Economic Scene

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Cleaning the environment gets harder, but there are solutions.

CLEANER is better — but at what price? Last month, 31 counties in New York and Pennsylvania backed away from a voluntary commitment to reduce smog by burning a more expensive blend of gasoline in privately owned cars. And while small acts of resistance do not make a counterrevolution, the message can be ignored only at environmentalists’ peril.

For two decades Washington has been basing policy on the conventional wisdom that Americans will happily pay to make it safe for anyone to drink the water and breathe the air anywhere in the country. But now that the easy cleanup battles have been won — and politicians without ties to the environmental lobbies dominate Congress — the assumption is sure to be questioned.

And in the view of Paul Portney of Resources for the Future, not a moment too soon. The alternative to a rethinking of the basics, he believes, is a piecemeal rebellion against Big Green.

If costs are not weighed against benefits, argues Mr. Portney, the vice president of the Washington-based environmental research group, “we are in danger of losing the whole kit and caboodle.”

The reformulated gasoline story is only a straw in the political wind, but an instructive one. As of this week, drivers in nine cities (including New York and Philadelphia) were required to switch to a fuel blend that cuts emissions of toxic chemicals and carbon monoxide as well as the “volatile hydrocarbons” that are precursors to ozone smog. Places with lesser smog problems were given the option of making the switch, too, and many did. But when prices started going up at the pump (by roughly a dime a gallon), three counties in New York and 28 in Pennsylvania petitioned Washington for a reprieve.

This is not a simple tale of the victory of populist common sense over environmental elitism. Counties that opted out of reformulated gasoline will generally have to find some means of reducing emissions. And Robert Hahn, an economist at the American Enterprise Institute, estimates that the “first phase” gasoline blend mandated for 1995 is more cost-effective than many of the alternatives. But it does suggest that Americans are no longer lining up to pay the bill for any environmental service rendered.

By the same token, notes Tom Lareau, an economist at the American Petroleum Institute, motorists are resisting tougher pollution inspection programs — especially ones that require testing in one place and repair in another. And the politics of ozone containment are likely to get a lot rougher, as states require auto companies to sell expensive, inconvenient electric vehicles.

How might Congress defuse the backlash without rolling back a generation of achievement?

REQUIRE COST ANALYSIS. Five major environmental acts, including those setting standards for air, water and toxic waste, actually prohibit regulators from weighing costs against benefits — the Harvard, of Democrats’ suspicion that Republicans would sabotage environmental regulation.

Mr. Portney argues that the new crowd could (and should) undo those prohibitions, allowing agencies to consider cost in setting regulations. “It’s the big enchilada of environmental reform,” Mr. Portney says, one giving regulators the flexibility to bend without breaking.

PERMIT VARIABLE STANDARDS. Under Federal law, New York must someday be as clean as Boise. But these uniform standards are “a fiction,” Mr. Hahn argues: when the crunch comes, onerous requirements are postponed.

That informal process breeds cynicism, however, and creates enormous headaches for businesses that must plan pollution-control investments years in advance. Mr. Hahn would permit “local solutions to local problems,” giving, say, Southern California the option of setting a lower standard for ozone. This may mean that the small minority most seriously at risk would be forced to live elsewhere. But loss of the entitlement might be worth the social price — especially since few believe the entitlement will ever be honored.

James Krier of the University of Michigan Law School offers a variation on the theme, redefining “uniform” to apply to antipollution effort rather than result. Los Angeles, for example, might be required only to spend as much per resident on cleanup regulation as the national average.

EXPLOIT MARKET INCENTIVES. Every environmental regulator now talks the talk of free markets, but relatively few walk the walk. In the case of ozone, for example, state regulators have ignored the option of letting polluters pay others to reduce emissions. And that failure, Mr. Hahn estimates, could raise the cost of compliance in the Northeast by tens of billions of dollars a year.

Congress might require regulators to consider market solutions to antipollution mandates, the way the law now requires localities to estimate the environmental impact of new highways. It wouldn’t assure least-cost results, but it would give markets a chance to solve problems that government cannot solve efficiently.