



By Robert N. Stavins

Good News from Regulatory Front

Every day, the 2012 elections seem to produce a new story about Republican candidates for president, as well as stories about President Obama's re-election campaign. At the same time, the elections are already affecting congressional debates, where each side seems increasingly interested in taking symbolic actions and scoring political points that can play to its constituencies among the electorate, rather than working earnestly on the nation's business.

The new Tea Party Republicans in the House of Representatives decry the "fact" that the U.S. Environmental Protection Agency continues to promulgate "job-killing regulations" for made-up non-problems. And Democrats in the Congress — not to mention the administration — are eager to talk about "win-win" policies that will produce "clean energy jobs" and protect Americans from the evils of imported oil and gas.

Neither side seems willing to admit that regulations bring both good news (a cleaner environment) and bad news (costs of compliance that affect not only businesses but consumers). Sometimes the cost-side of proposed regulations dominates. Those regulatory moves are — from an economic perspective — fundamentally unwise, since they make society worse off.

In other cases, the benefits of proposed regulations more than justify the

costs that will be incurred. Such regulations make society better off. Failure to take action on these opportunities is imprudent, if not irresponsible. Just such an opportunity exists with EPA's Clean Air Transport Rule.

Professor Richard Schmalensee of MIT and I assessed this opportunity on behalf of Exelon, a major U.S. supplier of electricity. We found that a diverse set of studies of the Transport Rule had consistently estimated that the benefits created by the rule would far outweigh its costs. By reducing sulfur dioxide and nitrogen oxide emissions from power plants in 31 states in the East and Midwest, the rule will create substantial benefits through lower incidence of respiratory and heart disease, improved visibility, enhanced agricultural and forestry yields, improved ecosystem services, and other environmental amenities.

Despite the benefits offered by the regulation, some argue that it will stifle economic growth and threaten the reliability of our electric power system. A careful look at the evidence reveals that the Transport Rule is unlikely to create such risks.

The rule's timing can contribute to lowering its cost and supporting other policy goals. Installation of the pollution control technologies needed to comply with the rule could increase short-term employment. Although the longer term job impacts are less clear, these short-term employment effects would complement other policy initiatives aimed at supporting the nation's economic recovery.

EPA analysis estimates modest impacts on regional electricity rates, but reductions in health care expenditures could partially or fully offset these effects. Expanded supplies of low-cost natural gas can also help lower the rule's cost by providing a less expensive substitute for power generated from coal.

Most importantly, actions taken to reduce emissions would create sub-

stantial health benefits. Tens of thousands of premature deaths would be eliminated annually, as would millions of non-fatal respiratory and cardiovascular illnesses. A diverse set of studies find that these health improvements will create \$20 to over \$300 billion in benefits annually. And, while the Transport Rule is designed to reduce the impact of upwind emissions on downwind states, upwind states would also receive substantial health benefits from the cleaner air brought about by the rule.

These upwind states have much to gain, because states with the highest emissions from coal-fired power plants are also among those with the greatest premature mortality rates from these emissions. Along with these health benefits, the largest shares of short-term improvements in employment and regional economies are likely to accrue to the regions that are most dependent on coal-fired power, as they invest in new pollution control equipment.

As the U.S. economy emerges from its worst recession since the Great Depression and faces an increasingly competitive global marketplace, regulations such as the Transport Rule that create positive net benefits and allow industry flexibility in creating public goods can complement strategies intended to foster economic growth.

Such regulations are best identified by careful analyses to ensure that benefits truly exceed costs and avoid unfair impacts on particular groups or sectors. The Transport Rule has undergone a series of such thorough assessments, and the results consistently indicate that it would create benefits that far exceed its costs.

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