

Introduction to the *Review*

If your desk looks like ours, you have a stack of journals you have not had time to examine, let alone read. Added to this are the daily e-mails you receive from a host of online services, universities, think tanks, interest groups, colleagues, and an assortment of others informing you of yet another interesting article, essay, or book. Truth be told, we are all subject to a paper and electronic blizzard, and on many days this information overload becomes a cacophony of competing voices that may best be ignored. Why then is the Association of Environmental and Resource Economists (AERE) launching a new journal? And how can we—its editors—credibly claim that this is a journal you will really want to read?

The *Review of Environmental Economics and Policy* is intended to fill the significant gap that now exists between the popular press and scholarly environmental and resource economics journals. As with many other areas of academic inquiry, environmental and resource economics has become increasingly specialized and increasingly technical. The result is that articles in academic publications—including AERE's highly regarded *Journal of Environmental Economics and Management*—are typically aimed at researchers who share the interests and background of the author. At a minimum, familiarity with specialized jargon and mathematical and technical tools is assumed.

At the other extreme, when academic economists write for the popular press, such as with op-ed or other opinion pieces, their focus is inevitably on the consequences of particular policies, frequently drawing on their political positions. They give considerably less attention to their own recent work (or that of their colleagues) as professional economists; the market for opinion pieces in the popular press rarely provides a welcoming home for lengthy discussions about academic research and its implications.

In order to fill this gap between the popular press and scholarly journals, the *Review* will publish articles that serve one of several diverse goals: to synthesize and integrate lessons learned from active lines of environmental economic research, to provide economic analysis of environmental policy issues, to encourage cross-fertilization of ideas among the various sub fields and perspectives of environmental economics, to offer readers an accessible source for state-of-the-art thinking, to suggest directions for future research, to provide insights and readings for classroom use, and to address issues relating to the environmental economics profession. As we explain below, most articles appearing in the journal will be solicited by the editors, though all are subject to peer review.

If this sounds somewhat like a description of the *Journal of Economic Perspectives*, it is not by coincidence. Our goal is to produce a journal—the *Review of Environmental Economics and Policy*—that is the flagship to the *Journal of Environmental Economics and Management*, as the *JEP* is to the *American Economic Review*. Our ambitious goal is that the

Review will come to be both an exceptionally well-regarded and well-read periodical within its targeted audience—economists and others in academia, government, the private sector, and the advocacy world who are interested in environmental and resource policy. We are committed to being international in scope and coverage, reflecting the international—and in some cases, global—nature of environmental problems and the international nature of AERE itself. Our exceptional editorial board, which includes leaders in the profession from around the world, reflects this international perspective. In order to maintain the highest standards, the *Review*—which is published by Oxford University Press—will appear only twice per year. And the high quality of writing to which we aspire will be facilitated by the key role played by our managing editor.

Although our aim is somewhat different than the standard academic journal, the *Review of Environmental Economics and Policy* is nevertheless an economics journal with an intended audience that includes not only academic economists but also professional economists outside of academia, as well as policy makers and shapers with an interest and familiarity with the way economics can and does influence environmental policy. The level of writing in the *Review* is designed to reach this broad audience.

Many of the articles that will appear in these pages will have been carefully and sometimes substantially edited, and sometimes rewritten, in order to make them broadly accessible to our targeted audience. This means that rather than focusing on technical and methodological aspects of research, let alone on specific analytical models, the articles in the *Review* will tend to focus instead on the broad lessons that can be learned—for environmental and resource economics or for public policy—from broader lines of research. We cannot guarantee that every reader will find every article in every issue to be of interest, but our aspiration is that every reader will find at least several articles in each and every issue to be of true interest and value.

We anticipate that professors will find many of the articles useful for their classes, particularly for undergraduate courses and for classes in professional schools. Likewise, because articles in the *Review* will frequently explain research findings from a less technical and specialized perspective, it is our hope that this journal will play an important role in keeping economists and others in business, government, and nongovernmental organizations as well as academia up to date on the frontiers of environmental and resource economics. If we are truly successful, the process of forcing our authors (and ourselves) to explain carefully and critically aspects of research that are ordinarily unquestioned and taken for granted will help stimulate new and better research efforts.

Articles published by the *Review* will be commissioned by the editors but also subject to anonymous peer review. Although the submission of unsolicited manuscripts is not encouraged, we welcome proposals for articles in the form of brief outlines or informal queries. All such proposals should be sent to the editorial office, and all will receive prompt attention. One of the reasons for our policy of not accepting unsolicited manuscripts is that we believe it would be a mistake for anyone to write an article for the *Review* without there being a high probability *ex ante* of publication. The journal's relatively unique requirements regarding style and accessibility mean that a manuscript that would be appropriate and acceptable for a conventional economics journal would *probably* not be appropriate for the *Review*. Likewise, a manuscript prepared in the style required for the *Review* would be very unlikely to receive a favorable reception at a conventional economics journal. Thus, our

policy is intended to provide you, the reader, with the best possible set of articles while reducing risk on the part of potential authors.

This inaugural issue is typical of the structure the journal will follow in future issues, with three articles, a symposium, and several regular features. In the lead article, Geoffrey Heal provides “A Celebration of Environmental and Resource Economics,” in which he reflects on the evolution of environmental and resource economics and the relationship of this field of inquiry to economics more broadly. He highlights the fact that some of the very best economists have made fundamental contributions to the development of environmental and resource economics and documents what he describes as a “two-way street” along which methods, insights, and findings travel between our specialized area of inquiry and the larger world of economics research.

Long before other economists—including environmental economists—carried out research on the phenomenon that has come to be called global climate change, William Nordhaus was leading the way with path-breaking contributions. In the second article in this issue, “To Tax or Not to Tax: Alternative Approaches to Slowing Global Warming,” he steps back from the political fray to contrast two fundamental approaches to the problem—quantity-based controls, such as the Kyoto Protocol, and price-based regimes, such as internationally harmonized carbon taxes. His core message is that although the bulk of research and policy discussion has focused on quantitative approaches, price-based methods have major advantages for slowing global climate change.

The real world in which environmental policies must actually be developed, implemented, and evaluated is very different from the abstract world of full information in which analysts can reasonably rely on simple comparisons of the present value of social benefits and social costs. This is the premise behind Robert Pindyck’s survey and synthesis of “Uncertainty in Environmental Economics,” in which he notes that the implications of uncertainty are complicated by the reality that many environmental policy problems involve nonlinear damage functions, important irreversibilities, and long time horizons. The article clarifies the ways in which various types of uncertainties affect optimal policy design, and summarizes what is and is not known about this problem.

This inaugural issue continues with a symposium on what may be one of the most important policy developments of the past decade from the perspective of environmental economics: the European Union’s Emissions Trading Scheme (EU ETS). In the symposium’s lead article, Denny Ellerman, who coordinated the symposium, provides an introduction and overview, coauthored with Barbara Buchner, which focuses on the allocation of the rights to emit carbon dioxide (CO₂) and presents the results from the program’s first year of operation. Their point of departure is the irony that an American institutional innovation—emissions trading—which the United States forced into the negotiations of the Kyoto Protocol and which was resisted by Europe, became, after the U.S. rejection of the protocol, the primary instrument for the European Union’s own compliance with its Kyoto obligations. With coverage of about half the CO₂ emissions originating from a region of the world that accounts for 20 percent of global GDP and 17 percent of the world’s energy-related CO₂ emissions, the EU ETS is by far the largest cap-and-trade system in the world.

The symposium continues with an examination of market and price developments in the EU ETS by Frank Convery and Luke Redmond. To provide background for their

discussion of the emissions-trading market, the article describes the main features of the EU ETS, including its institutional and legal framework. Next the authors discuss the development and actual functioning of the market, including market intermediaries, the size and frequency of trades, factors that have affected prices, and trends in trading volumes and prices. The article also offers some reflections on the likely future of the EU ETS.

The EU ETS is remarkable in a number of ways, including its decentralized character. This is the starting point for Joseph Kruger, Wallace Oates, and William Pizer in the third article in the symposium, in which the focus is on decentralization in the EU ETS and the lessons that can be learned for global policy initiatives. After an examination of the implications of the scheme's decentralized structure, they move on to a broader exploration of how the system can be linked with trading systems in other parts of the world—including the United States—in order to facilitate global trading of CO₂ allowances.

In addition to articles and symposia, several regular features will appear in each issue of the *Review*. Maureen Cropper will edit “Policy Monitor,” which will provide brief reviews of policy developments that are of particular interest to environmental and resource economists. The inaugural article in the series, by Frank Lecocq and Philippe Ambrosi, explains the basic workings and tracks the performance to date of the Clean Development Mechanism, the element of the Kyoto Protocol that is intended to involve developing countries in cost-effective control efforts through offsets with sources in industrialized countries. In each issue, Kerry Smith will provide his “Reflections on the Literature.” As his first column demonstrates, we anticipate a broad-ranging review of various topics of interest, with special attention given to information sources that environmental and resource economists may not usually scan. Finally, the “Announcements” feature offers timely updates on conferences, workshops, calls for articles, and other relevant news from the world of environmental and resource economics. Future issues of the *Review* may include other features, such as letters to the editor, which will, of course, depend upon the interests and contributions of readers.

The editors hope that the *Review* reflects the interests and responds to the needs of the worldwide membership of AERE as well as the *Review*'s broader constituency of readers. The ultimate success of this journal will not be measured simply by citation counts or circulation numbers, but by whether the journal is actually read and hence of real value to its audience. The *Review of Environmental Economics and Policy* is intended to serve your interests, and we—the editors—are prepared to use the journal in innovative ways, limited only by our statement of purpose (and our budget). We welcome any and all suggestions about how the *Review* can best serve your needs.

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