

INTRODUCTION TO THE SPECIAL ISSUE
FAERE IN ITS TEENS

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Harold Hotelling's seminal 1931 paper, "The Economics of Exhaustible Resources," begins with an observation that could well describe today's environmental concerns:¹

"Contemplation of the world's disappearing supplies of minerals, forests, and other exhaustible assets has led to demands for regulation of their exploitation. The feeling that these products are now too cheap for the good of future generations, that they are being selfishly exploited at too rapid a rate, and that in consequence of their excessive cheapness they are being produced and consumed wastefully has given rise to the conservation movement." Hotelling (1931)

Nearly a century later, the field of environmental and resource economics continues to wrestle with how to manage scarce resources and mitigate externalities—now on a global scale—see, Libecap (2014) and Heal (2017). Although the term "environmental economics" gained prominence only in the 1960s, its intellectual roots extend over two centuries. As Sandmo (2015) shows, early economic thinkers in the eighteenth and nineteenth centuries were already grappling with resource scarcity, externalities, and human-nature interactions. Foundational contributions like Hotelling (1931), Gordon (1954) and Coase (1960) drew on these traditions. Surveys by Cropper and Oates (1992) and Krautkraemer (1998) mapped the landscape of environmental economics and resource scarcity in the mid-1990s.

Carbon pricing, once a theoretical curiosity, now features prominently in climate policy debates (Timilsina (2022)). Its efficacy, however, depends on political economy considerations, echoing the importance of transaction costs first highlighted by Coase (1960) and more recently examined by Medema (2020). Such insights remain central as policy instruments evolve.

Nevertheless, sound theoretical prescriptions do not always yield effective policy outcomes. The growing literature on "envirodevonomics" (Greenstone and Jack (2015)) highlights how institutional, political, and market failures often obstruct the implementation of even well-designed environmental measures, see also Guesnerie (1974). Reflecting this complexity, the *Journal of Economic Perspectives* has hosted several key symposia on oil and gas markets (Winter 2016), climate change (Fall 2018), U.S. environmental legislation (Fall 2019), and international dimensions of climate change policy (Summer 2023).

Finally, the discourse has turned to ethical dimensions. Choosing a social discount rate, as Millner and Heal (2023) emphasize, is not merely a technical issue but also involves reconciling diverse normative perspectives on intergenerational equity. The challenge

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¹See Devarajan and Fisher (1981) for a celebration of Hotelling's article fifty years after its publication and Gaspard et al. (2024) for a Journey into Harold Hotelling's Economics.