

Cost-benefit analysis has long been the target of environmentalist ire. But one lesson of the Trump years has been that economic analysis can be a source of support for environmental policy — it is the anti-regulatory forces who have to fudge the numbers to justify their actions. Most energy and environmental economists are aghast at Trump’s assaults on climate change regulations — many of them would instead favor stricter regulation over the status quo. Maybe it’s time for at least a temporary ceasefire while we are allies in resisting Trtump’s rollbacks.

There is little doubt that the Reagan Administration adopted cost-benefit analysis as a tool for reaching its own preferred deregulatory outcomes. The Office of Information and Regulatory Affairs (OIRA) was put in charge of cost-benefit analysis with the expectation that it would be a death trap for regulations. OIRA seemed happy to oblige. But the current guidelines for cost-benefit analysis come from the Clinton Administration, not Reagan, and agencies have developed enough economic expertise to fight for their regulations. In the meantime, OIRA’s staff may have become more professionalized and less ideological than it was thirty years ago.

Those developments took place against the background of dramatic changes in environmental economics. A key critique of economic analysis was the failure to properly account for benefits. That may still be true, but at least the economists have made considerable progress and adopted methodologies that attach considerable value to non-market values such as human health and endangered species. Economists have also rethought earlier facile assumptions that overlooked important differences between market goods and the public goods involved in environmental law. Environmentalists may well have continuing grounds for critique, but the contrast in perspectives is not as stark as it used to be.

Finally, we have now learned that many obstacles to environmental regulation, which have been blamed on cost-benefit analysis, were instead due to other aspects of OIRA’s review. Part of OIRA’s role is to implement presidential policies, and those efforts will not be to our liking when the presidents are anti-environmental. But that problem doesn’t necessary have anything to do with economic analysis. OIRA has often been opaque and a source of prolonged delays — but again, that’s due to OIRA, not economics. And, as it turns out, OIRA’s most important function may be to serve as an input point for the views of other federal agencies, thereby providing a conduit for special interest influence and ideology. But again, that’s not the fault of economists. Most of these problems would remain even if the government stopped doing cost-benefit analysis tomorrow.

Economics provides a language for discussing policy in analytic, data-driven terms.

Unfortunately, it's a language that is inaccessible to many people. It has other flaws as well: a lack of nuance, a vocabulary that cannot accommodate the richness of human values, and an impoverished set of tools for describing human behavior. It reminds me to a certain extent of the trade languages that sprang up in Africa and the Americas to allow people with different languages and cultures to do business: fine for trading grain or metals, not much good for poetry or philosophy. In contemporary society, although people may purport to speak the same language, there are certainly different values and assumptions. Economics may be able to offer a method of communication, limited though it may be, that all sides can understand.

The most valuable contribution of economics, however, also reflects a change in the discipline. In Reagan's time, economists in general were obsessed with providing increasingly complicated economic models. Although this remains an important activity, they have turned increasingly toward rigorous empirical studies. We badly need to know things like how firms actually respond to incentives and what real-world effects economic policies have. Economists are not the only ones doing these studies, but they have amongst the most sophisticated set of tools. Whatever values we apply to environmental problems, our decisions still need to be fact-driven. It has been the enemies of environmental protection who have pooh-poohed the "reality-based community" and embraced "alternative facts." The last thing we want to do is copy them.

I suspect that there will always be in tension between economics and environmentalism. There are basic differences in perspective involved. To the extent economists think that theirs is the only valid perspective, I must beg to differ. But in the scheme of things, they are much less the enemy than those who embrace deregulation at all costs in the service of ideology or self-interest. At least at present, there's an argument that environmentalist advocates and economists can do more as allies than as opponents.