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Industry Location and Climate Change Policy-Making in the United States

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Abstract

Within the United States, the locations of carbon-intensive industries have important implications for climate policy. This paper examines the state-level and regional patterns in the distributions of key industries – coal, oil & gas and autos – and their implications for US climate policy-making. It concludes that the coal industry has a disproportionate impact on climate policy because of the distorting effect of the role of a few key coal states in national elections. The analysis is presented in the context of a 'pluralistic political economy' analytical model of the US economy and political system.

1. Introduction

The pluralistic nature of the US economy – including regional variations in the location of carbon-intensive industries – has a significant impact on US climate change policy-making. This paper examines the regional patterns in the distributions of key industries – coal, oil & gas, and autos – and the consequences for climate policy-making.

Section 2 of the paper presents data and maps concerning the location of these three industries. Then, in section 3, the paper examines the role of 'battleground states' in Presidential elections, with an emphasis on the 2000 and 2004 elections. The coal industry is the specific focus of section 4. The concluding section 5 considers the implications more generally for US policy-making in the context of a 'pluralistic political economy' analytical model.

2. The Location of Industry

The US coal industry is highly concentrated in a few states.[1] In Map 1 the high degree of concentration of the coal-mining industry in four states is evident. Each of the three contiguous states of Kentucky, Pennsylvania and West Virginia in the eastern portion of the country and the western state of Wyoming has annual coal mining production in excess of a billion dollars. The four states together had a 59% share of the nation's $10 billion coal industry in 2001.[2]

It is evident in Maps 2 and 3 for the oil & gas industry and the auto industry, respectively, that many of these same states are also home to major portions of those industries. There is therefore a cumulative or combined effect in some states such that two industries – or even all three in the case of Pennsylvania – are present in the state economy.

In Table 1, data on the three selected industries in each state and the industry totals for the US are displayed. In that table, it is clear that the oil & gas and auto industries dwarf the coal industry, both in terms of their total

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[1] Most of the data in this study are based on the North American Industry Classification System (NAICS) because it is used to report the state-level industry activity in the Gross State Product accounts developed by the Bureau of Economic Analysis and the Census Bureau of the US Department of Commerce. Prior to 1997, the US used the Standard Industrial Classification (SIC), and many older data sets are therefore based on that system. Since nearly all the data in this study are more recent than that, however, the data of the study generally reflect the NAICS. The NAICS includes more than 350 new industries, compared with the SIC.

[2] About one-half of US electricity is produced in coal-fired power plants (51% in 2001), and coal is thus a major generator of US greenhouse gas emissions.

economic size and their relatively wide dispersion around the country. Each of the two former industries has contributed over $100 billion in its value added to gross domestic product, while the coal industry has contributed only about $10 billion. Further, whereas there are only four states where the coal industry exceeds $1 billion, there are 10 states where the oil & gas industry is that large, and 18 where the auto industry is that size.

Table 1. Industry size by state (value added in $ millions, 2001)

State	Oil & Gas	Coal	Auto
AL	734	446	1,600
AK	4,892	30	1
AZ	15	121	500
AR	353	1	543
CA	7,275	1	3,612
CO	2,461	230	251
CT	13	0	572
DE	NA	0	760
DC	18	0	0
FL	75	1	456
GA	7	12	2,529
HI	1	0	1
ID	2	0	100
IL	122	444	2,939
IN	18	301	11,415
IA	NA	0	992
KS	1,156	6	733
KY	115	1,820	10,255
LA	27,915	27	300
ME	NA	0	35
MD	1	67	246
MA	2	0	117
MI	465	NA	26,622
MN	4	0	1,937
MS	689	8	331
MO	5	46	5,509
MT	265	248	17
NE	18	0	343
NV	6	0	36
NH	0	0	912
NJ	8	0	255
NM	4,415	378	62
NY	192	0	1,922
NC	12	0	2,348
ND	475	137	135
OH	564	527	14,607
OK	5,217	18	990
OR	4	0	680
PA	1,154	1,097	1,399
RI	0	0	14
SC	4	0	2,212
SD	12	NA	192
TN	17	38	5,425
TX	46,903	242	1,584
UT	533	349	585
VT	0	0	51
VA	236	505	1,802
WA	7	75	843
WV	724	2,214	124
WI	2	0	2,527
WY	3,219	1,104	6
US	110,326	10,493	111,431

Source: Data compiled by the author from US Bureau of Economic Analysis (www.bea.gov, downloaded 21 October 2004).

In terms of political significance within each state, the economic size of an industry relative to the total state economy is important, of course. As for the oil & gas industry, 18.8% of Louisiana's gross state product is from that industry, but only 3.1% in Texas and 0.5% in California. In the Midwest, the presence of the auto industry is evident: 8.3% in Michigan and 3.9% in Ohio. In the four main coal states, those ratios range from only 0.3% in Pennsylvania and 1.5% in Kentucky to 5.2% in West Virginia and 5.4% in Wyoming.

The relative sizes of the auto and coal industries in Kentucky are indicative of the transformation of the economy of that state during the past few decades: The auto industry was 8.5% of gross state product, or 5.6 times larger than the coal industry, in 2001. Indeed, Kentucky might be more appropriately labelled an 'auto state' than a 'coal state' as a result of the transformation. Of course, in the context of an analysis of the implications of these features of Kentucky's economic geography, the combined presence of these two fossil fuel industries is politically significant.

A striking feature of these industry data, however, is the relatively small size of the coal industry, not only in its concentration in a relatively small number of states, but also in relationship to the national economy, in relationship to state economies and in relationship to other industries even within a 'coal' state such as Kentucky. The political significance of the coal industry is thus a function of features of the political system as well as the economic system – in particular, its presence in the battleground states of Pennsylvania and West Virginia.

Moreover, another factor must be taken into account in assessing the economic and political significance of coal. In a populous and heavily industrialised state such as Ohio (another battleground state, which happens to share long borders with both Pennsylvania and West Virginia), coal is a major factor in the state economy because it is the principal fuel to produce electricity. In fact, the combination of its location within the country's major coal region and its coal-dependent electric power industry make it a de facto or virtual coal state. The same could be said for its neighbour, Indiana. The assessment of the economic and political significance of the coal industry thus needs to expand beyond simple computations of industry size to include other economic and political variables.

The same point, of course, can be made about the oil & gas industry and the auto industry. However, there are two obvious and important differences in the economics of the coal industry, on the one hand, and the oil & gas and auto industries, on the other hand. First, each of the latter is at least ten times larger than the former. In fact, the ratio is even larger if the petrochemical industry is included in the oil & gas industry, or if the full scope of the industries such as aluminium, steel and plastics that are directly related to the auto industry are included. The second key difference, noted above, is that the oil & gas industry and the auto industry are both more widely distributed among a larger number of states. Yet, the oil & gas industry is nevertheless somewhat regional in as much as it is largely

concentrated in a band of states from Louisiana and Texas to Wyoming and California, and it is thus essentially a southwestern-western industry. The auto industry is less regional, although it is concentrated in a band of states from the southeast to the northern parts of the Midwest (i.e. north central states) plus California, of course. The political significance of these industry location patterns is that the regional political base of each industry is different, albeit with some overlaps.

Of course, these data about the location of fossil-fuel dependent industries take on political significance in the context of particular political processes. In order to explore specific economic-political linkages, the next section considers the significance of a relatively small number of so-called 'battleground states' in presidential elections.

3. Battleground States in Presidential Elections

The 2000 and 2004 presidential elections were reminders that US national elections are decided on the basis of the results at the state level in 50 individual states.[3] Moreover, among the 50 states, 10 to 20 are typically 'battleground states', where the margin of victory tends to be relatively small. These are states with highly competitive two party systems, where each party enjoys support among close to half of the population, or where there are a large number of independents, who may vote for the candidate of either party in any given election. The focus of attention, therefore, in a presidential election tends to be on those relatively few states where the outcome is in doubt, at least early in the campaign period and sometimes as late as election day itself. The precise list of the particular battleground states varies with each election, although several states such as Michigan, Missouri, Ohio and Pennsylvania are usually included because of the combination of their size and their relatively balanced distribution of partisanship.

During the 2004 presidential election, the Annenberg Election Survey (NAES), which is conducted each presidential election year by the Annenberg Public Policy Center of the University of Pennsylvania, identified the following 20 as battleground states: Arizona, Arkansas, Colorado, Delaware, Florida, Iowa, Louisiana, Maine, Michigan, Missouri, Minnesota, Nevada, New Hampshire, New Mexico, Ohio, Oregon, Pennsylvania, Washington, West Virginia and Wisconsin (NAES, 2004a & 2004b). See the economic and political data for each state in Table 2.[4]

Table 2. Economic and political data on states

State	Gross state product (2001)	Popu-lation (2001)	Electoral college votes	Battle-ground state in 2004*	Percentage of 2004 Votes Rep/Dem
Alabama	121490	4,466,440	9		
Alaska	28581	632,674	3		
Arizona	***160687***	***5,297,684***	***10***	***yes***	***54.9 / 44.4***
Arkansas	*67913*	*2,692,041*	*6*	*yes*	*54.4 / 44.5*
California	1359265	34,533,054	55		
Colorado	*173772*	*4,428,786*	*9*	*yes*	*51.7 / 47.0*
Connecticut	166165	3,432,550	7		
Delaware	*40509*	*795,576*	*3*	*yes*	*45.8 / 53.3*
District of Columbia	64459	572,716	3		
Florida	***491488***	***16,355,193***	***27***	***yes***	***52.1 / 47.1***
Georgia	299874	8,394,795	15		
Hawaii	43710	1,225,038	4		
Idaho	36905	1,321,309	4		
Illinois	475541	12,517,168	21		
Indiana	189919	6,126,470	11		
Iowa	*90942*	*2,932,225*	*7*	*yes*	*49.9 / 49.3*
Kansas	87196	2,700,453	6		
Kentucky	120266	4,067,336	8		
Louisiana	*148697*	*4,466,001*	*9*	*yes*	*56.7 / 42.2*
Maine	*37449*	*1,284,691*	*4*	*yes*	*44.6 / 53.6*
Maryland	195007	5,383,377	10		
Massachusetts	287802	6,399,869	12		
Michigan	***320470***	***10,005,218***	***17***	***yes***	***47.8 / 51.2***
Minnesota	***188050***	***4,985,202***	***10***	***yes***	***48.0 / 51.5***
Mississippi	67125	2,857,716	6		
Missouri	***181493***	***5,636,220***	***11***	***yes***	***53.3 / 46.1***
Montana	22635	905,954	3		
Nebraska	56967	1,719,000	5		
Nevada	*79220*	*2,094,633*	*5*	*yes*	*50.7 / 48.1*
New Hampshire	*47183*	*1,258,974*	*4*	*yes*	*49.0 / 50.4*
New Jersey	365388	8,504,114	15		
New Mexico	*55426*	*1,829,110*	*5*	*yes*	*49.8 / 49.0*
New York	826488	19,074,843	31		
North Carolina	275615	8,195,249	15		
North Dakota	19005	636,285	3		
Ohio	***373708***	***11,385,833***	***20***	***yes***	***50.8 / 48.7***
Oklahoma	93855	3,467,181	7		
Oregon	***120055***	***3,472,629***	***7***	***yes***	***47.4 / 51.6***
Pennsylvania	***408373***	***12,298,363***	***21***	***yes***	***48.5 / 51.0***
Rhode Island	36939	1,058,992	4		
South Carolina	115204	4,059,818	8		
South Dakota	24251	758,156	3		
Tennessee	182515	5,745,808	11		
Texas	763874	21,340,598	34		
Utah	70409	2,279,590	5		
Vermont	19149	612,923	3		
Virginia	273070	7,192,697	13		
Washington	***222950***	***5,992,760***	***11***	***yes***	***45.6 / 52.8***
West Virginia	*42368*	*1,801,641*	*5*	*yes*	*56.1 / 43.2*
Wisconsin	***177354***	***5,405,140***	***10***	***yes***	***49.4 / 49.7***
Wyoming	20418	493,720	3		

[3] The District of Columbia has three electoral votes in Presidential elections. (It does not have a voting representative in either house of Congress, although it does have a non-voting 'delegate' in the House of Representatives.)

[4] Other lists included 11 in the New York Times, 14 in the Washington Post and 17 in the San Francisco Chronicle.

* Italicised print indicates the 20 battleground states in the NAES (2004a) list. Among them, the nine in bold italics are states with 10 or more electoral votes.

Sources: Compiled by the author from the following:
Battleground states: National Annenberg Election Survey (NAES, 2004b).
Gross state product: US Bureau of Economic Analysis (2004).
Population: US Census Bureau (2000, Table 1).
Electoral College and 2004 votes: US Federal Register (2005).

Among the battleground states, the ones of special interest in the present context are three coal states (Ohio, Pennsylvania and West Virginia), two oil & gas states (Colorado and Louisiana) and two automotive states (Michigan and Missouri). Because these are battleground states, the three fossil fuel industries in them take on much political significance in a presidential election – and in other elections, too, of course.

Table 3. 'Persuadables' in 2004 presidential election battleground states (percentages)

Recent Voting Behaviour	'Persuadables'* in battleground states	All respondents in battleground states	All respondents in national sample
For Bush in 2000	34	38	38
For Gore in 2000	22	30	32
For Nader in 2000	3	2	2
Did not vote in 2000	34	24	27
Did not vote in *2002* congressional election **	56	41	43

* The 'persuadables' were the respondents who indicated that they were undecided, or who said they had a preference but there was a 'good chance' they could change their minds.

** For consistency of presentation, the table reports the percentage *not* voting in the 2002 congressional election, rather than the percentage voting reported in the source.

Source: National Annenberg Election Survey (2004). National sample size = 8,314. Battleground states sample = 3,418.

The NAES survey identified 832 persuadable voters in the twenty battleground states – that is, 24% of the sample from those states.[5] The 'persuadables' were the respondents who indicated that they were undecided, or who said that they had a preference but that there was a 'good chance' they could change their minds. Comparisons with other potential voters in those states and with the national sample indicate that they are less likely to vote at all (see Table 3). Fully one-third of them did not vote in the 2000 presidential election; more than half did not vote in the 2002 congressional election. Part of the challenge for a presidential candidate, therefore, is to induce potential supporters to actually vote on election day. Appeals to narrow industry interests are of course one commonly used way to respond to that challenge.

On the basis of the self-reported votes of those who did vote in 2000, there was a pattern in the distribution of their votes between the Republican Bush and Democrat Gore: There was a 12 percentage point gap in Bush's favour in the 2000 vote among the identified 'persuadables' in the battleground states in May 2004, as compared with only an 8 point gap among all respondents in the battleground states and 6 points among all respondents in the national sample. Thus, in 2004, the candidate John Kerry faced an especially large gap to overcome among 'persuadables' in battleground states. In the final weeks of the election, he consequently spent a disproportionate amount of time in a few states, including Ohio and Pennsylvania.

In short, getting-out-the-vote efforts and convincing-the-persuadables in a few key states are central to candidates' campaign strategies. In many of those key states, the coal, oil & gas and auto industries are major sectors of the state economy. These structural features of the economic geography of US politics play out in many arenas. The place of the coal industry in this context is especially pertinent.

4. Coal Industry Politics

The coal industry has gained increased political significance beyond its economic significance. This is partly because of the importance of the industry in a few key battleground states. The three coal states of Ohio, Pennsylvania and West Virginia have, respectively, 20, 21 and 5 electoral votes, or altogether, 8.6% of the national total. These three states collectively, then, can shift the outcome of a close presidential election one way or the other. The coal industry thereby gains disproportionate political leverage. In an unusually close election, even West Virginia by itself can shift the outcome. In the 2000 election, because a shift from Bush to Gore of West Virginia's 5 electoral votes would have changed the outcome of the presidential election, it has been argued that Gore's identity as a strong environmentalist with a special interest and record of support for climate change mitigation, which was a political liability in West Virginia, cost him the election at the margin (Agrawala & Anderson, 2001, as cited in Rosenkranz, 2002, p. 232).

In the 2004 election, a shift of 60,000 votes out of the 5.6 million cast in Ohio would have reversed the outcome of that election. A shift of about 1% of Ohio's votes would have meant its 20 electoral votes would have been cast for Kerry instead of Bush, enough to give Kerry the majority of the electoral votes and thus gain the presidency.

During the 2004 presidential campaign, government subsidies for the development of alternative coal technologies to reduce greenhouse gas emissions became an issue when Senator Kerry proposed a multi-year $10

[5] The Annenberg survey uses unusually large samples so that inferences from sub-samples to sub-populations for the battleground states are available with relatively high levels of confidence/small confidence intervals (NAES, 2004a). For example, 8,314 people were interviewed nationally in the survey that was conducted from May 1 through May 31, 2004. For the national sample in that survey, the margin of error was +/- 1% at the 95% confidence level; for the 3,418 people interviewed in the 20 battleground states, it was +/- 3%.

billion programme, which exceeded President's Bush's more modest $2 billion programme.

Like other industries, of course, the coal industry gains influence partly through campaign contributions. Coal company contributions to candidates and parties during the six year period, 1999-2004 (as of July), amounted to $9 million, 90% of which went to Republican candidates. The top ten coal corporation contributors in the 2002 Congressional elections and 2004 Congressional and Presidential elections (as of July) contributed nearly $3 million, more than 90% of which went to Republican candidates (see Table 4).

Table 4. Campaign contributions of coal firms to 2002 congressional elections and 2004 presidential and congressional elections

Firms	Amounts ($ thousands)	Percentage to Republicans
Peabody	1438	95
AEI Resources	533	94
Murray Energy	450	96
Drummond	352	90
Arch Coal	299	86
Boich	212	96
Amves	193	94
RAG American Coal	154	78
American Energy	129	95
International Industries	121	99

Source: Data on campaign contributions are from the Center for Responsive Politics as reported in Drew & Oppel (2004).

At a meeting in Charleston, West Virginia, during the Presidential election campaign in August 2000, Mr. Bush met with officials of a coal industry association and a labour union to hear their complaints about government regulations on the industry. Later that day, Donald Evans, Mr. Bush's campaign chairman and subsequently Secretary of Commerce, called the two officials to discuss government regulations. The two officials then created the Balanced Energy Coalition, which contributed to the Bush campaign and encouraged mine workers to vote for him (Drew & Oppel, 2004).

5. US Climate Policy-Making in a Pluralistic Political Economy

These facts about the location of US industry and the functioning of the US political institutions are illustrative of basic patterns in US government policy-making. The patterns are encapsulated conceptually in the 'pluralist model' of the US political economy. The pluralist model was adopted by Skolnikoff (1990) and Lee (2001) – and to a lesser extent and implicitly by Harrison (2000) – to interpret selected aspects of US government policy-making on climate change issues.[6]

Features of economic interest groups, such as the industries in this analysis, and the political-institutional context of government policy-making, such as the importance of a few states in the US presidential elections, are at the core of the pluralist model. A diverse economic system creates multiple interests, especially along industry lines and regional lines. Numerous organised interest groups, representing conflicting interests in the political system, share power with governmental institutions in coalitions on particular issues. A federal system ensures a substantial degree of decentralisation of governmental power among state and local governments and between those levels and the national level.

As a result, relatively small economic interest groups, such as the coal industry in this study, can have a disproportionate influence in the political process. Presidents and presidential candidates – not to mention members of Congress, of course – are thus often responsive to the narrow economic interests of politically active groups.

The political influence of an industry that is of substantial economic significance at the local, state and regional levels, but much less so at the national level, has been a central issue of the US political economy and indeed of political philosophy since the 18th century. During the period when the new US Constitution was being considered for ratification in the 13 individual states, one of the arguments in favour of establishing a stronger central, national government to replace the relatively weak one under the existing Articles of Confederation was that a strong central government would be able more successfully to counter strong special-interest local 'factions'.[7] The issue continues to be relevant today in US policy-making in the area of climate change.

[6] Much of the pluralist literature has focused on US trade policy-making; see especially Bauer et al. (1972), Deardorf & Stern (1998), Destler (1995) and Destler & Balint (1999). For earlier development of the intellectual underpinnings of the model, see especially Bentley (1967), Dahl (1967), Schattschneider (1935) and Truman (1971).

[7] See, for instance, 'Federalist Paper Number 10,' by James Madison, in Hamilton, Madison and Jay (1787, reprinted 1961), which was written to build support in the constitutional ratification process for the federal political system and which addressed the issue of how to avoid the undue influence of locally dominant special interests by creating a strong national government.

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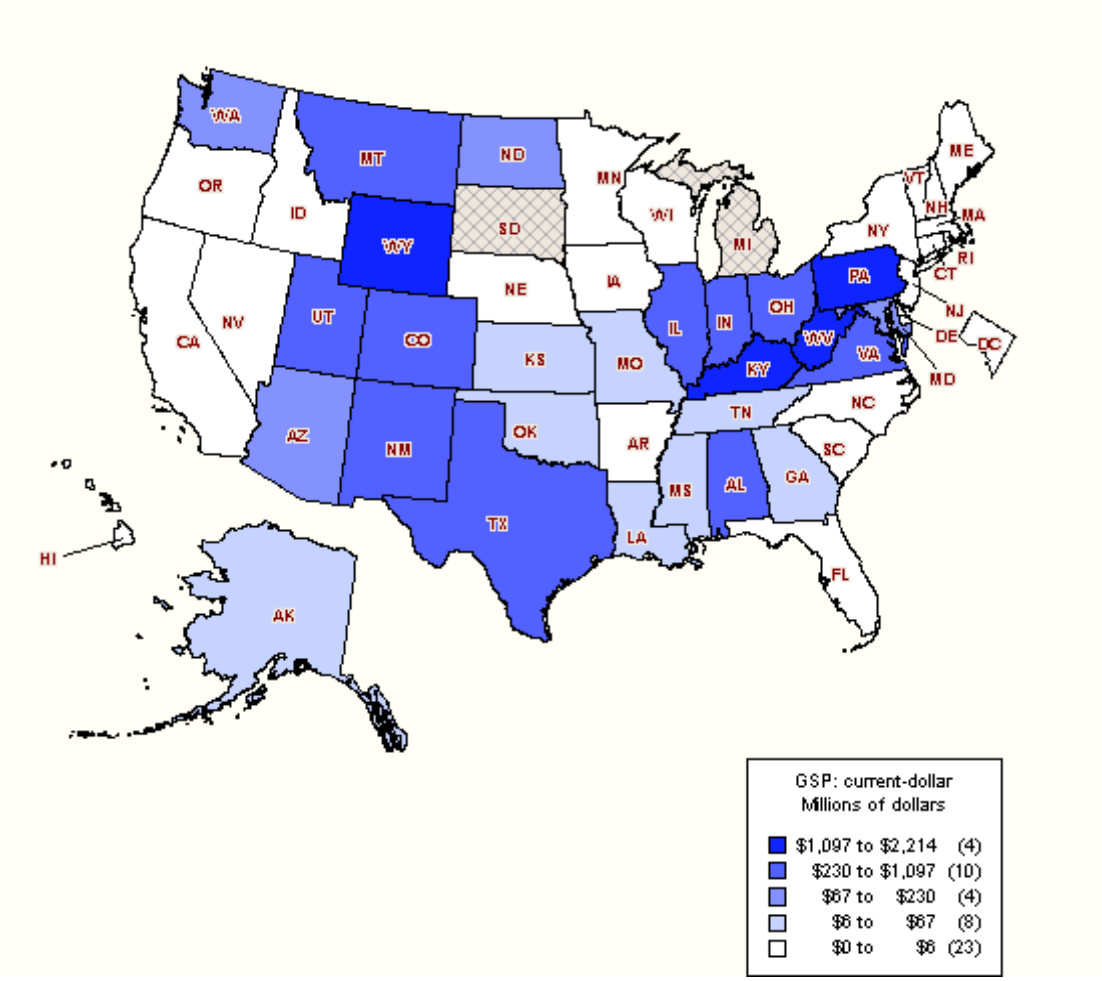
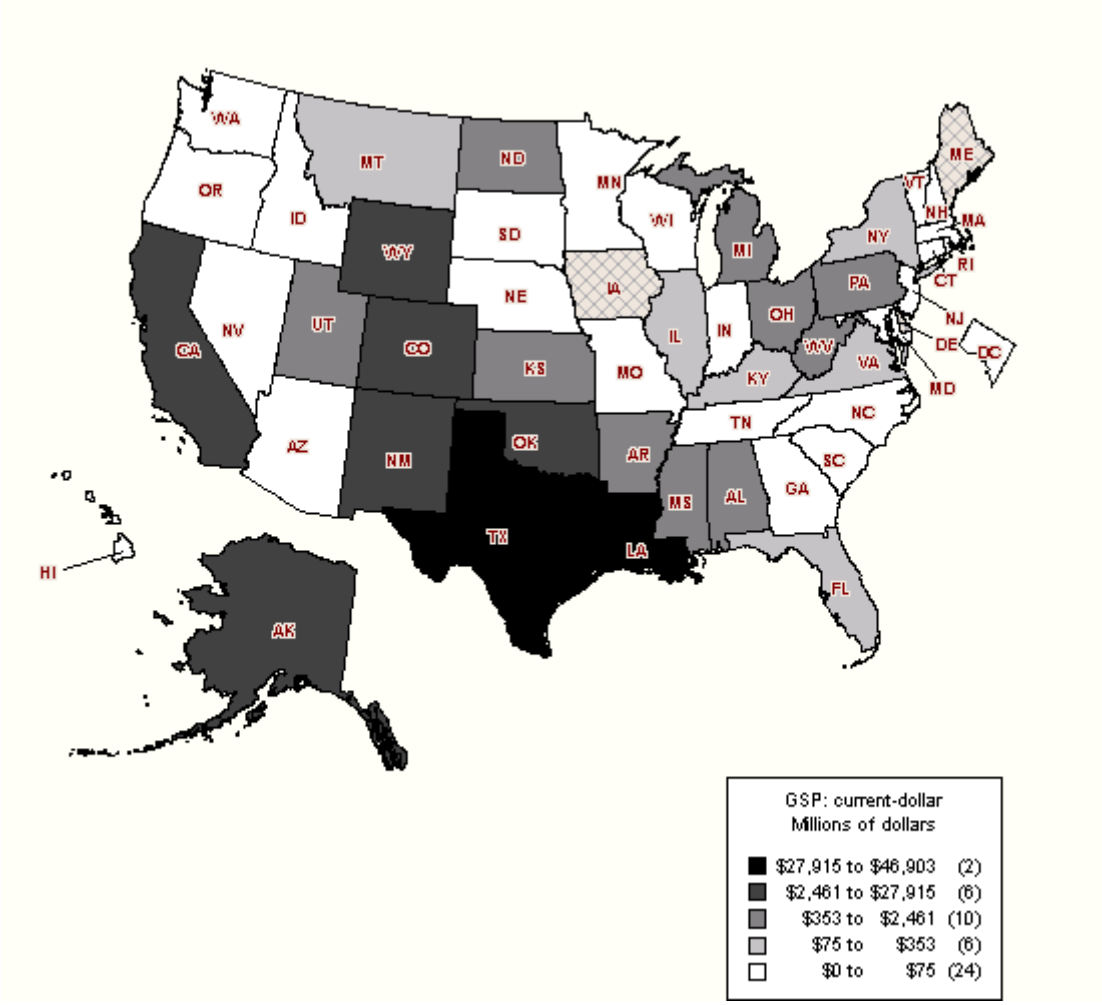
Map 1. Location of US coal industry by state



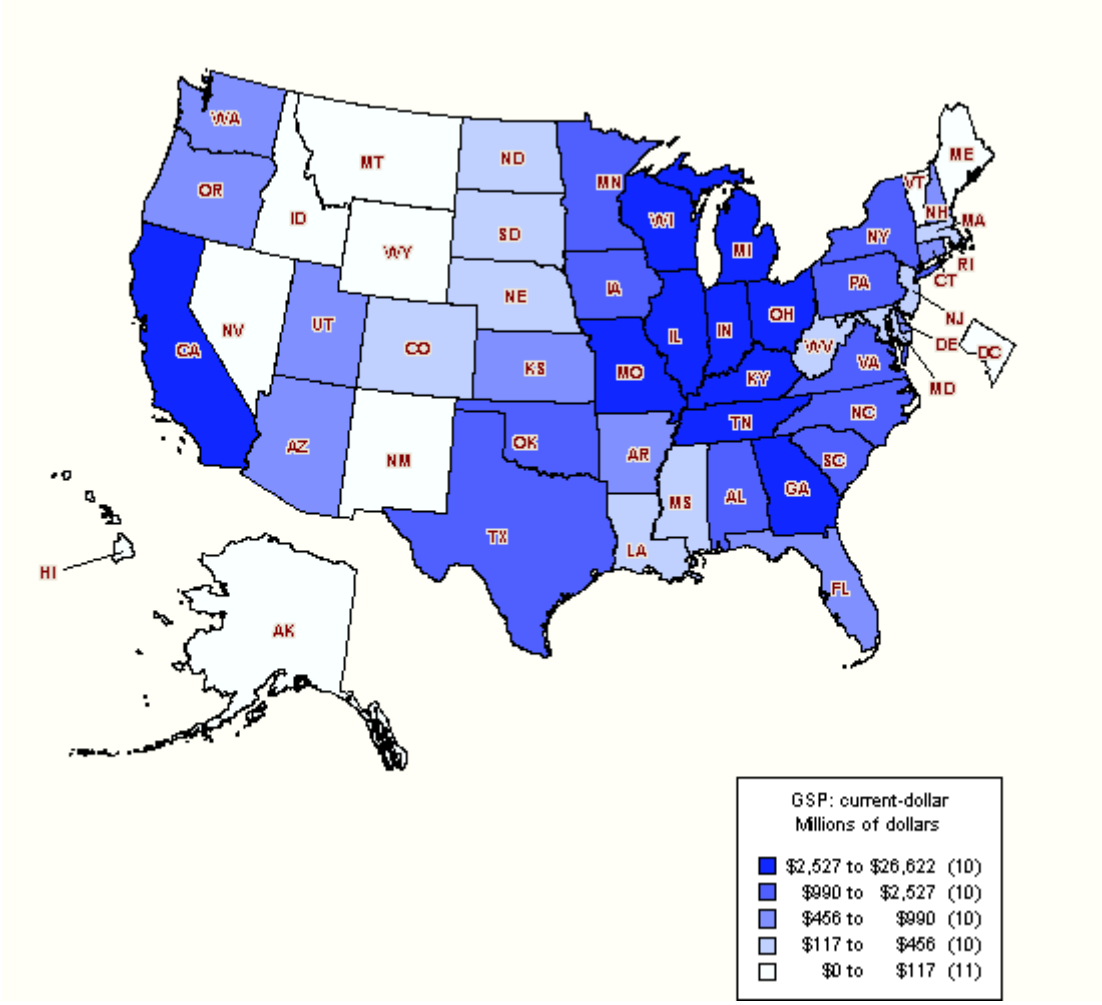
Source: US Bureau of Economic Analysis, data released on 5/22/2003 (www.bea.gov, downloaded 12 June 2004).

Map 2. Location of US oil & gas extraction industry by state



Source: US Bureau of Economic Analysis, data released on 5/22/2003 (www.bea.gov, downloaded 12 June 2004).

Map 3. Location of the US auto industry by state



Source: US Bureau of Economic Analysis, data released on 5/22/2003 (http://www.bea.gov/bea/regional/gspmap/mappage.asp, downloaded 22 October 2004).

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