

Forbes

benefits outweigh the economic losses, a question which requires putting relative value on various benefits, and cannot be resolved purely by economic reasoning.

Which Policies are Net Job Creators?

I'm aware of two mechanisms by which a policy can increase or decrease economic activity and hence number of jobs.

1. Jobs can be created or destroyed by substituting labor for capital, energy, and/or other resources in production.
2. If a policy increases economic efficiency, it will increase economic activity and create jobs. If it decreases economic efficiency, it will reduce economic activity and destroy jobs.

Substituting Labor for Energy or Capital

A basic tenet of microeconomics says that there is a tradeoff between capital, labor and natural resources such as energy in the production function

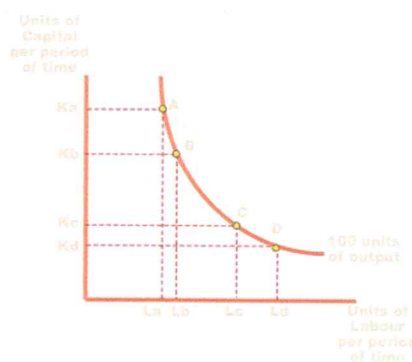


Image Source: Wikipedia

(http://en.wikipedia.org/wiki/Factors_of_production). In particular, you can substitute capital for labor (by mechanization) or labor for capital (by using shovels and picks instead of bulldozers.) Now add energy into the mix, and you can substitute fossil energy for either capital or labor to attain the same production.

For example, a hybrid vehicle substitutes capital and resources (in the form of an electric motor and batteries) for energy (less fuel consumed to do the same work.) A bus substitutes labor (the bus driver) for capital, resources and energy (lots of cars and fuel consumed.) A green building substitutes labor (better architecture/construction) and some resources (extra insulation) for energy.

From this perspective, any policy that promotes the substitution of labor for energy will create green jobs, since you get more work and less energy consumed. Shifting people out of their cars and onto mass transit will create jobs because there will have to be drivers and people managing the transit system, where before no one was paid to drive. To the extent that the transit system can be paid for out of the reduced fuel costs and car ownership costs of the former drivers turned riders, the number of jobs created will be a pure economic gain.

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(<http://www.forbes.com/sites/tomkonrad/2011/09/28/the-microeconomics-of-green-jobs/2/>)