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ECONOMIC AND EMPLOYMENT IMPACTS FROM PROPOSED GREENHOUSE GAS EMISSION RESTRICTIONS

The Views of The Global Climate Coalition

Any program geared to near-term stabilization or reduction in carbon emissions, whether voluntary or induced, is likely to produce significant economic dislocations in the United States, including profound job losses and major economic restructuring.

Profound economic consequences would result from some of the programs being considered to reduce greenhouse gas emissions in the next two decades. For example, a DRI/McGraw-Hill study of carbon taxation as a method to reduce carbon emissions to 1990 levels by 2010 suggests that such an approach would lead to job losses averaging more than 500,000 per year between 1995 and 2010, with peak losses of 1,000,000 jobs per year in the two years after the tax was fully implemented.

One reason that so many jobs would be lost is that current carbon-tax proposals would only apply to a limited number of countries. In fact, most countries in the world would be exempt. The result would be that energy intensive industries would be economically compelled to move to non-taxed countries, taking jobs with them. According to the Intergovernmental Panel on Climate Change (IPCC), a panel of international climate experts assembled by the United Nations, carbon-based energy taxes (advocated by anti-growth special interest groups and endorsed by the Clinton Administration) could provoke industry relocation, which would force jobs out of the United States.

> "Taxes that are not levied on a global scale may provoke industry relocation, which may adversely affect emissions efficiency as well as international competitiveness. Most countries are hesitant to embark on policy ventures that might endanger their international market position and their attractiveness as industrial locations...It is difficult for a single nation to impose full environmental cost accounting and remain competitive unless other nations do the same." (WGII FSM, section 20.5.3.3)

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> "If different countries have different obligations to reduce greenhouse gas emissions, different implicit tax rates will result...possibly with little effect on total greenhouse gas emissions." (WGIII, FSM, section 1.3.6)

The carbon-tax proposals also would lead to the restructuring of large sectors of the American manufacturing community. The aluminum, ferrous metals, iron core mining, paper mills, fertilizer and metal container industries would experience severe impacts. Restructuring in these sectors would not come without significant job losses.

Longer term shrinkage in the job market could also result from other near-term emissions reduction proposals, which have been projected to cause anywhere from a 1 percent reduction in the Gross Domestic Product by the year 2000 to a 2.3 percent decline by 2010. This is doubly alarming considering that the U.S. GDP has already slowed from an annual growth rate of 4.2 percent annually between 1963 and 1972 to 2.6 percent over the past two decades.

A decline in investment spending also would result at a time when this category compares unfavorably to that of our major competitors. And our net saving rate is low compared to these nations, averaging 4.6 percent while Japan's net saving rate stands at 19 percent, Germany's at 11 percent and Canada's at almost 8 percent.

Fossil fuel detractors are pushing for the United States and other industrialized nations to bear the entire burden of greenhouse gas emissions reduction even though the developing countries will be responsible for the vast majority of future emissions. Such an approach would force U.S. taxpayers to pay enormous amounts to other countries with little environmental benefit. According to the IPCC, such unilateral action by the U.S. would produce exaggerated economic impacts and would be ineffective in reducing global greenhouse emissions:

> "... unilateral action by the US or by OECD countries are likely to be less effective than global action, and that unilateral actions are likely to exaggerate the impact on GDP." (WGIII, FSM, section 5.4)

Further rebuttal of the calls by various anti-growth special interest groups for new energy taxes is the finding by the IPCC that a range of other policy issues carry far greater impact on social welfare than potential future climate change.

> "Local environmental and socioeconomic situations are changing rapidly for reasons other than climate change. Worldwide, population growth, industrialization, urbanization, poverty, technological change, and government policy could overwhelm any effects of climate change." (WGII FSM, section 12.0)

The potential economic consequences of the greenhouse gas emissions reduction proposals now under consideration are large enough that policymakers should call for a rejection of the current direction. Policies that promote a more studied, balanced and less destructive approach should be encouraged. Studies have demonstrated a longer term, measured approach to emissions reductions can have an equal impact at considerably less cost to the economy, jobs, and growth.

The Global Climate Coalition is an organization of business trade associations and private companies established in 1989 to coordinate business participation in the scientific and policy debate on global climate change.

WGI, WGII, WGIII = IPCC Working Groups One, Two and Three.
FSM = Full Supporting Material, the peer reviewed portion of IPCC's work.