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Is Cap and Trade Legislation Really Just a Hidden Tax?

Critics Call it the Largest Tax Increase in US History

By **Morgan Phelps**

As we prepare to celebrate the 233rd anniversary of the signing of the Declaration of Independence; one is left to consider whether or not the US is on the brink of sinking back into the same situation our founders risked - and lost in most cases - their lives and fortunes to escape. Last Friday, June 26, the House of Representatives narrowly passed the so-called Cap - and - Trade Bill. Ostensibly the idea behind the bill is to reduce our dependence on foreign oil, create "green jobs", and reduce carbon outputs by US manufacturers and energy producers. But, is it really just a bill of goods? There are some analysts who believe that this energy legislation is in fact the largest tax increase in the history of the United States.

A senior fellow at the Cato Institute, [Richard W. Rahn](#), says that the bills purported purpose of reducing carbon outputs is essentially a moot point. He says that since China and India are not going to enact similar legislation the impact of reducing US carbon outputs will be negligible. He further postulates that the bill - if enacted as law - will lead to significantly increased energy cost and lost jobs.

Ben Lieberman - Senior Policy Analyst for Energy and Environment in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation - testified before the Senate Republican Conference which is posted on [Heritage.org](#). He called the legislation "... nothing more than an energy tax in disguise." Lieberman warned the Republican lawmakers that the costs to consumers will be massive. These costs will be the result of taxes levied against energy producers which will be passed along to consumers.

According to the Heritage Foundation's research the Congressional Budget Office's figure of \$175 in increased cost per American household is a "gross underestimation" they said in [web memo #2503](#) by David Kreutzer, Ph.D., Karen Campbell, Ph.D., and Nicolas Loris.

Lieberman's testimony indicated that immediate costs passed along to consumers will be \$436 when the bill takes effect in 2012. He also says that by 2035 that cost will skyrocket to \$1,241 for that same family. Lieberman says that the cost for electricity will increase by 90%, gasoline will go up 55%, and natural gas will increase by 58% in that same year. And, that's only part of the problem.

Lieberman also says that higher energy costs will increase cost for manufacturers - cost which will be passed along to consumers. "If you look at the total cost of Waxman-Markey, it works out to an average of \$2,979 annually from 2012-2035 for a household of four," which is a total cost of \$4,600 by 2035 per American family.

Among those who will be most impacted beyond families and manufacturers will be farmers. Agriculture is an energy intensive business according to Lieberman. The extremely inflated cost of farming will lead to what Lieberman says will be a 28% percent decrease in profits in 2012 when the bill would take effect. He estimates that growers will see their profits erode by more than 58% by 2035. This act would essentially eliminate America's competitive with other food exporting nations that will not be hampered by such regulation. Overall, Lieberman suggests that the Gross Domestic Product will be reduced by an average of \$393 billion per year between 2012 and 2035 with a cumulative figure of \$9.4 trillion. Such a reduction of the GDP will have major economic impact and leave the US poorer with the legislation than without it.

Dr. Karen A. Campbell and Dr. David W. Kreutzer of the [Heritage Foundation](#) say in web memo #2504 that if the legislation becomes law that 2 million jobs will be lost in 2012 alone. The number of jobs lost would increase to 2.5 million in 2035 which is the last year for which the Foundation has analysis. Between millions of lost jobs, drastically increased cost to consumers, and a lagging GDP a family of four will be saddled with an estimated \$114,915 chunk of the national debt. Dr's. Campbell and Kreutzer have broken the numbers down by state and district which is available at [Heritage.org](#).

Sources

1. [Richard W. Rahn](#)
2. [Heritage.org](#)
3. Heritage Foundation [web memo #2503](#)
4. Web memo#2504 [Heritage Foundation](#)
5. Appendix 1 of Memo 2504 at [Heritage.org](#)

Takeaways

- ✚ Critics call the legislation the largest tax increase in US history
- ✚ Heritage Foundation says the CBO grossly underestimates the costs to Americans
- ✚ Agriculture and families will be hardest hit.

