

1	Introduction	1
Part I Economics: What Is It About and How Does It Relate to the Natural Environment?		
2	The Fundamental Problem	9
2.1	Needs	9
2.2	Goods	11
2.2.1	Satisfying Human Needs	11
2.2.2	Commodities and Services	11
2.2.3	Excludability and Rivalry	12
2.3	Production	13
2.4	Scarcity	14
	References	16
3	The Economic Approach	17
3.1	Acting Economically	17
3.2	Economic Agents	18
3.3	The Circular Flow	19
3.4	Positive and Normative Economic Analysis	21
3.5	Economic Policy	24
3.5.1	The Choice of Economic System	24
3.5.2	Interventions in the Economic Process	27
	References	29
4	Integration of the Natural Environment: Socially Undesirable Utilization of Natural Goods	31
4.1	Introductory Remarks	31
4.2	Natural Goods	31
4.3	Production Based on Natural Resources	33
4.4	The Circular Flow and the Natural Environment	33
4.5	Normative Analysis: Efficiency, Justice, and the Natural Environment	34

4.6 Economic Policy and Environmental Protection	36
References	37
5 Summary to Part I and Looking Ahead	39
Part II Microeconomics and the Natural Environment	
6 Fundamental Concepts of Microeconomics	43
6.1 Objectives and Methods of Microeconomics	43
6.2 The Consumer	53
6.3 The Firm	63
6.4 The Market	72
6.5 Basic Issues in Welfare Economics	78
6.5.1 The Concept of Social Optimality	78
6.5.2 The Social Optimality of an Ideal Market Economy . . .	82
6.5.3 Market Failure	91
References	97
7 A Sketch of Environmental Microeconomics	99
7.1 Internalizing Externalities	99
7.2 Standard-Oriented Environmental Policy	102
7.2.1 Introduction	102
7.2.2 Cost-Effective Inter-firm Allocation of Aggregate Pollution Abatement	103
7.2.3 Cost-Effective Design of Environmental Policy Instruments	107
7.3 International Environmental Problems	113
References	116
8 Summary to Part II and Looking Ahead	119
Part III Macroeconomics and the Natural Environment	
9 Fundamental Concepts of Macroeconomics	125
9.1 Objectives and Methods of Macroeconomics	125
9.2 Economic Growth	127
9.2.1 Driving Forces Behind Economic Growth	127
9.2.2 Feasibility of Permanent Growth	130
9.3 National Accounting	131
9.3.1 Purposes of National Accounting	131
9.3.2 Measuring National Product	132
9.3.3 Measuring National Wealth	133
References	137

10	A Sketch of Environmental Macroeconomics	139
10.1	Economic Growth and the Natural Environment	139
10.1.1	Natural Limits to Growth	139
10.1.2	Sustainable Development	140
10.2	National Accounting and the Natural Environment	147
10.2.1	Integrated Environmental and Economic Accounting	147
10.2.2	Accounting for Sustainability	150
	References	163
11	Summary to Part III	165
	Solutions to Exercises	167
	Glossary	177
	Index	183