Statement before the Senate Committee on
Health, Education, Labor, and Pensions

On

"Building the Ladder of Opportunity:
What's Working to Make the American Dream a Reality for the Middle Class"

The Question of Green Jobs

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The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

Chairman Harkin, Ranking Member Enzi, Members of the Committee:

Thank you for inviting me to testify today. Along with my remarks, I have submitted a pertinent study that I authored, titled "The Myth of Green Energy Jobs: The European Experience."

Much of my testimony is excerpted from this study. I should observe that my testimony represents my views only.

I have been asked to discuss the question of today's hearing in the context of green jobs, which I have been writing about for a few years now.

But first, a few words about my background.

I am a biologist and environmental policy analyst by training, and I have applied that training to public policy analysis since 1994. While I do not hold a specific degree in economics, economic analysis is a fundamental component of policy analysis, and I have studied it both academically and professionally since 1990.

So, to the question of green jobs.

As it turns out, we are only beginning to get a definition of what a green job is.

The Brookings Institution recently took a shot at defining what they're calling "clean" jobs, and they tried to do a good job of it, but even their analysis raises more questions than answers.

For example, Brookings doesn't count people who work inside companies in environmental compliance or environmental impact reduction, but they throw in a very large number of mass transit workers.

Yet whether or not mass transit is green depends on ridership levels, the power source, the age of the vehicles, which emissions you're focused on and so on.

For example, it would be hard to see how an inefficient 20-year old metro car powered by coal-generated electricity, running half empty is "cleaner" than the newer, much cleaner automobiles carrying people over the same distance.

With that caveat, I'll move into a quick discussion of the general theory of job creation, then move to a review of real-world experience with government stimulation of green-energy jobs, which are somewhat better defined.

First, what is the source of jobs? Do jobs emerge from the interaction of entrepreneurs and consumers, or do governments create them?

That question has been debated since at least the 1850s, when Frédéric Bastiat, a French journalist and politician wrote *What is Seen, and What is Not Seen*, an essay that should be mandatory reading for anyone interested public policy.

Bastiat explained that since the government doesn't have capital of its own, it can only "create" a job with money it takes from someone who is already using it.

So, if Uncle Sam wants Taxpayer Tom to hire someone, they must give him money they've taken from Taxpayer Paula, who was already using it to create jobs directly or indirectly.

But several dynamics make that effort a losing proposition. First, because government administration costs money, what they take from Paula doesn't all get to Tom. Some goes to pay bureaucrat Bob.

Second, government planners tend to create jobs that are less economically efficient.

After all, if the wind-power job that Uncle Sam wants Tom to produce was more profitable than the job Paula was already producing, she would cash out of what she's doing and throw in with Taxpayer Tom for her own benefit. No mandates required.

The same is true when government tells a manufacturer what product they can't sell, while telling someone else what product they can sell.

Just as with jobs, when government regulation favors product A over product B, what is seen is the new sales of product A, and the jobs associated with such sales. What is not seen is the lost sales of product B, and the lost jobs that go with it.

Now, let’s look at the application of green-energy job stimulation as it played out in three European countries. There are more examples in the study I referenced when I began.

I’ll start with Spain.

In March of 2009, researchers at the Universidad Rey Juan Carlos released a study examining the economic and employment impacts of Spain’s push into green energy job creation.

The study calculates that since 2000 Spain spent about $815,000 dollars to create each green energy job. Wind industry jobs were particularly pricy, at $1.5 million per job created.

The study calculates that the money used to create those jobs would have produced 110,500 jobs elsewhere in the economy. In other words, for every green job created, 2.2 jobs were destroyed or foregone in the general economy.

Now to Italy, where a study performed by the Bruno Leoni Institute, found similar problems.

The Bruno Leoni study found that for every job created in the green sector, 5 to 7 jobs would likely have been created in the general economy.

Finally, to the United Kingdom.

A recent report by consultancy Verso Economics found that for every job created in the UK in renewable energy, 3.7 jobs were foregone in the general economy.

This report uses the government’s own macroeconomic model for Scotland, and calculates that promoting renewable energy in the UK has an opportunity cost of 10,000 direct jobs in 2009/10 and 1,200 jobs in Scotland.

Before I conclude, I was asked to comment about the “stimulus” of 2009, and its effectiveness in creating green jobs.

A report September of 2010 pointed out that only $20 billion of the $92 billion allocated for renewable energy projects had been spent. And, according to the

Department of Energy, much of that was spent abroad, creating green jobs in China, Spain, and South Korea.

For example, a report by American University found that eleven US wind farms used their stimulus grants to buy wind turbines made abroad: 70% of those wind turbines purchased with stimulus grants were made elsewhere.

It could have been worse: the Department of energy reports that for some green stimulus projects, 80% of the spending was abroad.

The EPA itself recently admitted that it can't say whether or not stimulus money created jobs: they can tell you what they spent, but not what effect it had.

So given that most of the green stimulus is unspent, and much of what has been spent has been spent elsewhere, and some of the projects that were funded have already gone belly up, when it comes to American job creation, it's unlikely that the Act had a significant positive impact.

In conclusion, the idea that government can create jobs in the economy is a myth, and painting the myth green makes it no less of a myth.

The experience of Europe, which has preceded us in the quest for a new green economy, is both negative, and unsustainable, with subsidies being cut back, and feed-in tariffs reduced.

What little we know of our own efforts are, similarly, proving to be poorly thought-out.

I thank you again for this opportunity to testify, and look forward to your questions.