

Tiedekunta-Fakultet-Faculty Valtiotieteellinen tiedekunta		Laitos-Institution-Department Department of Economics	
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<p>Tiivistelmä-Referat-Abstract</p> <p>In the three essays of my thesis, I analyse the design of environmental policy taking into account that agents may take actions to influence policy-making. The main questions of interest are how the policy outcome is shaped by the interaction of agents and how it depends on the prevailing institutional setting. By comparing the outcome to policies that are, in some sense, socially optimal, one can then also identify the sources of inefficiencies in actual policy-making.</p> <p>In the first essay, I analyse the design of government forest policies under the influence of an industrial and environmental lobby. The results indicate that distortions from social optimum are large if the industrial lobby is more efficient in lobbying than the environmental lobby and the product of the forest industry is consumed domestically. Forest conservation will also be insufficient from the social point of view when the group of politically passive consumers is large even if the environmental lobby is more efficient.</p> <p>The design of national environmental policy in the presence of multinational firms is studied in the second essay. Existing literature shows that when firms are national, environmental policy tends to be distorted in favour of domestic producers. Extending this literature to the case of multinational production shows that this is not the case when polluting firms are multinational. The reason is two-fold: First, changes in environmental policy do not influence the market share of the domestic firm. Second, existence of foreign owned production plants creates an incentive to tax profits accruing to foreign shareholders.</p> <p>In the third essay, I study how international free trade agreements influence multinational production. I focus on the indirect effects of trade agreements through changes in the design of national environmental policy. The main result is that an introduction of a free trade agreement increases the attractiveness of multinational production. This result suggests that in assessing the welfare-effects of trade agreements it is important to take into account their influence on environmental policy.</p>			
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