



By Robert N. Stavins

## The Stimulus and Green Jobs

In a recent article in the *New Yorker* about jointly addressing climate change and poverty, Elizabeth Kolbert quotes me as saying: “Let’s say I want to have a dinner party. It’s important that I cook dinner, and I’d also like to take a shower before the guests arrive. You might think, Well, it would be really efficient for me to cook dinner in the shower. But it turns out that if I try that I’m not going to get very clean and it’s not going to be a very good dinner. And that is an illustration of the fact that it is not always best to try to address two challenges with what in the policy world we call a single policy instrument.”

This quote generated considerable commentary, much of it negative, and some downright hostile. This surprised me, because the proposition is hardly controversial. Two activities, which may be effective separately, can be ineffective if combined.

So, what about global climate change and the need to turn around the economy? Can “green jobs” be the answer to both?

First, can an economic stimulus package lead to job creation? Absolutely, yes, but to some degree this will be by moving forward in time the date of job creation, as opposed to creating additional jobs in the long run. Of course, at a time of recession and high unemployment, that can

make sense. So, by expanding economic activity, an economic stimulus can surely create jobs — green or otherwise — in the short term.

But will a stimulus — such as subsidies for renewable energy — create net jobs from the change in the nature of economic activity? The key question becomes whether the encouraged activities in green sectors are more labor-intensive than the discouraged activities in other sectors.

This is less clear, but there are cases where it will be valid, such as with subsidizing home weatherization projects, which are labor-intensive, can be done quickly, save energy, and reduce the long-term cost of meeting climate objectives.

But in other areas, such as new green infrastructure, things will happen much more slowly — partly because of NIMBY problems — so there is less consistency with the purpose of economic stimulus. For example, think about the current interest to expand and improve our national electricity grid.

A more interlinked and better grid is needed for increased reliance on renewable energy sources. First, an expanded grid will be needed to transmit electricity from wind farms in the Great Plains, for example, to cities with high power demand. Second, greater reliance on renewables will also require so-called “smart grid” innovations, so that greater use of intermittent sources of electricity can be balanced with cuts in consumer demand when power is scarce.

But the timing of grid expansion and innovation is hardly consistent with the timing of the economic stimulus. For example, the CEO of the American Transmission Company — which operates in four mid-western states — has indicated that the firm’s most recent major project, a 200-mile transmission line from

Minnesota to Wisconsin, took two years to build, and eight years prior to that to win the necessary permits!

Economic recovery, increased reliance on renewable sources of energy, and a smarter, inter-connected grid are all important. But that does not mean they are best addressed with a single policy instrument — the economic stimulus package.

So, the strongest support for “green job creation” is with regard to economic expansion, as opposed to changes in the economy. But a key question remains of whether even more jobs would be created with a different sort of expansion.

In any event, while economic activity is expanded through the stimulus, it makes sense to reduce any tendency to lock in new capital stock that would make it more difficult and costly to achieve long-term environmental goals. But that is very different from claiming that all substitution of green activities for brown

activities creates jobs in the long term.

Addressing the worst economic recession in generations calls for the most effective economic stimulus that can be devised,

not a stimulus package that is diminished in effectiveness through excessive bells and whistles meant to address a myriad of other (legitimate) social concerns. And, likewise, getting serious about global climate change will require the enactment and implementation of meaningful, dedicated climate policies, most likely a comprehensive national CO<sub>2</sub> cap-and-trade system. These are two serious but different policy problems, and they call for two serious, carefully crafted policy responses.

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*It’s not always best to address two challenges with a single instrument*