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On Local Environmental Protection

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We hereby propose a model to analyze the provision of environmental protection activities (United Nation 2005) with positive interregional externalities in order to verify - at least in theory - whether this kind of policy is better accomplished through centralized policymaking, which implies a coordinated solution among local representatives, or a decentralized system, whereby local authorities independently finance and implement their environmental protection policy. The research question concerns the identification of criteria on how to allocate powers and functions to environmental management at different tiers of government. Moreover, modelling interregional externalities as a mechanism contributing to lowering the cost of financing environmental policy in each region (production externality), we can assume that different environmental policies are allowed across regions. Given this general framework, considerations favouring either institutional setting in terms of individuals' welfare seem to involve interaction among these key elements: the extent of the inter-jurisdictional spillovers, the size of local jurisdictions and the regional preferences for environmental protection policy.

JEL classification: *H71, H73, H23, Q58*

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