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## The Great "Environment Versus Economy" Myth

By **John R. E. Bliese, Ph.D.**

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"We can't afford any more environmental protection, because it will hurt the economy." How many times have you heard that line? Probably every time any new standards were proposed to clean up our air or water and protect our health. And every time we try to preserve some rare plant or animal we have pushed to the brink of extinction, it's "owls (or whatever) versus jobs."

These arguments are the most common ones we face in trying to protect the earth. Politicians spout them freely, and so do business groups and radio talk show entertainers. There is only one problem with these assertions: They are simply not true!

There have been dozens of well-designed studies by economists who have tested these claims, and the results are clear: environmental protection normally has no negative impact on the economy overall, and sometimes it has a positive effect.

What I want to do here is summarize a few of the more notable studies, to show that there is good quality ammunition for us to use when anti-environmentalists trot out those tired old claims.

### **Look at the States**

First, let's look at the different states within the U.S. Some states have much stricter environmental standards than others. The common belief is that this would hurt the strict states and help the lax ones. But the truth is exactly the opposite, as two comprehensive studies show.

Professor Stephen Meyer of MIT rated all fifty states according to the strictness of their environmental protection policies. He then compared those ratings with indicators of economic health, such as overall growth, employment growth and construction growth, over a period of nearly twenty years. He found exactly the opposite of what the anti-environmentalists claimed: "States with stronger environmental policies consistently out-performed the weaker environmental states on all the economic measures."

Shortly after Meyer's work appeared, a similar study was done by the Institute for Southern Studies in North Carolina. The ISS ranked all fifty states on the strength of their environmental standards, and then ranked them separately on economic indicators. They compared the two rankings and found that "states with the best environmental records also offer the best job opportunities and climate for long-term economic development. The best stewards of the environment also offer workaday citizens the best opportunity for prosperity."

### **Look at the National Economy**

Next, let's look at the overall national economy. Some important work has been done by the Organization for Economic Cooperation and Development (OECD), a research organization in Paris established by the governments of

the industrial democracies, including the United States. It has done several studies recently on the effect of environmental programs on the economies of member countries, and it concludes that there is no evidence of serious economic problems from them. The OECD is doing individual environmental performance reviews of member countries; the one for the U.S. was published in 1996. It finds that our total spending on environmental protection is over 2% of gross domestic product. While this is relatively high, the OECD concludes that "there is no evidence that the economy has been adversely affected as a whole by strong environmental protection policies."

Robert Repetto, an economist with the World Resources Institute, did a comprehensive industry-by-industry analysis of an enormous amount of data to answer the question: "Jobs, competitiveness, and environmental regulation: What are the real issues?" Within industries, he found that high polluters are no more profitable than low polluters. "There is simply no evidence that superior environmental performance puts firms at a market disadvantage or adversely affects market performance."

As for jobs, Repetto found virtually no effect. Money spent on environmental protection creates as many jobs as it would if invested elsewhere.

Repetto also found that higher environmental standards in developed countries have not lowered their international competitiveness. There is no evidence of "industrial flight" to third-world countries with few environmental regulations. (In fact, international investment in heavily-regulated industries goes mostly to other advanced countries, which all have strict standards!) Likewise with international trade patterns: there is "no indication that countries with more stringent standards have suffered a loss of international competitiveness."

Roger Bezdek, an economic consultant, reviewed a number of studies and found that "recent major empirical studies unanimously reject the hypothesis that there is a negative relationship between environmental protection and economic growth. In fact, when statistically significant relationships are found, they are invariably positive. In other words, the U.S. states and nations of the world with more stringent environmental regulations show the best economic performance."

In a study for the Economic Policy Institute, E. B. Goodstein reviewed twenty years of research on jobs and the environment and found that most economy-wide studies show environmental regulations have resulted in a small increase in total employment. But since a third of all American workers seem to fear for their jobs, he wanted to know how many workers really were laid off because of environmental regulations. He reports on a Dept. of Labor study, which found a total of four plants per year closed for environmental reasons—a grand total of 1,300 jobs lost per year in the entire country! Seven times that many people will be laid off just from the merger of Exxon and Mobil. Goodstein concludes: "Any claim of a trade-off between jobs and the environment is completely without substance. Widespread fears of job loss from environmental protection are simply unfounded."

Four prominent economists, Adam Jaffe, Steven Peterson, Paul Portney and Robert Stavins, reviewed some 100 different studies of environmental regulation and competitiveness of U.S. manufacturers. They found that, overall, the studies support the conclusions drawn by Repetto and Bezdek: they simply do not show any significant harmful effect on our economy.

On the positive side, Michael Porter of the Harvard Business School has compiled an impressive number of case studies in which new environmental regulations caused companies to redesign products or production processes, in ways that cut pollution and saved the companies lots of money.

## **Look at the ESA**

The one environmental law that generates the most hatred is the Endangered Species Act. Surely, with all the heated controversy it creates, and the resources it supposedly "locks up," this law has had some serious effects on our economy. Again, the answer is No.

First, those horror stories that some of our Republican politicians were telling a few years ago were so obviously exaggerated that any third-rate high school debater could have shown they were bogus and had no value whatsoever as

In the real world, the U.S. Fish and Wildlife Service informally reviews thousands of projects that might harm an endangered species. Almost all of them are quickly approved. Only a few turn out to have enough potential for harm to require a formal review, and almost all of those are eventually approved, perhaps with some modifications to protect habitat.

In 1990, for example, FWS examined 28,000 proposed projects. Fewer than 700 of them required a formal review, and less than 1% were found to have a significant impact on an endangered plant or animal. Only two were stopped.

From 1987 through 1991, FWS consulted with other federal agencies on some 96,800 projects. Only 54 were ultimately vetoed. That's .05%: just one twentieth of one percent!

So few projects run into any problems with the ESA that it could not possibly have much overall impact on the economy. And that is precisely what Stephen Meyer of MIT found in another study. He compared the economic growth of states where there are many endangered species listings with the economic growth of states that have few listings. He found that states with the most endangered species listings had the highest economic growth. Even when differences among the states (such as area and economic size) were taken into account, the results were the same. Professor Meyer concludes: "Anecdotes notwithstanding, the data compel us to reject the argument that higher numbers of endangered species are associated with poor economic performance."

The explanation, of course, is that even where an endangered species listing blocks some development, it is so localized and so small a factor that it does not even show up on economic measures at the state level.

But what about the really big "train wrecks," as they are sometimes called? What of the cases where protecting some little creature supposedly had a huge effect on a whole region? There has been only one such case: the northern spotted owl, which stopped almost all logging in the national forests of the Pacific Northwest for several years. So, let's look at the case of the owl, because there is a lot that the popular media never told us.

### **"Jobs Versus Owls"**

The real issue never was "jobs versus owls." The real issue was protecting the last of the magnificent old-growth forests, which are critical habitat for many species, not just owls. Less than 8% of the ancient forest is left. If the timber companies are so incompetent that they cannot survive on the huge forest land base they have already been given, it is ludicrous to believe that sacrificing the few remnants of old growth will save them.

Nevertheless, the timber industry and the loggers got lots of publicity by warning that huge numbers of jobs would be lost, all neatly packaged in the slogan "jobs versus owls." But jobs in the wood products industry have been declining for decades. Even during the 1980s, when the amount of timber harvested increased dramatically, the companies laid off many thousands of workers. The main reason is automation, which requires fewer and fewer workers to cut the trees and saw the logs.

So what actually happened in the years since the spotted owl became protected? The total number of jobs lost in wood products was nowhere close to the industry predictions, but the number of jobs did go down. Blame environmentalists and the owl? No. Professor William Freudenburg and two of his colleagues at the University of Wisconsin recently published a detailed statistical analysis of employment trends in logging and milling in the Northwest. They found that "the 1989 listing of the spotted owl has no significant effect on employment—not even in the two states where the debate has been the most intense [Oregon and Washington]."

Nor did protecting the owl harm the overall economy of the Northwest. It is the fastest-growing region in the nation, and even in the early 1990s, shortly after the owl became protected, it had some of the lowest unemployment rates in the country.

The "environment versus the economy trade-off" is a myth, even in narrowly economic terms. Note that the studies

summarized here only looked for economic impacts of environmental policies—and found none. They did not count any of the environmental benefits or public health benefits we now have from our efforts to protect the earth.

There are many ways in which our environmental policies can be improved. Let's not let the old myths stand in our way.

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Long-time Green Elephant readers will recognize John R. E. Bliese, Ph.D. as the author of "Conservative Principles and the Environment." That article, first published in The Green Elephant, has since been reprinted in newspapers and newsletters around the country. He also published a much longer (52-page) monograph on the same topic, "Conservative Principles and Environmental Policies," in the Spring 1998 issue of The Kansas Journal of Law and Public Policy.

Professor Bliese, who teaches communications at Texas Tech University in Lubbock, is working on a book about conservatism and environmental policies. As before, we thank him for writing this fine article especially for The Green Elephant.

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