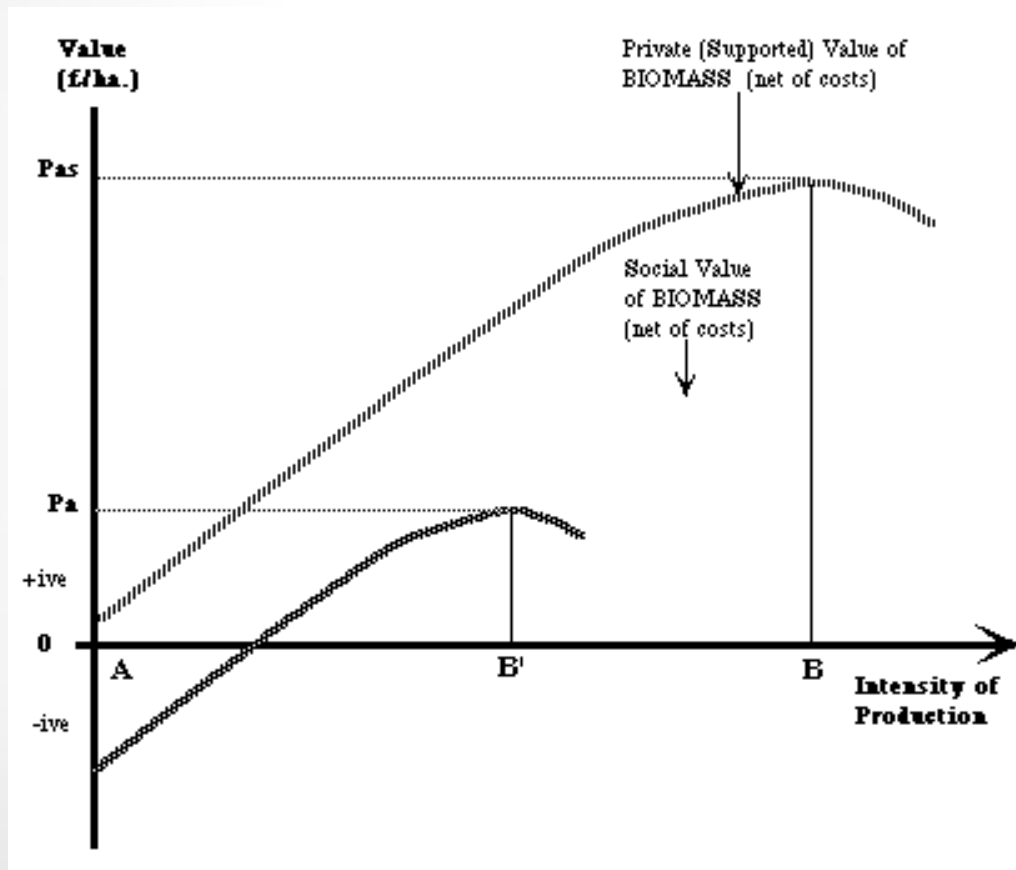


AES/Defra: Public Money for Public Goods

A Framework?

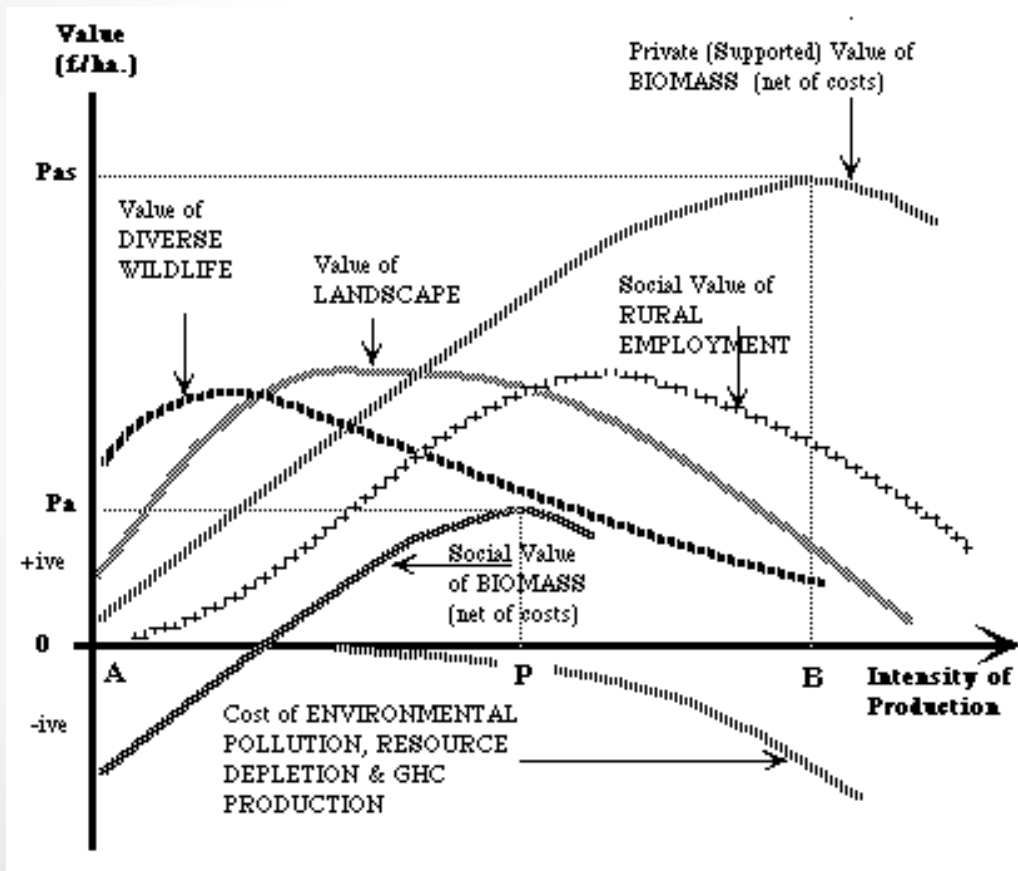
Effect of Agricultural support



See: “Agri-environmental relationships and multi-functionality”, *The World Economy*, 26 (5), 2003, 705 – 725, ref: Traill, 1988. Harvey, 1991

AES/Defra: Public Money for Public Goods

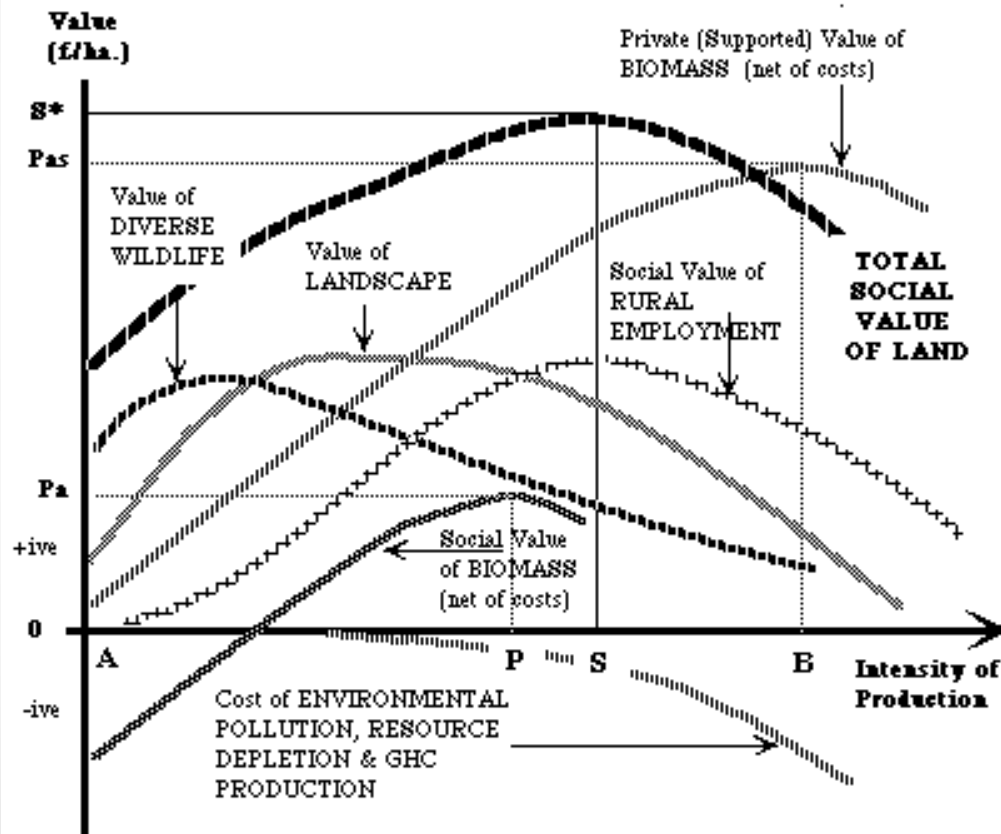
A Framework?



**Possible values of
+ive & -ive
Externalities
and 'Public
Goods'
(CARE)**

AES/Defra: Public Money for Public Goods

A Framework?



Optimal social production @S

Depends on:

- **Where & Who**
- **WTP**
- **Technology**
- **When, and for how long**

AES/Defra: Public Money for Public Goods

Key Questions and Problems

- *DH: Govt. decides what it wants & allocates budgets – HOW?*
- How much should we pay?
- To whom, for what, and for how long?
- Who sets priorities and how?
- How do we settle disputes & reconcile competing interests?
- How do we tell if it is worthwhile?
- What, exactly, are the market failures?
- What are the transaction costs which prevent market success?
And which arise from policy solutions?

Interesting fact: In 2015/16 almost 6000 environmental voluntary organisations received and spent \$3bn

See Harvey & Hubbard: "Reconsidering the Economics of Animal Welfare: An anatomy of market failure", with Carmen Hubbard, *Food Policy*, 38, 2013, 105-114,