

Introduction and summary

For the past year, the U.S. economy has suffered through a serious economic slowdown caused by the collapse of the housing market bubble, the destabilizing effects of the housing implosion on financial markets, and the sharp rise in oil prices. The resulting increase in unemployment—reaching 5.7 percent in July 2008—is in fact even worse when taking into account a labor market where people are working fewer hours than they wish, taking pay cuts, or becoming discouraged from looking for work. What’s more, most evidence suggests the slowdown will continue for at least another year, extending in exaggerated form an eight-year pattern of economic performance that has done little for most Americans.

This report outlines a green economic recovery program to strengthen the U.S. economy over the next two years and leave it in a better position for sustainable prosperity. In the pages that follow, we detail how to expand job opportunities by stimulating economic growth, stabilizing the price of oil, and making significant strides toward fighting global warming and building a green, low-carbon economy. This green economic recovery program would be a down payment on a 10-year policy program recommended by the Center for American Progress in its 2007 “Progressive Growth” series, which lays out an economic strategy for the next administration and includes the report, “Capturing the Energy Opportunity: Creating a Low-Carbon Economy,” by John D. Podesta, Todd Stern, and Kit Batten. That report details how the transformation to a low-carbon economy would result in sustainable economic growth. (See Appendix 4 on page 28 for details of this plan).

By accelerating the implementation of these policies, we address our immediate need to boost a struggling economy and jumpstart our long-term transformation to a low-carbon economy. This green economic recovery program would spend \$100 billion dollars over two years in six green infrastructure investment areas. These are all areas that the CAP report outlined as key to transitioning to a low-carbon economy to create new green jobs—particularly in the struggling construction and manufacturing sectors. They are also all central to securing America’s energy security and combat global warming. This \$100 billion initiative is part of a comprehensive low-carbon energy strategy and could be paid for with proceeds from auctions of carbon permits under a greenhouse gas cap-and-trade program. This fiscal expansion would create 2 million jobs by investing in six energy efficiency and renewable energy strategies:

- Retrofitting buildings to improve energy efficiency
- Expanding mass transit and freight rail
- Constructing “smart” electrical grid transmission systems¹
- Wind power
- Solar power
- Next-generation biofuels

This economic recovery program combines the \$100 billion fiscal stimulus with an additional credit stimulus—through a federal loan guarantee program to boost private-sector investment in energy efficiency and renewable energy. Most of the federal spending would be in the form of public infrastructure investments in public building retrofits, public transportation, and building smart grid systems because the money to support these activities can be delivered relatively quickly by the federal government, and through the federal government to state and local governments. Investments in renewable energy and energy efficiency are also central to this proposal, and would be funded through a combination of public funds, tax credits, and loan guarantees to spur private-sector investment. Together, this \$100 billion green energy stimulus package would result in:

- **Widespread employment gains.** Investments in these areas will produce employment opportunities across a broad range of familiar occupations—roofers, welders, electricians, truck drivers, accountants, and research scientists. It will also strengthen career ladders by providing pathways for workers to move up from lower-paying to higher-paying green jobs that can be created on a geographically equitable basis throughout all regions of the country.

- **Lower unemployment.** If this green economic recovery program were fully implemented in early 2009 and unemployment still stood at July 2008 levels, it would reduce the number of unemployed people to 6.8 million, down from 8.8 million, with the unemployment rate falling to 4.4 percent from 5.7 percent.

- **Renewed construction and manufacturing work.** Employment in construction fell to 7.2 million in July 2008, down from 8 million in July 2006. A green economic recovery program would replace, at least, those 800,000 lost construction jobs over the next two years, and could result in renewed investment in the housing sector that is at the root of the current economic slump. This green recovery provides a needed transfusion of new credit and investment into the construction industry, which could rapidly provide job opportunities that are badly needed. Our program would have similar, if somewhat smaller, effects in supporting U.S. manufacturing.

- **More stable oil prices.** Expanding investments in energy efficiency and renewable energy sources would help stabilize demand for oil, which in turn could slow the long-term rise in oil prices. No one can accurately predict the price of oil over the next two years, but if U.S. demand for oil were less than it would be otherwise because of increased U.S. investment in renewable energy and energy efficiency, then the price of oil would also fall. Reducing demand by providing real energy alternatives and transportation choices is one of the only effective long-term options for offering consumers sustained relief from rising gas prices.

- **Self-financing energy efficiency.** Public and private investment in energy efficiency reduces energy demand and lowers energy costs, which in turn means that money spent now on energy efficiency will pay for itself through lower energy bills over the long term. Lowering energy costs for educational buildings eventually means more funds for teachers, books, and scholarships. Retrofitting hospitals over time releases money for better patient care. And providing incentives for investment in more private-sector energy savings at commercial buildings, factories, and residential homes helps American businesses and consumers save and invest money over the long term and improve our quality of life.

This \$100 billion green recovery program is roughly the same level of investment as the portion of the April 2008 federal government-directed economic stimulus package used for sending rebate checks back to taxpayers to boost household consumer spending. In the analysis that follows, we demonstrate that spending \$100 billion on green infrastructure investment would be an effective engine for job creation—and thus stronger economic growth—and would have the added benefit of preparing the way for the urgently needed long-term U.S. transition to a low-carbon economy.

This \$100 billion fiscal expansion, responsibly deployed, would frontload federal spending to launch a green energy economic development program based on all of the renewable energy and energy efficiency proposals contained in CAP’s “Energy Opportunity” report. This initial boost in direct government spending would be financed as part of the 10-year low-carbon transition outlined in the

report, which calls for a balanced mix of private and public funding, the latter financed with revenue from a carbon cap-and-trade program. Under a cap-and-trade system, there will be a revenue stream dedicated to paying back the \$100 billion to be spent on the green recovery program. An economic analysis of CAP’s comprehensive energy strategy will be released later this year.

All states and regions of the country can gain significantly from this green economic recovery program. Of course, due to climate and geography, not all areas of the country are equally capable of capturing the benefits of specific technologies—for example, solar or wind power. But they are all equally capable of making investments to dramatically improve energy efficiency through retrofitting buildings, expanding public transportation systems, and increasing the efficiency and stability of the electric grid.

Similarly, all areas of the country have significant renewable energy resources or the ability to participate in the work of producing the goods and services that will be demanded by a transition to clean energy. Thus in Appendix 3 we show how many jobs would be created on a state-by-state basis by examining 34 representative states to see how the full \$100 billion budgeted would be equitably distributed among all states.²

It is important to note that this recovery program does not replace the possible need for more immediate action to boost the economy. The nature of the investments described in this paper precludes their full implementation in the three to four months that are usually expected of short-term economic stimulus programs. Depending on conditions, such a stimulus

may be needed in addition to this program. Conversely, even if the economy is in recovery in 2009 it is highly unlikely that economic growth will be robust, the housing and financial markets restored, or the labor market creating jobs at levels sufficient to return employment to normal recovery levels. A green economic recovery program is needed to bring our nation's economy back to its full capacity.

In the pages that follow, our analysis shows that a targeted \$100 billion down payment on a better energy future implemented at a time when many sec-

tors of the U.S. economy need a boost will provide significant returns now and for years to come. This responsible federal investment amid weak economic conditions and volatile energy and financial markets will lead to reduced oil consumption and spur our transition to a low-carbon economy, providing us with energy and environmental security. By frontloading much of the cost of this energy transformation we will realize these returns sooner, boost our economy at a critical time, and help spark other nations to follow our lead.