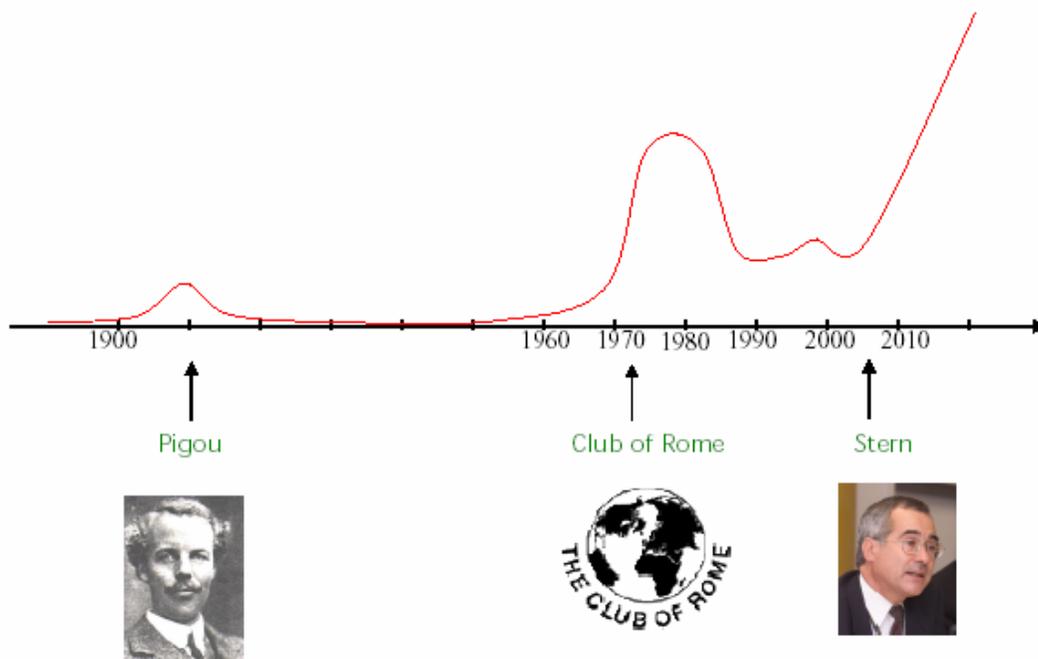


Welcome Address to the Global Eco Tax Conference

Munich 18/10/2007 Wolfgang Buchholz

Environmental protection recently has become more fashionable than it has ever been in the last 25 years. In the longer run public awareness for environmental problems has evolved in the following pattern.

The Development of Environmental Awareness



Almost no one was interested in the natural environment and natural resource scarcity until the late 1960s except for some people in nature (wild-life) conservation clubs. This changed dramatically in the 1970s especially induced by the apocalyptic study of "Limits to Growth" by the Club of Rome in 1972 which predicted an imminent ecological doom. Since then there have been ups and downs in public interest in the environment but it never fell to its originally very deep level.

By the way, the development described in the diagram and especially the decline of attention that occurred in the 1980s partially fits into the *issue attention theory* developed by the American Public Choice theorist Anthony Downs: Attention of people is scarce and after some initial excitement they turn to other topics that then seem to be more urgent as e.g. global peace in the last stage of the cold war in the 1980s. Moreover, and this is partly a success story, many environmental damages could be reduced

significantly by abatement measures, e.g. sewage treatment plants were built in most industrialized countries and at least first steps were taken to reduce the emissions of cars and power plants. So in the 1980s many experts even claimed that environmental economics has become "cold and dead". But then, also inspired by the Brundtland Report 1987 "Our Common Future", international and global environmental problems such as the growing ozone hole over the South Pole and, above all, the problem of climate change strongly attracted public attention again. In addition, emissions by developing countries like China and India started to increase considerably since the middle of the 1990s.

The culmination point of this newly awakened environmental awareness was marked by the release of the Stern Report last year which just now was followed by the award of the Peace Nobel Prize to the IPCC (and Al Gore).

Will this only be an ephemeral success, a flash in the pan?

I do not think so for several reasons:

- in the EU a strong commitment has evolved to take more thorough measures to reduce carbon emissions
- the opinion on climate change in the US has changed considerably and in general became more eco-friendly
- also at China's Communist Party Congress last week it was declared that not only economic growth but also ecological and environmental conditions are important for the Chinese development

All this gives some hope that the increased interest in environmental issues will last and effective measures will be taken. And there is a broad consensus that market based instruments in the tradition of Pigou will have to play a central role if the impending environmental problems shall be solved in an economical way. In this respect, the Clean Development Mechanism and the ETS of the EU are only a beginning. But, surely, there are also many problems coming along with applying those instruments in the international sphere: institution coordination of the different states, control of national measures and on a general level institution design, avoidance of leakage effects, and perhaps most difficult the distribution of burdens and potential revenues that might be associated with market-based instruments.

We will discuss these among many other things at congresscongress to which I would like to welcome you cordially.