

# ROLL CALL



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## Cap-and-Trade: All Pain, No Gain

By Margo Thorning



Waxman-Markey. Higher energy prices. Lost jobs. Strained household income. Minimal environmental benefits. Lose-lose.

Congressmen Henry Waxman (D-Calif.) and Ed Markey (D-Mass.) recently introduced well-intended legislation meant to curb greenhouse gases, but the legislation will carry a high price tag, including slowed economic growth and reduced U.S. employment and gross domestic product. The payoff for a steep economic cost: very little, in environmental terms.

While it is understandable that elected leaders wish to address climate, there is little doubt the bill's cap-and-trade scheme would end up costing consumers and employers. A joint analysis from the American Council for Capital Formation and the National Association of Manufacturers examined a similar proposal introduced in the previous Congress, which set targets to reduce greenhouse gases to 15 percent below 2005 levels by 2020 and to 70 percent below by 2050. The damage includes a rise of 101 to 129 percent for residential electricity and industrial natural gas price increases up to 244 percent.

The bottom line for working Americans is that they get a double whammy of higher prices at home and fewer will have jobs to pay those higher costs. The ACCF/NAM study found that reductions in total U.S. employment could reach as much as 1.8 million

jobs by 2020 and 4.1 million by 2030. This toxic economic cocktail could decrease GDP by up to 2.7 percent by 2030, a truly staggering figure.

So what's the environmental reward for this hefty investment?

According to the Council of Economic Advisers' Report to the President, global concentrations of carbon dioxide will be virtually unaffected by U.S. reductions unless developing countries participate. In short, that means sacrificing U.S. economic growth — not to mention lots of good jobs — through unilateral climate change policies would yield little environmental benefit.

That is certainly bad on the policy front, but it should be noted that the political front is becoming less attractive for cap-and-trade advocates, as well. New York Times columnist Thomas Friedman recently noted the scheme “‘hides the ball’ — it doesn't use the word ‘tax’ — even though it amounts to one. So it can get through Congress.” But, Friedman writes, “That was true as long as no one thought cap-and-trade could ever pass, but now that it might under Mr. Obama, opponents are not playing hide the ball anymore.”

Unfortunately, the cap-and-trade scheme is not the only problem tucked into the Waxman-Markey bill. It also mandates increased renewable energy, which already receives the lion's share of federal budget energy expenditures. Moreover, renewable energy tends to

be more expensive than conventional energy and substituting more expensive energy for cheaper energy will slow — not enhance — the much-sought-after economic recovery.

There is good news, however. Just like the underlying issues of energy and the environment, there is plenty of complexity. In this case, that means there are multiple policy solutions. We are not simply stuck with a cap-way-or-the-highway choice.

To be effective, policies to reduce global carbon dioxide emission growth must include developing nations. Enhancing technology development and transfer are likely to be more widely accepted by the developing countries that must be brought to the global table on climate solutions.

Economics tells us that cap-and-trade will be more trade-off than benefit — and by a good measure so. Common sense tells us it's bad to dramatically raise energy costs on consumers and producers. And political reality suggests it's time to move on for more practical, meaningful solutions.

Waxman and Markey are to be commended for their attempt to address serious issues. Now, they should be encouraged to continue their efforts through other means.

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