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Editorial: Government subsidies for coal don't make sense

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Michael Tanner of the Cato Institute ably makes the case that the Trump administration shouldn't offer tax subsidies to the coal industry - just as the federal government shouldn't offer any subsidies to the energy industry.

“The latest outrageous example of corporate welfare comes from West Virginia, where Republican-turned-Democrat-turned-Republican governor Jim Justice is asking for \$4-5 billion in subsidies for coal-powered utility plants,” Tanner writes. “The Trump administration is reported to be favorably inclined to the idea. Trump, of course, made support for the coal industry a key part of his campaign, and that was undoubtedly a major reason he carried West Virginia by 45 percentage points. But Justice now admits that, even after Trump's efforts at deregulation, the West Virginia coal industry is in trouble, challenged not just by alternative fuels but by bigger and cheaper sources of coal from Indiana and Wyoming.”

And Justice now says that Trump seems “interested” in providing those subsidies.

According to the Bloomberg news service, “Justice, a coal and real estate mogul elected governor last year as a Democrat, announced at a West Virginia rally alongside President Trump last week that he's becoming a Republican. Justice has recently spent a ‘goodly amount of time’ meeting one-on-one with Trump and has liked the feedback to his pro-coal proposal. The plan calls for the Department of Homeland Security to send \$15 to eastern U.S. utilities for every ton of Appalachia coal they burn.”

That's a terrible idea. Cato's Tanner explains that while Justice makes his pitch about jobs, some jobs aren't worth keeping, and some industries decline for a reason.

“Gov. Justice's proposal, for example, would simply prolong the dying of an industry that has been declining for years, because West Virginia coal is increasingly expensive and difficult to mine, in the face of national and international competition,” Tanner writes. “Just over 12,000 West Virginians still work in the coal industry.”

During the campaign, Trump roundly lambasted the Obama administration's green energy boondoggles, such as Solyndra. And he was right to do so. Even with massive subsidies, many of those companies failed because they overpromised and underperformed.

But there's a better mechanism for determining which companies should succeed and which should fail - the free market.

“We should know by now that President Trump has little interest in free-market capitalism,” Tanner writes. “From trade policy to the Import-Export Bank to his support for ethanol subsidies, Trump has made it clear that his idea of making America great again involves government picking winners and losers, largely based on the president’s whims and whether the workers who would benefit voted for him.”

Everyone is hurt in this scenario.

“That’s a terrible way to run an economy,” Tanner writes. “In fact, studies show that economies dominated by crony capitalism grow more slowly than free-market economies. By upending market efficiencies, corporate welfare makes us all worse off.”

Now, for the record, coal is worse for the environment than natural gas - and more expensive. Those who would limit greenhouse gas emissions should also let market forces work.