

Policy Choices And Unexpected Consequences

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As a policy educator for nearly 25 years, I often met with farmers, agricultural business leaders, rural residents, and fellow extension colleagues to discuss the critical issues at that time. Then and again today, for every issue, there are policy choices. And for every policy alternative, there are consequences. And the consequences may be suggested but are never certain and often unexpected.

The major issues facing Congress today, when decisions are made, will have important consequences for farmers and rural communities, some expected, and some unexpected. Health care, global warming, taxes and federal deficits top today's important issues with consequences for agriculture and rural areas.

Of special concern for farmers is the "cap and trade" issue. The House has passed a bill (Waxman-Markey) but the Senate has yet to act. A Wall Street Journal editorial calls this issue "Cap and Trade Fiction." If a majority of Congress supports the current legislation, the Journal stresses that "they will have to destroy the discipline of economics to get it done."

Some rural and more conservative members of Congress are wary of the bill because they believe the bill will impose crushing costs on their home district businesses, including farmers and consumers.

Under the cap and trade system government sets a cap on the total amount of carbon that can be emitted nationally. Companies then buy or sell permits to emit carbon dioxide. The cap gets cranked down over time to reduce total carbon emissions. The Wall Street Journal reported that to get support of his fellow democrats, Congressman Waxman was forced to water down the cap in early years and then severely ratchet it up on later years to please the more liberal members. The Journal pointed out that the Congressional Budget cost estimates were based on the early years of the program before the severe restrictions were to take effect.

The analysts also look only at day to day costs rather than the wider consequences that energy restriction would have on the economy. The Congressional Budget Office admitted that they did not estimate the effect on a potential decrease in the gross domestic product. One of the consequences of the bill is to raise the price of electricity and gas so Americans would use less. The higher prices of electricity and gas would have its consequences on manufactured goods

from food to cars, the Journal points out. When consumers reduce spending, the result is less production, fewer jobs, and higher unemployment. For farmers, higher production costs squeeze returns when prices do not go up.

The Congressional Budget office analysis is an average for the country as a whole. Certain regions and populations will be more severely hit when others. Manufacturing states, including agricultural, would be more severely affected than service states such as those with more tourist and entertainments services.

Although many members of Congress say that the bill would not hurt consumers, behind the scenes many will admit that lower income families who spend more of their income for energy would be affected more than high income families.

At the center of the issue, as the editors point out, cost estimates for climate legislation are as unreliable as the models predicting climate change. One method of viewing consequence is not the computer model but what other countries are already experiencing. Britain's Taxpayer Alliance estimates the average family there is paying nearly \$1300 a year in green taxes for carbon cutting programs in effect only a few years. Some suggest that those who vote for the Waxman-Markey bill will be voting for what is likely to be the biggest tax in American history.

This legislation is designed to encourage consumers to shift their spending for gasoline, electricity and industrial products to services and products that produce lower levels of carbon dioxide emissions. While some admits that the intentions of the bill are good, the bill has big problems. Supporters want the bill to show U. S. leadership in controlling global warming. But even if the U. S. reduces its emissions, the reduction would not make up for the failure of countries like India and China to do the same. Neither has shown much interest in following the U. S. example.

One of the expected consequences is that the legislation would have a dramatically negative consequence on a faltering U. S. economy. With the stimulus program already in effect and other costly programs being considered, Congress and the Administration are looking for ways to reduce current spending programs. Payments to farmers will again be targeted for reductions. More than ever farmers and agricultural organizations will need to watch the many bills coming before Congress that could have unexpected consequences for farm programs. Δ

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