

Vasco-Correa, C., Tobón, D., & Vargas, H. (2018). (2018). Spatially differentiated environmental taxes in Colombia: A theoretical general equilibrium model with natural capital. *Cuadernos de Economía*, 37(74), 589-624.

We analyse the consequences of implementing environmental taxes that differ spatially depending on the polluting agent's location within a river basin. We build a general equilibrium model that includes natural capital as input on the production function and economic activity restrictions. From a social welfare point of view and compared with homogeneous taxes, there are improvements if taxes are differentiated. This paper recommends taxes being applied that consider the separation of the river basins by sections. There is debate as to the water pollution regulations, and it is pointed out that rather than modifying the current regulation, more enforcement is needed.

Keywords: General equilibrium models, externalities, spatially differentiated taxes, water pollution.

JEL: D58, D62, Q53, Q25.