

Some Green Ideas to Get the Economy Moving

This Earth Day, as the price of oil rises and the economy continues to slow, the Center for Economic and Policy Research offers three proposals that would stimulate the economy and reduce our country's energy consumption.

1. Boost Tax Credits for "Greening" Homes and Businesses

- Extend and expand the 2005 tax credits for energy-efficient residential and commercial properties.
- A 30 to 40 percent tax credit to households or businesses for renovation and improvements could substantially reduce greenhouse gas emissions and would reemploy many of the workers laid off in the construction sector.
- While a similar program had limited impact in 2004-06, contractors are likely to have far more incentive to seek out business with this tax credit than they did at the peak of the housing boom in 2005.
- The credit can be limited to a modest amount (e.g. \$2,500) which would minimize the opportunities for fraud and ensure that the benefits are widely spread among homeowners and small businesses.
- Estimated cost: \$10 billion

2. Get on the Bus (or Train) by Promoting Mass Transit

- Create a one-time grant program to reduce fares on mass transit for one year.
- Transit riders take approximately 10 billion trips a year on buses, light rail, commuter trains or other forms of mass transit. If these fares can be cut by an average of 70 cents per ride, this would directly put money in the pockets of mass transit users. For someone who takes mass transit to and from work each day, this would amount to an annual savings of \$350.
- This would provide a substantial incentive for commuters to try public transportation and at the same time put money directly in transit riders' pockets.
- Funding could be made available on a first-come first-serve basis to mass-transit agencies that submit a specific plan to lower fares over the specified time period.
- Plans would be evaluated on whether they reduce fares and are feasible, (i.e., is the system prepared for increased ridership after the fare cut).
- Since agencies would be alerted to the prospect for increased funding as a bill is coming up for debate, they should be able to submit plans soon after any legislation is actually passed (2-4 weeks). The first-come first-served standard ensures that any plans can be approved after minimal review.
- Estimated cost: \$7 billion

3. Seed Savings for Drivers with Pay-As-You-Drive Auto Insurance

- Subsidize pay-as-you-drive auto insurance policies (PAYD).
- By providing a disincentive to drive, PAYD insurance policies are good for the environment and have the potential to improve safety on the roads.
- If insurance were paid on a per mile basis, it would provide roughly the same disincentive to drive as a \$2 per gallon gas tax.
- A \$300 subsidy would encourage more insurance companies to offer pay as you drive policies and would effectively put \$300 in the pocket of every driver who switches to a PAYD plan.
- While this policy would take somewhat longer to implement than the other two, the recession is likely to be long enough that we could still benefit from the stimulus a year or two down the road.
- Estimated cost: \$3 billion

These proposals combined with other, more traditional anti-recessionary policies like expansions in unemployment insurance, food stamps and federal aid to state and local governments, would help get our economy back on track and moving towards a sustainable future.