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Climate bill will stall Michigan's manufacturing engine

By Margo Thorning

For decades, Michigan and manufacturing have been vital to American's economic prosperity. But Michigan's economy isn't manufacturing jobs like it did, and employment in the state's manufacturing sector has fallen one-third in the last decade.

Unfortunately, Michigan's economy could slow even further if Congress presses ahead with plans to make energy more expensive.

That's important because a new climate change bill is expected to be introduced in the U.S. Senate soon by Sens. John Kerry, D-Mass., and Joe Lieberman, Connecticut independent. Its greenhouse gas reduction targets mirror those mandated in bills considered last year.

Cap-and-trade legislation would require sharp reductions in greenhouse gases and mandate high levels of energy efficiency and renewable energy.

The U.S. House of Representatives passed a 1,500-page climate change bill by seven votes in June 2009. The U.S. Senate Environment and Public Works Committee passed a similar bill in November that had tighter near-term emission reduction targets than the House bill.

The bills would require cuts in greenhouse gases beginning in 2012. The emission targets would require a reduction of as much as 20 percent below 2005 levels in 2020 and an 83 percent reduction by 2050.

Multiple analyses show these bills would increase the price of electricity, gasoline and natural gas.

As a consequence, the growth rate of economic productivity, employment and household income would slow.

According to a study from the nonpartisan American Council for Capital Formation, overall manufacturing output would decline 5.4 percent in a low-cost case and 6 percent in a high-cost case in 2030.

Also, transportation manufacturing would decline up to 9 percent by 2030. Meanwhile, gross state product would decline by \$12 billion to \$16.5 billion by 2030.

These numbers can be difficult to grasp, so consider the real-world impact: Reductions in the state's economic output will reduce state budget receipts and force policymakers to make hard choices on schools, hospitals, prisons, social services, transportation and more.

Even worse, Michigan would see a reduction in job growth; there would be 66,700 to 90,800 fewer jobs in 2030.

Disposable income would fall by an average of \$883 to \$1,435 in 2030. Low-income families and the elderly would spend a higher proportion of their income on energy. Michigan's electricity prices for a typical household could be 60 percent higher in 2030.

Here's the sobering news: For all of the economic pain, there will be virtually no environmental gain.

Government agencies advising the president have already acknowledged that an America-only emissions cap will not make meaningful global reductions in greenhouse gas concentrations.

The bottom line: The federal government can certainly manufacture higher energy prices, but Michigan's manufacturing base would pay a steep price.

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