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Social Externalities as a Potential Source of Green-Paradox-Like Outcomes

Abstract

We analyze the effectiveness of environmental policy in a framework in which social interactions do matter. Single agents decide which action to take in their best interest by considering also the behavior of others, which in turn affects their utility through a social externality. By affecting individuals' intrinsic moral motivations, environmental policy may alter the size of such a social externality potentially affecting the effectiveness of

green policies. Specifically, it might even happen that despite their positive effects on environmental outcomes in the short run, in the long run green policies will lead to a deterioration in environmental outcomes. This suggests that social interactions and social externalities might be a source of (reversed) green paradox outcomes and thus should be carefully taken into account in the design of environmental policy.

Thursday 14th December
from 1pm to 2pm
Campus Luigi Einaudi

Seminar room n. 36
Building D1 - 3rd Floor
Lungo Dora Siena 100/A, Turin