

Some Reflections on the Role of Economics in Environmental Policy

In this column, I wish to reflect on three lessons I have learned: economic research can be used as a light bulb or a rock; it is important to move quickly when windows of opportunity open in the policy world to implement research ideas; and politics matter, and should not be ignored.

First, economic evidence can be used either as a *light bulb*, to illuminate an issue and possibly persuade policymakers of the wisdom of a particular course of action, or as a *rock*, as ammunition to support a policymaker's predisposed position. Paul Krugman wrote a column in the *New York Times* putting forward a less charitable metaphor, where he characterized some politicians as using economists "the way a drunkard uses a lamppost: for support, not illumination."

I once engaged in a roundtable with former chairs of the U.S. Council of Economic Advisers. A repeated theme from this set of economists was that they typically had more influence by working to stop bad ideas than by promoting good ideas.

Second, there is the importance of moving quickly when *windows of opportunity* open in the policy world to implement ideas that come from economic research. An example is work I carried out in the late 1980s under the sponsorship of the late Republican Senator John Heinz and former Democratic Senator Timothy Wirth in the form of a report, "Project 88: Harnessing Market Forces to Protect the Environment."

One of the proposals was to address the problem of acid rain with what is now called a cap-and-trade system. This idea resonated with the incoming administration of President George H. W. Bush, particularly with Counsel to the President Boyden

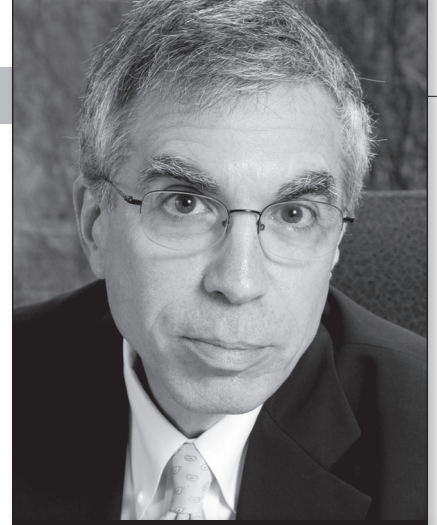
Gray. This led to numerous White House and other Washington meetings, which eventually contributed to the Bush administration's proposal of the Clean Air Act Amendments of 1990, including its path-breaking sulfur dioxide allowance-trading program.

Another example comes from the United Nations climate negotiations in Durban, South Africa, in 2011, where the delegates mandated a new approach in which all countries, not just the richest nations, would participate in addressing the need for greenhouse gas emissions reductions. The key challenge for climate negotiators

was how to meet this new mandate while still observing the fundamental principle of "common but differentiated responsibilities," which had previously been interpreted to mean that rich countries alone would shoulder the burden of reducing emissions.

Negotiators around the world were suddenly open to outside-the-box thinking. Over the following months and years we at the Harvard Project on Climate Agreements worked to help key negotiating countries develop a new policy architecture that could meet the challenge. The result was a hybrid approach that combined elements of top-down architecture with a healthy dose of bottom-up "pledge and review," which led eventually to the Paris Agreement of 2015.

The third lesson is that politics matter, and should not be ignored. For the Intergovernmental Panel on Climate Change's Fifth Assessment Report, I served as coordinating lead author of the chapter on "International Cooperation: Agreements and Instruments." I was surprised to find that the process was highly politicized. In particular, I was naive about



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There are three lessons it has taken me 30 years to learn

the final step, when 195 national governments approve the IPCC's "Summary for Policy Makers" line by line. The controversy associated with our chapter on international climate agreements resulted in that entire part of the summary being eviscerated of all meaningful substance at the government approval sessions for Working Group III in Berlin in 2014. I was disappointed and dismayed by the process and its outcome.

Fortunately, I learned from that experience, and just six months later I took a different approach, when I was in Copenhagen for the final stage of the entire five-year enterprise, namely the government approval sessions for the "Synthesis Report," which summarizes and combines the key findings from all three Working Group reports.

Rather than disdaining the politics of the occasion, I embraced it and spent the week in Copenhagen in careful negotiations with the key national governments, the result of which was that all of the essential text on international cooperation and agreements was preserved in the synthesis. Ironically, by recognizing, accepting, and participating in the fundamentally political aspects of the IPCC government approval process, I was able to keep the report of research from itself being politicized.

So, those are three lessons it's taken me three decades to learn. No doubt there will be many more lessons in the years to come.