

EC1340 – Fall 2021  
Take home final  
Due 11:59pm, December 14  
Matt Turner

The object of this assignment is to use what you have learned in the course to assess whether a climate change policy is well designed. I have in mind that you will describe a carbon tax or tradable permit system, but other policies are also OK.

Pick your policy no later than December 8, and clear it with me in my office hours. I will hold an extra office hour during class time on Wed Dec 8 for this purpose.

A good project will:

1. Describe how the policy works. For example, What is covered by the policy? If permits are auctioned, how does the auction work and who can/must participate? How is compliance enforced?
2. Give a short history of the policy. For example, have the auctions been well attended? Is there an active secondary market for permits? Have there been rule changes?
3. Consider the policy in light of what you have learned about regulation in class. Does the policy allow the regulator to target total emissions precisely? What about marginal abatement costs?
4. Describe the distributive implications of the policy. Are there clear winners and losers from the policy? Can you suggest a change the rules of the policy so that the losers are compensated by the winners?
5. In light of what you have learned in class, suggest ways to reduce the cost of the mitigation accomplished by your policy? Can you guess at the magnitude of the saving your suggestions would cause?

Try not to write more than 5p in a normal font and margins. There is no minimum page limit. If you can answer the question in a few pages that is fine.

There is a census of 'carbon taxes' in the class reading by Metcalf and Stock (under notes #8). In fact, many of these plans are tradable permit programs. This will be a useful reference as you are looking for policies to investigate.