

Water Markets from an Economic Point of View

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"Oil on Greenland would be a disaster." A leak would do too much damage to the image of the company."



The melting of the polar ice cap has made the area more accessible to the miners than ever before.

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Q: Why should businesses be responsible for the environment?

A: Sustainability resources needed for survival, i.e. water, materials, resources, to protect human health and the environment.

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10.1 Corporate Social Responsibility And The Environment

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On the economic model

-To maximize profit within the law.The goal— Let more people get more of what they want.

Four central environmental issues

-Pollution and waste, resource conservation, preservation, and biological diversity.

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Pollution: Optimal level of pollution

Two presuppose

-1. Leaving it to the workings of a competitive market

-2. Denying that there is any “nature” or objective standard for clean air or water.

Optimal level of pollution

-When the marginal damage cost of polluting is equal to the marginal abatement cost of polluting.

Resource Conservation.

-Resources are “infinite” in a strict market economic perspective. People can replace the decreasing resource by their less costly substitutes.

Preservation & Biological Diversity

-Baxter defined preservation as “waste”: Natural objects have no value in their own right and have value only to the degree that humans place value upon them.

Challenges to the views based on economic model

-Market failures: when the allocation of goods and services by a free market is not efficient. That is, there exists another conceivable outcome where a market participant may be made better-off without making someone else worse-off.

Several types of market failures TheCaseSolutions.com

1. "Cost" of pollutions are typically borne by parties "external" to the economic exchange, free market exchanges cannot guarantee optimal results.
2. No market exist to create a price for important social good.
3. Lead to serious environmental harm involves distinction between individual decisions and group consequences.

Reasons for not taking ad hoc attempts to repair market failures

1. First-generation problem: A type of market failure in which businesses only correct a problem after it has occurred the first time around.
2. Criticism denies that environmental problems are economic concerns at all.

Mark Sagoff's analysis

-Economic recommendations should concerning between want, preference and beliefs and values, while markets only focus on wants and preferences.