



Statement before the Committee on Science, Space, and Technology
Subcommittee on Investigations and Oversight

The Green Jobs Myth

Dr. Kenneth P. Green

Resident Scholar

American Enterprise Institute

April 7, 2011

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

Chairman Hall, Ranking Member Johnson, Members of the Subcommittee:

Thank you for inviting me to testify today. Along with my remarks, I have submitted a pertinent study that I recently completed, titled "The Myth of Green Energy Jobs: The European Experience." Much of my testimony is excerpted from this study.

My testimony represents my personal views only, and should not be construed as the official position any other persons or organizations I may affiliate with.

The question of green job creation is simply a variant on the general question of whether or not government can create jobs. 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 in public policy.

Bastiat framed the idea that government creates jobs as a fallacy of the broken window. As Bastiat explained, imagine some shopkeepers get their windows broken by a rock-throwing child. At first, people sympathize with the shopkeepers, until someone suggests that the broken windows really aren't that bad. After all, they "create work" for the glazier, who might buy food, benefiting the grocer, or clothes, benefiting the tailor. If enough windows are broken, the glazier might even hire an assistant, creating a new job.

Did the child then do a public service by breaking the windows? Would it be good public policy to simply break windows at random to create jobs for window installers? No, because what's not seen in this scenario is what the shopkeepers would have done with the money that they've had to use to fix their windows. If they hadn't needed to fix the windows, the shopkeepers would have put the money to work in their shops, buying more stock from their suppliers, or perhaps adding a coffee-bar, or hiring new stock-people.

Before the child's action, the shopkeepers had the economic value of their windows and the money to hire a new assistant or buy more goods. After the

child's action, the shopkeepers have their new windows but no new assistant or new goods, and society, as a whole, has lost the value of the old set of windows.

The analogy holds just as well when it is the government that comes, and by regulatory fiat "breaks the window" of one company successfully selling goods and services into a free market.

When the government establishes a regulation favoring 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.

And, since markets allocate capital more efficiently than does government, we would expect to see job losses on net. To see our possible green future, let's see how the broken windows fallacy has played out in Europe.

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.

The study calculates that since 2000 Spain spent about \$815,000 dollars to create each "green job", rising to \$1.5 million per wind industry job.

The study calculates that the programs creating those jobs also resulted in the destruction of nearly 110,500 jobs elsewhere in the economy, or 2.2 jobs destroyed for every "green job" created.

Now to Italy, where a study performed by the Bruno Leoni Institute, found serious problems with the Italian experience. The Italian study found that because green jobs were so expensive to create, for every job created in the green sector, 5 to 7 jobs would have been created in the general economy.

They also found that the vast majority of the green jobs created were temporary: following through on existing plans to build green energy projects would indeed

create jobs: between 50,000 to 112,000 by 2020. Alas, at least 60% of them would be temporary.

Next, 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 Scottish 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 American Recovery and Reinvestment Act of 2009, and its effectiveness in creating green jobs. A report released in 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 11 US wind farms used their stimulus grants to buy wind turbines made abroad: 695 out of about 1,000 wind turbines purchased with stimulus grants were made elsewhere. The Department of Energy reports that for some green stimulus projects, 80% of the spending was abroad.

So given that most of the green stimulus is unspent, and much of what has been spent has been spent elsewhere, when it comes to American job creation, it's unlikely that the Act had any positive impact.

In conclusion, the idea that the government can create jobs on net 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 uniformly negative, and is proving unsustainable, with subsidies being cut back, and feed-in tariffs reduced.

And, not to discount American exceptionalism, there is absolutely no reason to believe that things would happen differently here. Green energy requires significant subsidization. By definition, that means that jobs in the wind and solar industry will be more expensive to create than those in the general economy and will drive capital to less efficient uses, and that translates into fewer jobs in the economy on net.

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