

When a regulation benefits people outside the U.S., should those benefits be counted? Or should a cost-benefit analysis include only positive and negative domestic impacts?

As a [recent paper](#) by Ted Gayer and Kip Viscusi highlights, EPA has been counting the benefits of restricting carbon emissions for the entire world, not just the U.S. As Eric Posner and Jonathan Masur emphasized in a [paper](#) a few years ago, this is a policy decision, not a matter of economic methodology. Thus, it is important to consider whether considering foreign impacts is consistent with EPA's congressional mandate in the context of climate change.

EPA is acting under the aegis of the Clean Air Act. The CAA's focus is clearly on the way that air pollution impacts the United States. Section 101 of the statute sets for the purposes of the statute. The main purpose is "to protect and enhance the quality of the Nation's air resources so as to promote the public health and welfare and the productive capacity of its population." That signals that EPA's primary focus should be domestic.

But despite its domestic focus, the statute also recognizes the importance of reciprocity in attaining those benefits. Section 115 calls upon EPA to address air pollution that impacts foreign countries to the extent that they reciprocate. A similar focus on reciprocity is mandated by NEPA in the same section that mandates environmental impact statements, section 102(2). Here's the relevant language:

*"The Congress authorizes and directs that, to the fullest extent possible . . . (2) all agencies of the Federal government shall . . . (F) recognize the worldwide and long-range character of environmental problems and, where consistent with the foreign policy of the United States, lend appropriate support to initiatives, resolutions, and programs designed to maximize international cooperation in anticipating and preventing a decline in the quality of mankind's world environment."*

Putting CAA 115 together with NEPA, there seems to be a relatively clear mandate to seek international cooperation and reciprocity when global environmental problems impact the United States. Giving weight to foreign impacts in designing U.S. policy seems a justifiable signal to the rest of the world of our willingness to cooperate in addressing a global problem. Everyone realizes that unilateral climate efforts can have very limited effects unless they lead to similar efforts elsewhere. Greenhouse gas regulations are not simply discrete efforts; they are stepping

stones toward cooperative action (as I've discussed [elsewhere](#) in detail). Whether or not we think the government should generally consider foreign impacts of its actions in conducting cost-benefit analysis, doing so makes particular sense when the goal is to persuade other countries to join in a "coalition of the willing."

Thus, EPA is on solid legal ground in taking this step toward building an international effort to address climate change.