What Happens When a Good Idea Hits the U.S. Congress?

A Simple Primer on Congressional Policy Choice (With Implications for Climate Change)

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Red-Light Cameras in Los Angeles

- Instituted in 2004 (removed July 2011)
- Billed as a safety measure
- Decided to build 15.
- Optimal policy
- What did the LA City Council do?
  - Universalism
  - Goal distortion
  - Inefficiency.

Introduction

- Main point of story: political distortion.
  - Political officials are motivated to address policy problems. But politics also intervenes
- Purpose today: How to understand decisionmaking in Congress.
  - Propose several principles to understand congressional policy choice.
  - The principles explain why Congress often ignores the efficient solution.

Introduction (cont.)

- So, to answer the question of our title.
- Road map
  - Discuss principles
  - Three applications
    - CAA.77
    - CAA.90
    - Failed Climate Change Legislation of 2009

Principle 1: Universalism

- Universalism in expenditure policy
  - Logic.
- Examples:
  - Anti-poverty programs (model cities, economic redevelopment funds)
  - B-1 bomber.
  - Military construction

Universalism (cont.)

- Another implication: *Goal distortion*
- Main point: Congressional Politics
  - Politically relevant incidence vs. technical incidence
  - Politics trumps science, economics, and engineering.

Political Officials

- Members are reelection-seeking.
  - Narrow constituencies.
  - Sources of money.
- Can't succeed acting alone
- Must coordinate
  - Committees
  - Parties.
- The President
  - Reelection constituencies
  - Party
  - Legacy

Principle 2: Veto Gates

- The American separation of powers system is divided into many veto gates
- Congress (typically):
  - A majority in each chamber
  - Relevant Committee (and sometimes also the relevant subcommittee)
  - Majority Party
  - Filibuster pivot in the Senate.
- The President (subject to the veto constraint).
- Principle 2: Passing Legislation requires that *ALL* veto gates be satisfied.

The Majority Veto Gate

- Every policy needs the support of a majority.
  - Frequently requires buying off narrow or special interests
    - Lower the bill's ambitions
    - Narrowing provisions
    - Exemptions
    - Goal distortion
    - Federalism
    - Politically cumbersome procedures (e.g., delay).
  - Protecting northern industry in the CAA.70
    - NSPS, BACT, and PSD
      - All have envronmental rationales.
      - But all generally raise costs to growth in fast growing areas, especially the S and W.
    - Pashigian (1985) evidence on votes.

The Majority Party Veto Gate

- Majority party "cartel"
  - Negative agenda power.
    - Majority party veto power
    - Hastert Quote
    - Evidence: cutpoints
  - Debt Limit Negotiations: The House
  - Majority party constraint and divided government.

Principle 3:
The Technology Porkbarrel

- A major political problem with technology projects is political incentives.
  - The research phase is up-front and involves relatively small expenditures.
  - The development phase comes second and involves large expenditures.
- Members of Congress have incentives to go too quickly through the research phase.
- This political goal distortion
  - Increases the program's political value to members of Congress,
  - But lowers the probability that the project will succeed.

Application 1: CAA.77

- The 1977 CAA: Clean Coal, Dirty Air
  - Problem of SO_2, acid rain.
  - Two types of coal
  - Efficient solution: let utilities choose the cost-effective method.
  - Fails the majority veto-gate.
  - Proponents look for additional coalition partners
    - Unionized dirty coal
  - Solution: CAA.77 forces scrubbers regardless of type of coal
- Chamber majority veto-gate result:
  - Highly inefficient method of addressing the problem.

Application 2: CAA.90

- Caveat.
- No Clean Air Legislation during the 1980s
  - Presidential veto-gate: Ronald Reagan.
  - 1989: New President, George H.W. Bush, proposes legislation. With respect to acid rain:
    - "Cap and trade"; a major departure in regulatory approach.

CAA.90 (cont.)

- Four main titles
  - Motor vehicles and fuels
  - Urban smog
  - Air toxins
  - Acid rain – cap and trade.
- Major political battle
  - Clean vs dirty states: compensation for loss of jobs in dirty states.
    - Original Byrd proposal, $1.4 billion.
    - Final bill, $250 million.

Application 3: The 2009 Climate Bill

- Features of the Bill
  - Cap and trade on emissions
    - Cut emissions by 2020 by 17% of 2005 levels
    - Cut emissions by 2050 by 83% of 2005 levels
  - Emission offsets
  - Clean / renewable energy
  - Energy efficiency.

2009 Climate Bill (cont.)

- (Some of the) Major Political battles
  - Farm states bought off
    - Exemptions
    - Agriculture Department rather than EPA in charge of special rural programs
  - Who receives allowances?
    - Existing emitters?
    - Renewable energy
  - Offshore drilling
  - Nuclear power

2009 Climate Bill (cont.)

- Majority and Filibuster veto gates.
  - The House:
    - Compromise barely passed, 219-212.
  - The Senate
    - Filibuster requires a supramajority of 60 out of 100.
      - Even if political interests in the Senate were politically aligned perfectly with the house,
        - Exact same bill would gain ~ 51 or 52 votes of 100,
        - Significantly < 60.
    - But House and Senate are not aligned.
      - Relative to the House, the Senate is biased in favor of western rural and states, on average more conservative.
      - Expected Senate supporter of the House bill was therefore probably less than a bare majority.

2009 Climate Bill (cont.)

- Look more closely at other features of the 2009 bill.
  - Lots of subsidies and allowance endowments
  - Regulatory rules with implied subsidies.
  - High costs.
  - Tons of interests affected.
  - Big uncertainty as to economic impacts.
- Main point: complex incidence, lots of uncertainty.

2009 Climate Bill (cont.)

- Why did the 1990 bill seem to pass so easily and the 2009 bill not?
- Acid rain (cap and trade) portion of the 1990 legislation:
  - Politically, much simpler than 2009.
    - Polluters givens rights to (most of) their pollution.
    - But total pollution capped (below status quo).
    - Allowances were tradable.
      - Implies lots of gainers, few losers.
    - Far less uncertainty in 1977.

2009 Climate Bill (cont.)

- Main interests affected by CAA.90 = CAA.77.
  - States receiving acid rain better off (less pollution)
  - Utilities better off at lower total costs.
  - Unions (in dirty coal areas) possible losers
  - Consumers of electricity
- Main interests affected by CB.09
  - All of manufacturing (including workers)
  - All of agriculture
  - Coal producing regions
  - Consumer groups
  - Consumers of electricity
  - Renewable Energy Industry
  - Nuclear Energy
  - Groups concerned about competition with China (punitive tariff provisions)
  - Residential building owners
- How to balance all these interests and uncertainty?

Extensions

- Technology pork barrel
- Federalism
  - CB.09: Gives states the choice to impose a fee on consumers used to promote renewable energy sources to generate electricity (as an alternative to the bill's provisions requiring that utilities produce a certain percentage of election from renewable energy sources).
  - OSHA.70
  - Civil Rights Act of 1964

Conclusions

- Principal question
  - Or why political officials are NOT welfare maximizers.
- Several principles of political influence on policy choice.
  - P1: Universalism
  - P2: Veto gates
  - Politics trumps science, economics, and engineering.
- Main implications
  - Political system does not is not automatically translate Pareto policies into law.
  - Policymakers are not social planners/ welfare maximizers.

Conclusions

- Implications for Clean Air and Climate Policy
  - CAA.77
  - CAA.90
  - Climate Bill of 2009
- Public perception of benefits