



The Daily Dish

Analyzing the Green New Deal

DOUGLAS HOLTZ-EAKIN | MARCH 26, 2019

Eakinomics: Analyzing the Green New Deal

The Green New Deal ([GND](#)) is a sweeping policy plan setting out ambitious objectives for energy and economic policy. In keeping with the American Action Forum's (AAF) mission to analyze, evaluate, and educate on issues of important public policy, a group of its experts, myself included, published a [report](#) exploring the potential cost of six elements of the GND: (1) a Low-Carbon Electricity Grid, (2) a Net Zero Emissions Transportation System, (3) Guaranteed Jobs, (4) Universal Health Care, (5) Guaranteed Green Housing, and (6) Food Security. We provided a range of estimates for each element. If one adds up the low end of the range, the total is \$52 trillion (over the next 10 years); at the high end it is \$93 trillion.

AAF's report has received a fair amount of both attention and criticism — that's fair game in the policy analysis business. It's worth running through some of the criticisms of the analysis, but here's the bottom line: When considering a potential policy, it is useful to know whether the costs are small or large, giving some insight into the threshold that the benefits must reach for the initiative to be desirable. Thus, the goal of AAF's report was not to get an estimate down to the second decimal place. Instead, the basic question is whether the GND will cost tens of *millions* of dollars, tens of *billions* of dollars, or tens of *trillions* of dollars. It is safe to say its cost will be tens of *trillions* of dollars.

Here are some of the claims that have floated around.

The estimates are uncertain and their range is so large as to make them meaningless. Projecting the costs of policy over the next 10 years is fundamentally uncertain, and there is nothing special about the GND in this regard. Some elements are standard fare in the policy world and not especially speculative. For example, universal health care (\$36 trillion) and guaranteed jobs (\$44 trillion) are relatively straightforward to understand and estimate. These constitute \$80 trillion of the \$93 trillion upper-bound estimate. Elements of the remaining proposals — especially the “green” components of a low-carbon national grid, net zero emissions transportation, and green housing — are more difficult (and would benefit from some help from the authors, as noted below).

It is not fair to do an analysis on an aspirational resolution that is not even a proposed law. Most policy ideas do not become legislation, and yet they deserve and receive serious scrutiny. The GND is a sufficiently important policy initiative to have received the endorsement of several candidates for the presidency, to have been introduced as a resolution in both the House and the Senate, and to receive a vote in the Senate this week. It is fair and important that such a prominent proposal receive serious scrutiny.

The language is too imprecise to be subjected to a policy analysis. The GND resolution is worth reading (it is only 14 pages). It is a mixture of the very vague and the quite precise. The former could easily be solved by the authors being more specific about the actual projects that would produce a net zero emissions transportation network, the standards that would be applied to retrofitting the housing stock for energy efficiency, or exactly what would constitute food security. It would help to know whether the authors intend to enact policy

redundancies such as “guaranteeing a job with a family-sustaining wage, adequate family and medical leave, paid vacations, and retirement security to all people of the United States” and simultaneously requiring guaranteed housing and food. Shouldn’t the former take care of the latter? But a jobs guarantee and universal health care are quite specific.

AAF is simply opposed to the GND. AAF does not take policy positions. Its experts are free to draw whatever conclusions their professional expertise leads them to. But it makes no sense to be “against” the GND, *per se*. After all, who would be opposed to a clean environment, health insurance, housing, food, and jobs? No one. The only issue is whether the specific projects are the best way to achieve these goals. The point of AAF’s report was to shed some light on that question.

The AAF report ignores the (great) benefits of the GND. Correct. The report analyzes costs and is not a benefit-cost test. Analyzing one side of the ledger proved to be challenging enough, at least for the moment.