

EXECUTIVE SUMMARY: SEVEN MYTHS OF GREEN JOBS

Andrew P. Morriss, William T. Bogart, Andrew Dorchak, and Roger E. Meiners

OVERVIEW

An aggressive push for a green economy is well underway in the United States. Policymakers now routinely assert that “green jobs” can simultaneously improve environmental quality and reduce unemployment.

Our team of researchers from universities around the nation surveyed four often-cited reports (the “literature”) that were sponsored by interest groups, industry associations, and international NGOs. We analyzed their assumptions and found that the groups promoting the idea of green jobs had buried dubious assumptions and techniques within their analysis. We conclude that the massive expenditures demanded by special interest groups and politicians under the green jobs banner are not justified.

Rather than spend hundreds of billions of taxpayers’ dollars on unproven technologies chosen through a political process, we favor market processes to increase conservation of energy and other resources, a strategy proven effective by experience. New green technologies should be explored and expanded by market forces, not government mandates. Before committing massive resources to chasing the green jobs these reports suggest, the special interests advocating strategies that impose costs on every American should expose their models and calculations to peer-reviewed scrutiny, making their process transparent.

We found seven underlying myths within the literature we studied. We believe it is important that these myths be exposed so that we can debate the facts as we move forward toward investing in a more eco-friendly nation.

THE MYTHS AND THE FACTS

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 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 in these oft-quoted studies include huge numbers of clerical, bureaucratic, and administrative positions that do not produce goods and services for consumption.

These green jobs studies mistake any position receiving a paycheck for a position 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 non-productive - and expensive - positions that raise costs for consumers. These higher paying jobs that fail to create a more eco-friendly society dramatically 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: The green jobs studies made estimates using poor economic models based on dubious assumptions.

The forecasts for green employment in these studies optimistically predict an employment boom that will take us to prosperity in a new green world. The forecasts, which are sometimes amazingly detailed, 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 base numbers, that does not take into consideration that growth rates eventually slow, plateau and even decline, and

A biased and highly selective 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: By promoting more jobs instead of more productivity, the green jobs described in the literature actually encourage low-paying jobs in less desirable conditions. Economic growth cannot be ordered by Congress or by the United Nations. Government interference in the economy – such as restricting further progress with already successful technologies in favor of speculative technologies favored by special interests – will generate stagnation.

Green jobs estimates promise greatly expanded (and pleasant and well-paid) employment. This promise is false. 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 paid for their productivity. By focusing on low productivity jobs, the green jobs literature dooms employees to low wages in a shrinking economy. The studies also generally ignore the millions of jobs that will be destroyed by the restrictions imposed by governments on disfavored products and technologies.

Myth 5: The world economy can be remade by reducing trade and relying on local production

and reduced consumption without dramatically decreasing our standard of living.

Fact 5: History shows that individual nations cannot produce everything its citizens need or desire. People and countries have talents that allow specialization in products and services that make them ever more efficient, lower-cost producers, thereby enriching all people .

The green jobs literature rejects the benefits of trade, ignores opportunity costs, specialization, 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 twentieth 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 conclusively 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 more swiftly and efficiently to the demands of their customers/markets, than to cumbersome government mandates.

Green jobs supporters want to reorder society by mandating preferred technologies and expenditures through government entities. But the responses to government mandates are not the same as the responses to market incentives. We have powerful evidence that market incentives prompt the same resource conservation that green jobs advocates purport to desire. For example, the rising cost of energy is a major incentive to redesign production processes and products to use less energy. People do not want energy; they want the benefits of energy. Those who can deliver more desired goods and services by reducing the energy – and thus the cost of production – will be 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 the green jobs studies are not capable of efficiently reaching the scale necessary to meet today's demands.

The green jobs literature's preferred technologies face significant problems in scaling up to the levels they propose. These problems are well documented in readily available technical literature, yet are resolutely ignored in the green jobs reports. At the same time, existing viable technologies that fail to meet the green jobs supporters' political criteria are simply 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.

SUMMARY OF FINDINGS

As you can see in our seven myths listed above, our report finds that the analysis provided in the green jobs literature is deeply flawed. The reports rest on a series of exaggerated, inadequate, or incorrect

economic, environmental, and technological assumptions. Moreover, the scale of social change that would be required to implement the proposed programs would be unprecedented.

Our key findings are:

No agreed, coherent definition of a “green job” exists in the public debate. Many of the jobs classified as “green” in these four most popular studies produce no environmental results.

Green jobs ultimately will not promote employment growth or improve production because many are concentrated by design in low productivity occupations.

Green jobs proponents rely on highly problematic assumptions about constant prices and lack of technological change that render their “multiplier effect” misleading and, therefore, useless.

Green job advocates incorrectly assume that government mandates are a substitute for free markets.

Their models are based on the assumption that politicians can predict what technologies are best and what the markets will bear.

Many green jobs proposals are an effort to implement anti-trade policies and reduced consumption scenarios that would be unacceptable to most Americans.

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