

ENVIRONMENTAL PROTECTION AND ECONOMIC PROSPERITY: NOT A ZERO-SUM GAME

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One of the most persistent myths about environmental protection is the assertion that protecting our environment and promoting economic prosperity is a zero sum game. For decades, both the business community and environmental activists have often acted as if economic prosperity and environmental protection are mutually exclusive goals. This has had an unfortunate effect on both public discourse and on policy making.

It often seems that businesses will object to any mandate to improve the environmental performance of their operations, claiming it represents a direct threat to their ability to stay in business and provide jobs. At the same time, it seems that many in the environmental community believe that economic growth always comes at the expense of the environment. These two postures have needlessly complicated environmental policy making at every level of government and in many corporate boardrooms.

Elected public officials, who are held accountable by the electorate both for their commitment to the environment and to promoting economic growth, frequently find themselves being pulled to one extreme or the other by interest and advocacy groups that see things only in black and white.

If public officials do not support a heavy-handed regulatory approach to environmental policy, they are portrayed as putting the economic interests of big business over those of the health of the natural world.

Conversely, if they do not show some restraint in the ways in which they seek to impose and enforce environmental regulations, business and economic groups accuse them of putting the interest of “berries and bunnies” ahead of those of American workers and their families.

This political environment makes it difficult for political leaders to integrate environmental and economic goals in sensible, effective ways. Balanced environmental policy rarely excites either environmental groups or business. Some environmentalists have a certain self-interest in portraying conditions as bad and only getting worse. Some businesses, on the other, are inherently distrustful of government regulation. Frequently, they each stake out positions at the extremes, and while it is an overstatement to suggest they advocate either shutting down business or eliminating all regulations, their public rhetoric is often not far removed from those immoderate positions.

Prudent public policy, however, is rarely, if ever, made at the extremes. Responsible public officials know that most public policy issues require the striking of a careful balance between competing issues. Unfortunately, when confronting environmental protection, seeking a balance is often portrayed as an unprincipled sell-out to one side or the other. In fact, focus groups show that “balance” is not a good word to use when talking about the environment as it connotes someone losing and someone else winning. Thus, in a political arena that has increasingly come to reward those who stake out positions at one end of the spectrum or the other, those who seek to strike a balance between legitimate environmental and economic imperatives often find themselves damned by both sides. Environmental protection does require an investment, but one that often can enhance the bottom line of the company involved while providing future benefits for the community as a whole.

Integrating Environmental Protection and Economic Prosperity as a Public Official: One Governor’s Experience

When I became governor of New Jersey in January 1994, I confronted this reality head-on. My state was in the midst of a deep recession – unemployment was escalating, the number of business failures was growing, state budget deficits were deepening, and taxes were rising. While the rest of the Northeast was already in recovery, New Jersey was lagging behind. Numerous business leaders told me

that one of the factors limiting their ability to bounce back was aggressive, unreasonable, and punitive environmental enforcement efforts by the state.

Yet, as the most densely populated state in the union, New Jersey needs and has had a long and strong commitment to environmental protection. New Jersey passed the first clean air act in the nation – in 1954. When you live as closely-packed together as New Jerseyans do, in as industrialized a state as New Jersey is, you value strong environmental laws because you live with the results of poor environmental behavior every day. New Jerseyans expect their state government to use all the tools at their disposal to protect their quality of life.

As governor, I was committed to jump-starting New Jersey's economy and turning the state around. Yet, I was also strongly committed to leaving New Jersey's environment cleaner and healthier than I found it.

Although I was not convinced that over-aggressive environmental enforcement was a major drag on the state's economy, it did help create an atmosphere which suggested that New Jersey's state government was hostile to economic growth. While I did not believe that environmental enforcement was single-handedly crippling New Jersey's economic recovery, I was convinced that there was too great an emphasis on regulations and not enough on results.

I was also convinced that environmental regulations that don't produce positive environmental benefits have the unintended consequence of eroding support for all environmental policies, especially among those who are in a strong position to improve environmental performance – business leaders. They provide a disincentive for business leaders to act as stewards of the environment and instead encourage them only to comply with the letter of the law and do nothing else. We needed to change that calculus.

The first step I took was to change the way in which I talked about environmental progress. For decades, public officials have pointed to the numbers of laws they've passed, regulations, they've written, and fees and fines they've collected as the measure of their commitment to the environment. I believe that is a false measure. After all, those efforts are valuable only to the extent that they lead to results – cleaner air, purer water, and better protected land. I directed our Department of Environmental Protection (DEP) to begin publicizing indicators

that showed, clearly and concisely, whether the condition of New Jersey's environment was improving, or not.

To measure progress, we developed indicators such as the number of annual beach closings, the number of acres of shellfish beds open for harvest, the number of days in which air quality was unacceptable, and the number of acres of open space and farmland that were being preserved. Whenever I talked about environmental protection, those were the statistics I cited – not the number of citations we issued and the amount of fines we assessed. It was crucial that we move the debate away from counting the thickness of the environmental law sections of statute books to measuring the actual condition of the environment. The importance of changing the ground of the debate cannot be overstated. Any effort to strike the proper balance between environmental and economic goals will fail in the court of public opinion if the only measure of environmental progress remains focused on regulations, fees, and fines.

Next, we had to change the mind set at the DEP, ending policies that provided greater incentives for punishing people than for encouraging compliance. When I became governor, the DEP's annual operating budget largely depended on the fines and fees it collected – the more they fined, the more they could spend. In my view, it made no sense to give a regulatory agency – any regulatory agency – a fiscal incentive to make life as difficult as possible for those it regulates. This change was designed to replace the pursuit for budget dollars and cents with the pursuit of common sense in enforcement. It also forced the state to publicly express its commitment to the environment by funding the department out of general revenues.

Third, we had to begin changing policies that transformed once-adversarial relationships into partnerships – partnerships built on a shared goal of true progress. In New Jersey, we found some excellent ideas in a country that shared many of our challenges – the Netherlands. The Dutch National Environmental Policy Plan had, at its heart, a commitment to building consensus. It brought everyone to the table – government, business, environmentalists, and the rest of civil society – and set real, measurable goals for the state of that nation's environment. We used the Dutch NEPP as a blueprint in much of what we did.

One of the earliest policy changes we put into place had to do with permitting for air emissions. Under existing regulation, manufacturing facilities had to

seek a separate permit for every aspect of the operation that emitted anything into the environment. This was an expensive, cumbersome, time-consuming process that often kept new, pollution-reducing technology off-line for months while facilities sought the proper permit. We decided it made more sense to work with our manufacturing facilities to set ambitious, overall targets for their entire facility, and issue one facility-wide operating permit. Facility-wide permitting would cut red tape while reducing emissions overall – often at less cost.

This approach garnered a great deal of attention nationwide, as other states sought to learn from our experiment. After several years, we found that the burden that was being placed on our own DEP was considerably more than we expected. It required that we get to know every facet of a business's process in order to help identify ways to reduce their emissions. It was almost as if reducing red tape is itself a zero sum game – if it's cut for business, government must take up the slack. Eventually we shifted our efforts to another, more ambitious program we had developed called the Silver and Gold Track program that brought even greater returns for the increased workload. This incentives-based program for cleaning the air, water, and land provides a fair degree of regulatory flexibility to companies that agree to meet certain environmental goals that exceed regulatory standards. It encourages, not just environmental compliance, but environmental stewardship. It puts the emphasis where it should be – on pollution prevention. In short, it represents the sort of public-private partnership we need to encourage environmental policy and is now part of our national approach.

Of course, the changes we made meant that, over time, we were collecting fewer fees and fines and we were able to redirect enforcement resources other environmental imperatives, including monitoring and partnership building. Predictably, these changes were used as ammunition by political opponents and by environmental groups, who continually cited the decrease in fine collections as evidence that the state was on the verge of an environmental apocalypse, ignoring the good news about the actual condition of the environment.

Those attacks fell short, however, because we were able to point to real environmental progress. For example, during my first four years in office, the number of beach closings dropped from the hundreds annually to just 10. Toxic air emissions to the air, water, and land dropped by 70 percent – outpacing the national decline. The amount of waters opened for shellfish harvesting grew by

16 percent. And we went two years without a single day where we exceeded federal carbon monoxide standards. Had we not, however, worked hard to change the nature of the debate – from measuring process to measuring progress – I would have likely suffered politically for it.

By combining a clear message of one's commitment to measurable improvement in the condition of the environment, with innovative programs designed to build partnerships around shared goals, public officials can tackle long-term environmental goals even in the context of short term electoral imperatives.

Environmental and Economic Integration on the National Stage

This experience in New Jersey guided almost everything I did as administrator of the EPA. From my confirmation hearing forward, I made sure I emphasized, at every opportunity, that my goal at the EPA was “to leave America's air cleaner, its water purer, and its land better protected” – a mantra that bore repeating. I was determined to shift the focus from process to progress. I felt we had made real headway toward that end when the New York Times, in its front-page story on the environmental record of the Bush Administration over the first two years, used that standard to evaluate our record.

One of the first initiatives I launched inside the Agency was the development of a national environmental report card. The result, EPA's Report on the State of the Environment, was issued in June 2003, shortly before I left the Agency. The report showed that in many areas, the previous 30 years of environmental policy had brought measurable improvements to the quality of the Nation's air, water, and land. It also highlighted areas where improvement was still needed. Interestingly, though, environmental groups rushed to condemn our report, even before they had time to read it. It puzzled me that rather than take credit for the positive results their own efforts had helped produce, they chose instead to attack us for trying to evaluate whether the Nation's environmental policies had worked. It was back to winners and losers: if the environment had improved then that would be an excuse to stop all further efforts.

One of the keys to finding the proper balance between environmental policy and economic prosperity is increasing the awareness that in promoting responsible environmental stewardship government should look to two types of incentives – both negative and positive. It is important that government have a big stick with

which to punish those who violate the laws. But that does not mean that there is no place for a carrot – positive incentives that recognize and reward true environmental stewardship. This is where voluntary programs can also make an important contribution to environmental protection.

The two best examples are EPA's Energy Star program and its Climate Leaders program. Energy Star, which has, for more than a decade, encouraged manufacturers to develop and produce energy efficient products, has not only helped reduce energy consumption, it has helped prevent the pollution that would have been generated had those energy savings not been found. These programs are also demonstrating that what's good for the environment can also be good for the bottom line.

In 2003 alone, Energy Star products helped Americans save more than \$9 billion on their energy bills, while reducing greenhouse gas emissions equivalent to taking 18 million cars off the road. Today, more than 1,250 manufacturers produce more than 18,000 different Energy Star products. Since the program began, American consumers have purchased more than one billion Energy Star products. Companies participate, not just to be good corporate citizens (although that is a factor), but also because being able to sport the Energy Star label helps positively differentiate their products in the marketplace.

Climate Leaders, which we launched at the EPA in 2002, is designed to encourage businesses to reduce their emissions of greenhouse gases by setting ambitious voluntary targets in return for assistance from EPA in inventorying their emissions and public recognition from the Agency for their leadership in helping reduce the nation's greenhouse gas emissions. To date, more than 50 of America's leading corporations have signed on as Climate Leaders. EPA expects that the actions the Climate Leaders have pledged to take will reduce carbon dioxide emissions by at least 125 billion pounds a year – equivalent to taking 3 million cars off the road.

Both Energy Star and Climate Leaders succeed because smart business leaders know that there is broad support among the general public for environmental protection and that people will favorably view those companies that can show a proven commitment to environmental stewardship.

Of course, voluntary efforts, while necessary, are not sufficient. For every company that acts in its enlightened self-interest when it comes to its environmental practices – either by enlisting in productive partnerships or undertaking voluntary efforts – there are others who lack the wisdom and foresight to voluntarily improve their environmental behavior. For them, tough regulations, strictly enforced, are necessary. Knowing that government standards are in place or are coming can encourage and facilitate a business's decision to invest in environmental technology or programs.

And, I believe when it comes to enforcement, the states are generally best positioned to enforce the nation's environmental rules. Each year, the states perform about 95 percent of the Nation's environmental compliance inspections and take about 90 percent of the enforcement actions. Those states that have the capacity and the resources to enforce the laws should be encouraged to do so. But because there are situations that are either beyond the ability of any one state to enforce or outside the inclination or expertise of a state, the federal government must maintain a robust commitment to enforcement. National environmental standards should not be applied inconsistently from state to state because some states lack the will or the ability to effectively promote compliance and enforce the law.

The Future of a Balanced Approach

In 1970, at the dawn of the current environmental age, the role of government was, of necessity, much more heavy-handed in its regulatory approach to environmental protection than is necessary today. Businesses had, since the early days of the industrial revolution, paid little if any attention to the impact their practices were having on the environment. The risks to public health from environmental degradation were still barely understood and even less generally accepted. The progressive despoliation of our natural environment had occurred so incrementally that few recognized just how imperiled it was.

But beginning with Earth Day 1970, public attitudes toward the environment began to change rapidly. Within a few short years, virtually all of the major legislation that would govern environmental law for the next 30 years was in place. President Nixon's establishment of the EPA ushered in an explosion of environmental regulations that would vex many businesses but that would also, quite clearly, lead to significant improvements in the condition of our environment and to the adoption of a new environmental ethos.

As people began to see the results of the nation's environmental efforts, they began to evidence a strong degree of support for environmental protection over economic growth. By Earth Day's 15th anniversary, more than 60 percent of those surveyed by the Gallup Poll agreed that environmental protection should be given priority, even at the expense of economic growth. By the 20th anniversary of Earth Day, more than 70 percent of those surveyed held that view.

Yet today, that attitude, as revealed by the Gallup Poll, has changed. Earlier this year, for the first time since Gallup started asking that question in 1984, those who valued environmental protection over economic growth fell below 50 percent, to 47 percent, and those valuing economic growth over the environment hit its highest level ever, at 42 percent. While some might suggest this reflects uncertainty during a time economic sluggishness, that does not appear to be the case. In 1990 and 1991 those who favored environmental protection even at the expense of the economy exceeded 70 percent, dropping briefly to 58 percent in 1992.

Rather, this result suggests that the country, as a whole, is more amenable to the proposition that environmental protection and economic prosperity can and must go hand in hand. Such a shift could have profound consequences for environmental policy making. It could mean that the public is ready to see a more balanced approach to the competing values of economic growth and a healthy environment, this despite the fact that the environmental policy rhetoric has yet to moderate. These results also confirm what I have heard during my travels around the country over the past three years. People understand the need for an integrated approach.

That is why I believe that policy makers must continue to pursue environmental policies in terms of environmental progress instead of bureaucratic process. businesses leaders need to recognize that good environmental stewardship can be good for the bottom line. They need to have the support of their stockholders if they are to make an investment in environmental improvement. If we can use that dreaded word "balance" to talk about maximum environmental improvement in an economically competitive world, we will see real progress in resolving the critical conundrum about which this Forum has been convened.