

This is a continuation of my [earlier posting](#) about the impact of environmental law on the economy as a whole, putting aside its benefits in terms of human health and welfare. As in the earlier post, I'm going to use the compliance cost estimate of a report from the Small Business Association of [\\$280 billion](#) (2009 dollars), since that's a number liked by opponents of environmental regulation. It may seem counterintuitive, but in the present economy, this spending is not just warranted because of its environmental benefits - it's also providing badly needed jobs.

People tend to think of money spent on compliance as if it just disappeared from the economy. But compliance costs are real payments to employees or other company; it's not as if the money was just being burned. Compliance costs mean that some business is paying for new pollution control equipment or paying labor costs to comply with the law. In the present economy, that's \$280 billion in business spending that would not otherwise take place.

Corporations are sitting on huge amounts of money right now. In the third quarter of 2010 alone, corporate profits were [\\$1,659 billion](#). Environmental regulations force industry to spend part of its cash hoard to hire compliance officers; repair, purchase, and upgrade equipment; pay for safe disposal of hazardous waste rather than dumping the barrels on empty land; and clean up existing hazardous waste sites.

In short, environmental compliance forces cash-rich businesses to spend money that they would otherwise sit on during the recession, in order to hire people who might otherwise be unemployed. In a deep recession, anything that gets money moving has to be considered a plus. And of course, there *are* all of those thousands of lives that are being saved at the same time.

Or to look at the flip side, if you abolished existing environmental laws, the immediate result would be layoffs for large numbers of workers currently employed in helping industry comply with regulations, and industry would simply add the savings to its cash hoard rather than spending it to create new jobs.

Let me put this in a less tendentious way. In a full-employment economy, cost-benefit analysis reflects the facts that resources and labor used for environmental compliance are being diverted from other uses. But in a deep recession like this one, it's no longer clear that this is true. The opportunity cost of regulation is lower when there is major slack in the economy. From an economic perspective, we should not count as costs resources and labor that would otherwise be unused, and we should discount estimates of environmental costs accordingly.

UPDATE (July 25, 2011). According to a recent article in Regulation magazine (which doesn't like this development), EPA has actually been taking these pro-employment benefits into account in recent cost-benefit analyzes. Ike Brannon and Sam Batkins, Obfuscation at EPA, Regulation Summer 2011 at 8.