Book Review


Reviewed by Sergio Giaccaria, Department of Economics “S. Cognetti de Martis”, University of Torino

The theoretical framework of environmental policy instruments such as environmental taxes is grounded on a well-established stream of literature focusing on the political economy of pollution control. This volume does not introduce ground-breaking theoretical advances (which at this stage would admittedly have been a very difficult task), but does offer a systematic synthesis of methodological and analytical updates useful in addressing the design and evaluation of climate change mitigation policies. Departing from the usual arguments (static and dynamic efficiency gains) used to legitimate the adoption of carbon reduction targets (and price-based instruments), the book collects a series of papers offering relevant insights on how these tools work in practice. Taking into account the historical context and the emergent challenges from climate change, it addresses novel issues through an extensive review of ex-post and ex-ante assessments of implemented policies, and developing extended country-level comparisons.

The central topic of the papers within the first part of the book is a discussion of pros and cons of combining cap and trade systems with taxes on CO₂ and greenhouse gas emissions, from the point of view of environmental effectiveness and economic efficiency. The interaction among carbon-related policy tools (N.A. Braathen), the impacts on productivity, competitiveness and employment (S. Speck and D. Gee) and the potential complementarity of dual approaches (combined cap and trade and carbon tax) are the three main issues addressed.

Two general underlying issues are also suggested within this part of the book. The first is the existence of significant interaction effects among environmental and other multi-objective fiscal policies, effects which should be taken into account in the ongoing process of reforming environmental taxation. The second
issue is the existing level of fragmentation and heterogeneity in the design of environmental fiscal instruments in industrialized countries, which leads to suggestions to improve coordination efforts and the search for international fiscal reform schemes and agreements to meet climate change targets.

The second part of the volume examines from a behavioral perspective the feasibility conditions for adopting internationally shared taxation strategies. The objective here is analyzing those situations where the effectiveness of fiscal instruments strictly depends on institutional innovations that are delayed or scarcely pursued (A. Kennedy and W. Prohmlah). Innovative suggestions are also presented to overcome existing empasses and to encourage countries to take part in the international scheme of taxation regimes (Weber).

While the first two parts contribute to bringing together different streams of literature discussing general topics, issues of specific interest for readers of this journal are addressed in the remainder of the volume: the implication of environmental taxation schemes for local land management policies (part three), and taxation schemes related to natural resources (part four). A final section is devoted to case studies.

All the papers collected in the book make a useful contribution. The capacity of its editors to review and bring together a wide variety of important topics makes the book a useful read for policy makers, applied economists and practitioners involved in the assessment and settings of environmental fiscal policies.