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The Microeconomics of Green Jobs

Continued from page 2

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Green jobs can be created either by substituting labor for energy and capital, or by reducing energy waste so that the money previously wasted on energy can be put to more productive uses. For policy makers who wish to create green jobs, the implications are clear.

Green job programs should focus on two types of opportunities:

1. Industries where labor can usefully be substituted for energy or capital, such as mass transit.
2. Breaking down the barriers to energy efficiency (http://www.altenergystocks.com/archives/2007/08/why_energy_efficiency_is_a_hard_sell_2.html) which can stimulate economic activity by allowing money that would otherwise have been wasted.

The converse is also true: if the goal is to create jobs and stimulate economic activity, subsidies and other policies which encourage the substitution of capital and energy for labor should be ended, especially those subsidies which encourage the extraction of non-renewable resources which only create jobs today at the cost of future jobs.

The most cost effective policies for creating jobs will be those that break down the barriers to the adoption of cost-effective green technologies, especially energy efficiency. Ironically, most energy subsidies have gone into capital intensive sectors such as nuclear and extractive sectors such as oil and gas (http://www.smartplanet.com/blog/intelligent-energy/energy-subsidy-showdown-fossil-fuels-nuclear-biofuels-vs-renewables/9113).

A very cost effective way to produce jobs would then simply be to remove subsidies from fossil fuels and nuclear energy and redirect them towards the most cost effective clean technologies.