January 1992

Discussion after the Speech of Dale E. Stephenson

Discussion

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Recommended Citation
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QUESTION, *Professor King*: Is the concept of rewards for good environmental performance workable in the United States?

ANSWER, Mr. *Stephenson*: I think it certainly is. We got a good flavor for it when the current EPA administrator, William Reilly, questioned why we encourage the passage of these difficult laws, and then have lawyers go out and bang heads with other lawyers, spending money, to churn the system?

Reilly then introduced some negotiated rule-making. He tried, for example, to eliminate the amount of volatile emissions, at least of the most highly toxic substances, by creating a program, whereby companies would agree, by 1992, to reduce their toxic volatile emissions by thirty-three percent, and by fifty percent by 1995. It's a purely voluntarily program. He got a high level of agreement from companies to participate in the program. They liked the fact that they were getting a pat on the back for doing the right thing, and it's working quite well. By any estimate, it has decreased emissions into the air of those substances more than any enforcement-motivated program could have done in the same time period. I don't think anybody from the government side or from the private sector disagrees. That program has been highly successful, so the reward system can work here.

QUESTION, Mr. *Erdilek*: Let me play devil's advocate here. I understand that the EC is striving for a uniform political entity, and in that sense, maybe you could justify their attempt to have a uniform environmental regime. Why, however, should the EC and the United States, and a host of other nations, be concerned about economic distortions which encourage poorer countries to allow heavy industry to operate in a more uncontrolled fashion?

ANSWER, Mr. *Stephenson*: I agree with your point, but I wish our countries were sophisticated enough to notice internally the distortions that are created, the jobs that are being destroyed, before simply casting out whole segments of the industry beyond our borders. It hasn't worked very well. I can give you an example.

In the foundry industry of the United States, today the costs of environmental control, excluding historic liabilities, are about twenty-six percent of the cost of goods made in the foundry. What are the foundries doing? They are moving to countries where it's absolutely uncontrolled. We have not found a way within our political scheme to discourage wan-

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dering into an industry sector generally, or to recognize that disparity and take care of it. We’re losing whole sectors of our economy. Does that mean we should have a united environmental approach? The downside of not coming up with some scheme that balances taxes and marketplace influence is to have areas which are simply environmental dumping grounds or environmental nightmares in countries that want to climb up on the free market system, but that do it by ignoring environmental concerns.

You have places in Eastern Europe that, instead of dealing with those issues and taking care of problems — which are in many ways worldwide problems — just cranked out the goods and didn’t seem to mind if people had a mortality rate of twenty-five percent from the air pollution. There were enough people to fill a job when it became open.

I think the view is that the environment is a little bit different than taxes, because it goes to the worldwide good of the planet. I don’t usually use platitudes like that, but we really will, when the market gets distorted enough, create dumping grounds that are just despicable by any standards. That’s why I think you have to look at the poorer countries as well.

QUESTION, Professor King: In West/East Germany, people are taking over facilities, and in Czechoslovakia and other places privatization is taking place. Can you comment on the responsibility of the buyer in those cases?

ANSWER, Mr. Stephenson: Initially, former East Germany is a little bit different. West Germany just decided to pick up the tab for what it took to take care of this, and there was an interesting political interplay, which maybe wasn’t noticed as much here as over there.

I was meeting with German officials when the implication of opening the barrier of Berlin was going on, and it was quite interesting. It is clear that the rest of Europe allowed Germany to unify because they wanted to throw one big weight behind the economic engine that Germany had going, to slow them down for a while, so France and England and some other nations could catch up and get back into the economic game. I believe that’s what happened.

I think the unification would have been fought tooth and nail by other members of the European Community, but for the fact that Germany had such a strong economy at the time, that other people thought they were just going to get lost in the dust. In the give and take, they let them unify and take on environmental and other liabilities and loss of jobs so the other countries could have a chance to catch up and really unify the market.

Now, what does that mean for Germany? While I think Germany will pull through this, it’s more expensive than they ever thought it was going to before they got in and looked around. They’re going to deal with it. There is incredible devastation in some of the areas in East Ger-
many, but when they take care of this, they are going to have controls in places that are higher than anybody else, and they're going to say to the rest of the EC that that's the standard to come up to now; "We did it where it was really dirty, and now you guys do that." They're going to use it for internal competitive advantage, and if they pull it off, they're going to be one awfully strong country over there.