

EXECUTIVE SUMMARY

REPORT CARD 2004

FINAL GRADE: C+

Report Card 2004, prepared by PERC, the Property and Environment Research Center, gives the current Bush administration a C+ grade for its environmental and natural resources policies. PERC evaluated the administration's policies in these areas based on free market environmentalism (FME). This approach recognizes the role of private property rights in encouraging environmental stewardship and the cooperation that markets engender in promoting environmental quality.

When applied to public policy, the FME perspective encourages decentralization of regulation where possible, replacement of command-and-control regulation where justified, the adoption only of regulations that are beneficial and cost-effective, and greater accountability of public managers.

PERC's report card project was directed by Bruce Yandle, a PERC senior

fellow and interim dean of Clemson University's School of Business and Behavioral Science. Policy analysts ("graders") included: Terry L. Anderson, (PERC and the Hoover Institution), Andy H. Barnett (Auburn University, emeritus), Susan Dudley (Mercatus Center, George Mason University), Holly L. Fretwell (PERC and Montana State University), B. Delworth Gardner (Brigham Young University, emeritus), Dana Joel Gattuso (Competitive Enterprise Institute and the National Center for Public Policy Research), Donald R. Leal (PERC), Angela Logomasini (Competitive Enterprise Institute), Joel Schwartz (American Enterprise Institute), and Daniel Simmons (Mercatus Center, George Mason University). Jane S. Shaw (PERC) edited the report card with Yandle.

The grade for each individual component follows, with a short discussion

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of each. For more thorough analysis and documentation, please see the full report.

AGRICULTURAL CHEMICALS*Grade: B*

The Bush administration was judged on its support of the 2002 farm act, its actions regarding genetically modified organisms (GMOs), and its treatment of organic crops. The administration gets credit for challenging European efforts to keep out GMOs and for resisting unnecessary labeling. On organic crops—where labeling can actually provide objective information—the administration was right to issue reasonable labeling rules. But the administration’s support of the 2002 farm act reduced its grade. Some of the subsidies will expand production (and thus chemical usage), and all payments, including new subsidies to organic crops, will inefficiently allocate resources.

AIR QUALITY*Grade: F*

Activists have created the impression that the Bush administration has virtually ended air pollution regulation in the United States. In reality, the administration has taken a series of actions that will eliminate the vast majority of remaining air emissions. With few exceptions, the administration has continued and expanded Clinton-era policies. Yet air pollution regulation is in need of a major overhaul. Air pollution regulation is focused mainly on process rather than

results. As a result, we are paying far too much for our air pollution regulatory system and getting few health benefits in return. The best that can be said of the Bush administration’s approach to air pollution is that, by sometimes promoting market-like approaches, it has employed superior means to implement foolish policies.

ARCTIC NATIONAL WILDLIFE REFUGE*Grade: W [withdrawn]*

The Bush administration attempted to win a congressional victory and open up development in ANWR by tying revenues from ANWR oil to investments in environmental improvement. This approach didn’t go far enough, however; the chance of success would have been greater if it had given activist environmental groups a more direct stake in how oil revenues would be invested. After the defeat in Congress, the administration essentially withdrew from the class.

CHEMICAL PLANT SECURITY*Grade: B+*

In general, the Bush administration has acted responsibly in dealing with the threats to security that could come from chemical facilities. It has allowed priorities to be set by experts at Homeland Security rather than environmental officials at the EPA or activists eager to use security concerns to undermine the use of chemicals. The administration has facilitated volun-

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tary information exchanges between the public and private sectors. It has not, however, removed sensitive information about chemical plants from public libraries.

DRINKING WATER AND ARSENIC

Grade: C+

The Safe Drinking Water Act is fundamentally flawed. Even so, after inheriting the Clinton “midnight regulation” on arsenic, the Bush administration had a chance to save small rural towns from enormous expense. Instead, it kept the stringent rule forcing communities to reduce arsenic to extremely low levels, even where the chemical enters the water system naturally. The high costs and minimal benefits will reduce the welfare of many families who will be forced to pay high prices for water. The administration partially redeemed itself with its sensible attitude toward an apparent crisis that turned out to be overstated—the discovery of excess lead levels in some water in Washington, D.C.

ENDANGERED SPECIES

Grade: C

The Bush administration has attempted to reduce the burdens of the Endangered Species Act from the shoulders of landowners, hoping to make them more willing to protect listed species. These incentive programs, however, only tinker at the edge of the important issues. Endangered species remain a liability for many property own-

ers. The administration did make significant reforms of Section 7, which deals with relationships between agencies. But failures to fully account for the costs imposed by the Endangered Species Act brought down its grade.

GLOBAL CLIMATE CHANGE

Grade: B-

Given the uncertain state of scientific knowledge and the economic flaws of the Kyoto Protocol, the Bush administration was right to reject the protocol and to keep reductions of carbon emissions on a voluntary basis. But the administration has not been successful at explaining the reasons for these decisions. The president has defended his position in part by encouraging economic growth in developing countries, which will lead to greater efficiency in fossil fuel use, but agricultural subsidies and tariff policies discourage these countries’ economic growth.

GRAZING ON PUBLIC LANDS

Grade: C+

In spite of promising rhetoric, the Bush administration has failed to open public grazing to a market approach. It could have proposed legislation that would allow the exchange of grazing permits between willing sellers holding existing permits and willing buyers—including environmental groups. On the positive side, the administration has made marginal changes in the rules affecting grazing. These give some stability to

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grazing permittees and also allow nonuse for a year at a time.

OCEAN FISHERIES

Grade: D

Under the current regulatory system, overfishing is a perennial problem in our coastal regions. One solution, individual fishing quotas (IFQs), has been endorsed by the administration. IFQs divide the total allowable catch in any fishery into shares that individual fishermen can buy or sell. But the administration wants these quotas to be privileges, not property rights—a decision that severely limits their effectiveness—and it has delayed their implementation. The administration has also allowed subsidies for investment in fishing equipment to continue and has failed to develop criteria for setting aside marine protected areas.

PERSISTENT ORGANIC POLLUTANTS

Grade: D-

In 2001, the Bush administration signed a United Nations treaty banning persistent organic pollutants, a category that includes DDT. Although the treaty temporarily allows DDT to be used for public health reasons, it will make access to DDT even more difficult than it has been. Yet DDT is the cheapest and most effective weapon against malaria, which kills more than a million people a year, most of them children. The administration has since pushed for ratification and implementation of the treaty, and the bills it fa-

vors would allow future bans under the treaty to be adopted without Senate ratification. This would be unconstitutional, and that pulls the grade down further.

PUBLIC LANDS MANAGEMENT

Grade: C+

Public lands management covers activities of both the Interior Department and the Forest Service. On the positive side, the Bush administration is placing greater emphasis on entrepreneurship, local action, and respect for private property. It has encouraged stewardship timber contracts and taken steps to decentralize the decisions about which Forest Service lands should remain roadless. Unfortunately, these improvements do not change the fundamental fact that politics still determines most of the decisions made in these two agencies. The improvements remain a small part of the overall picture.

REGULATORY REVIEW

Grade: B-

The Office of Information and Regulatory Affairs oversees the regulatory activities of all executive agencies. Under John Graham, the office has been more active in questioning agencies' decisions, scrutinizing cost-benefit studies, and giving advice. But its operations are motivated by the view that "smarter" regulation will solve regulatory problems and reduce their excessive costs. Given this viewpoint, not

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much is being done to move in the direction of greater reliance on property rights and market forces. That fact lowers an otherwise high grade.

SUPERFUND AND BROWNFIELDS

Grade: C-

Superfund is perhaps the most troublesome of the administration's environmental policies. For the most part, the Bush administration is not doing anything very different from the Clinton administration. The one exception was its appropriate opposition to renewal of the Superfund tax on corporations. The tax was touted as "polluter-pays" but in fact it taxed corporations simply because they were in businesses that might pollute. On brownfields, the administration faltered severely, supporting a law that will increase federal involvement in state programs to clean up brownfields, missing an opportunity to employ free market principles.

WATER ALLOCATION

Grade: B-

The Bush administration has made important improvements in its approach to

water allocation. The administration has taken tentative steps to use water markets; it is transferring titles of some Bureau of Reclamation projects to their beneficiaries; and its Water 2025 plan is built on sound principles. But the administration has not freed itself from pork-barrel spending in this area. As one example, it intends to spend \$7.8 billion (over 30 years) to restore the Everglades, without dealing with the subsidies to water use and sugar production that caused many of the problems in the first place.

WATER QUALITY

Grade: B

The Bush administration has emphasized the use of market forces for improving water quality, and for that it deserves high praise. It has also announced an EPA strategic plan that emphasizes the importance of good data with respect to water quality, as well as improved incentives. Unfortunately, the administration has not been able to bring cost-effective reforms to federal wetlands policy or to the command-and-control regulation embodied in effluent guidelines. Nor has it codified its improvements in legislation.