Cap-and-trade plan will hit heartland

by The Detroit News

President Barack Obama's proposed cap-and-trade system on greenhouse gas emissions is a giant economic dagger aimed at the nation's heartland â€” particularly Michigan. It is a multibillion-dollar tax hike on everything that Michigan does, including making things, driving cars and burning coal.

The president is asking for a system of government limits on carbon emissions. The right to emit carbon would be auctioned off to generate revenue for more government spending programs.

The president's budget projects receipts totaling $646 billion through 2019 from the sale of these greenhouse gas permits.

The goal, according to the president's budget outline, is to reduce greenhouse gas emissions such as carbon dioxide to 14 percent below 2005 levels by 2020.

Doing so will drive up the cost of nearly everything and will amount to a major tax increase for American consumers.

Such a tax will hit the Midwest particularly hard, which is why House Minority Leader John A. Boehner, R-Ohio, told the New York Times, "let's just be honest and call it a carbon tax that will increase taxes on all Americans who drive a car, who have a job, who turn on a light switch, pure and simple."

The carbon tax will be paid by energy companies, manufacturers and public utilities, who will pass the cost on to their consumers. Michigan will be especially targeted. It gets 60 percent of its electric power from coal plants, and the state's economy is still reliant on heavy manufacturing such as car and truck assembly and auto parts production.

Michigan will lose as carbon tax money is shifted to states with a greater presence of high-tech and service businesses.

The proposed tax would take effect in 2012 and has the very real potential to throw the nation back into recession, if indeed the expected recovery has arrived by then. It's impossible to raise costs for such basics as manufacturing and energy production by more than half a trillion dollars over a decade and not have the effects felt across the economy.

The nation's gross domestic product contracted at an annualized rate of 3.8 percent in last year's fourth quarter â€” the worst economic record in nearly three decades. Is this really a good time to be talking about a carbon tax? How will such talk impact investment decisions?

Obama promises to use some of the revenues for tax relief for certain workers and some of the rest for subsidies for alternative energy. But that won't make up for the damage this huge new tax will do to the economy, especially in Michigan.

A similar program in Europe hasn't worked. European automakers complained about carbon dioxide limits the European Union proposed in 2007 as damaging to the economy.

The Obama cap-and-trade program will place even more of the economy under the control of the federal government. The only upside is that the negative impact it will have on economic growth and job creation will take care of the carbon emissions problem, for sure.

Reprinted From The Detroit News. Distributed By Creators Syndicate Inc.

Cap-and-trade plan will hit heartland by The Detroit News