Polluting industries, along with the legislators who are in their pockets, consistently claim that environmental regulation will be a “job killer.” They counter efforts to control pollution and to protect the environment by claiming that any such measures would increase costs and destroy jobs. But these are empty threats. In fact, the bulk of the evidence shows that environmental regulations do not hinder economic growth or employment and may actually stimulate both.

One recent example of this, the Northeast Regional Greenhouse Gas Initiative (RGGI), is an emissions-allowance program that caps and reduces emissions in ten northeast and mid-Atlantic states. Under RGGI, allowances are auctioned to power companies and the majority of the revenues are used to offset increases in consumer energy bills and to invest in energy efficiency and renewable energy. A report released in February of this year shows that RGGI has created an economic return of $3 to $4 for every $1 invested, and has created jobs throughout the region. Yet this successful program has come under attack by right-wing ideologues, including the Koch brothers-funded “Americans for Prosperity”; as a result, the state of New Hampshire recently pulled out of the program.

The allegation that environmental regulation is a job-killer is based on a mischaracterization of costs, both by firms and by economists. Firms often frame spending on environmental controls or energy-efficient machinery as a pure cost—wasted spending that reduces profitability. But such expenses should instead be seen as investments that enhance productivity and in turn promote economic development. Not only can these investments lead to lower costs for energy use and waste disposal, they may also direct innovations in the production process itself that could increase the firm’s long-run profits. This is the Porter Hypothesis, named after Harvard Business School professor Michael Porter. According to studies conducted by Porter, properly and flexibly designed environmental regulation can trigger innovation that partly or completely offsets the costs of complying with the regulation.

The positive aspects of environmental regulation are overlooked not only by firms, but also by economists who model the costs of compliance without including its widespread benefits. These include reduced mortality, fewer sick days for workers and school children, reduced health-care costs, increased biodiversity, and mitigation of climate change. But most mainstream models leave these benefits out of their calculations. The Environmental Protection Agency, which recently released a study of the...
Clean Air Act from 1990 to 2020, compared the effects of a “cost-only” model with those of a more complete model. In the version which only incorporated the costs of compliance, both GDP and overall economic welfare were expected to decline by 2020 due to Clean Air Act regulations. However, once the costs of compliance were coupled with the benefits, the model showed that both GDP and economic welfare would increase over time, and that by 2020 the economic benefits would outweigh the costs. Likewise, the Office of Management and Budget found that to date the benefits of the law have far exceeded the cost, with an economic return of between $4 and $8 for every $1 invested in compliance.

Environmental regulations do affect jobs. But contrary to claims by polluting industries and congressional Republicans, efforts to protect our environment can actually create jobs. In order to reduce harmful pollution from power plants, for example, an electric company would have to equip plants with scrubbers and other technologies. These technologies would need to be manufactured and installed, creating jobs for people in the manufacturing and construction industries.

The official unemployment rate in the United States is still quite high, hovering around 9%. In this economic climate, politicians are more sensitive than ever to claims that environmental regulation could be a job-killer. By framing investments as wasted costs and relying on incomplete economic models, polluting industries have consistently tried to fight environmental standards. It's time to change the terms of the debate. We need to move beyond fear-mongering about the costs and start capturing the benefits.