

Creating Equity in Environmental Policy



At RFF, we often talk about the importance of economic analysis in developing cost-effective policy solutions to environmental and natural resource challenges. For economists, this means identifying how to get

the most “bang for the buck,” reducing—or even eliminating—the tension between protecting the environment and growing the economy.

This approach focuses on the costs and benefits to the overall economy, but it provides only one important litmus test for good public policy. Other factors inevitably go into the calculus. The costs and benefits of any policy have disparate impacts on sections of the population or regions of the country. Wise policymakers often will want to know who wins and who loses, motivated by fairness, political necessity, or the avoidance of damage to an important economic sector when the overall benefits are not critical for society.

This issue of *Resources* looks at several policy approaches through this prism.

Roberton Williams, Dallas Burtraw, and Richard Morgenstern examine the impacts of a carbon tax across states and income groups, showing how different uses of the resulting revenue might ameliorate distributional concerns. Lump-sum rebates are the most progressive of these uses, and in a companion piece, Chad Stone proposes how to design and implement such rebates using existing tax and benefit systems.

Marc Hafstead and Roberton Williams analyze how environmental policies might impact jobs. Although the overall effect is relatively small, there are important transitional issues: jobs are lost in dirtier industries in favor of new ones in cleaner sectors.

Allen Blackman’s work with international colleagues shows that Mexico City’s program to reduce traffic congestion and air pollution requires the poor to bear a disproportionate cost.

Kailin Kroetz and James Sanchirico focus on Alaskan fisheries to show how attempting to resolve fairness questions within a permit trading program can diminish its economic returns, a cost that must be balanced against the program’s social goals.

Joel Darmstadter explores what may be the distributional issue of the next century: the likelihood that the most devastating impacts of climate change will be felt by the poorest nations, which don’t have the economic and institutional capacities to adapt.

By identifying who stands to benefit from policy proposals and who stands to lose (and by how much), economic analysis can help resolve legitimate political concerns about fairness, increasing the chances that sound policies are ultimately implemented. That remains the goal at RFF.

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