

**Environmental Policy Field Exam**  
**August 17-19, 2020**

**Exam Administration**

The exam may be taken in the venue of your choice. Kelli Jacobs will e-mail the exam to you Monday, August 17 at 9:00 am. Your answers must be returned via an email attachment to Kelli by 5:00 PM on Wednesday, August 19.

**Instructions**

- Your exam and responses should remain anonymous, identified only by a student number that Kelli will provide.
- Answer each of the three questions below. Your answers must be your own work. Show all calculations.
- Each question will be equally weighted in the evaluation.
- Answers should be carefully composed for clarity and brevity. Each answer should be no more than 5,000 words, not including figures and tables.
- You can compose your answers on a laptop or computer of your choice. You can refer to books, articles, and reports during the course of the exam (electronic or hardcopy).
- You may also refer to electronic note files/or a composed annotated bibliography.
- Do not copy and paste text from previously composed answers.
- Within your answers, you may include parenthetical citations (e.g., Coase 1960), and then turn in a complete list of citations (e.g., Coase, R. 1960. The problem of social cost. *Journal of Law and Economics* 3: 1-44.) by email to Kelli by Thursday, August 20 by 5:00 PM.
- Be sure to provide citations for all major concepts and data. Where you are using other author's phrases or excerpts from their work, be sure to place the borrowed material in quotes with an appropriate citation.

### ***Question 1. Market based policy instruments***

Market based policy instruments (e.g., emissions fees or tradable emissions permits) have been touted as a cost-effective way of achieving environmental goals. Over the past several decades, market based instruments have been extensively used in domestic and international environmental policy (e.g., local air quality, climate change mitigation, among others) with promising results, while underused in other areas (e.g., water quality and scarcity related policies). At the same time, market based instruments have been shown to have a series of potential shortcomings. In answering the questions listed below, you may refer to a specific policy (e.g., a carbon tax or an individual transferable fishing quota) if that helps you articulate your narrative more effectively. In addition, all three answers should be firmly based on the relevant literature, with appropriate citations (citations from textbooks, when relevant, are fine).

- 1) What are, according to economic theory, the advantages of market based instruments versus direct (command and control) regulation?
- 2) When a regulator decides to implement a market-based instrument, they need a large amount of information regarding key parameters that inform the design of the instrument (e.g., benefits and costs of the policy at stake). Information on those parameters often comes from scientific research but can also be obtained from the regulated entities themselves. What are the kinds of uncertainties regarding that information that might inhibit the effective design and implementation of a market based instrument?
- 3) What are some of the limitations that market based instruments have that can lead to disproportionately overburdening a specific segment of the population with the costs/negative impacts of a regulation? Are there ways to alleviate those kinds of injustices?

## ***Question 2. Collaborative Environmental Governance***

An important development in U.S. environmental policy over the last couple of decades has been the movement toward collaborative, place-based governance, including increasing opportunities for public participation in decision-making. These types of approaches have been referred to as community-based environmental protection (EPA 1997), collaborative environmental management (Koontz 2004), civic environmentalism (John 1994), and grassroots ecosystem management (Weber 2003). Many view the management of pollution, natural resource, and biological diversity issues through consensus-based multi-stakeholder arrangements as preferable to top-down, command and control efforts taken by the government. Others are less sanguine that these approaches will lead to improved environmental outcomes.

Scholars have been studying these issues for some time. In the first part of your response, please analyze the key theoretical arguments that support and challenge collaborative environmental governance. Then, please provide a synthesis of the relevant empirical literature, including what we know about these governance arrangements and environmental outcomes. In the final part of your response, please discuss the opportunities for collaborative environmental governance for the management of water resources, paying specific attention to potential institutional, policy, and legal challenges.

### ***Question 3. U.S. Environmental Federalism***

An important decision faced by elected officials is where to place authority for choosing and implementing policies. In recent decades, many policy makers and scholars have argued that decentralization of environmental policy is a good idea. Others have argued that this type of decentralization is misguided. In the context of U.S. federalism, the argument typically centers on whether policy authority should be devolved from the federal government to state and local governments.

Please assess the merits of the arguments for and against decentralized control of environmental policy.

A complete answer will address the following:

First, summarize the theoretical arguments on both sides of the “decentralization divide.” What are the purported benefits/drawbacks of decentralization, and what, specifically, are the processes and behaviors leading to these benefits and drawbacks? Your answer should be well grounded in the scholarly literatures in economics, political science, etc. (i.e., you should ***not*** simply rely upon intuition and inductive logic, but instead cite specific arguments from these literatures).

Second, the effects of decentralization can be observed in policy adoption, policy implementation, and environmental outcomes. Summarize the empirical literature assessing the consequences of decentralization in each of these three areas. Given the evidence, what conclusions do you draw about the decentralization debate?

Third, in your view, what are the remaining questions in the decentralization debate that require scholarly analysis?