

Efficient Supply of Cultural Landscape in a CGE Framework

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It is widely recognized that the agricultural sector, in addition to private goods, produces public goods that benefit the domestic consumers. The prime example is cultural landscape which is produced jointly with private agricultural goods.

In order for policy to be optimal it should be directed towards resolving market failures caused by the existence of public goods. Using a public good modeling framework, we develop supply- and willingness to pay functions for cultural landscape. Governmental agricultural support is adjusted to achieve efficient supply of the public good. Thereafter we illustrate how this can be achieved in a computable general equilibrium model. We show that efficient supply of cultural landscape can be achieved even with a tremendous reduction in overall support of agricultural production.



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