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How to save Texas consumers a lot of money

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High prices and a failing economy have everyone looking for ways to save consumers money. Unfortunately, most people are looking in all the wrong places.

Texans have a history of being self-reliant. But there is still a tendency here to put the blame for high prices on big business and turn to the government for relief.

It hasn't helped. The high prices consumers are struggling to pay have been largely brought on by federal, state, and local governments through a litany of fees, taxes, restrictions, and mandates.

In fact, the cost imposed on consumers by Texas governments alone could reach \$4.3 billion annually depending on the outcome of the current session of the Texas Legislature.

A recent example was the mold crisis. Heavy regulation of homeowners' insurance — along with some enterprising trial lawyers — led to Texas becoming the national leader in mold claims for several years. In 2002, though, the Texas Department of Insurance relaxed its regulations; all of a sudden there was no longer a mold crisis, even though the mold hadn't gone anywhere. This episode cost Texas consumers almost \$900 million in higher premiums.

Telecom is another area where this has occurred. Before the BlackBerry, we suffered through decades of black rotary-dial telephones and expensive long-distance service thanks to the government-sponsored monopoly on phone service.

While those days are gone, their legacy is that Texans are still saddled with some of the highest telecom taxes in the nation. This includes more than \$653 million in annual franchise fee payments to cities and \$472 million in double taxation caused by applying the sales tax on top of other taxes/fees and telecommunications equipment.

Today, the government's helping hand is reaching into the energy sector in the name of protecting consumers, either from high energy costs or the predicted environmental disasters to come. Whether these measures will reduce global warming is open to debate. But one thing is for sure: they aren't saving consumers any money.

For instance, Texas consumers are already on track to pay more than \$20 billion in subsidies to renewable energy producers through 2025. Most of the subsidies today are going to wind energy producers. Legislation pending before the Texas Legislature would increase these subsidies — especially for solar and biomass energy producers — by about \$1.1 billion a year.

Energy efficiency measures also threaten to impose heavy costs on consumers. There are two basic ways to achieve energy efficiency. One is for the market participants to discover innovations that accomplish the same result by using less energy, making energy cheaper to use.



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The second way is through government mandates that make using energy more expensive so that consumers have higher overall costs and use less energy. The energy efficiency legislation filed this session, unfortunately, follows this path and would cost Texas consumers and taxpayer around \$426 million a year for subsidies, tax breaks, and mandates.

Finally, there is strong support in Austin for raising energy taxes to fund transportation projects. Local governments are asking legislators to give them a menu of options for tax increases, including a new 10-cent/gallon local gasoline tax.

At the same time, legislation has been filed to index the state gasoline tax for inflation. These two tax proposals could cost Texans up to \$676 million annually.

Contrary to expectations, government is making life more expensive for consumers. Just the opposite of the free market, which has consistently driven down costs while improving quality.

Yet policymakers who feel their constituents' urgent need to "do something" don't have to just sit back and watch the marketplace work. By repealing current subsidies, taxes, and mandates and rejecting new ones, they can save consumers as much as \$4.3 billion a year.

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