

Green Jobs: Boom or Bust?

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An aggressive push for a green economy is underway in the United States. Policymakers routinely assert that “green jobs” can simultaneously improve environmental quality and reduce unemployment. As Van Jones, the original White House green jobs’ guru, said, “We imagine formerly incarcerated people moving from jail cells to solar cells—helping to harvest the sun, heal the land and repair their own souls.” Unfortunately, these claims about the wonders of green jobs are built on myths about economics, forecasting, and technology.

Our team of researchers from universities around the nation surveyed prominent green-job reports from a variety of organizations including the U.N.’s Environment Program (UNEP) and the Center for American Progress (CAP) to find that they overhyped the potential to create good jobs from industries like wind and solar power. It turns out that special-interest groups promoting green jobs use dubious assumptions and techniques in their analyses.

These missteps are alarming because proposed policies for green jobs could lead to a smaller economy—reducing the well-being of most people. Citizens deserve a careful analysis of and informed public debate about green jobs’ claims and recommendations before sweeping changes are initiated through the government. To help in the debate, we expose the myths so the facts can be seen more clearly.

MYTH 1: Everyone understands what a green job is.

FACT 1: No standard definition of a green job exists.

According to the studies most commonly quoted, green jobs pay well, are interesting to do, produce products that environmental groups prefer, and do so in a unionized workplace. Such criteria have little to do with the environmental impacts of the jobs. To build a political coalition, green jobs have become a

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mechanism to deliver something for members of many special interests in order to buy their support for a radical transformation of society. Committing hundreds of billions of dollars to promoting something lacking a transparent definition cannot be justified.

MYTH 2: Creating green jobs will boost productive employment.

FACT 2: Green jobs estimates include huge numbers of clerical and administrative positions that do not produce output.

Green jobs’ studies mistake any position

receiving a paycheck for a job creating value. Simply hiring people to write and enforce regulations, fill out forms, and process paperwork is not a recipe for creating wealth. Much of the promised boost in green employment turns out to be in nonproductive—and expensive—positions that raise costs for consumers. These higher paying jobs that fail to create a more eco-friendly society skew the results in both number of green jobs created and salary levels of those jobs.

MYTH 3: Green jobs forecasts are reliable.

FACT 3: Green jobs studies make estimates using poor models based on dubious assumptions.

The forecasts for green jobs often optimistically predict an employment boom that will create prosperity in a new green world. The forecasts are unreliable because they are based on: questionable estimates by interest groups of tiny base numbers in employment; extrapolation of growth rates from those small numbers that does not take into consideration that growth rates eventually slow, plateau, and even decline; and a biased optimism about which technologies will improve. Moreover, the estimates use a technique (input-output analysis) that is inappropriate to the conditions of technological change presumed by the green jobs literature itself. This yields seemingly precise estimates that give the illusion of scientific reliability to numbers that are actually based on faulty assumptions.

MYTH 4: Green jobs promote employment growth.

FACT 4: Promoting more jobs instead of more productivity leads to low-paying jobs in less desirable conditions.

Green jobs estimates promise greatly expanded and well-paid employment. This is a false promise. The green jobs model is built on promoting inefficient use of labor. The studies favor technologies that employ large numbers of people rather than those technologies that use labor efficiently. In a competitive market, the factors of production, including labor, are based on productivity. By focusing on low-productivity jobs, the green jobs literature dooms employees to low wages in a shrinking economy. The studies also ignore the millions of jobs that will be destroyed by the restrictions imposed on disfavored products and technologies.

MYTH 5: The world economy can be improved by reducing trade, relying on local production, and lowering consumption without decreasing our standard of living.

FACT 5: No nation can produce everything its citizens need or desire.

The green jobs literature rejects the benefits of trade and specialization, ignores opportunity costs, and fails to include consumer surplus in its welfare calculations. This is a recipe for an economic disaster. Even the favored green technologies, such as wind turbines, require expertise and intellectual property rights largely provided by foreigners. The 20th century saw many experiments in creating societies that did not engage in trade and did not value personal welfare. The economic and human disasters that resulted should have settled the question of whether nations can withdraw inside their borders.

MYTH 6: Government mandates are a substitute for free markets.

FACT 6: Companies react quicker to the demands of customers and the market than they can to cumbersome government mandates.

Green jobs supporters want to reorder society by mandating politically favored technologies and expenditures. But obeying government mandates is not the same as the responses arising from market incentives. Powerful evidence demonstrates that markets prompt the same resource conservation that green jobs advocates purport to desire. The rising cost of energy, for example, is an incentive to redesign production processes and products to use less

energy. People do not want energy; they want the benefits of energy. Those who deliver more desired goods and services by reducing the cost of energy are rewarded. On the other hand, we have no evidence to support the idea that command-and-control regimes accomplish conservation.

MYTH 7: Wishing for technological progress is sufficient.

FACT 7: Some technologies preferred by green jobs studies are not capable of meeting today's demands.

The technologies favored in the green jobs reports face significant problems in scaling up to the levels they propose. These problems are well documented in readily available technical literature, yet are ignored in green jobs publi-

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cations. At the same time, existing viable technologies that fail to meet the green jobs supporters' political criteria are rejected out of hand. This selective technological optimism/pessimism is not a sufficient basis for remaking society to fit the dream of planners, politicians, or special interests who think they know best, despite empirical evidence to the contrary.

UNSTATED TRADEOFFS

Before jumping on the green jobs bandwagon, one should also consider what the nation gives up to fund green employment. The CAP report, for example, asserts that if \$100 billion is spent on green activities, that 935,200 jobs would be directly created, implying a cost of \$107,000 per new job created. Most people could go to a state university full time for four years for that sum. Either the funds for these programs were taken from the pockets of people who now have \$100 billion less to spend on other things, causing an economic contraction in those other areas, or it is a bill passed on to the grandchildren of today's taxpayers in the form of deficit spending. These costs are real and must be considered in any debate.

This point is brought home in a recent study directed by Dr. Gabriel Calzada on green jobs in Spain. That country has poured resources into renewable energy sources and is hailed as a leader in solar and wind power.

The 50,000 green jobs created in Spain required an expenditure of \$38 billion, or an astounding \$760,000 per job. The net employment result was negative; the large sums spent on green jobs drained resources out of other parts of the economy and raised energy prices. Some companies moved production facilities to lower-cost-energy countries. In short, each green job created in Spain is estimated to have destroyed 2.2 other jobs.

BEYOND BOONDOGGLES

The costs of proposed green jobs programs are staggering. For example, the UNEP report concludes that "no one knows how much a full-fledged green transition will cost, but needed investment will likely be in the hundreds of billions, and possibly trillions, of dollars."

The scale of social change that would be imposed is also immense. Green jobs advocates propose dramatic shifts in energy-production technologies, building practices, food production, and so on. These calls for radical economic changes promise not only a revolution in our relationship with the environment, but also the employment of millions in high-paying jobs. Unfortunately, the analysis provided is flawed, resting on a series of myths about the economy, the environment and technology, and ignoring the opportunity costs of creating green jobs.

To attempt to transform society on the scale proposed by the green jobs literature is an effort of staggering complexity and scale. To do so based on the wishful thinking and bad economics embodied in the reports would be the height of irresponsibility. There is no doubt that significant opportunities abound to develop new energy sources, new industries, and new jobs. A market-based discovery process will do a far better job of developing those energy sources, industries, and careers than can a series of mandates based on flawed data. The policy debate should be open so we can dispel the myths and focus on the facts. ■

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