Vermont Environmental Report

Environmental Regulations: The New Scapegoat

by Rose Houk

In his urge to stomp out the wildfire of inflation, President Carter has established a Regulatory Council. Its mission: to determine the cumulative impact of federal regulations on the economy. The new Council, which includes representatives from all executive departments and agencies with major regulatory responsibility, has been directed to publish a calendar of major regulations at least twice a year. The first calendar, published in February, states the goals, benefits, legal requirements, timetables, and estimates of the economic effects of the Federal government regulations.

Environmental regulations, from the amount of benzene exposure workers receive to the number of pages in an environmental impact statement, will be subject to this new panel's scrutiny. The Council's first chairman, Douglas Costle, Administrator of the U.S. Environmental Protection Agency, assured attendees at a National Wildlife Federation conference in December that, "Nobody's going to march through Washington like Sherman and start waving aside environmental regulations." Costle warned, however, that "we're going to have to get in and scramble" because of the growing pressure for regulatory reform.

While the rate of inflation and its effects are undeniably of unprecedented magnitude, and while it is sensible to make the regulatory process more responsive, many people question the assumption that environmental regulations are often major reasons for our economic woes.

Gus Speth, a member of the President's Council on Environmental Quality, said he has serious reservations about the proposals of some business leaders and others that health, pollution, and resource development controls should be cut back in the crusade against inflation. Speth cited a Chase Econometrics study to back his thesis. Using the Consumer Price Index (CPI) as a gauge, the Chase study indicated that between 1970-1983 federal pollution control requirements would push up the index 0.3 to 0.4 percent each year, on the average. It would take a substantial relaxation of 20 percent, before the CPI would be cooled by even 0.1 percent, Speth noted.

In Speth's view, the benefits of environmental regulations are not always reflected in this index or the other traditional yardstick of the economy's health, the Gross National Product. Environmental regulations are designed to bring in the hidden, social costs of production—which economists refer to as "externalities"—the destruction of scarce resources, increased illness and disease, and others. Occasionally it takes an environmental disaster like the Amoco Cadiz oil spill or the Kepone horror in Hopewell, Virginia, to highlight the true costs of avoiding adequate control, Speth asserted.

Each side, however, seems to have its high-powered studies to bolster its arguments. The U. S. Chamber of Commerce expressed its concern that federally-mandated environmental controls are exerting adverse effects on the overall economy. Harold H. Short, chairman of the Chamber Environment Committee, cited a Brookings Institute study which reported that environmental expenditures have reduced the growth rate of the Gross National Product by 20 to 25 percent

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