

Energizing Prosperity: An EPI Policy Forum

Energy Independence, Climate Change Challenges Yield Opportunity to Rebuild U.S. Industrial Base, Economists Say



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WASHINGTON –Noting that “manufacturing in the United States is not thriving – but with appropriate policies it could be,” leading economists today outlined how to build a high-productivity, high-wage manufacturing sector that also meet other national goals, such as securing energy independence and combating global warming. The call to revitalize American manufacturing came as the overall US economy is in or near a recession, and January’s job losses follow months of slowing job growth.

The U.S. manufacturing sector has been hammered with the loss of 3.7 million jobs over the past decade. Yet economists, at a [forum](#) sponsored by the Economic Policy Institute as part of its Agenda for Shared Prosperity, stressed that manufacturing remains a vital part of the economy. One-tenth of all U.S. jobs are in the manufacturing sector, which accounts for about 12 percent of total GDP and more than half of the nation’s spending on research and development. And manufacturing continues to be a source of better-paying jobs compared with other types of employment, especially for non-college educated workers.

In a paper, *Renewing U.S. Manufacturing: Promoting a High-Road Strategy*, economist Susan Helper called for adopting “policies that harness the knowledge of all of a firm’s stakeholders to create a highly productive, high-wage economy.” She showed how this strategy would contribute to other critical national goals, such as environmental sustainability, energy independence, modernizing infrastructure, and maintaining a defense industrial base.

Many firms today use strategies that “leave the U.S. caught in the middle in foreign competition, paying higher wages than in developing countries,” but also competing with high-skilled workers in Europe,” wrote Helper, an economics professor at Case Western Reserve University. Instead, the adoption of a “high-road” production process can produce high productivity that “allows firms to pay fair wages to workers and fair prices to suppliers while still earning fair profits.”

“Too often we are told that attacking the challenge of climate change will harm our economic wellbeing,” said EPI President Lawrence Mishel. “But these studies show this is a false choice. A responsible energy policy can also create hundreds of thousands of good-paying ‘green jobs’ and help restore our vital manufacturing sector.”

A complementary paper by George Sterzinger outlined how a national energy policy can simultaneously help revitalize the manufacturing sector. In *Energizing Prosperity: Renewable Energy and Re-Industrialization*, Sterzinger wrote that oil imports, technological advantages related to renewable energy sources moving overseas, and the failure to commercialize new breakthroughs have meant that “dollars flow out, manufacturing moves overseas, and innovation is lost.”

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“Renewable energy is manufactured energy,” Sterzinger said, noting that energy security and climate change “create a huge demand for both more renewable energy and cycles of technology innovation.” One key to building a domestic renewable energy industry is to focus on the now-neglected step of commercialization of new technology. While many states have shown an interest in renewable energy projects, the “patchwork” of state initiatives must be sewn together and a national industry created to actually supply the projects.

“The role of government in any climate stabilization program should be to stimulate private industry to commercialize and produce as many carbon-free technologies as possible,” said Sterzinger, executive director of the Renewable Energy Policy Project. Federal incentives should steer private actors to provide public benefits, the reduction of carbon dioxide. He estimates that a variety of public investments – through tax credits, credit guarantees and bonds – would initially cost about \$16 billion per year.

Helper argues, “Renewable energy has the potential to be both affordable and an engine of growth.” She estimates that a program that creates enough renewable capacity to meet 10 percent of U.S. electricity demand would employ about 340,000 people.

Government policy, she said, should:

- Raise the cost of greenhouse gas emissions and stop treating air as a “free carbon dump.”
- Use revenue from energy policy for social purposes – addressing market failures and providing relief for low- and middle-class citizens.
- Fund new initiatives in energy efficiency and renewable energy.
- Reward companies that adopt “high-road” production, working together with employees and suppliers to make better use of information technology
- Prevent the creation of greenhouse gas havens in other parts of the world.
- Help developing countries reduce emissions as well.

Among the ways government can help is through the expansion of the Manufacturing Extension Program, which would facilitate communication between firms and teach companies how to develop new products, find new markets and save energy. This plan could create 420,000 new jobs and save about 70,000 others that are now threatened.

The forum keynote address was delivered by Sen. Sherrod Brown (D-Ohio), a longtime advocate of alternative energy whose state has been especially battered by the loss of manufacturing jobs. John Irons, EPI’s Research and Policy Director, moderated the forum.

EPI’s Agenda for Shared Prosperity is a comprehensive set of economic policies to promote economic justice as well as economic growth, from universal health care and retirement security to incomes and jobs, globalization and the nation’s infrastructure and education system.

The Economic Policy Institute (EPI) is an independent, nonprofit, nonpartisan think tank that researches the impact of economic trends and policies on working people in the United States and around the world. EPI’s mission is to inform people and empower them to seek solutions that will ensure broadly shared prosperity and opportunity.