

One Job Forward, Two Jobs Back

Another triumph of Obamanomics.

BY Andrew B. Wilson

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The Great Obamanomic Job Creation Machine rumbled into action again over the Fourth of July weekend, promising to spend as much as \$2 billion to support creation of 1,585 “permanent” jobs by two solar energy companies. That comes to a potential cost of over \$1.25 million per job.

In his weekly radio address on July 3, President Obama chided the Republicans for failing to climb aboard his job-creation bandwagon, which he claims—against strong evidence to the contrary—has created or saved 2.8 million jobs over the past year. And he isn’t finished. He vowed “to keep competing aggressively to make sure the jobs and industries of the future are taking root right here in America.” Here’s what he said:

We’re accelerating the transition to a clean energy economy and doubling our use of renewable sources like wind and solar power—steps that have the potential to create whole new industries and hundreds of thousands of new jobs in America.

In fact, today, I’m announcing that the Department of Energy is awarding nearly \$2 billion in conditional commitments to two solar companies.

The first is Abengoa Solar, a company that has agreed to build one of the largest solar plants in the world right here in the United States. After years of watching companies build things and create jobs overseas, it’s good news that we’ve attracted a company to our shores to build a plant and create jobs right here in America. In the short term, construction will create 1,600 jobs in Arizona. What’s more, over 70 percent of the components and products used in construction will be manufactured in the USA, boosting jobs and communities in states up and down the supply chain. . . .

The second company is Abound Solar Manufacturing, which will manufacture advanced solar panels at two new plants, creating more than 2,000 construction jobs and 1,500 permanent jobs. . . .

These are just two of the many clean energy investments in the Recovery Act. Already, I’ve seen the payoff from these investments. I’ve seen the once-shuttered factories humming with new workers who are building solar panels and wind turbines, rolling up their sleeves to help America win the race for a clean energy economy.

It’s all I, I, I with this president. The repeated use of the first person singular pronoun illustrates what the economist Friedrich Hayek called “fatal conceit” or “the pretense of knowledge.” If no one in the private sector is beating a path to the door of either one of these small and unheralded companies—to buy their products or invest in their technologies—what makes Obama and the Department of Energy so sure it’s wise to put \$2 billion of the taxpayers’ money at risk on their behalf? And if President Obama has gone on a VIP tour of one or two solar panel or wind turbine factories, does that constitute real knowledge—or simply “the pretense of knowledge”?

And there are other aspects of this presidential pronouncement that deserve closer inspection.

First is the willingness to commit huge sums of money for the creation of comparatively few jobs in favored industries. Abound Solar is supposed to create 1,500 “permanent” jobs, while Abengoa Solar is promising just 85 “permanent” jobs, according to the Department of Energy fact sheet, at its plant in Arizona. Add another 3,600 construction jobs, which will disappear after the three plants are built, and the cost per job created still amounts to \$386,000—which is more than seven times the median household income in this country.

Second is the willingness to bet taxpayers’ money on unproven companies set up for the express purpose of pursuing government grants. As it admits in one of its press releases, Abound Solar is already “fueled in part by enhanced federal support, including tax credits and loan guarantees, for renewable energy.”

Third is Obama’s decision to look to nearly bankrupt Spain for the clean energy jobs of the future. Abengoa Solar, beneficiary of fully \$1.45 billion of the “conditional commitment” announced by the president, is based in Seville. Though part of a larger Spanish conglomerate with \$6 billion in revenues and 23,000 employees, Abengoa Solar itself had fewer than 400 employees at the end of 2009 and annual revenues of less than \$150 million. In the annual report on its website, Abengoa Solar lists the total capacity of its solar plants in operation and under construction around the globe at 493 megawatts. To put that into perspective, 493 megawatts is just 0.03 percent of the electrical generating capacity of Cleveland Public Power, which supplies one medium-sized Midwestern city. It’s more than enough to fry an egg, but not nearly enough to begin to create “transformational change.”

The Department of Energy’s commitment to the two companies comes in the form of loan guarantees rather than outright grants. The guarantees put them ahead of other private companies in the borrowing and investment queue—including companies that could be the next Apple or Microsoft. And they put public money at risk in the service of people who are out for private gain. The risk is real.

Russell Kanjorski, the vice president for marketing at Abound Solar, was one of the principals in another energy company in northeast Pennsylvania, called Cornerstone Technologies LLC, which attracted \$9 million in federal grants before it halted operations in 2003 and later filed for Chapter 7 bankruptcy. As reported by the Wilkes-Barre Times Leader, “Cornerstone reported \$14,100 in assets compared with \$1.34 million in debt” in its bankruptcy filing. The \$9 million in federal grants to Cornerstone were earmarked by Kanjorski’s uncle, Representative Paul Kanjorski of Pennsylvania, chairman of the House Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises.

It is also worth noting that Nobel Laureate and former vice president Al Gore, who has accumulated a substantial fortune in the course of campaigning against global warming while investing in alternative energy and lecturing on the subject, has lent his name and support to Abengoa Solar and the parent company, Abengoa. The Spanish company’s stock jumped in November 2007 when an investment fund headed by Gore announced it was acquiring a stake in the company. (Abengoa also owns a biofuels business that is aligned in various ventures with BP, “the world’s first green petroleum company,” as it used to boast.)

Is there anything wrong with spending large amounts of public money on “green” jobs that may or may not pay off in the long run? As a matter of fact, there is. As one prominent government economist who has studied alternative energy explains, “The opportunity cost of creating these jobs is important. If the government takes a million dollars to create one job, that’s a million dollars that could have gone to

more efficient and productive use in the private sector—in creating stronger and better jobs for more people.”

The same point may be made about everything the government does with the purported goal of boosting the economy and creating jobs. In making the case last year for the \$787 billion stimulus bill, Obama and the Democrats claimed it would stop unemployment from going above 8 percent. Instead unemployment climbed to 10 percent and has remained at or near that level ever since. Rather than admit error, the administration is now claiming that the stimulus has kept unemployment from going up to about 12 percent.

But the stimulus hasn't worked. The principal effect of an alarming rise in government spending and deficits has been to undermine a normal cyclical recovery. Part of the blame for continued high unemployment (especially long-term unemployment) surely rests on the crazy growth of new entitlements and federal spending, combined with the likelihood of a raft of new taxes—some hidden (e.g., rising health premiums resulting from Obamacare) and some not (e.g., the value-added tax now being discussed)—to pay for more government and government-directed redistribution of income.

Give the Obama administration credit, then, for destroying or impeding the creation of at least two or three jobs for everyone that it claims to have created or saved—including those at Abengoa Solar and Abound Solar Manufacturing.