

April 29, 1981  
PA ENVIRONMENTAL COUNCIL  
PHILADELPHIA, PA  
AS ACTUALLY GIVEN ACCORDING TO  
JH NOTES

PENNSYLVANIA ENVIRONMENTAL COUNCIL SPEECH

Ladies and gentlemen, I am grateful for the opportunity to appear before the Pennsylvania Environmental Council this evening.

I understand from talking with Curt Winsor that you wish to hear what federal action is likely during this Congress in the area of environmental programs and conservation.

But first, I think it's worth looking at the last Congress. I believe it is extremely significant that, leaving aside the special case of the Alaska lands bill, just one significant piece of environmental control legislation was passed ... namely, the hazardous waste "superfund" legislation. As an original cosponsor to the legislation I believe that our finished product represented a responsible decision as to who should pay for cleaning up improperly disposed-of hazardous wastes. The superfund was NOT a regulatory bill ... it embodied the free market concept of internalizing external costs as well as the principle that the cost of cleaning up after hazardous waste polluters should not fall principally on the taxpayers.

I think it is significant that we've seen a tailing off of new regulatory legislation. And I think the reason is this: the flurry of environmental laws passed during the late sixties and early seventies are beginning to take their toll. Although many of the regulations have improved environmental quality, many have also had unintended

adverse effects on employment and economic growth.

With that as background to my remarks, tonight, I'd like to discuss two particular issues (1) the Reagan Administration budget cuts as they impact on environmental concerns, and (2) the regulatory reform likely to come out of the new climate in Washington, and finally to explain the rationale behind these changes.

As you probably know from reading the papers, the Reagan Administration has proposed significant reductions in the budgets of both the Environmental Protection Agency and the Department of the Interior, and shifts in priorities among their various programs.

For Interior, the Reagan Administration has proposed an \$877 million cut in the FY 1982 budget, from \$6.627 billion to \$5.75 billion ... roughly a 13% reduction.

But since this is NOT an across the board cut the proposed shifts in priorities are much more significant than the overall cutback. The Interior Department has proposed a freeze on all federal land acquisition, while suggesting a new \$105 million program of park restoration and improvement to manage better the vast federal parks lands we already have.

Interior has also proposed to end the state recreation grants program, the urban parks program, and the Youth Conservation Corps.

Federal funding for historic preservation would be cut from \$40 million to \$5 million.

A program the Carter Administration had planned to end -- payments in lieu of taxes to localities with substantial federal land holdings in their midst .... mostly in the West -- would be given a reprieve and funded at a level of \$45 million.

This shift in conservation priorities is generally commendable. Clearly, the federal government shouldn't continue to "grab" land apace while allowing the holdings we already have to deteriorate.

But I'm apprehensive that while Secretary Watt's proposals address the West's needs, they ignore the East's. For us, large federal land holdings aren't a problem:

We actually need more recreational facilities.

Furthermore, historic preservation is as necessary to maintaining the integrity and quality of our environment as is, say, preservation of redwoods to California's environment.

So that the needs of the east aren't ignored, I want to share with you, and for the first time publicly my plan for keeping conservation programs we Easterners need ... without busting the budget. I call this plan the 'five percent solution.'

What I propose is cutting five percent across the board from the \$6.2 billion Reagan budget for Interior and related programs. This reduction would yield \$310 million, which could then be allocated as follows: \$112.5 million for federal land acquisition; \$157.5 million for state recreation grants; \$10 million for historic preservation; and \$30 million for the Youth Conservation Corps. This reallocation would allow conservation programs essential to the East to be preserved without jeopardizing overall spending reductions in the President's economic recovery program. There would be no overall increase in the proposed Interior Department budget.

The EPA budget, of course, represents the other major spending programs affecting the environment.

You've probably seen the headlines, "EPA Budget to be Slashed" ... implying a major rollback of regulatory enforcement. And in fact, EPA does face a 73 percent cut for FY 1982. The Agency's budget request is \$1.39 billion ... \$3.72 billion below the Carter Administration's request, and the Reagan Administration has proposed turning back to the states a number of programs now handled by EPA, including noise

control, water quality management and planning grants, the "Clean Lakes" program, and solid waste management and resource recovery grants.

Some regulatory programs also face a "slowdown," ... most notably, automobile inspection and maintenance ... that should come as a relief to Pennsylvania motorists! Looking only at the regulatory functions, the agency, as a whole, faces a two-percent reduction in its operating budget and number of employees ... in this respect it is a good deal better off than most other agencies.

Let me emphasize, however, that this cutback masks an actual increase in resources to combat what many of us consider the greatest immediate threat to human health and the natural environment ... hazardous wastes. Beside its implementing the "superfund" legislation, EPA will beef up its hazardous waste management program with the addition of \$1.2 million and 30 full-time staff positions, and it will strengthen enforcement by \$2.9 million and 39 staff positions, and the agency will also increase grants to states for local hazardous waste management programs by close to \$12 million.

The lion's share of the EPA cutback comes out of the sewage treatment construction grants program. For 1982, where the Carter Administration requested \$3.7 billion, President Reagan seeks no budget authority for this program, with the understanding that grant money is to be available in future years once the program has been reformed and made cost-effective.

As have you, I've supported this program in the past. But I believe the President's initiative gives us an excellent opportunity to improve the program without violating environmental quality standards over the long term. Frankly, I think programmatic reform is long overdue.

The program has simply gotten out of control. For example, the cost of the sewage treatment construction grants program, originally estimated at \$12.6 billion, would now according to EPA, run \$120 billion--nearly 10 times the original estimate--if carried out as planned. Because the federal government picks up three fourths of the cost of these projects, they have often been way oversized for the needs of the localities. Localities have had little incentive to seek less capital-intensive ways of meeting water quality standards ... like control of non-point sources.

Furthermore, there is a circumstantial but strong case made that last-minute spending at the end of the fiscal year, before funds are "reallotted" to other states, has resulted in projects of dubious benefit to water quality.

Whatever the temporary disruptions resulting from this construction grants "freeze," I am confident that over the long term the result will be enhanced environmental quality at less cost to the American taxpayer as a result of a thorough congressional review and rewrite of the act.

With that budgetary overview for environmental and conservation programs in the 97th Congress, I would now like to turn to the issue of regulatory reform, and its far-reaching implications for the environment. Regulatory reform is on everyone's minds today because it is one of the four elements of the President's Economic Recovery Program.

Already, the President has issued an Executive Order mandating what many of us have been trying for years to accomplish legislatively: attaining regulatory goals in the most cost-effective manner. To conduct the painstaking review of all existing regulations to weed out or modify those that are duplicative, contradictory, or needlessly burdensome, the President has appointed a Task Force on Regulatory Relief chaired by Vice President Bush.

One of the Task Force's first actions was to extend the "bubble policy" under the Clean Air Act so that industrial plants in non-attainment areas like Pittsburgh can qualify. This allows companies in such areas the flexibility to meet regulatory goals in the most cost-effective manner, while not jeopardizing environmental quality ... in the long run, the policy may actually enhance quality because the bubble policy removes the most serious objections to environmental laws--the costs they impose on workers, consumers, and producers alike.

The process going on in Washington amounts to the reexamination of all the goals we've set for ourselves--all laudable in themselves--and the establishment of priorities in the knowledge that we don't have the resources to do everything at once. The process is healthy, it's long overdue, and I don't believe it will mean sacrificing the environment. It will mean trying new approaches, because some of the old ones haven't worked or have had unintended consequences for economic growth and employment.

Take the area of environmental regulation, for example. The goals of a healthy, clean, and aesthetically pleasing environment have, over the past decade, been translated into reams of regulations and dozens of laws ... like the National Environmental Policy Act, the Federal Water Pollution Control Act, ... the Clean Air Act, the Safe Drinking Water Act, and the Noise Control Act.

These laws and regulations reflect value judgments based on political as well as public health considerations: they reflect the determination by our society that the levels of air and water pollution, noise, and hazardous substances produced by industry must be controlled and reduced.

The effect of these laws and regulations has been on balance, positive, as environmental quality has improved and the external costs of pollution have been reduced. But some provisions of these laws have, in certain circumstances, hurt economic development.

Moreover, an army of technocrats and lawyers has been recruited to write, interpret, and litigate the laws and regulations. All too often, the resultant technocracy has become a nightmare for the state and local governments, the businesses, and private citizens alike.

Rather than incentives for cleaning up the environment, the current system seems to produce mostly incentives for delays, for litigation, and for added costs. The result has been a counterproductive adversarial relationship between business and government, so that the interests of neither are served. And, as a direct result



of this adversarial relationship, both labor and business plan to seek major amendments to the Clean Air Act later this year.

A significant problem is that our current system of environmental regulations ignores the basic strengths of the American enterprise system: decentralized decision-making and motivation by economic self-interest. Rather than simply coercing industry to meet detailed and costly regulations, we ought to make it in their economic self-interest to attain certain goals—and then let the private sector do what it does best: find the most efficient means of attaining its objectives.

As an example of steering toward providing incentives rather than only imposing regulations, I have introduced legislation, namely, S. 169, providing expanded tax incentives for pollution control. These tax incentives could be a significant first step toward re-ordering our current regulatory maze towards economic incentives.

In short, I believe that regulatory reform does not have to involve a rollback of standards. Instead, we can often achieve our objectives differently. In another case, we may decide to accept a delay in attaining the standards so that they do not have so great an adverse economic impact.

A case in point on the latter, is a bill I have pushed in particular, growing out of my interest as Chairman of the Senate Steel Caucus. The so-called "steel stretchout bill" amends the Clean Air

Act but doesn't lower or revise the standards themselves. Rather, it simply allows individual steel companies to extend compliance deadlines up to three years, if they can demonstrate that they will use resultant savings to modernize existing steelmaking facilities. The effect of the bill should be to preserve jobs and allow us to compete better with foreign producers ..... without sacrificing our environment.

In other words, there are responsible regulatory reform approaches now underway with the common objective of ensuring that laudable goals--such as the current environmental goals Americans agree are socially desirable and necessary--are not attained at the unnecessary expense of economic growth.

Let me caution you against two traps: what I call the "so am I" and the "either or."

The "so am I" trap is simple. Not every reform proposed will be benign or environmentally well-intentioned.

The "either or trap" would have us believe that we cannot have both environmental quality and economic growth.

We cannot afford to fall in the "either-or trap." In my judgment, returning to the days of unrestrained industrial pollution isn't a credible alternative. But neither is remaining in this present day of arbitrary and inflexible regulation.

We have to balance both the economic and environmental considerations. Americans need jobs and housing as well as a safe and unspoiled

environment. And, as I hope my modest examples demonstrate, we can achieve this balance.

It will be all the more attainable for us with a healthy and strong economy.

And it is here that the President's economic program is undeniably on the right track. We do not need and we cannot afford business as usual --- especially if we care about both the environment and jobs.

Since 1973, we've had a major fall-off in the productivity growth rate, and we've had virtually no real economic growth.

What has been growing....partly because of the federal government's approach to regulation .... is inflation, interest rates, and unemployment, ..... and the size and cost of government .... beyond the willingness of people to pay that cost.

As a result, the federal government is borrowing vast amounts of money .... so much, and with such success, that the private sector has had trouble getting the money it needs to invest and be competitive and create jobs.

We should all be deeply concerned that over the past decade, most people have come to accept federal deficits as a way of life. The fact that our national debt will break \$1 trillion with this year's estimated \$75 billion deficit doesn't mean much to most people. But the problem takes on meaning when you realize that in 1981 the interest on the national debt will be \$90.6 billion -- the third largest single expenditure in our whole budget!

We simply must do something to rein in federal spending that's galloping out of control. That's why the President is right in restraining the growth of the federal budget, emphasizing tax incentives for savings and investment, and urging regulatory reform.

I know very well that people differ over what should be cut back, and some shifts will be made — I hope especially the ones I propose, but the answer is that virtually every item will have to experience some shrinkage from projected levels.

Hence, the budget reductions for EPA and the Interior Department I spoke of at the outset.

I believe that reducing the budget already has had some positive consequences.

First, it has forced us to reevaluate and justify all federal programs, as has happened at Interior and at EPA.

Second, it has spurred us to look for ways to do more with less. With my bill, S. 169, for example, we are exploring the economic incentive approach to environmental goals.

Third, it has forced us in Congress to determine the truly fundamental needs of our regions and act on those needs, while still maintaining the integrity of our new budget. My "five percent solution" falls into this category.

Let me say a final word about what is currently the most controversial element of the President's plan, his tax program.

As a member of the Finance Committee and in particular as Chairman of the subcommittee on Economic Growth and Employment, I want to shape a tax cut that meets two tests. First, its size and timing must allow us to greatly reduce the existing deficit. Second, any tax-cut bill must be as strong as possible a stimulus to investment, modernization, and job creation.

The Reagan proposal to reduce marginal tax rates across the board will probably do more to stimulate personal savings and investment than any other kind of general individual tax cut.

And to help the economy get back on its feet, we are planning a number of incentives such as 10-5-3, Capital Cost Recovery Act (Accelerated Depreciation) to help business, for without a strong pro-investment policy, we will never recapture our position of commercial leadership. In one economist's words, "America is an industrial museum, and we haven't yet recognized it."

As we work to shape individual and corporate tax cuts, we have to remember that the stakes are high. If our tax cut is the wrong size or shape, it could swell the deficit, fuel inflation, and nullify the positive effect of our spending cuts. Assuming the 1981 deficit will be about \$75 billion, a failure to cut the annual deficit in half next year would have very serious implications for our fight to get a grip on our economic problems. Another record deficit like this year's would be absolutely catastrophic.

Much of what we have talked about tonight will be difficult for us to achieve. But all of it has to do with restoring the proper

relationship between the public and private sectors ....

We must do this or else face economic, and ultimately, social ruin.

In the end, there can be no choice between a healthy environment and a healthy economy. The future of the environmental movement is inextricably tied to the health of the economy. Industry needs profits to clean itself up. And my hunch is that if a deep depression hit us, the political pressures on government to sacrifice environmental standards would be tremendous. Thus, it's in the best interests of environmentalists to work not against business, but together with business to find ways to balance environmental and economic issues.