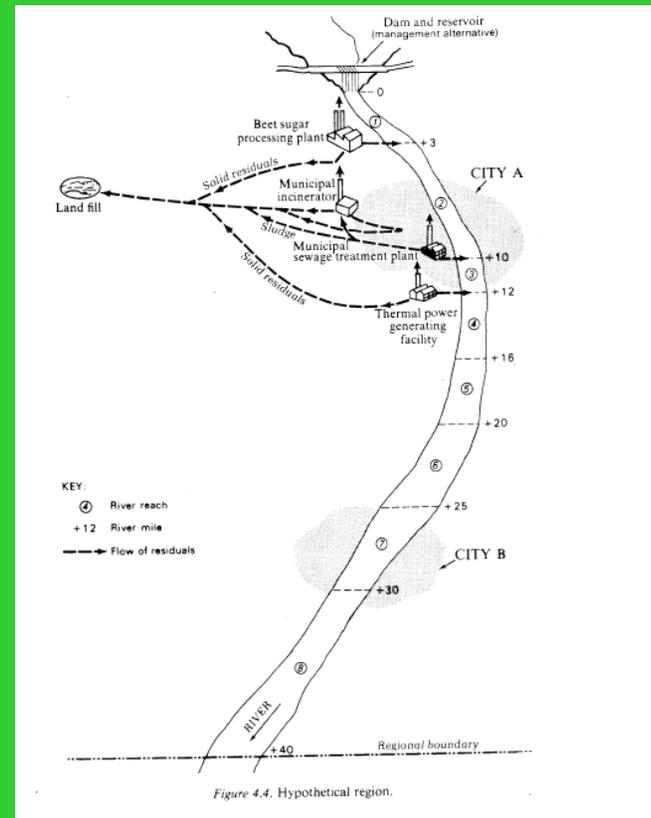


Reconciling Contrasting Views of Economic Activities and Environmental System

Conventional Economic Models of a General Equilibrium System

Kneese's View of Economic Activities with the Natural System



PE versus GE Demand Functions

- Basic Point—non-market feedbacks are first order effects in evaluating the benefits of large environmental and many non-environmental policies. Issue –how do we measure them?
- GE analysis and market feedbacks are second nature to agricultural economists going from single commodity demand to general equilibrium demand (in Just, Hueth, Schmitz sense) this is

The stylized story for market feedback

Single market $q_1(P_1, P_2, \dots, P_k, x^1, m)$ Hold these in equilibrium
 GE for good 1 $\tilde{q}_1(P_1, x^1, \dots, x^k, m)$
 (takes account of equilibrium feedback effects through other markets)

Non-market feedbacks- the part overlooked

Single market $q_1(P_1, P_2, \dots, P_k, x^1, \textcircled{Q}, m)$ Allow for individual actions to create system endogeneity
 GE for good $\tilde{q}_1^*(P_1, x^1, \dots, x^k, Q(P_1, x^1, \dots, x^k, m), m)$