

Choosing Environmental Policy Instruments in the Real World

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What solutions exist for deteriorated environments?

- Instrument selection, whether for domestic or international pollution, must respond to real – not theoretical – on-the-ground conditions
- Can't assume away inconvenient facts or apply untested academic theory



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How much real experience is there with MBIs?

- Novel and rare, even in U.S. and Western Europe
 - SO₂ trading in the US & a few other programs
 - Dutch water management
 - Andersen calls it an “exception” in Europe
 - Some taxes (e.g. gas tax in Europe)

MBIs don't work by themselves

- Demand infrastructure, experience and commitment
- Andersen:
 - not possible independent of National Policy Style (OECD 2001)
- Monitoring demands can be even greater than for traditional regulatory methods
- Is there adequate motivation in the regulated community?

Chinese Puzzles

- Are pollution goals understood as realistic/achievable?
- Does industry know compliance is non-negotiable?
- What would motivate industry to participate?
- Is there adequate monitoring?
- How best to avoid corruption and special favors?

Toward a culture of compliance

- Alternative approaches:
 - Begin with controls that only require simple compliance monitoring
 - Adjust as skill and compliance evolve
 - Or, build on current efforts that have shown success
 - Be empirical rather than theoretical
 - E.g. Delhi air quality improvements
- Efficiency *should* be the long-term goal

Perfect Solutions Don't Exist In An Imperfect World

**The Goal Is Genuine
Pollution Reduction**

