



INTERVIEW

Environmental Policy Is the Public's to Make— and the Market's to Shape

Darius W. Gaskins Jr. is a senior partner with the Boston-based management and investment firm High Street Associates Inc. He has chaired RFF's board of directors since 1994. Gaskins has the advantage of a diverse set of perspectives from his days as president and chief executive of the Burlington Northern Railroad, as chair of the Interstate Commerce Commission, as a deputy assistant secretary of policy analysis at the U.S. Department of Energy, and as a professor of economics at the University of California–Berkeley. In August he and J.W. Anderson, RFF's journalist in residence, had the following conversation.

RFF: Economists push policy toward market solutions. Are there drawbacks of which economists ought to take account?

Gaskins: In our daily lives there are certainly aspects of family life, aspects of our community life in which we don't do everything entirely on an economic basis, and that will always be the case, I think. But what we are talking about here are philosophic and practical approaches to environmental regulation. When the problem is obvious and immediate, we have historically used command-and-control regulation.

But what we have increasingly found is that the evolution of technology is an important aspect of successful environmental regulation. Moreover, some environmental problems involve the economic behavior of thousands or millions of our citizens. When you have lots of individuals and when you have technology evolving, out of sight of the regulator, market-based approaches make more and more sense.

I am an economist and economists like markets. I think we have seen some very good applications recently, and on the horizon some even more significant use of market-based approaches to environmental regulation.

A recent success story, which I think is widely hailed by economists as well as

many environmentalists, is cleaning up SO₂ emissions. The use of tradable permits to achieve a ten-million-ton reduction has been quite a success. It has achieved a lot of cleanup at a much lower cost than had been anticipated.

RFF: Despite that, there is a suspicion of economics among many of the environmental organizations. The argument is that



environmental values can never be fully translated into dollars, so they'll always come out with the short end of the stick in cost-benefit analysis. How can economic analysis respond to that?

Gaskins: My response is that there is an element of truth to it, but that's not a reason not to use markets to achieve objectives.

Some aspects of the benefits may well be nonquantifiable even though RFF, as you know, has done a lot of work to come up with various methods of trying to quantify benefits from environmental amenities. But in the final analysis, the appropriate evaluation of benefits may really be the citizens' individual perceptions.

In fact we may have to say these things are beyond our ability to quantify, but we leave that to the body politic to decide. The public is intelligent and if you balance things in terms of presentation I think that they will come up with the proper weighting.

What I do think is an ethical issue for all of us involved in the environmental policy debate arises when we do things to keep the public out of the process. When we obfuscate the costs, we obfuscate the benefits. We avoid telling the full story. That is an issue that I feel very strongly about. As we ponder some of the environmental problems we face going forward, like global climate change and standards for particulates and things like that, I think it is increasingly important that we all be very open and clear with the public about the two hands—the benefits on the one side and the costs on the other side.

RFF: The global warming issue is a place where two of the great interests of RFF intersect—energy policy and environmental policy—and it's coming to a decision of some sort later this year at the Kyoto conference. What advice would you give to the administration?

Gaskins: I think it's probably a little early for the administration to lock themselves into a course of action with respect to climate change. That's because our understanding of the problem is still evolving, certainly the public awareness is still evolving, and this is an extremely difficult problem we're talking about.

There is the need for leadership by the developed countries, clearly, but this is very, very difficult—more difficult than anything we have faced before.

Let's think about this problem in terms of evaluating the costs and benefits. There has been a fair amount of work done on what it might cost to limit CO₂ emissions. Only recently are we beginning to see some work that begins to quantify what it might cost to hit certain CO₂ concentration levels. But we know very little about the consequences of global climate change.

Personally, I think it's improbable that we'll take on a costly abatement program until we get a clearer picture of the consequences of not doing it.

I also think that it's unethical for our government or any others to take on a fairly draconian program of CO₂ abatement until you've brought the public into the discussion and explained to them that this is what it's going to cost and this is why we're doing it.

RFF: Do you think there's time to bring the public into the debate between now and [the Kyoto conference in] December?

Gaskins: No, clearly not. I don't think the man on the street knows much about this thing at all. He has no concept of what's

going on. In fact, the administration is currently talking a little bit about a free lunch—that we'll abate CO₂ by just voluntary activity and it'll pay for itself. I don't think any serious student of this problem thinks that you can achieve a worldwide leveling off of emissions anytime in the next hundred years unless you embark on some program that begins to bind.

But it is part of a much longer term problem that we have, the energy problem. Eventually we have to make the transition from a fossil-fuel-based economy on a worldwide basis to something that's based on some other source of energy, whether it be solar or nuclear or something else. The world is ill-prepared for that change.

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RFF: You've become a very active and very generous chairman of RFF's board. What do you think RFF's responsibilities are over the next ten years?

Gaskins: I have known RFF for twenty years or more, and it obviously has a great history and has performed vital service to the nation and to the world in terms of expanding the knowledge base we use to respond to environmental and resource problems.

When I was in Washington in the early 70s, I felt that RFF's work was too little in evidence as we embarked on the control of domestic oil prices as a response to the Arab embargo. The Clean Air Act of 1970 was not well thought out in terms of its use of economic incentives to drive technology and control of emissions. RFF became more involved in energy policy in the latter part of the 70s, but clearly was not there at the onset.

Ideally, RFF going forward will have looked in some depth at the next environmental problems that we face. That's why I'm quite pleased with what I see going on with respect to climate change and implementation of the Clean Air Act. RFF is really living up to its potential. Its people are grappling today with the problems we have today and will have tomorrow.

RFF must also communicate its research findings with the rest of the world. RFF has done a superb job of communicating with the academic world. I have a daughter who is studying economics at Wesleyan University and she is very familiar with RFF's work. Everybody I talk to in the environmental community is familiar with what people at this institution are doing. But there are other audiences that are relevant.

I think that RFF is doing a better job in interacting with the environmental policy process in Washington and internationally. Communicating with the general public is tough. We have a modest annual budget of \$7 million; so we are not going to do everything for everybody. But these issues are becoming increasingly important to citizens the world over. RFF's work is too valuable not to be fully shared as we all grapple with difficult environmental and resource issues. ☺