

# Manufacturing Unemployment

*Stopping Obama's regulatory agenda can't wait until 2012*

BY BEN LIEBERMAN

FOR most Americans, persistently high unemployment is a new development—but employment in the manufacturing sector has been taking a beating for decades. Painful as that is, it's not all bad news: Part of it reflects investments in better processes and technology that have made manufacturing less labor-intensive—more efficient factories need fewer workers. A second consideration is the price, well worth paying, of participating in a global economy filled with highly capable industrial competitors. But part of the decline is the direct result of federal policies that have put U.S. manufacturing at an unfair disadvantage against overseas competitors, and have done so while industrialists in China and other nations are well positioned to gain from Washington's mistakes.

Workplace rules are more costly in the U.S. than in many other nations. Our tax code is among the world's least friendly toward manufacturing. But the biggest recent change—and the most worrisome threat to American manufacturing—has been the accelerated pace of environmental regulation since the election of Barack Obama.

Manufacturers worry about a storm of new regulations taking effect in the immediate future, any one of which would seriously hurt them, and the cumulative effect of which would be the end of the United States as a major manufacturing nation. Even if Obama is replaced in 2012, the regulations he threatens to leave behind would take years to unravel—which is why Congress should act now to stop him.

Democrats rode economic trouble to power in 2008, but instead of encouraging job creation they immediately set to work on two big-ticket initiatives tailor-made to wreck the already-struggling

manufacturing sector: health-care reform and the cap-and-trade program.

It takes energy to run a factory, and rising energy prices tend to reduce manufacturing output. Disproportionately high energy prices in one country encourage the outsourcing of manufacturing to others. The House cap-and-trade bill, known as Waxman-Markey after its original cosponsors, sought to limit emissions of carbon dioxide, the unavoidable byproduct of fossil-fuel combustion. The idea was to drive up the cost of fossil fuels in order to force consumers and businesses to use less of them. Whether manufacturing facilities generated their own energy on site or bought it from a utility, their production costs would have increased. Some would have cut back on output, and others would have shut down entirely. Meanwhile, no other nation would have had comparable restrictions with any real teeth. Even the Kyoto Protocol, the celebrated 1997 global-warming treaty, exempts China and other developing nations from any restrictions, and most European countries and major economic powers have evaded their obligations under it. In fact, carbon dioxide emissions in most of the Kyoto countries were on the rise until the recession. In any event, the recent U.N. climate conference in Cancun suggested that Kyoto is unraveling; though its provisions expire in 2012, negotiators came nowhere close to an agreement to extend them.

Economist David Kreutzer, whose analysis of Waxman-Markey for the Heritage Foundation was widely cited during the congressional debate over cap-and-trade, estimated that that the bill would have raised electricity prices by 90 percent and “destroyed . . . 300,000 manufacturing jobs in 2012, rising to 1,380,000 by 2035.” Kreutzer added that “the hardest hit segments would be energy-intensive durable goods, and especially things like motor vehicles and parts, electrical and communications equipment, computers and electronics, machinery, glass products, rubber and plastic products, and medical equipment.” He noted that these estimates are for net job losses, meaning that he takes into account new “green jobs” for windmill salesmen and solar-panel installers.

Waxman-Markey proved to be an Election Day albatross for a number of its House supporters, especially those representing districts with manufacturers.

Voters in Ohio, Pennsylvania, and Michigan gave the boot to several Democratic incumbents who supported the bill. Senate Democrats from such states can only be thankful cap-and-trade never came to a vote in their chamber.

Thankfully, it will be dead in the new Congress. But global-warming activists inside and outside the government have a Plan B, namely a regulatory end-run around the legislative branch. Using the opening given it under a 2007 Supreme Court decision, the EPA has embarked on carbon dioxide regulations of its own, pursuant to the 1970 Clean Air Act.

Rep. John Dingell (D., Mich.), the only current member of Congress who had a major role in developing the Clean Air Act, has described the attempt to impose global-warming regulations under the statute as “a glorious mess” and something the legislation was never intended to do. The Clean Air Act is expensive and complicated enough when dealing with smog, soot, and the other pollutants it was created to address. Its costs and implementation problems will be off the charts when its stringent and inflexible provisions are applied to carbon dioxide, which is emitted by many more sources in much greater quantities.

Indeed, President Obama and his EPA chief, Lisa Jackson, readily admit that global-warming regulations enacted through the executive branch would be far more painful than legislation coming from Congress, a case they have made in the hope of scaring Congress into passing Waxman-Markey or something like it. But now the EPA is the only game in town, and it is already moving ahead. Its new provisions are scheduled to take effect in January, with the largest facilities being hit first. No other country has anything quite like what the EPA has planned, nor the agency's enforcement authority to make it stick. And beyond the direct costs and competitive disadvantage, it is possible that the logistics of handling all those permitting requirements will overwhelm both state and federal regulators, imposing a de facto moratorium on new manufacturing capacity. Keith McCoy, an energy specialist for the National Association of Manufacturers, recently warned the EPA that “manufacturers remain extremely concerned about the prospect of permitting gridlock causing a construction freeze or ban across much of the country.” If

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the EPA prevails, those unemployed hardhats are not going back to work anytime soon.

Bad as the global-warming regulation would be, some manufacturers joke that they don't have the luxury of focusing on it right now, because there are too many other new rules vying to put them under. The pace at which the Obama administration has issued new Clean Air Act regulations unrelated to carbon dioxide—most of them targeting manufacturers and the coal-fired power plants on which they (and many homes) depend for electricity—is without precedent in the statute's 40-year history. It is normal for the EPA to be revising its standards for one or, at most, two of the Clean Air Act's six "criteria pollutants" at any given time, but right now the agency is busy making all six more strict. The Manufacturers Alliance projects that one proposed revision, a tightening of the already-stringent regulation on smog, will cost more than \$1 trillion annually by 2020. Other new rules strain the limits of available technology. The new standard for nitrogen oxides, for example, is so tough that facility owners don't yet know how they can possibly comply, and permits for new projects have been brought to a standstill since the regulation was issued. To take another example, a new rule would impose substantial retrofit costs on existing boilers while raising the price tag on new ones—and nearly every manufacturing facility in the country has a boiler.

One especially harmful proposal is to treat coal-combustion byproducts (CCBs), which are the ashes left over from burning coal, as hazardous waste. Even the Clinton EPA thought this move excessive. A hazardous-waste designation would not only raise CCB-handling and -disposal costs (and thus electricity bills), but would very likely put an end to the many beneficial uses of CCBs. Large volumes of fly ash, the most common CCB, are added to concrete, stretching supplies and reducing the energy inputs and emissions associated with concrete production. Another type of CCB is used to make wallboard, taking the place of mined gypsum. If CCBs are labeled "hazardous," their inclusion in these products would raise serious liability issues.

Among the potential victims of the CCB proposal is a wallboard facility in Washingtonville, Pa. This state-of-the-art plant is only two years old, employs some

170 people, and is specially designed to use the CCBs from an adjacent coal-fired power plant. Its owner, the United States Gypsum Company, has warned the EPA that a hazardous-waste designation would jeopardize the viability of the facility. It is one of literally thousands of plants of all types and sizes that may not survive the Obama regulatory agenda.

The administration is not oblivious to the midterm election results, and the EPA recently announced the postponement of the smog and boiler regulations. But the administration hasn't withdrawn them, nor has it backed off on its global-warming regulations—or any others. Some fear that if the president's prospects don't brighten, he will unleash everything his bureaucrats can think of before his term is up. But he can be stopped.

The Senate was not pleased to be bypassed by the EPA, and a bill sponsored by Lisa Murkowski (R., Alaska) to stop the global-warming regulations came close to passage last June, failing 53–47. Several current bills, such as the No-Cost Stimulus Act (S. 570 and H.R. 1431), contain provisions to rein in most of the EPA's global-warming overreach. But the regulatory assault on manufacturing has been comprehensive, as must be any successful effort to block it. The new Congress should revisit all of the Obama-era environmental regulations that undermine manufacturing. Other strategies, such as appropriations measures choking off funding for the EPA and other agencies, should also be pursued. The president is unlikely to yield very far, but congressional Republicans and manufacturing-state Democrats have working majorities in both Houses that are willing to take him on.

The weight and cost of regulation is not the only reason that American manufacturing jobs have been lost while overseas rivals thrive, but it is a significant reason, and one that the government can actually do something about, relatively easily. While China and other countries put industrial competitiveness at the top of their governing agendas, U.S. manufacturers take a distant second, at best, to environmental extremists. If we really want to see a turnaround in manufacturing jobs, that has to change—and the change will not come from the Obama administration. American manufacturing isn't dead yet, but it is up to Congress to save it.

# Requiem for A Scheme

*The young of Europe should protest their elders' profligacy*

BY ANTHONY DANIELS

YOUNG people in Europe are right to be angry; but, like love, anger is often misdirected. So it is in this case: for the young rioters are angry not at those who constructed the giant Madoff scheme that is the European social model, but at those who, because of financial force majeure, have now to dismantle it, in part if not in whole, and will therefore prevent young people's full participation in it. What they want is for everything to remain the same, clearly an impossibility.

The angry young people, not unnaturally, want the same privileges that their parents awarded themselves in the high-minded name of social justice, on the live-now-pay-later principle. Why should they, the younger generation, have to live harder, more arduous, less secure lives than their elders lived? If their parents enjoyed free education, secure employment with guaranteed holidays and sick pay, and early retirement with generous unfunded pensions linked to the rate of inflation—what the French call *les acquis*—why should not they? Is not an ever-rising standard of living, with more and more entitlements and holiday destinations within the reach of all, the fundamental law of the universe, to say nothing of the meaning of life?

Compared with many Western European politicians, Madoff was an honorable man, for he solicited, rather than coerced, the contributions of which he was the principal beneficiary. European politicians were able to use the full force of the law to shore up their Madoff schemes. But European populations were not innocent in the whole vast fraud: They voted for the people who, they thought, were offering them something for nothing, or rather for nothing for which they would have to pay; the bill would fall to future generations to settle. *Après nous le déluge* ceased to be the cynical *bon mot* of a prince of the

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