

# Green Jobs: Hope or Hype?

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*In October, the unemployment rate in the United States reached 10.2 percent. Most economists consider about 5 percent to be full employment. Not surprisingly, job growth is a hot political issue.*



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President Obama has directed funds from various federal agencies and the \$787 billion economic stimulus bill to create five million “green” jobs. These jobs involve work to preserve, restore or improve environmental quality, mainly through increased energy efficiency and renewable power production. He claims these jobs will “pay well and can’t be outsourced.” The president has proposed spending \$150 billion over the next decade on programs that create green jobs. These projects would include subsidies for wind and solar power, increased energy efficiency standards for appliances and buildings, retrofitting homes, and upgrading the electrical grid.

But the president’s proposal does not consider several major costs of government spending on green jobs, such as the loss of nongreen employment in other sectors of the economy. Indeed, subsidizing green jobs could cause more job losses than gains.

**An Economic Shell Game.** Green jobs creation is simply another program designed to transfer wealth from businesses, taxpayers and consumers to politically favored uses. In recent testimony before the Senate Energy and Natural Resources Committee, Congressional Budget Office Director Douglas Elmendorf warned, “The net effect [of a green jobs policy] ... would likely be some decline in employment during the transition ... The

fact that jobs turn up somewhere else for some people does not mean there aren’t substantial costs borne by people, communities, firms and affected industries.”

**Flawed Analysis Leads to Misleading Job Numbers.** The Obama administration and its allies have cited studies from the U.S. Conference of Mayors, the American Solar Energy Society, the Center for American Progress and the United Nations Environment Programme, among others, to support their claims that green investments will provide millions of new jobs. These analyses share a number of flaws.

First, they confuse efficient and inefficient production. Productivity is the amount of output per unit of input. Producing the same amount of a good with fewer inputs makes it more affordable, freeing labor, natural resources, equipment and capital for other uses. This improves a country’s economic welfare.

The green jobs model, however, is built on the inefficient use of labor, favoring technologies that employ large numbers of people over technologies that use labor efficiently. For example, according to the United Nations Environment Programme, solar energy requires nine times as much labor per megawatt of energy generated as natural gas, and nine times as much labor per megawatt of energy as coal. [See Figure I.]

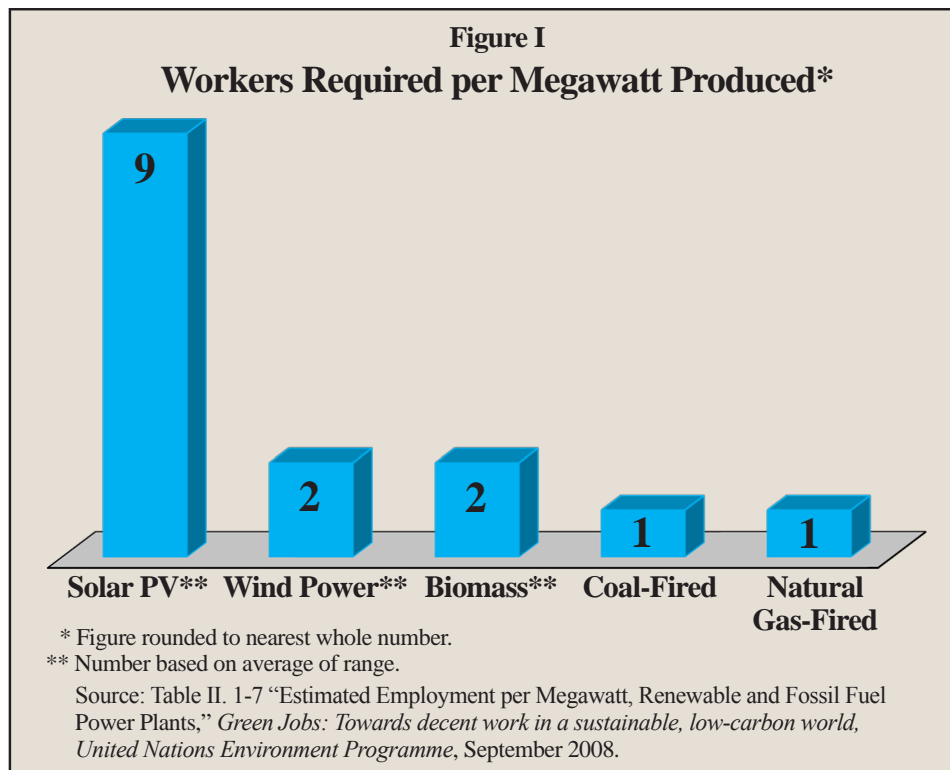
Furthermore, on average, solar energy costs three to five times as much per megawatt as electricity from natural gas or coal.

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Second, many of the jobs “created” by government subsidies will not be filled by the unemployed but by workers shifting from one job to another. Thus, job creation could be overstated significantly. For instance, proposed global warming legislation threatens to shutter a number of fossil-fuel power plants while boosting employment at wind and solar facilities. Moving engineers from traditional power plants to renewable energy facilities should not count as new jobs creation. Finally, these studies only examine jobs created by the government programs, ignoring the jobs destroyed by higher energy prices and the taxes to pay for the increased spending.

**Evidence from Abroad.** Experience in Europe, which has taken the lead in green job creation, confirms that this is an economic shell game. For example, according to a study of Spain’s renewable energy initiatives:

- The Spanish government created approximately 50,000 green jobs, but as a result about 110,000 other jobs were lost.
- Only 1 in 10 new jobs were permanent.
- The average green job created since 2000 added \$774,000 in costs to consumers’ bills.



The high cost of green energy has driven energy-intensive Spanish industries to countries with lower energy costs.

The report concluded, “These costs do not appear to be unique to Spain’s approach but instead are largely inherent in schemes to promote renewable energy sources.” Extrapolating from Spain’s experience, the authors note that even if President Obama’s initia-

tives manage to produce five million green jobs, about 11 million jobs could be lost in other sectors. [See Figure II.]

**Conclusion.** Most people agree America’s energy sources will change, but no one is certain what the replacement will be. The transition could resemble 17th-century England when coal replaced wood, or the 19th century when oil displaced coal.

Markets are highly efficient information-processing systems. Inefficient processes are abandoned unless government protects them. Free societies become more energy-efficient and thus greener.

Promoting high-cost renewables will artificially inflate the cost of energy that the economy relies upon. The best job creation policies allow markets to work and become more efficient through competition.

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