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The Impact of Waxman-Markey on American Jobs
by
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As Chairman of the Texas Workforce Commission, I deal on a weekly and monthly basis with state and national unemployment figures. The national jobless rate of 9.7 percent is the highest since 1983, and the current economic environment has a more worrisome feel to it than the recession back then.

What is troubling is the sense that there is no place to hide when it comes to loss of jobs in the private sector. The job losses are across the board, with the manufacturing sector being one of the hardest hit in terms of layoffs and plant closings. Moreover, debt levels are much higher today than they were back in the early 1980s.

Perhaps, I reflect a parochial view in my position as Chairman of what is our state's equivalent to the U.S. Department of Labor by making the point that without jobs, long term economic growth is not possible. Thus, in light of our rising national unemployment rate, one would think that the legislative and executive leaders of the federal government would be almost single-minded in their emphasis on economic policies designed to encourage capital investment and create jobs in the private sector – particularly small businesses where most new jobs originate – in order to put Americans back to work. Yet, I see very little in the Obama stimulus package that does that.

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We had such a plan in the Reagan Administration with the Kemp-Roth Job Creation Act which passed Congress in 1981, and President Kennedy did something similar to encourage capital investment during his Administration in the early 1960s. Both initiatives to encourage private sector job creation led to a spurt of economic growth and a decline in unemployment.

That's why it is so baffling to me that, at a time when we are in the midst of the most serious economic recession since the Great Depression, the Obama Administration seems determined to pass cap-and-trade legislation which would make a bad situation even worse in terms of job losses nationally, and here in Texas.

The Center for Energy Economics at the University of Texas has done a study of the impact of the cap-and-trade legislation on jobs in Texas. Their estimate is that Texas could lose 135,000 to 277,000 jobs in 2012 if this legislation passes.

The National Association of Manufacturers (NAM) estimates that Texas job loss from the Waxman-Markey legislation is in the 150,000 to 200,000 range.

NAM points to U.S. job losses resulting from lower industrial output due to higher energy prices, the high cost of complying with required emissions cuts, and greater competition from overseas manufacturers with lower energy costs. Here is some data from the NAM report:

“Manufacturing Losses: The current two largest sectors, chemical manufacturing and computer and electronic product manufacturing, show decreases in output of 12.9 percent to 13.9 percent and 4.9 percent to 5.9 percent, respectively in 2030.

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All manufacturing sectors will suffer output losses of between 4.6 percent and 5.4 percent by 2030 while output from energy intensive sectors fall between 11 percent and 11.8 percent.

Texas' coal production would fall between 86.4 percent and 87.2 percent and electricity productions falls by 11.7 percent to 17.8 percent in 2030. These continued losses will have a lasting effect on the economic base of Texas.”

The United States already is in a manufacturing depression, having lost 5,515,000 good manufacturing jobs from 2000 through August 2009, a 32 percent decline from 2000.

That loss of jobs in manufacturing is accelerating this year. Through August, the U.S. has lost another 869,000 manufacturing jobs. That is a 5.2 percent decrease.

Passage of cap-and-trade legislation will finish off what's left of our U.S. manufacturing industry, and it will make us even more dependent on unstable sources of foreign energy. Yet, isn't one of our national security objectives to make America less dependent on foreign energy? Again, cap-and-trade makes a bad situation worse with respect to our goal of greater energy independence.

President Obama has cited Europe as a positive example of where cap-and-trade regulation has worked. He specifically points to the Spanish experience of “green jobs” as one to emulate. Well, I sure hope that we don't “emulate” the Spanish unemployment rate which, at 18.1 percent, has the highest number of people out of work of any Western European nation.

In a study prepared by Professor Gabriel Calzada for the Universidad Rey Juan Carlos, the report concluded that the “Spanish Renewable” project to create “green jobs” has destroyed more jobs than it has created in Spain.

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The Calzada report found that those heavily subsidized alternative energy jobs not only are very costly, but that each new job entails the “loss of at least 2.2 jobs on average, or about 9 jobs lost for every 4 created.” That is what we can expect in the U.S., according to Professor Calzada, if we import the Spanish example of cap-and-trade to the United States.

Obviously, the extent of future job losses to the American economy if the Waxman-Markey Cap & Trade legislation passes Congress is hard to measure exactly. But, history is replete with failed examples of government-managed economic plans. Earlier this year we were told by the Obama Administration that passage of its stimulus plan would result in U.S. unemployment peaking at 8 percent. Already, it is at 9.7 percent, with Obama Administration officials now admitting that the numbers will rise to more than 10 percent. Government cannot create jobs – only the private sector can. Waxman-Markey will destroy more American jobs than it creates.

Just like President Reagan did (and President Kennedy before him) our national political leaders need to focus instead on an economic policy to create jobs here in the United States. Waxman-Markey is a job-killer for Texas and America, and it needs to be given an early burial so that it can't do further damage to an already weakened American economy. Let's put an economic policy in place that encourages job creation and capital investment here in the U.S. – and get the American economy growing again.

Remarks by Tom Pauken, Chairman of the Texas Workforce Commission, at Cap & Trade Summit in Austin, Texas on September 22, 2009

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The Texas Workforce Commission is a state agency dedicated to helping Texas employers, workers and communities prosper economically. For details on TWC and the programs it offers in unison with its network of local workforce development boards call (512) 463-8556 or visit www.texasworkforce.org