

EC1340 – Fall 2017  
Take home final  
Due 12pm, December 15, 2017  
Matt Turner

Suppose that it is December 2020, and outraged at the prospect of four more years of disarray in Washington, the Republic of New England decides to follow the path blazed by the Pacific States of America, and secedes from the United States. President Warren of the new republic taps former Rhode Island Governor Raimundo as vice-president and assigns her the important 'climate change portfolio'.

Vice President Raimundo has asked you to evaluate the Regional Greenhouse Gas Initiative (<https://www.rggi.org/>), a cap and trade program that the new republic has inherited from the former States of New England. In particular, she would like you to write a report describing the program.

Given the urgency of the topic, she requires that you prepare your report by no later than noon, December 15, and (oddly) submit it to the economics department receptionist at Brown University.

Your report should address the following topics and should not exceed 5 pages:

1. Describe what the program is intended to do.
  - What are total emissions under the program?
  - Who is regulated?
2. Describe how the program works.
  - How do the auctions work? Who can bid?
  - How does enforcement work?
  - Can permits be banked? Does this happen?
3. Evaluate the program.
  - How large an emissions reduction can we attribute to the program?
  - Are the caps too stringent? Not stringent enough? In particular, should the caps be completely lifted and the program abandoned?
  - *On the basis of material covered in class*, identify two features of the program that should be preserved and identify two that could be improved.