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Waxman–Markey: Homeowners, Small Businesses, and Farmers Hit the Hardest

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The Waxman–Markey global warming bill narrowly passed the U.S. House of Representatives and awaits consideration in the U.S. Senate. A Heritage Foundation analysis of the bill predicts the bill's energy price-boosting measures will result in sky-high costs. Should it become law, Waxman–Markey will reverberate throughout the economy, costing the nation an average of $393 billion annually and over a million jobs from 2012 to 2035.

While a bill of this magnitude would leave few untouched, its impact is would not be evenly distributed. In fact, an estimated 2,300 lobbyists are in Washington working this issue, trying to make sure their clients—especially electric utilities and industries that use a lot of energy—get off as lightly as possible. The rest of Americans—especially homeowners, small business owners, and farmers—will be on the hook for the remainder of the multi-trillion-dollar price tag. Although there has been a flurry of last-minute changes to the bill, these alterations do little to reduce Waxman–Markey's overall costs or its disparate impacts.

Homeowners. Waxman–Markey forces down emissions from fossil fuels and especially targets coal. As coal provides America with half of its electricity, these reductions in coal use will drive up electric rates by an estimated 90 percent by 2035. The impact in heavily coal-dependent states—for example, Indiana, Ohio, Kentucky, West Virginia, Missouri, and North Dakota all get more than 80 percent of their electricity from coal—will be even greater. Natural gas and heating oil prices will also be affected, as their prices are estimated to go up 55 percent and 56 percent, respectively.

For a household of four, those higher energy will cost an average $527 annually from 2012 to 2035. If there is a car parked in the driveway, add another $302 for the higher household cost of gasoline per year (about 30 cents more per gallon), thereby increasing the total energy bill to an average of $829 annually.

But higher direct energy costs are only part of the total household burden: Since nearly all other goods, from food to furniture, require energy to produce and transport, their costs will rise along with the price of energy. Furthermore, other provisions in the bill also mandate stringent one-size-fits-all national energy standards for new houses, which would also likely boost their price and reduce desired features.

Under Waxman–Markey, a household of four's costs are estimated to rise by an average of $2,979 per year from 2012 to 2035.

Small Business Owners. Electric utilities and some other big businesses have cut special deals that allow them to comply for much less. Waxman–Markey allows for such deals by giving these com-

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panies free rights to emit carbon dioxide and other regulated greenhouse gases. But small businesses have largely been left out of this special interest game. They will instead face the same higher costs for energy and other products as homeowners. According to a 2008 National Federation of Independent Business poll, energy costs are the second biggest problem facing small business[1]: Waxman–Markey would only exacerbate those concerns.

Furthermore, by harming the overall economy, Waxman–Markey makes it more difficult for small business to operate. Under this legislation, gross domestic product (GDP) would decline by an average of $393 billion annually below where it would otherwise be from 2012 to 2035; cumulative GDP would decline by $9.4 trillion by 2035. This means that, thanks to Waxman–Markey, in the years and decades ahead small business owners will be operating in a weakened economy, making it even harder for them to attract customers, expand their business, and create jobs.

Overall, Waxman–Markey is a jobs killer—according to The Heritage Foundation analysis, it will result in over million net job losses (which includes any “green job creation”). But even those relative few green jobs, such as those associated with renewable energy sources like wind and solar power or the installation of energy saving devices in federal buildings, are not for small business. The bill’s Davis–Bacon Act provisions, which essentially mandate union wages for these projects, are very difficult for most small businesses to meet and would therefore largely exclude them. Thus, there is little or no upside for small business to offset this bill’s substantial drawbacks.

Farmers. Since farming is energy intensive, it will be hit hard by Waxman–Markey’s energy price hikes. In addition to higher diesel fuel and electricity costs, prices for natural gas-derived fertilizers and other chemicals will also rise. Everything else affecting agriculture, from the cost of constructing farm buildings to the price of tractors and other farm equipment, will also go up. Consequently, farm profits are expected to decline by 28 percent in 2012 and will be an average 57 percent lower from 2012–2035.

Furthermore, since Waxman–Markey is a unilateral measure, it would put American farmers at a competitive disadvantage: No other food-exporting nation has announced any plans to impose similar energy price boosting global warming measures on their own agriculture sector.

Of course, when farmers hurt, the rural economy around them suffers as well. In addition, rural Americans use 58 percent more energy than their urban counterparts, thus the impact of increased energy prices is highly disproportionate. Last minute measures to sweeten the deal for rural electric cooperatives will scarcely make a dent in this disparate impact.

$9.4 Trillion Poorer. The Heritage Foundation calculates that, by 2035, America would be $9.4 trillion poorer with Waxman–Markey than without it. This is a tremendous burden and one that is not spread evenly. Should this measure become law, the future for the American homeowner, small business owner, and farmer will be particularly bleak.

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1. Bruce Phillips and Holly Wade, “Small Business Problems and Priorities,” National Federation of Independent Business Research Foundation, June 2008, pp. 7–8, at *http://www.nfib.com/Portals/0/ProblemsAndPriorities08.pdf* (July 21, 2009).