

# INTRODUCTION

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## REPORT CARD 2004

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### FINAL GRADE: C+

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This report card was developed by PERC—the Property and Environment Research Center. It provides individual grades on natural resource and environmental policy actions taken by the George W. Bush administration from early 2001 through August 2004.

The report card gives a final assessment that builds on PERC's January 2003 *Mid-Term Report Card*. The grades reported here reflect judgments by specialists made in the light of free market environmentalism (FME). FME is a PERC-pioneered body of logic that recognizes the power of private market forces and property rights enforcement to protect and enhance environmental assets.

When reviewing public policy actions, the FME perspective looks for ways to change public managers' incentives and to open up opportunities for voluntary actions. These include: 1) de-

centralizing regulation where possible; 2) encouraging waivers of command-and-control regulation where justified; 3) adopting only regulations that are, on net, beneficial and cost-effective; and 4) tying public sector managers' budgets to their performance.

Our report card, like those we received in college, focuses on outcomes—results—not effort. We know that effort matters, and we know from personal experience the frustrations felt by administration officials who try to bring about even small changes in federal policy. And we know that preventing even worse policies can drain enormous time and resources. Unfortunately, we have no way of assessing these efforts.

When assessing policy outcomes, the graders were asked to consider whether the president and his administration met the following standards:

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1. ***Private property rights in environmental assets are clearly defined and protected.***

For example, did the administration allow greater market participation and trading in grazing and logging rights? Were private rights protected, changing the incentives of private owners so that they would protect more species and clean up more hazardous waste?

2. ***Market forces, as opposed to command-and-control, have a major role in determining and enforcing standards.***

Did the administration encourage the states to involve river basin associations in setting water quality standards? Are states allowed to use common law or permit trading to achieve environmental quality? Will designated Superfund sites be sold to the highest bidder, with performance standards set and joint and several liability rules forgiven?

3. ***Federal agencies are able to charge market-based fees for services and to keep the collected revenues for use where the services are being provided.***

Did the administration take the initiative to set market-based visitor fees to federal parks and lands managed by the National Park Service, Bureau of Land Management, and other agencies? Were the agencies allowed to keep the revenues

collected within the facility or agency for use in improving the facilities?

4. ***Regulation devolves to the state and local level.***

Did the administration effectively devolve Superfund to states that demonstrate ability to manage the process? Were mandates for state-wide vehicle inspection and maintenance programs replaced with programs that focus on reducing auto emissions from the most-polluting vehicles? Were rigid air quality standards that produced no net benefits relaxed or devolved to the states?

5. ***New actions do not generate harmful environmental costs.***

What role did the administration take in the farm bill's expansion of commodity programs that increase the use of nitrate fertilizers? Did the administration give special protection to the steel industry, allowing it to perpetuate the life of older, more polluting steel makers?

6. ***Regulatory agencies do not circumvent congressional and executive branch responsibilities or avoid recognition of the costs that environmental actions may place on other important human goals.***

Did the administration strengthen its regulatory review process to limit the likelihood that the EPA would embrace

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the Kyoto Protocol even though Congress has not ratified it? Did the administration raise the standard for applying benefit-cost analysis broadly enough to include the effects of regulation on reducing the incomes and health of human communities?

**7. *Private action and public/private sector cooperation are sought to achieve environmental goals, avoiding expansion of federal involvement and supporting the common law in contracting, innovation and experimentation.***

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Each element of the report card lists the areas covered, gives the mid-term grade, the final grade, and the grader's name. In some cases, grades are also provided for components of the larger topic. For example, Del Gardner gave an overall grade of B for agricultural chemicals policy. Within the category are individual grades for environmental polices associated with the 2002 farm bill (D), genetically engineered crops (A), and organic crops (B). In addition to the grades, each grader offers recommendations to the next administration for making improvements. And each grader hopes that the recommendations will be taken seriously.

The PERC report card project began in the early fall of 2002 when the first group of graders started work on the *Mid-Term Report Card*. When the final grades were considered together, the result was a C-. This implied that the Bush administration

had drifted away from the FME position during the first two years. The *Mid-Term Report Card* contained recommendations for improving.

During the intervening months since mid-term, the graders have continued to follow policy actions in their respective areas of specialization. Our graders reviewed 15 policy areas in developing their final report card. When the final tally was made, there was improvement in six policy areas. For example, due to some improvement in the use of market incentives, the grade for grazing on public lands policy rose from C- to C+, and the grade on global climate change moved from C to B-. There was a loss in grade for three policy areas. The grade on air quality regulation, which was a lowly D at mid-term due to extensive use of command-and-control regulation, fell to F when the final tally was made. Reliance on command-and-control expanded. The grades for persistent organic pollutants and regulatory review also declined. There was no change in grade for five policy areas, and there was one abandonment of a policy area where action simply ceased to exist. The Bush administration was given a W (withdrawn) for its Arctic National Wildlife Refuge policy.

When the individual grades are considered overall, we give a final grade of C+ to the Bush administration. This is better than the C- the administration received at mid-term but not the kind of grade that deserves a certificate from the dean.

Since this report card is being written just before a national election, we wish to make a few final points. This report card is an assessment of the Bush administration's

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policy actions. It is not a comparison of the president's positions on environmental policy with an opposing candidate's policy positions. Obviously, Senator John Kerry has an extensive voting record that could be assessed, but there is a major difference between votes made by one senator, no matter how influential he might be, and policy actions taken by an administration.

Our report is an evaluation of Bush administration policy actions considered in the light of the standard of free market environmentalism, as defined above. Our assessment has nothing whatsoever to do with a particular political party's position or platform. To our knowledge, no party or politician has as yet embraced the logic of free market environmentalism. We hope that we will live long enough to see that happen.

### ABOUT THE GRADERS

To grade the Bush administration, we recruited policy analysts who share a free market perspective and who scrutinize environmental issues closely. A short biography of each grader follows:

**TERRY L. ANDERSON** is executive director of PERC, senior fellow at the Hoover Institution, Stanford University, and professor emeritus at Montana State University. His work helped launch free market environmentalism and has prompted public debate over the balance between markets and government in managing natural resources. Anderson is author or editor of

26 books. Among these, *Free Market Environmentalism*, coauthored with Donald Leal, received the 1992 Sir Antony Fisher International Memorial Award; a revised edition was published in 2001. Other books include *Enviro-Capitalists: Doing Good While Doing Well* (1997), also coauthored with Leal, and the new *Property Rights: Cooperation, Conflict, and Law*, coauthored with Fred S. McChesney (2003). Anderson has published widely in both professional journals and the popular press, including the *Wall Street Journal*, the *Christian Science Monitor*, and *Fly Fisherman*. Anderson received his B.S. from the University of Montana in 1968 and his Ph.D. in economics from the University of Washington in 1972.

**ANDY H. BARNETT** is emeritus professor of economics at Auburn University and former director of the Auburn Policy Research Center. He has also taught at the University of South Carolina, Clemson University, and the American University of Sharjah. Barnett has published widely on environmental and energy economics topics, with articles appearing in the *American Economic Review*, the *Review of Economics and Statistics*, *Energy Economics*, the *Duke Environmental Law and Policy Forum*, and the *Southern Economics Journal*, among others. A frequent speaker and consultant on environmental and energy economics issues, Barnett has been featured on National Public Radio and numerous radio and television programs throughout the Southeast. As a forest landowner, he is also a student of environmental is-

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sues, and global warming in particular, at the practitioner level.

**SUSAN DUDLEY** is director of the Regulatory Studies Program of the Mercatus Center at George Mason University. This program applies academic research to current regulatory issues. As an adjunct professor, she teaches “Perspectives on Regulation” at the George Mason University School of Law and “Business, Government and Public Policy” through the Bryce Harlow Institute’s summer program at Georgetown University. Before joining the Mercatus Center, she was vice-president and director of environmental analysis at Economist Incorporated, a consulting firm in Washington, D.C. She has worked at the Environmental Protection Agency, the Office of Management and Budget, where she supervised the staff responsible for reviewing energy and environmental regulations, the Commodity Futures Trading Commission, and the Department of Energy. Dudley holds an M.S. degree from the Sloan School of Management at MIT and a B.S. (summa cum laude) degree in resource economics from the University of Massachusetts. She lives with her husband, Brian Mannix, and their two sons in Virginia.

**HOLLY L. FRETWELL** is a senior research fellow with PERC and an adjunct professor at Montana State University. After completing her master’s in resource economics at Montana State, Fretwell worked with Northwest Economics Associates in Vancouver, Washington, examining timber export regulation in the Pacific Northwest.

She has consulted for organizations including Plum Creek Timber and the Center for International Trade in Forest Products. Author of numerous articles on natural resource issues, Fretwell has published in professional journals and the popular press, including the *Wall Street Journal*, the *Journal for Environmental Economics and Management*, the *Journal of Forestry*, and *Consumers’ Research*.

**B. DELWORTH GARDNER** is professor emeritus of economics at Brigham Young University. Recognized for his research in agricultural economics, Gardner is known especially for his path-breaking analyses of the impact of government policy on issues such as water allocation, livestock grazing, and oil shale development. He is a fellow of the American Association of Agricultural Economics and served as president of the Western Agricultural Economics Association. Gardner has been a faculty member at the University of California at Davis, Colorado State University, and Utah State University. He has been a Visiting Scholar at Resources for the Future and was a Julian Simon Fellow at PERC in 2002. Gardner has been a consultant to many organizations, including the Agency for International Development; the Ford Foundation, India; and the California Department of Water Resources. Gardner received his Ph.D. degree in economics from the University of Chicago.

**DANA JOEL GATTUSO** is a public policy consultant and freelance writer on environmental issues. She is an adjunct scholar

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with the Competitive Enterprise Institute and senior fellow with the National Center for Public Policy Research, both in Washington, D.C.

Previously, Gattuso was director of projects and issues for environment and regulatory affairs with the U.S. Chamber of Commerce. Before working at the Chamber, she was director of research with the Pacific Research Institute in San Francisco and deputy director of regulatory affairs at Citizens for a Sound Economy. Gattuso has written numerous studies and articles which have appeared or been cited in the *New York Times*, *Washington Post*, *USA Today*, *Washington Times*, *Baltimore Sun*, *Detroit News*, *Fortune Magazine*, and *Regulation Magazine*. She is also a contributor to the book *Privatizing Correctional Institutions* (Transaction Publishers). Gattuso received her education at Butler University in Indianapolis and George Mason University in Fairfax, Virginia. She resides in Alexandria, Virginia.

**DONALD R. LEAL** is a senior fellow with PERC, where he has been carrying out research in natural resource and environmental issues since 1985. He has done pioneering work in federal and state land management, community-managed fisheries and wildlife, and environmental entrepreneurship. He is coauthor with Terry Anderson of *Free Market Environmentalism* (2001) and *Enviro-Capitalists: Doing Good While Doing Well* (1997). He has written numerous articles and policy papers on privatizing ocean fisheries, water marketing for fish and wildlife, creating self-sustaining parks,

and applying the trust concept to public lands. He is editor of *Evolving Property Rights in Marine Fisheries* (2004). His pieces have appeared in publications such as the *Wall Street Journal* and the *Chicago Tribune*, as well as specialized journals. Leal received his B.S. in mathematics and M.S. in statistics from California State University at Hayward.

**ANGELA LOGOMASINI** is director of risk and environmental policy at the Competitive Enterprise Institute (CEI) in Washington, D.C. Before joining CEI, Logomasini held positions as a legislative assistant on Capitol Hill, where she concentrated on energy and environmental issues; as environmental editor for the Research Institute of America; and as director of solid waste policy with Citizens for the Environment. Coeditor of CEI's policy guide for legislators, *The Environmental Source*, she has written articles for the *Wall Street Journal*, the *New York Post*, and the *Washington Times*. Logomasini holds a master's degree in politics from Catholic University of America and is currently pursuing a Ph.D. degree in American government there.

**JOEL SCHWARTZ** is a visiting scholar at the American Enterprise Institute (AEI). He is the author of the AEI study *No Way Back: Why Air Pollution Will Continue to Decline* and of the forthcoming AEI book *Air Quality in America: A Dose of Reality on Air Pollution Levels, Trends, and Health Risks*. Schwartz formerly directed the Air Quality Project of the Reason Public Policy Institute, where he also published studies on chemical

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risks and extended producer responsibility.

Prior to joining Reason, Schwartz was executive officer of the California Inspection and Maintenance Review Committee, a government agency charged with evaluating California's vehicle emissions inspection program and making recommendations to the legislature and governor on program improvements. He has also worked at the RAND Corporation, the South Coast Air Quality Management District, and the Coalition for Clean Air. Schwartz received his bachelor's degree in chemistry from Cornell University and his master's degree in planetary science from the California Institute of Technology. He lives and works in Sacramento, California.

**DANIEL SIMMONS** is the Emmett McCoy Research Fellow at the Mercatus Center at George Mason University, serving in its Regulatory Studies Program. Previously he was legislative staff on the Resources Committee of the U.S. House of Representatives and an environmental policy analyst at the Competitive Enterprise Institute. Simmons is currently researching the use of contingent valuation by federal agencies and ways of using property rights to increase the effectiveness of endangered species conservation. Simmons received his J.D. from George Mason University School of Law.

## ABOUT THE EDITORS

**JANE S. SHAW** is a senior fellow with PERC. She supervises many of PERC's pub-

lications and PERC's outreach to audiences such as journalists and business executives. Her background is in writing and editing. She is coauthor with Michael Sanera of *Facts, Not Fear: A Guide to Teaching Children about the Environment* (1999) and co-editor with Ronald D. Utt of *A Guide to Smart Growth: Shattering Myths and Providing Solutions* (2000). She is the editor of a series of books on environmental problems, *Critical Thinking about Environmental Issues*, published by Greenhaven Press. Before joining PERC in 1984, Shaw was associate economics editor at *Business Week*, and before that a correspondent for McGraw-Hill Publications in Washington, D.C., and Chicago. Shaw is a senior editor of *Liberty* and serves on the Advisory Board of *Regulation*, a Cato Institute publication. She is immediate past president of the Association of Private Enterprise Education.

**BRUCE YANDLE**, who directed the report card project, is interim dean of Clemson University's College of Business and Behavioral Science, professor emeritus of economics at Clemson, and a senior fellow with PERC. In addition to publishing and speaking widely about economics, Yandle has practical government experience. He was a senior economist on the staff of the president's Council on Wage and Price Stability, where he was responsible for reviewing newly proposed environmental regulations, and he served as executive director of the Federal Trade Commission. A member of the editorial board of the *European Journal of Law & Economics*, Yandle has taught environmental law as a visiting fac-

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ulty member at Montpellier University in France and in MBA programs in Germany and Italy. He is author or editor of fourteen books as well as author of numerous articles in professional journals. Among his most recent books are *Common Sense and Common Law for the Environment and Agriculture and the Environment*, coedited with Terry L. Anderson. Yandle has codirected the Kinship Conservation Institute, a month-long school for emerging environmental leaders conducted by PERC. Yandle received his Ph.D. degree in economics from Georgia State University.