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Obama's "Green Jobs" Plan Will Not Work

By Kenneth P. Green

There may be good reasons to switch from existing energy sources to renewable. But President-elect Barack Obama's energy plans have significant costs. His energy promises rely on questionable science and even more questionable economics. Creating "green jobs" would kill other jobs.

Obama has put energy policy at the forefront of his agenda. He says that his plan will boost our national security, help us achieve "energy independence," reduce greenhouse gas emissions, and promote job creation. Indeed, Obama vows to create around 5 million new jobs by increasing federal spending on renewable energy sources such as wind, solar, and biofuels.

As many experts have observed, the science behind the Obama plan is dubious, particularly when it comes to ethanol. The renewable energy industry simply does not have the capacity—at least not yet—to power large swathes of our fossil fuel-driven economy. Just look at the United Kingdom, where a shortage of windmill-building capability has hindered the government's plan to replace aging nuclear reactors with wind power.

If Obama's energy promises rely on questionable science, they rely on even more questionable economics. We are to believe that replacing conventional energy sources (especially coal) with renewables (especially wind) will create 5 million new "green jobs." The hope is that armies of workers will be enlisted to build tens of thousands of windmills; to manufacture and deploy solar-power installations; to harvest, transport, and process huge amounts of biofuel feedstock; and to string the power lines that will allow the U.S.

power grid to incorporate a major expansion of intermittent energy.

Unfortunately, the idea of government "job creation" is a classic example of the broken window fallacy, which was explained by French economist Frédéric Bastiat way back in 1850. It is discouraging to think that nearly 160 years later, politicians still do not understand Bastiat's basic economic insight.

He explained the fallacy as follows: Imagine some shopkeepers get their windows broken by a rock-throwing child. At first, people sympathize with the shopkeepers, until someone claims that the broken windows really are not that bad. After all, they "create work" for the glassmaker, who might then be able to buy more food, benefiting the grocer, or buy more clothes, benefiting the tailor. If enough windows are broken, the glassmaker might even hire an assistant, creating a job.

Did the child therefore do a public service by breaking the windows? No. We must also consider what the shopkeepers would have done with the money they used to fix their windows had those windows not been broken. Most likely, the shopkeepers would have plowed that money back into their store: perhaps they would have bought more stock from their suppliers, or maybe they would have hired new employees. Before the windows were broken, the shopkeepers had intact windows and the money to purchase more goods or hire new workers. After the windows were broken,

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they had to use that money to repair the windows and thus were unable to expand their businesses.

Obama's "green jobs" plan would indeed create jobs, but it would do so by killing other jobs. Is that really the type of energy policy Americans want?

Now consider Obama's "green jobs" plan, which includes regulations, subsidies, and renewable-power mandates. The "broken windows" in this case would be lost jobs and lost capital in the coal, oil, gas, nuclear, and automobile industries. Currently, these industries directly employ more than 1 million people. Conventional power plants would be closed, and massive amounts of

energy infrastructure would be dismantled. After breaking these windows, the Obama plan would then create new jobs in the renewable energy sector. The costs of replacing those windows would ultimately be passed on to taxpayers and energy consumers.

In short, the Obama plan reflects fallacious thinking of the first order. There may be sound reasons to switch from existing energy sources to renewables, including the need to slash greenhouse gas emissions, the need to reduce our dependence on Middle Eastern oil, and the need to meet growing energy demand. If Americans wish to pay for a wholesale transformation of the energy industry, that is their choice. But let us not lie about the costs, and let us not espouse an economic fallacy that is nearly 160 years old. Obama's "green jobs" plan would indeed create jobs, but it would do so by killing other jobs. Is that really the type of energy policy Americans want?

Coming Soon:

A new Energy and Environment Outlook on Americans' direct and indirect energy use.

By Kenneth P. Green and Aparna Mathur

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Most Americans think of energy use in terms of big-ticket items such as gasoline, heating oil, and natural gas. But a great deal of the energy we use is indirect, embedded in the things we buy. Cutting down on indirect energy would produce substantial energy savings and allow Americans to continue to enjoy the lifestyle choices they have made.