

## Regulations – Good

**See also:** Free Market Fails (page 222) for evidence on why regulation is necessary; Federal Action Better (page 240)

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## **SOLVENCY**

### **Historical: Successful**

*Daniel J. Fiorino (PhD in political science, director of the Performance Incentives Division at the EPA), 2006, "The new environmental regulation", <http://books.google.com/books?id=CzM8fpAZwDYC> (page 61)*

Regulation has delivered results. Testimony to this effect runs throughout the literature. Terry Davies and Jan Mazurek conclude that the amount of pollution released to the environment has declined since the 1970s. This has occurred despite the fact that, between 1970 and 1995, "the total United States gross domestic product increase 99 per cent; population climbed 28 per cent; and vehicle miles traveled jumped 116 per cent." Richard Andrews sees regulation as being extraordinarily successful in reducing pollution, at least from major industries and municipal sources. Michael Kraft and Norman Vig conclude that the record of the past thirty years demonstrates significant environmental gains through public policies. "Unquestionably," they add, "the environment would be worse today if the policies enacted during the 1970s and 1980s had not been in place." Gregg Easterbrook has gone so far as to describe United States environmental protection policy as the leading success story of postwar liberalism.

## **GOOD - GENERAL**

### **No economic benefits of deregulation**

*Stephen M. Meyer (PhD, professor of political science at the Massachusetts Institute of Technology, director of the Project on Environmental Politics and Policy), November 2003, "The Economic Impact of Environmental Regulation", <http://web.mit.edu/polisci/mpepp/Reports/eier.pdf>*

Environmental deregulation cannot be expected produce measurable economic benefits at the state level. While individual firms, businesses, and industries might accrue specific benefits, the overall impact on the state economy will not be noticeable. (And, of course, this ignores the imposed costs - short term and long term - from scaling back environmental programs.) This conclusion is consistent with prior research by other investigators.

### **Historical: Tough state policies haven't harmed them**

*Stephen M. Meyer (PhD, professor of political science at the Massachusetts Institute of Technology, director of the Project on Environmental Politics and Policy), November 2003, "The Economic Impact of Environmental Regulation", <http://web.mit.edu/polisci/mpepp/Reports/eier.pdf>*

Did states with strong environmental policies pay an economic price during the banner economic growth years of 1980s? The results shown in TABLE 3 from the multiple regression (cross-sectional time-series) analysis on the data for 1982-1989 answer: no.

**Historical: Job growth from stronger regulation**

*Stephen M. Meyer (PhD, professor of political science at the Massachusetts Institute of Technology, director of the Project on Environmental Politics and Policy), November 2003, "The Economic Impact of Environmental Regulation", <http://web.mit.edu/polisci/mpepp/Reports/eier.pdf>*

We find indications of a similar association between state environmentalism and economic performance. Each unit increase in state environmentalism is associated with an approximately 0.3% increase in non-farm employment. Job growth - not job loss - is associated with stronger environmental policies. The ten states with the strongest environmental policies appear to have experienced annual employment growth rates almost 0.6% above those of the ten states with the weakest environmental policies. However, once again the significance test (with a probability of 18%) suggests that we should consider the positive association to be spurious. The odds that environmentalism could be negatively associated with job losses at the state level are extremely poor: slightly more than one to thirty one.

We can safely reject the notion that state environmentalism resulted in economically meaningful job losses.

**"Economic doom" never materializes (from environmental regulations)**

*Stephen M. Meyer (PhD, professor of political science at the Massachusetts Institute of Technology, director of the Project on Environmental Politics and Policy), November 2003, "The Economic Impact of Environmental Regulation", <http://web.mit.edu/polisci/mpepp/Reports/eier.pdf>*

Consider that none of the forecasts of economic doom by business or industry regarding the impact of prospective environmental laws and regulations have ever materialized. The U.S. auto industry did not collapse as a result of the Clean Air Act. Recycling has not thrown hundreds of thousands of people working in the plastic, paper, glass, and bottling industries. Nor has logging in the Pacific Northwest ceased to exist despite the listing of the Spotted Owl as an endangered species.

**Compliance inexpensive**

*Hart Hodges (PhD in economics, Director of Western's Center for Economic and Business Research), 1997, Economic Policy Institute, "Cost of Complying With Environmental Regulations Almost Always Less Than Advertised", <http://www.epi.org/page/-/old/briefingpapers/bp69.pdf>*

Environmental regulations that mandate emission reduction at the source generally cost much less than expected. It is not clear to what extent businesses overstate their expected costs for strategic reasons, or to what extent they fail to anticipate process and product technology changes when making early estimates. It is clear, however, that input substitution, innovation, and the flexibility of capital have allowed actual costs to be consistently much lower than early predictions.

**Example: Energy efficiency regulation benefits over \$1 trillion**

*David B. Goldstein (PhD, Energy Program Director for the Natural Resources Defense Council and a MacArthur ("genius award") fellow), 2007, Bay Tree Publishing, "Saving Energy, Growing Jobs", <http://books.google.com/books?id=QIi0AAAAIAAJ>*

Since 1976, the U.S. Congress, the Department of Energy, and the California Energy Commission, along with several other states, have set energy-efficiency standards for dozens of appliances and pieces of equipment, such as refrigerators, air-conditioners, and lighting equipment. The predicted net economic benefits of these standards are estimated conservatively at over one trillion dollars. And, as will be shown, the actual benefits include product improvements whose value has not been counted in this estimate. Moreover the actual costs are much lower than were predicted.

**Example: Air pollution regulation benefits \$1 trillion**

*David B. Goldstein (PhD, Energy Program Director for the Natural Resources Defense Council and a MacArthur ("genius award") fellow), 2007, Bay Tree Publishing, "Saving Energy, Growing Jobs", <http://books.google.com/books?id=QIi0AAAAIAAJ>*

Congress and the Environmental Protection Board, along with the California Air Resources Board, have regulated air pollution emissions since the 1970s. The net economic benefits of the federal regulations have been estimated at \$1 trillion, with \$1.2 trillion of benefits being obtained for \$220 million in costs.

**GOOD ECONOMICALLY****Summary: Good economically**

*David B. Goldstein (PhD, Energy Program Director for the Natural Resources Defense Council and a MacArthur ("genius award") fellow), 2007, Bay Tree Publishing, "Saving Energy, Growing Jobs", <http://books.google.com/books?id=QIi0AAAAIAAJ>*

Environmental protection policies can enhance economic growth, help consumers (and specifically the poor), and reduce restrictions on individual and corporate freedom.

Both theory and practical experience illustrate how environmental policies:

1. Reduce costs to businesses and consumers
2. Increase productivity by encouraging new technologies
3. Overcome systematic failures of real markets to maximize profits and in particular to promote innovation
4. Enhance competition by breaking up nonmarket relationships between a few industry-leading companies (that frequently have large and stable market shares for their products.)

**Economic benefits outweigh costs**

David B. Goldstein (PhD, Energy Program Director for the Natural Resources Defense Council and a MacArthur ("genius award") fellow), 2007, Bay Tree Publishing, "Saving Energy, Growing Jobs", <http://books.google.com/books?id=QIi0AAAAIAAJ>

The economic benefits of major U.S. Environmental Protection Agency regulations amounted to between \$120 and \$193 billion annually, while the cost of compliance was only \$36 to \$43 billion annually. Costs often are systematically overestimated.

**Studies: Green = good for businesses (financially)**

Paul Lanoie (PhD in economics, professor of applied economics at the University of Montreal) and Stefan Ambec (PhD, researcher at the Toulouse School of Economics), September 2007, "When and Why Does It Pay To Be Green?", <http://www.cirano.qc.ca/pdf/publication/2007s-20.pdf>

Overall, what can we conclude from this extensive literature regarding the impact of a better environmental performance on the cost of capital? It seems clear that a large majority of the portfolio analyses, event studies and long-term studies show that a better environmental performance is associated with a better financial performance (or, at least not worse.)

**Encourages innovation**

Nick Johnstone (PhD, Senior Economist at the Organization for Economic Cooperation and Development), Leremy Laurent-Lucchetti (PhD in economics from the Institute of Applied Economics, Montreal), Paul Lanoie (PhD in economics, professor of applied economics at the University of Montreal), and Stefan Ambec (PhD, researcher at the Toulouse School of Economics), 2007, "Environmental Policy, Innovation and Performance: New Insights on the Porter Hypothesis", <http://www.cirano.qc.ca/pdf/publication/2007s-19.pdf>

It is reassuring to find that environmental policy induces innovation (as reflected in R&D expenditures.) Indeed, it would be surprising if this were not the case. Since environmental policy changes the relative price of environmental factors of production, it would be surprising if increased policy stringency did not encourage facilities to identify means of economising on their use.

**Not always bad for productivity**

Paul Lanoie (PhD in economics, professor of applied economics at the University of Montreal) and Stefan Ambec (PhD, researcher at the Toulouse School of Economics), September 2007, "When and Why Does It Pay To Be Green?", <http://www.cirano.qc.ca/pdf/publication/2007s-20.pdf>

Berman and Bui (2001) report that refineries located in the Los Angeles area enjoyed a significantly higher productivity than other U.S. refineries despite a more stringent air pollution regulation in the area. Similarly, Alpay et al. (2002) estimated the productivity of the Mexican food processing industry to be increasing with the pressure of environmental regulation. They therefore suggest that a more stringent regulation is not always detrimental to productivity.

**Not always a burden on business - can be good**

Paul Lanoie (PhD in economics, professor of applied economics at the University of Montreal) and Stefan Ambec (PhD, researcher at the Toulouse School of Economics), September 2007, "When and Why Does It Pay To Be Green?", <http://www.cirano.qc.ca/pdf/publication/2007s-20.pdf>

The conventional wisdom about environmental protection is that it comes as an additional burden for companies imposed by the government. However, during the last decade, this paradigm has been challenged by a number of analysts who suggest different ways through which improving the environmental performance of a company can be associated with better economic performance. To be systematic, it is important to look at both sides of the balance sheet.

First, a better environmental performance can lead to an increase in revenues through the following channels: i) a better access to certain markets; ii) the possibility to differentiate products and iii) the possibility to sell pollution-control technology. Second, a better environmental performance can lead to cost reductions in the following categories: iv) regulatory cost; v) cost of material, energy and services (this refers mainly to the Porter hypothesis); vi) cost of capital, and vii) cost of labour.

**Helps achieve the best possible result**

David B. Goldstein (PhD, Energy Program Director for the Natural Resources Defense Council and a MacArthur ("genius award") fellow), 2007, Bay Tree Publishing, "Saving Energy, Growing Jobs", <http://books.google.com/books?id=QIi0AAAAIAAJ>

Environmental mandates and incentives can also help the economy to achieve the best possible result - the global optimum - rather than just muddling through with small incremental improvements. Imagine the effectiveness of the economy as a mountain range with a number of small hills as well as taller mountains. The best possible result would be to climb to the top of the tallest mountain. However, if the climber just muddles through and climbs upward continually rather than looking at a map, she is likely to climb only to the top of the nearest small hill without seeing the nearby larger mountain.

**OTHER****Semi-Indictment: Regulation critics use oversimplified economics**

David B. Goldstein (PhD, Energy Program Director for the Natural Resources Defense Council and a MacArthur ("genius award") fellow), 2007, Bay Tree Publishing, "Saving Energy, Growing Jobs", <http://books.google.com/books?id=QIi0AAAAIAAJ>

If we examine the websites of anti-environmental advocacy organizations and think tanks, and look at the testimony of industries and trade associations opposed to environmental policies, we see that they hew to an oversimplified and ideologically rigid form of economic theory. This is akin to a fundamentalist religious belief in that its strongest proponents aren't interested in facts, but rather claim to acknowledge a revealed truth.

Whatever one can argue about the validity of revelation with respect to religious concepts, revealed truth has no place in discussions of environmental policy. Indeed, economics is accepted as a science,

*[continued on next page]*

meaning a field of study in which facts are essential to validate (or disprove) theories.

Surprisingly little discussion or academic analysis focuses on what the facts are concerning how well markets work on environmental qualities in general, or even energy efficiency in particular. But repeated studies in the regulatory and policy forums show the same results: that the simple economic theory - that markets without government involvement produce the best results for everyone - is inconsistent with the data.

### **Economics not always the best measuring stick**

*David B. Goldstein (PhD, Energy Program Director for the Natural Resources Defense Council and a MacArthur ("genius award") fellow), 2007, Bay Tree Publishing, "Saving Energy, Growing Jobs", <http://books.google.com/books?id=Q1i0AAAAIAAJ>*

If over 30,000 Americans die annually from air pollution, then developing better emissions reduction technology is desirable even without considerations of its economic benefits.

### **Environment economically important**

*Jared Diamond (PhD in physiology, professor of geography at UCLA, Pulitzer Prize and MacArthur "Genius Grant" recipient), 2005, Penguin Books Ltd., "Collapse: How Societies Choose to Fail or Succeed", <http://books.google.com/books?id=QyzHKSCYSmsC>*

"The environment has to be balanced against the economy." This quote portrays environmental concerns as a luxury, views measures to solve environmental concerns as a luxury, views measures to solve environmental problems as incurring a net cost, and considers leaving environmental problems unsolved to be a money-saving device. This one-liner puts the truth exactly backwards. Environmental messes cost us huge sums of money both in the short run and in the long run; cleaning up or preventing those messes saves us huge sums in the long run, and often in the short run as well.

## **NO PROPERTY RIGHTS VIOLATION**

(See EPA-Good: No Property Rights Violation, page 46)