topic in the remaining 45 minutes. On Thursdays (starting in Week 4), there will always be two student presentations on the assigned and the additional, self-chosen paper from the analytical summary. We will devote 45 minutes to the presentation and discussion of each paper. The outline of the class is flexible insofar as I'm happy to accommodate student requests: If you are particularly interested in a specific topic that is currently not on the syllabus, please come talk to me.

Week 1: *Introduction, course outline, and "The Environment Quiz."*

Week 2: *Basic concepts I*

January 20th:

- Oates, W. E. and Portney, P. R. (2003). The political economy of environmental policy. In Måler, K.-G. and Vincent, R., J., editors, *Handbook of Environmental Economics*, pages 325–354. Elsevier.
- Coase, R. (1960). The problem of social cost. *Journal of Law and Economics*, 3(1):1–44.

January 22nd:

- Hardin, G. (1968). The tragedy of the commons. *Science*, 162(3859):1243–1248.
- Stavins, R. N. (2011). The problem of the commons: Still unsettled after 100 years. *American Economic Review*, 101(1):81–108.

Week 3: *Basic concepts II*

January 27th:

- Ostrom, E. (1998). A behavioral approach to the rational choice theory of collective action: Presidential address, American Political Science Association, 1997. *The American Political Science Review*, 92(1):1–22.
- Ostrom, E. (2010). Beyond markets and states: Polycentric governance of complex economic systems. *American Economic Review*, 100(3):641–672.

January 29th:

- Axelrod, R. and Keohane, R. O. (1985). Achieving cooperation under anarchy: Strategies and institutions. *World Politics*, 38(1):226–254.
- Barrett, S. (1990). The problem of global environmental protection. *Oxford Review of Economic Policy*, 6(1):68–79.

Week 4: *Regulating global carbon emissions*

February 3rd:

- Grubb, M. (2003). The economics of the Kyoto Protocol. *World Economics*, 4(3):143–189.
- Keohane, R. O. (2015). The global politics of climate change: Challenge for Political Science. *PS: Political Science & Politics*, 48(1):19–26.

February 5th: Analytical summaries are presented each Thursday from now on.

- McLean, E. V. and Stone, R. W. (2012). The Kyoto Protocol: Two-level bargaining or European leadership? *International Studies Quarterly*, 56(1):99–113.
- von Stein, J. (2008). The international law and politics of climate change. *Journal of Conflict Resolution*, 52(2):243–268.

Week 5: *No class*

Week 6: *Climate change regulation and sustainable development*

February 17th:

- Discussion of climate change policy brief.
- Streck, C. and Lin, J. (2008). Making markets work: A review of CDM performance and the need for reform. *European Journal of International Law*, 19(2):409–442.

February 19th:

- Dinar, A., Rahman, S. M., Larson, D. F., and Ambrosi, P. (2011). Local actions, global impacts: International cooperation and the CDM. *Global Environmental Politics*, 11(4):108–133.
- Bayer, P. and Urpelainen, J. (2013). External sources of clean technology: Evidence from the Clean Development Mechanism. *The Review of International Organizations*, 8(1):81–109.

Week 7: *Environmental regulation and political institutions*

February 24th: “Newsflash” presentations on each Tuesday from now on.

- Congleton, R. D. (1992). Political institutions and pollution control. *The Review of Economics and Statistics*, 74(3):412–421.

February 26th:

- Baettig, M. B. and Bernauer, T. (2009). National institutions and global public goods: Are democracies more cooperative in climate change policy? *International Organization*, 63(2):281–308.
- Fredriksson, P. G. and Millimet, D. L. (2004). Comparative politics and environmental taxation. *Journal of Environmental Economics and Management*, 48(1):705–722.

Week 8: *Pollution, growth, and competitiveness*

March 3rd:

- Grossman, G. M. and Krueger, A. B. (1995). Economic growth and the environment. *The Quarterly Journal of Economics*, 110(2):353–377.

March 5th:

- Dasgupta, S., Laplante, B., Wang, H., and Wheeler, D. (2002). Confronting the environmental Kuznets curve. *The Journal of Economic Perspectives*, 16(1):147–168.
- Barrett, S. and Graddy, K. (2000). Freedom, growth, and the environment. *Environment and Development Economics*, 5(4):433–456.

Week 9: *Spring break*

Week 10: *Trade and the “race to the bottom”*

March 17th:

- Vogel, D. (1997). Trading up and governing across: Transnational governance and environmental protection. *Journal of European Public Policy*, 4(4):556–571.

March 19th:

- Cao, X. and Prakash, A. (2012). Trade competition and environmental regulations: Domestic political constraints and issue visibility. *The Journal of Politics*, 74(1):66–82.
- Jensen, N. M. (2003). Democratic governance and multinational corporations: Political regimes and inflows of foreign direct investment. *International Organization*, 57(3):587–616.

Week 11: *Competitiveness, innovation, and regulation: The Porter hypothesis*

March 24th:

- Porter, M. E. and Linde, C. v. d. (1995). Toward a new conception of the environment-competitiveness relationship. *The Journal of Economic Perspectives*, 9(4):97–118.

March 26th:

- Ambec, S., Cohen, M. A., Elgie, S., and Lanoie, P. (2013). The Porter hypothesis at 20: Can environmental regulation enhance innovation and competitiveness? *Review of Environmental Economics and Policy*, 7(1):2–22.
- Marcoux, C. and Urpelainen, J. (2014). Profitable participation: Technology innovation as an influence on the ratification of regulatory treaties. *British Journal of Political Science*, 44(4):903–936.

Week 12: *Environmental regulation and lobbying*

March 31st:

- Aidt, T. S. (1998). Political internalization of economic externalities and environmental policy. *Journal of Public Economics*, 69(1):1–16.

April 2nd:

- Fredriksson, P. G., Vollebergh, H. R., and Dijkgraaf, E. (2004). Corruption and energy efficiency in OECD countries: Theory and evidence. *Journal of Environmental Economics and Management*, 47(2):207–231.
- Binder, S. and Neumayer, E. (2005). Environmental pressure group strength and air pollution: An empirical analysis. *Ecological Economics*, 55(4):527–538.

Week 13: *Regulating through markets: European emissions trading*

April 7th:

- Ellerman, A. D. and Buchner, B. K. (2007). The European Union emissions trading scheme: Origins, allocation, and early results. *Review of Environmental Economics and Policy*, 1(1):66–87.

April 9th:

- Baldwin, R. (2008). Regulation lite: The rise of emissions trading. *Regulation & Governance*, 2(2):193–215.
- Kruger, J., Oates, W. E., and Pizer, W. A. (2007). Decentralization in the EU emissions trading scheme and lessons for global policy. *Review of Environmental Economics and Policy*, 1(1):112–133.

Week 14: *New environmental challenges: Shale gas regulation in the U.S.*

April 14th:

- Richardson, N., Gottlieb, M., Krupnick, A., and Wiseman, H. (2013). The state of state shale gas regulation. *Resources for the Future Report*, pages 1–99.
- Fredriksson, P. G. and Millimet, D. L. (2002). Strategic interaction and the determination of environmental policy across U.S. states. *Journal of Urban Economics*, 51(1):101–122.

April 16th:

- Davis, C. (2012). The politics of “fracking”: Regulating natural gas drilling practices in Colorado and Texas. *Review of Policy Research*, 29(2):177–191
- Rabe, B. G. and Borick, C. (2013). Conventional politics for unconventional drilling? lessons from Pennsylvania’s early move into fracking policy development. *Review of Policy Research*, 30(3):321–340

Week 15: *Self-regulation and non-governmental regimes*

April 21st:

- Vogel, D. (2008). Private global business regulation. *Annual Review of Political Science*, 11(1):261–282.
- Khanna, M. (2001). Non-mandatory approaches to environmental protection. *Journal of Economic Surveys*, 15(3):291–324.

April 23rd:

- Potoski, M. and Prakash, A. (2005). Green clubs and voluntary governance: ISO 14001 and firms' regulatory compliance. *American Journal of Political Science*, 49(2):235–248.
- Hainmueller, J. and Hiscox, M. J. (2012). Buying green? field experimental tests of consumer support for environmentalism. *MIT Working Paper Series*, pages 1–31.