

# Economics Seminar, Indian Statistical Institute, New Delhi

SPEAKER: Stefan Ambec, Toulouse School of Economics.

TITLE: Regulation via the Polluter-pays Principle

DAY AND DATE: 11:30 AM, Friday, 18th March, 2011

VENUE: Seminar Room 2, ISI Delhi

## ABSTRACT

We consider the problem of regulating an economy with environmental pollution. We examine the distributional impact of the polluter-pays principle which requires that any agent compensates all other agents for the damages caused by his or her (pollution) emissions. With constant marginal damages we show that regulation via the polluter-pays principle leads to the unique welfare distribution that assigns non-negative individual welfare and renders each agent responsible for his or her pollution impact. We extend both the polluter-pays principle and this result to increasing marginal damages due to pollution. We also discuss the acceptability of the polluter-pays principle and compare it with the Vickrey-Clark-Groves mechanism.