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What conclusions can be drawn from the preceding papers? What should one bear in mind when thinking about environmental regulation and its effects on the economy? We believe there are at least five important observations to be drawn from this volume, several of which appear explicitly in one or more of the papers; others emerge from a consideration of the papers taken together.

First, it is a common and understandable failing for people to search for a single, simple cause of economic difficulties. For some, environmental and other regulation has become the "demon" upon which to pin the blame for high rates of inflation coupled with slow rates of economic growth. Understandable as this may be, it is wrong. Environmental regulation is but one of many factors contributing to the poor *measured* performance of the U.S. economy.

Consider for a moment the uncomfortably high recent inflation rate. While it is exacerbated by environmental regulation, as Portney's paper indicates, inflation is also influenced by a raft of other factors. These include, but are not limited to: deficits in the federal budget; the rate of growth of the money supply; the world oil cartel; fluctuations in domestic and world agricultural output; downward rigidity of wages and prices owing to the market power of employers and employees; changes in the skills of the work force and the saving habits of the population; tariffs, import quotas and other restrictions on foreign trade; and other factors, as well.

A similar multiplicity of causes can be identified to help explain sluggish economic growth, large numbers of unemployed, inadequate investment, foreign trade deficits and other economic difficulties. Hence, if the decade to come proves as trying as Bosworth suggests it may be, it will be important to keep in mind that no single cause, including environmental regulation, is likely to be responsible for more than a small part of the economic problems of the United States.

Second, it is necessary to develop a better understanding of measures of economic performance. We should not make a fetish of watching gross national product, the consumer price index, or productivity. Each of these measures is inadequate or, at the very least, open to misinterpretation, in some respect. For example, as Peskin points out, the gross national product excludes many "outputs" which almost everyone would agree are important, including most of the benefits associated with clean air and water. Thus, GNP is not a particularly accurate measure of national well-being. Since labor productivity is, roughly speaking, GNP per worker, it, too, ignores the important nonmarketed outputs resulting from regulation. Hence, GNP and productivity will almost always be adversely affected by any policy, including regulation, that increases nonmarketed outputs at the expense of marketed ones. This will be true even when the trade-off between the two is quite favorable, that is, even when the clean air or water is worth the conventional output forgone to obtain them.

The consumer price index is open to similar misinterpretation. When the goods whose prices comprise the CPI become more expensive because of regulation, it is easy to believe that one is worse off. After all, is one not paying more for the same collection of goods? Not really. Along with the goods in the standard market basket, one also enjoys additional environmental quality following the implementation of environmental regulation. Thus, in one sense the size of the market basket has been expanded and the new environmental outputs must be weighed against the price and other adverse impacts of the regulations.

We are *not* suggesting that GNP, the CPI, or measures of productivity should be ignored. They are useful and important indicators of economic activity. Nevertheless, it is necessary to be aware of what these indicators can and cannot tell us by themselves. More information is needed to make intelligent decisions about environmental regulation than these indexes provide. At the head of the list are reliable estimates of the benefits of environmental policies. While the ability to estimate benefits is improving, there is still a sharp division of opinion as to the reliability of current estimates.

Third, the evidence reviewed here indicates that environmental regulation has a small but perceptible and generally adverse effect on price level, economic growth, productivity, international trade, and an ambiguous effect on employment. This comes through in Portney's review of the macroeconomic simulation studies, Haveman's and Christainsen's review of a variety of studies linking environmental regulation to productivity, Peskin's calculations of a "revised" GNP that better reflects environmental quality, and Ridker and Watson's longer run analysis of the impacts of regulation. Of course, others might refer to the effects identified in the papers in this volume as "large." Size is, of course, relative. What can be agreed upon, we believe, is that such effects may be important regardless of whether they are considered large or small.

Fourth, available measures may understate the total economic impacts of environmental regulation. This conclusion follows directly from the papers of Haveman and Christainsen, Portney, and Harrington and Krupnick. They all point to important respects in which environmental regulation can, among other things, create an uncertain milieu in which investment decisions must be made; discourage business growth or shunt it to second- or third-best locations; and increase the time required to begin projects. While all of these effects could prove to have important adverse economic implications, none can be readily identified using the analytical tools at hand. These indirect effects must be borne in mind when evaluating the pros and cons of regulation.

Fifth, even if one felt that environmental regulation was exerting only a small adverse effect on the economy, the search should continue for ways to reduce its cost where it can be done at little or no loss of environmental quality. For this reason, economists for years have been making a general case for the use of economic incentives in environmental policy. Harrington and Krupnick discuss several specific regulatory reforms intended to reduce the cost of maintaining the same level of environmental protection. Such reforms make sense at any time—why, after all, pay more for anything that can be had for less? Given the economic tenor of the times, however, such reforms may not only be sensible, but also essential if environmental protection is to be afforded increasing or even current levels of support. This conclusion may, in fact, be the most important message which these five papers impart.