

## Abstract:

we will try to answer the question: **Is private sector capable to manage environmental conservation?**

Our objective will be to analyse if market mechanisms are able to manage their impact on natural environments.

## Method:

- Identify: market failures
- Study: economic measures
- Judge: results accomplished

## Main concepts:

- *Public good*: nor excludable nor rival
- *Common Good*: excludable not rival
- *Externality*: action affecting third party

## Taxation

## Cases of study:

## Carbon limitation

### *Massachusetts and the community preservation act:*

- Market failure: environmental rich lands (“*Common Good*”) are in danger due to construction use.
- Economic measure: “real state transfers” which consists on 2% transfer of each property selling value to finance acquisition of protected lands.
- Results: redistribution of resources, property value recognition and reduction of actors involved all contributing to diminish transaction costs

### *Kyoto protocol: carbon emissions market*

- Market failure: clean air (“*Public Good*”) is difficult to protect due to lack of information and ownership.
- Economic measure: creation of a commodity market on carbon emissions
- Results: establish a “ceiling” on carbon emissions, stimulation of cleaner productive mechanisms, creation of new clean development activities and solving of negative “*externalities*”.

## Limited development

### *Tourism on Galapagos Island*

- Market failure: Island environment (“*Common Good*”) is on danger due to overexploitation from tourism enterprises.
- Economic measure: creation of clean certifications, “smart voyager”
- Results: increase of certified companies, decrease of uncertified and improvement on company’s actions and technology.

### *CHOCO<sub>2</sub> project: clean development mechanisms*

- Market failure: healthy forests (“*Public Good*”) are endangered from development.
- Economic measure: apply for “certified emissions reduction” credits, CER’s.
- Results: reforestation of lost surface, add of value and support of clean development mechanisms.

## Conclusions:

- *Measures on taxation*: redistribute resources enabling private actors to pay for social costs of their activities.
- *Measures on Carbon emissions*: distribute the costs of polluting trough out the chain of production and creates new cleaner development mechanisms.
  - *Measures on limited development*: restricts private action and benefits “responsible” market practices.
  - We conclude that private actors are capable to manage environmental conservation, however, it’s likely that initial redistribution from public sources is needed. New allocation of goods is useful to lower transaction costs enabling private action but further investigation is needed to decide if that is the optimal solution

## References:

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Joseph E. Stiglitz (1986), “Economics of the public sector”, Edward Hannaway Stiglitz Trust