



Climate-Forward: How Green Investment Can Stimulate Our Economy Today and Sustain Long-Term Growth

Too often, lawmakers trap themselves in a false binary of fighting climate change or supporting economic growth.

But as [A Green Recovery: The Case for Climate-Forward Stimulus Policies in America's COVID-19 Recession Response](#) explains, **economic policies and climate policies are inextricably linked**. All stimulus funds, even those not explicitly related to climate or emissions (known as “climate-blind”), have the potential to impact the climate, just as climate policies have the potential to undermine or amplify the efficacy of government stimulus.

A “green” stimulus that invests in renewable energy and other affirmative decarbonization efforts would both provide an immediate boost to our economy and lay the groundwork for lasting, sustainable growth.

Conversely, a “climate-blind” stimulus would stifle short-term recovery and hinder long-term progress.

Immediate Relief, Immediate Payoff

Climate-forward policies offer an immediate stimulative effect by putting money back in the pockets of households and small businesses; boosting state and local budgets; and creating more jobs than fossil fuel-based industries.

- **Provide Direct Aid to Families, Business, and States:** Policies that utilize proven economic stimulus pathways—such as direct aid to households, tax credits to businesses, and fiscal relief for state and local governments—can be enacted immediately and will simultaneously address the dual crises of COVID-19 and climate change.
 - **Helping Families with Energy Payments:** The Low-Income Home Energy Assistance Program creates jobs in clean energy while helping [16.2 million households](#) struggling to afford energy payments in the United States.
 - **Boosting Small Businesses:** The Production and Investment Tax Credits protect small businesses and fight corporate concentration in the green energy sector, bolstering communities and local economies.
 - **Preventing Budget Cuts through Aid to State and Local Governments:** As states and municipalities deal with budgetary fallout from COVID-19, federal assistance to build green transit and water infrastructure (particularly in historically neglected areas) can prevent large-scale budget cuts by boosting revenue—[effectively rescuing local economies](#) and revitalizing the health and welfare of communities.

- **Create More, Higher-Quality Jobs:** Investments in clean energy generate nearly [three times as many jobs](#) as comparable investments in fossil fuels. Clean energy projects are highly labor-intensive and require spending significantly more on hiring workers, whereas fossil fuel projects devote significant sums of money to purchasing equipment, land, or the energy itself. Investing in such a high-growth industry creates more immediate growth in the short-term; a \$320 billion-per-year investment [would create 4.5 million jobs](#) every year for the next 10 years. Importantly, jobs in clean energy pay family-sustaining wages and offer career advancement opportunities.

Growth That Lasts

Beyond the immediate payoffs, climate-forward policies equip the country for long-term prosperity by reorienting our economy around green industries, providing a necessary alternative to fossil fuel dependence, and averting the catastrophic economic costs of climate change.

- **Reorganize our Economy around Sustainable Industry:** Government intervention can spark long-term growth by generating a private-investment boom. An aggressive federal investment commitment [will crowd in](#) private funds that [catalyze production in other industries](#) like manufacturing, transportation, and construction. Moreover, well beyond the short-term job boost, green stimulus has structural impacts on the labor force. It creates [long-term jobs at all skill levels](#) with opportunities for advancement, drawing in people who work in dying industries or who had left the labor force entirely while maintaining and upgrading their skills.
- **Save Money By Averting the Costs of Climate Change:** The transition from fossil fuels will save money in the long term by avoiding [expensive](#) climate disasters, reducing [public health costs](#), and saving households [as much as \\$2,500 per year](#) in energy costs.
- **Fight Racial and Economic Inequality:** In addition, harmful effects of climate change are a [key driver of inequality](#), disproportionately disrupting [infrastructure and key industries](#) in poor communities. Black, brown, and Native American people also [suffer most](#) from poor air quality, are abandoned during natural disasters (as in [Hurricane Katrina](#)), or are deprived of basic necessities (as in the Flint [water crisis](#)). These frontline communities have the most to lose if we continue to take insufficient climate action.

The Untenable Alternative

Just as climate-forward stimulus policies are beneficial to the economy, “climate-blind” policies have the potential to be counterproductive. Not only do they dampen potential stimulative effects, they risk actively making our financial system and economy more unstable. Ultimately, they undermine our long-term economic sustainability by delaying or actively preventing our transition away from fossil fuels—an imperative to avoid climate catastrophe.

- **Produce Smaller Short-Term Returns:** Even before the COVID-19 pandemic, [structural problems in the fossil fuel industry](#) were driving its collapse. Given this structural decline, “climate-blind” stimulus [squanders](#) money by producing [far less return per dollar](#) in the short term and props up fossil fuels by

delaying a long-term transition to sustainable industry. We must explicitly exclude fossil fuels to avoid misusing stimulus funds, prolonging our transition, and hurting our economy and environment long-term.

- **Exacerbate Economic Instability:** Government bailouts of fossil fuel companies make oil, gas, and coal industries appear more financially viable than they actually are. Not only is this a bad government investment in a dying industry, it actively undermines the renewable energy industry in the eyes of potential investors. Additionally, the fossil fuel industry has [notoriously paid out billions more to shareholders than they've brought in](#), creating unsustainable amounts of corporate debt—much of which is rated below investment-grade. Such conditions make this a high-risk investment that increases the chances of a crash, particularly when combined with the structural issues—namely, falling prices and consistent overproduction—that have plagued the industry.
- **Prolong the Costly Effects of Climate Change:** In 2020, the US paid [over \\$95 billion](#) to recover from climate-related disasters. In the future, these disasters and their subsequent impacts could cost as much as [\\$1.8 trillion in direct damages](#) and an additional [36 percent in lost GDP](#) by 2100. Policies that prolong or prevent the transition to renewables will make climate disasters more frequent, more extreme, and more expensive.

A Better Recovery

Following the Great Recession, policymakers failed to remedy the lasting and underlying economic faults exposed—and exacerbated—by the crisis. That insufficient response locked our economy into a grinding, decade-long recovery.

This time, drawing from the [lessons](#) of past [crises](#), policymakers should ensure that federal investment meets the magnitude of the crisis and that policies are designed to create sustainable, long-term growth. Climate-forward investments in the next round of stimulus can provide immediate relief to families, small businesses, and local governments while charting a better and more equitable future for the economy.

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