

Green New Deal

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Greg Dalton: Welcome to Climate One at the Commonwealth Club. I'm Greg Dalton. Today, we're discussing President Obama's economic stimulus and \$800 billion spending spree that Congress approved in 2009 during the darkest days of the global economic crisis. In this election year, the stimulus remains front and center in the debate over what role government should play in steering the American economy. Supporters say the stimulus was an appropriate use of taxpayer funds that created jobs, rebuilt infrastructure, and advance clean technology. Critics say it wasted public money on unproven companies, it didn't create jobs, and failed to deliver on its promises. Most Americans side with the critics. The number of people who think the economic stimulus was a success is smaller than a number who believe Elvis is alive according to a new book on it.

In the next hour, we'll discuss the stimulus, the Bay Area people who helped shape it, and what it did for cleaning energy economy in California and beyond. Joining us with our live audience here at the Commonwealth Club, we are pleased to have Michael Grunwald, a senior national correspondent with *Time Magazine* and author of *The New New Deal: The Hidden Story of Change in the Obama Era*. He was also chasing Elvis in his spare time. Also joining us is Nancy Pfund, a managing partner with DBL Investors, a venture firm that has a stake in Tesla, Bright Source and other companies that receives stimulus funds. Please welcome them to Climate One.

[Applause]

So Michael Grunwald, in a couple of weeks, on October 3rd, the first presidential debate will be in Denver, but let's go to Denver in 2009 when President Obama was on a rooftop and signed the Stimulus Act into law to set the stage for that scene, and the significance of what happened there on that rooftop in Denver.

Michael Grunwald: Well, it's kind of funny scene. He was up there with Biden and this guy who is from Colorado and had started this solar company.

Greg Dalton: Namaste.

Michael Grunwald: That's right, Namaste, which Biden couldn't pronounce. And in fact, Biden had told this guy that if he mispronounced it that he could then mispronounce Biden's name. And when he introduced Biden he said, "Now I'd like to introduce Vice President Biden," which is still on the -- anyway, this was -- they went to -- they went to Colorado because they wanted to get out of Washington because they just had this very ugly horse trading scene of getting this thing passed was very unlike the kind of hope and change that candidate Obama had talked about on the campaign trail, and sort of did serve notice that after campaigning as this kind of change the system outsider, he was going to govern as a work the system insider. And the idea was to kind of get some of that mojo back and come out and talk about what the stimulus actually did because it was a really big deal. It was \$800 billion when a \$50 billion stimulus had failed in the Senate just a few months earlier. Obama had talked about \$150 billion in October. The liberal economists, most of whom now say "Oh, it was too small," they had sent a letter demanding \$300 to \$400 billion dollar stimulus. So it was a really big economic deal but it was also, really, the purest distillation of what Obama meant by change.

He had talked during the campaign about trying to change the way we do energy, healthcare, education. This also included the largest infrastructure investments since Eisenhower, the largest middle class tax cut since Reagan, the largest one time research investments, Race to the Top, which is really the most important education reform in years. It's a really big deal. And so it's kind of a celebratory time in February 17, 2009. It was a lot to get done before your aides really knew where the bathrooms were in the west wing.

Greg Dalton: But you write that the stimulus was oversold as a short term economic fix and undersold as a long term catalyst for change, and that the messaging was messed up from the beginning.

Michael Grunwald: Well, it was a tough sell. People forget, you know, in the winter of 2009. I mean the economic -- the financial earthquake it hit, but the economic tsunami hadn't reached the shore. So in the fourth quarter of 2008, the economy was crashing at a nine percent annual rate. That's depression territory. We lost 800,000 jobs in January of 2009. Then we passed the stimulus, and the next quarter had the best jobs improvement in 30 years but we were improving from absolutely hideous to just bad. So there was this faction in the White House led by Rahm Emanuel who is very insistent that the message had to be jobs, jobs, jobs. We're going to create 3 million jobs. And every independent economist who has looked at this believes that it did create and saved maybe 2.5 to 3 million jobs, that it added two to four percent to GDP which is the difference between contraction and growth, but, you know, it was a 3 million job solution to an 8-million job problem. So there were others in the White House led by Vice President Biden who really, from the beginning, wanted to sell this more as a new, new deal as the sort of restructuring the economy for the long term so that we don't get into this kind of mess.

Obama did start talking about it a few months later. He had this new thing. It was going to be the new foundation, that we were going to write the proverbs where instead of building your economy on a house of sand, you're going to build it on this rock of, you know, health information technology and clean energy. There's \$90 billion for clean energy and, you know, fair tax code, education reform. But Doris Kearns Goodwin was quoted in the New York Times saying that the new foundation sounded like a girdle and we didn't hear about it too much after that. There was a real -- there was a real problem kind of settling on a message when the Republicans from the beginning -- I write in the book about how even before Obama took office, they had settled on this strategy of no. And they made this sound like \$800 billion worth of levitating trains to Disneyland and mob museums, and turtle tunnels, and all kinds of nonsense. It was not in the actual stimulus. But Obama had this kind of complicated message about we're going to be doing stimulus now and then we're going to pivot to fiscal responsibility. We're going to be doing tax cuts and spending. We're going to be saving the economy in the short term and transforming it in the long term. The Republicans had this very simple message that was, "No." It's big government. It's big spending. It's a big mess. And Democrats weren't really defending it. They were whining about it. It's too small. It's too many tax cuts. It's not shovel-ready enough. It just all added to this cacophony of it's a mess. And the media, which really blew the story as badly as it blew the run up to the war in Iraq, was just not interested in kind of setting the record straight.

Greg Dalton: Nancy Pfund, let's bring you in here. Where was Silicon Valley at this point? You know, tell us how bad things were. Liquidity had frozen up in 2009, right? It was hard to get access to capital. So was this welcomed by Silicon Valley, this big Stimulus Act, particularly the energy pieces?

Nancy Pfund: Well, I would say yes because when the economic tsunami happened, it dried up private sources of capital and many of them just went away. And it was a unique period where the government was able to step in and offer a lifeline to companies that had been humming along,

developing their technologies, getting private funding and yet need -- were long ways from going public or, you know, being commercial. And so you saw time after time that the approach the Obama administration took which was to have a portfolio approach and really fund grants fund loans, and also create an opportunity to supplement the investment tax credit for renewables with a cash grant because no one had any profits to tax to get a credit for. And all of that combined was really a lifesaver for many of the companies that are becoming the icons of the industry. Certainly Tesla, you can -- you can say it was -- which received the 500 million loan from the advanced technology program. That also benefited GM and other traditional car makers. That was a pivotal moment for Tesla in terms of funding that last stretch of development that resulted in the car that we're increasingly seeing on the roads.

Greg Dalton: Did it save Tesla? Would Tesla still be here without it?

Nancy Pfund: I mean, it's hard to give Monday morning quarterback, but I would say that it was incredibly important because it helped the effort that the government made to do the due diligence helped, for example, Daimler and subsequent automakers or investors that came into Tesla because, certainly, the rigor that the government used in getting that grant was a signal that come to some of the other private sector dollars down and got them to step up.

Greg Dalton: It may have been good for some companies but there's debate within the administration that it would have been better to do what the second George Bush did which was to present people with \$300 check. I still remember getting that check in the mail, a lot of people. That was what, I think, Rahm Emanuel called the Ed McMahon moment, that it would have been better to put people, you know, cash, writing people's pocketbooks rather than sort of trickle it out in this technocratic way.

Michael Grunwald: Right. This was -- I do tell the story in the book. And if -- you know, certainly Democrats have told me that the story made their head explode about how there was, you know, the Obama's economist told him that, "Hey, you know, we're doing this gigantic tax cuts for the middle class, 95 percent of the country is going to get it." But instead of just handing everybody a check, which behavioral science says if you get a big check in the mail, you're more likely to put it in the bank and save it, but if you just dribble it out into your paycheck a few bucks a week so that you don't notice it, you're more likely to spend it, but then you don't notice it. So less than 10 percent of Americans are aware that they got these tax cuts. It has been a political disaster. That's why I talked to Ron Klein who was working for the Vice President at the time, and he kind of laid out the explanation of why this was good public policy and there really was this feeling that, you know, if you get the policy right you'll get results and the politics will sort of take care of itself, and what Ron said is that in retrospect, that was just stupid.

Nancy Pfund: And another aspect of that is that it wasn't like the government funded completely these companies. The companies got many multiples of the government dollar from private sources. So it helped to get private industry back in the game of funding innovation. And certainly, we wouldn't have the advances in electric vehicles, in solar, in wind, in storage, and biofuels, and bio chemicals if we had just, you know, given \$300 to each person. We focused it on critical needs in our energy infrastructure.

Greg Dalton: So the smart policy but not the most -- effective policy but not the most effective communication.

Michael Grunwald: Right. I mean people don't understand just the -- the scope of this thing was just incredible. And we had been spending maybe a few billion dollars a year on clean energy at the federal level. And Bill Clinton in 1999 came up with this five-year \$6 billion clean energy plan that

was basically laughed out of town because people thought it was so pie in the sky. And here was this new guy who comes in his first month, \$90 billion that did leverage more than \$100 billion in private capital at a time when the industry was completely dead in the water. We're talking about unprecedented investments in wind, solar, geothermal, and other renewables, right, energy, efficiency in every imaginable form, smarter grid, cleaner coal, advanced electric vehicles, creating an entire advanced battery industry for electric vehicles out of thin air, you know, the factories to make all this green stuff in the United States. It really was, it was, by far, the largest energy bill in the history of the country. And it's, you know -- and you can already see some of the -- some of the results.

Greg Dalton: Let's talk about some of the California characters because there is, definitely, Silicon Valley Bay Area cast of characters that are very instrumental in this story. So Steve Chu start there, Secretary of Energy. What kind of character do you paint him as in the book?

Michael Grunwald: Well, you know, he's a nerd. And, you know, this is a very nerd friendly book, I think. You know, it was kind of written by one, I think. You know, not that smart a nerd but he's -- but what's interesting is that -- one thing that I don't think people don't understand about Chu is that, obviously, he's got the unbelievable science brain. He's won the Nobel -- he's a Nobel Laureate. But he's also -- I think in a large part because he spent so much of his career out here, he also understands the energy business. And one of the -- particularly in the clean energy world, Nancy can talk about this better than I can, but, you know, it really doesn't matter how cool your technology is, you know, on the lab bench. What matters is how much it costs whether it can scale. And I think he really understood that in a way. I mean, there's a scene where I follow him around the ARPA-E showcase where he's looking at all these science experiments, and he's asking these questions about, you know, the nanotechnology behind it and, you know, "Have you thought about this and that?" And I won't do it justice but I do -- I remember I like to scribbled it in my notes, like I don't think Hazel O' Leary ask questions like this. It's just --

Greg Dalton: She was a former Secretary of Energy?

Michael Grunwald: Yeah.

Greg Dalton: You talked about the brainiacs that they came in -- and you also say that the Department of Energy was like a government version of Sand Hill Road, the home -- epicenter of venture capital. So Nancy Pfund, you know, was that true that there's sort of bringing Silicon Valley people and ideas into this sleepy backwater agency?

Nancy Pfund: Well, I would say that there was a very fruitful, very active dialogue between Silicon Valley and the DOE, and there still is because the DOE was very interested in tapping into the innovation that this region is famous for as well as other parts of the country, but without that cross pollination there wouldn't have been many of the successes that we're seeing today. And, of course, the media has focused on the failures, and yet there are plenty of successes that are in the works here that are a result of the meeting of the minds of the DOE and Silicon Valley.

Michael Grunwald: And some of them were really -- I mean, you know, not just Chu, but, you know, Arun Majumdar from --

Greg Dalton: Sure.

Michael Grunwald: -- from Berkeley, and Cathy Zoi who had been in venture capital and clean tech. And I see Sanjay Wagle is here, and he was doing clean tech venture capital. I mean, they were bringing people -- Matt Rogers who oversaw the stimulus for the Department of Energy. He

had started McKinsey's clean tech practice. So these were people who knew the business and knew what they were talking about. In addition, you know, they had the private sector chops in addition to the kind of public sector responsibilities.

Greg Dalton: And one of Matt Roger's responsibilities was shoveling a ton of money out the door quickly. It's almost impossible, difficult to fathom how much money had to move quickly and responsibly, and he ran into some real bureaucratic challenges there with prevailing wage and different things, right? So talk about how hard it was to move that much money fast and get results.

Michael Grunwald: Well, you know, there were like -- Department of Energy had to oversee 144 stimulus programs and \$90 billion. And some of these programs, they just had to start up from scratch. You know, it's like how are we going to spend \$2 billion to create an advanced battery industry in this country when we don't have one. You know, are we going to -- are we going to fund the research? Are we going to fund just what we think is cool? Are we going to force these companies to have customers lined up? There were just all these decisions. How are we going to -- how are we going to start the first advanced biofuel refineries? How are we going to start giving out billions of dollars to utilities to start building a smart grid? These were really hard questions. You know, there were these --

Greg Dalton: All that before the next election, by the way.

Michael Grunwald: Well, you know -- and not just before the next election. You had to get the money obligated in 18 months or else it went away and you're going to look like an idiot. So you had these, you know, they had these programs for weatherization which had been getting a couple of \$100 million a year. And suddenly, you had to spend \$5 billion and you had -- and Obama had made these big promises, and the division was known as the turkey farm at the Department because George Bush had basically sent all the stiffos from the Department into the weatherization division hoping to then kill the program. That's the only way to actually get rid of the federal employee. So it was just, you know -- you have these Davis-Bacon problems which essentially meant you had to pay these -- pay these weatherization workers minimum -- the prevailing wage when there was no prevailing wage for weatherization workers. Nobody knew what a weatherization worker was. So it was really inventing these programs. The New Jersey state energy program got a 95, 100 percent increase in funding. There were -- there were 3,000 cities in towns across the country that got these -- that got what they called energy efficiency community block grants where most of these cities didn't even have an energy department.

Greg Dalton: Which raises the question whether this was too much money thrown at a problem.

Michael Grunwald: Well, maybe Nancy can answer that.

Nancy Pfund: Getting back to that idea, the portfolio. I mean, certainly, energy efficiency is low-hanging fruit. It's the best way to reduce energy dependence and reduce carbon footprint is to use less energy. And while that was probably one of the more difficult programs because you did intersect with municipalities and just no infrastructure, as you point out, they still made a great amount of progress but they didn't leave it just to that. I mean, there was \$30 billion or \$35 billion of the \$90 billion was spent by the DOE in all kinds of programs, ARPA-E going after those early stage innovations that are now beginning to bear fruit, the loan guarantees that -- there are success stories there that you never hear about, BrightSource Energy in Oakland being one the successful loan guarantee programs for large scale solar thermal. And a variety of programs, the cash grants 1603 as it's called, that really unleash huge amounts of private sector capital by allowing for leases for solar as opposed to having to pay upfront all of -- all of the cost of solar, you can pay it as a monthly lease payment. And that's opening up solar to the middle class and resulting in the kinds of

numbers that we saw last week at the big solar show. They announced that in the second quarter of this year compared to last year, installations doubled in this country. And that's a fantastic number in any economy, but especially in an economy like we have today that is, you know, sadly not growing that fast.

Michael Grunwald: I'll throw out a few examples. I mean, the solar industry is a perfect example that -- all you hear about is Solyndra, Solyndra, Solyndra. The solar industry has increased more than 600 percent since the -- since the stimulus passed. Now, wind, we had 25 gigawatts of wind in this country when Obama took office. The EIA, the energy forecast for the federal government was predicting that we'd have 40 gigawatts by 2030. There were literally wind turbines rusting in the fields. A company, A Spanish company called Abengoa had shut down all its U.S. projects in Texas, in Illinois because, as Nancy mentioned, there was no appetite for the tax credits. The day after the stimulus passed, the head of Abengoa announced that he was investing \$6 billion in U.S. projects. And in fact, today, instead of 40 gigawatts by 2030, it's now 2012. We already have 50 gigawatts. So we've already doubled our wind power.

We've doubled overall renewables in this country. And you're seeing as Nancy mentioned some of these ARPA-E companies, they're already, you know, already -- I think a dozen of them have already raised follow-up venture capital. The loan guarantee program is financing the world's largest wind farm, a half dozen of the world's largest solar farms, the world's largest distributed solar project, America's first cellulosic biofuel refineries. So you're already starting to see, you know, it's -- people say where are the -- where are the stimulus' icons, right? Where is its -- where at the Grand Coulee Dam or the, you know, Skyline Drive. Well, you know, go out into the desert, and you look at Ivanpah. You know, you can really see some of these icons.

Greg Dalton: Ivanpah being a large solar insulation in the Mojave Desert. We're discussing clean energy with Michael Grunwald, a senior national correspondent for Time Magazine, and Nancy Pfund from DBL Investors. I'm Greg Dalton. If this is so successful, why do more Americans believe Elvis is alive than the stimulus was a success?

Michael Grunwald: Well, I do think, you know, the message got away early. And I think part of this is it's just -- it's very tough to sell a jobs bill at a time when jobs are disappearing, and there was no stimulus that could have turned things around fast enough to brag about it. You know, double-digit unemployment is really hard to sell. And particularly, Keynesian stimulus in general, even though in the economics' field it's uncontroversial and every Republican and Democratic candidate had supported Keynesian stimulus in 2008, Mitt Romney had the largest plan. The House Republicans had voted for \$715 billion stimulus including Paul Ryan. This was apparently good public policy, while Obama's \$787 billion stimulus -- that was almost identical with Sharia socialism. But look, this is -- it's a tough sell to make because, you know, this is a time when families and businesses are tightening their belts, where you just explained that, you know, we got into this mess because Wall Street was gambling with money it didn't have, and homeowners were taking out loans they couldn't afford.

And so the answer is for government to pour \$800 billion that it borrowed from China into the economy. It's just -- it's not exactly intuitive. And then you have the Republicans making it sound like it's all condoms and sod on the mall and, you know, and all kinds of ridiculousness. You have Democrats not defending it. You have the media talking about phantom, money going to phantom congressional districts and, again, all kinds of ludicrousness that was not reflected. It was -- it was -- you know, the best --

Greg Dalton: Some of that happened, right? There were some congressional districts that was in --

Michael Grunwald: No, that was -- those were typos. Those were typos. They were, you know -- people had put in the wrong, you know, the wrong information out there. And, of course, because this was the most transparent federal spending in the history of our government, you know, every time somebody makes a typo it goes on to recovery.gov so that every investigative reporter in America can find it and make fun of it which is, you know, which is a good thing in the long run.

This is the reason why in the beginning people -- the fraud experts were predicting that five to seven percent of the stimulus would be stolen. And so far the actual fraud numbers are 0.01 percent because this is the most scrutinized federal money in history. Ask the guy who is supposed to oversee it. He said, "You'd have to be an idiot to steal this money. Go steal some other money." But again, you know, people don't hear this. And Obama --

Greg Dalton: Just go get an earmark but, you know --

Michael Grunwald: And Obama has had trouble defending it, right? I mean he was -- for one thing he, you know, they had these messaging difficulties in the White House that I talked about in excruciating detail in the book, but then also he was on to the next, right? He passed it after that big excitement in Denver. The next week he was on to the auto bail out which was just as unpopular at the time. And then after that it was on to healthcare which is, you know, still pretty unpopular.

And so it was -- while the Republicans had this very consistent message where everything was big government, big spending, big mess, Obama was busy trying to do policy. And the Republicans were thrilled with letting him get his agenda passed because they thought it was bad politics for him.

Nancy Pfund: And I think that history will be a lot kinder to the stimulus than the talk shows of today because it takes awhile for some of these technologies to get commercial operations to scale and to find a place in the American mind in terms of, you know, being the next big thing. I think Tesla, arguably, is the first icon we have in the clean tech world coming out of the stimulus, and it's -- it's a hell of an icon. I mean, it certainly captured the imagination of people all over the world. But that doesn't mean we're going to stop there, it's just that when you design a new wind turbine that has, you know, three times as much energy for the same amount of wind, that's quite complicated, you can't do it in a couple of years in terms of going through the design, the permitting for the -- your first pilot, the financing of a wind farm. And I mean, it's a very complicated process. And four years in, there's a huge amount of progress but, you know, in 14 years from now we're going to see many more of the fruits of this policy.

Michael Grunwald: Right. It's easy to make fun of a Chevy Volt today, right, because it's too expensive. Everybody knows it's too expensive. But Envia Systems which got an ARPA-E grant to basically make a better battery --

Greg Dalton: We should explain ARPA-E is the Advanced Research Projects Agency --

Michael Grunwald: Right.

Greg Dalton: -- part of the Department of Energy.

Michael Grunwald: Exactly. It was the only new agency created by the stimulus, right, the original new deal which created WPA and CCC and millions of new government workers. ARPA-E which was, you know, you may have heard of DARPA, right, which is --

Greg Dalton: The Pentagon research. This is the energy equipment.

Michael Grunwald: The internet, they had invented GBS technology. This was to create an energy equivalent. And one of the companies that got funded, Envia Systems, which is out in Silicon Valley,

and has invented a better battery. And it's going to take -- they're making the battery for the next general Volt, and it will probably take \$5,000 to \$6,000 off the cost. And that's how -- that's how these things changed. And again it's -- this is the difference between trying to do policy, trying to create the Tesla's and the BrightSources, and the wind of tomorrow, and just trying to do politics.

I told the story about how right after the stimulus vote where House Republicans had voted -- every single one of them voted against the stimulus. But, of course, there were a lot more Democrats so the thing passed. Obama had just passed this huge agenda item in his first month. The Republicans went to this retreat in Virginia and they were celebrating. John Boehner who is now the Speaker of the House, he played a tape of the vote on C-SPAN and he got a standing ovation. And Eric Cantor, his deputy, got up and said, "We're going to have more votes just like this." I mean, you know, they had just gotten their butts kicked but they were excited that they had stepped together and made the stimulus unpopular. Mike Pence, who is another member of the Republican leadership, played a tape from Patton where the General is saying about how "We're going to run through the enemy like crap through a goose," which, you know, he was talking about the Nazis but, obviously, the idea was that this was -- instead they were talking about Obama.

Obama had just run through them. He had passed \$90 billion for clean energy and \$27 billion for health IT that's going to transform our pen and paper healthcare system and drag it into the digital age and roads and bridges and tax cuts, and you name it. All the stuff that used to be bipartisan, Obama had just passed it but they didn't care because they knew it was going to, in the long run, it was going to be bad politics for him.

Greg Dalton: You also write about the cash and trash Republicans, that some of those Republicans who were against the stimulus, they were happy to go home and collect the money and then celebrate with their constituents, that they have brought that money home. Tell us about that.

Michael Grunwald: Yeah, sure. Paul Ryan sent five letters looking for stimulus projects that were going to reduce global warming and, you know, all kind. You know, and I actually think that's sort of mildly hypocritical compared to voting for an almost identical stimulus which I think is extremely hypocritical. All of the Republican governors said that they were going to -- not all but many of them said that they were going to turn this money down. There are actually few Republican governors who were supportive of this from the start including Governor Schwarzenegger, but in the end Governor Sanford from South Carolina was the only governor who made a real effort to turn down stimulus money, and he was overruled by his Republican legislature. He later -- he told me for the book -- he's actually sort of a hero in the book. He's kind of the principled Republican. He's a true small government guy, he really believes in it. But he told me that fighting his own Republicans to try to actually turn down the stimulus money that they were all saying was communism anyway, he said it was this unbelievably lonely time in his life. And he didn't quite say that's why he went on his little trip down the Appalachian Trail, but he did keep saying it was an unbelievably lonely time.

Greg Dalton: Yeah. Stephen Colbert said that the stimulus stimulated Sanford in the right way. Yeah.

Michael Grunwald: He sent me a nice email the other day.

Nancy Pfund: It's important to note that, really, clean tech growth and clean tech jobs are nonpartisan. And we just did an analysis at DBL Investors last week, published a report that shows that the job growth is happening in red states, blue states, swing states, and many of the fastest growing clean tech job states are red states. I mean you've got Governor Brown back from Kansas, Governor Perry, Texas, Governor Christie in New Jersey, all embracing some aspect of the clean tech industry. And so it really -- once we see more of that, I think we'll be able to, perhaps, get more

progress in Washington.

Greg Dalton: Nancy Pfund, the first President Bush appointed you to an advisory council. I mean, how did energy get so partisan and so political? It didn't use to be this way.

Nancy Pfund: The fact that I was put on an environmental commission by Republican president many years ago is something that I'm very proud of. And back then it wasn't -- it wasn't shocking, whereas today, with the polarization of the debate, it really -- it is --

Greg Dalton: It's not going to happen again.

Nancy Pfund: Well, never say never. But what's important is if you look at where the job growth is, and much of it is in red states or swing states, people that have good jobs usually vote. And so I think you're going to see an evening out and perhaps even more power for clean tech not only as a job creation tool, which it is very good at, but in the ballot box. I mean, if people are employed by the industry, they're more likely to vote for politicians that support that industry's growth.

Michael Grunwald: The good news, I would say, that if you -- with the exception of Governor Sanford, if you -- I'm proud of this reporting because I have very Republican sources. And they really did, they've kind of laid out their kind of conspiracy to destroy Obama before he even took office. So the good news about this is that it was purely cynical and political, that they would -- that they would turn on a dime if they thought it was, you know, if they thought the political landscape had changed. It wasn't -- there's no genuine, you know, distaste for wind turbines or, you know, or, you know, or electric vehicle batteries. It was just -- those became Obama's cars, the Obama mobile in the same way that, you know, the individual mandate that had been the heart of Mitt Romney's healthcare plan in Massachusetts suddenly became the death of American free enterprise, you know, a couple of years later.

I tell about these secret meetings that Eric Cantor and Mitch McConnell had where they recognized very early on that it was going to be really hard to turn this economy around in two years, and that the Republicans -- and people forget. This took some guts because at the time was at 70 percent in the polls, you know, there were 2 million people out on the mall saying "Yes, we can. Yes, we can." People were debating, are the Republicans, are they the Whigs or are they the Federalists because, obviously, they're doomed. And people thought they really had to cooperate with Obama. And it took a certain savvy to recognize that no, that their path back to power, their path back from oblivion was the word no, but once they did, they were very disciplined about it.

Greg Dalton: Well, let's talk about the current campaign a little bit. You write that Romney was a Keynesian initially and then he wrote a book and then he airbrushed out some of the things in his book. So talk about that change and, you know, where we are on the current campaign.

Michael Grunwald: Sure. I mean, you know, no apology, right? The hardback edition right after the stimulus passed when, you know, jobs -- we've gone from 800,000 jobs lost to, you know, basically we were starting to build jobs. And this book came out and so it said, you know, "Oh, the stimulus, it was disappointing. I would have done the stimulus a little differently. I would have focused more on permanent tax cuts." By the time the paperback came out, it was like "Stimulus was a joke. It didn't do anything." So again, I think, you know, Mitt Romney who knows who's going to, you know -- if he's elected, he's going to have to ride that tea party tiger too. And it's, you know, it's hard to know who's going to be running the show but, certainly, he had his own clean energy investments when he was governor of Massachusetts, and there is certainly no reason to think that he genuinely in his heart believes that this stuff is the kind of socialism he describes it as now. The question is, you know, whether it matters what's in his heart when you have a Republican -- if you

had a Republican majority where every Republican member spends their days worrying about getting a primary challenge from the right. And, you know, you start talking enough about how, you know, wind turbines and solar panels are imaginary, your base starts to believe it.

Nancy Pfund: Well, except that in states like Colorado and Iowa where wind is big, it's been more difficult for Romney to gain momentum, and it's a more contested rates in those states in part because of the fact that wind has created a lot of jobs in those states and the citizens of those states, like having it in their own backyard.

Michael Grunwald: There's a reason that the Republicans, you know, when they pledged to America in 2010. Plank number one was we're going to rescind all the unspent stimulus money, which at the time was a couple hundred billion dollars. And actually, of that couple hundred billion dollars, they only rescinded zero dollars because people don't like having stuff taken away from them.

Greg Dalton: But the idea that people really vote on energy issues, I want to challenge that because a lot of polling says, "Well, people don't really vote on energy issues or environmental issues. They vote on pocketbook issues, social issues, things that are more electrified, abortion, et cetera." Do people really vote on energy?

Nancy Pfund: It is a pocketbook issue. It creates jobs. It creates tax bases in communities.

Greg Dalton: We don't talk about it very much, right?

Nancy Pfund: But look at Governor Brown of Kansas. He gave a speech at the Wind Association annual meeting in support of extending the production tax credit.

Greg Dalton: And he's a Republican governor of --

Nancy Pfund: Yup, of Kansas. And he enjoys -- all of these governors that are attracting jobs to their state. Haley Barbour did it in Mississippi before he was termed out. They enjoyed the highest approval ratings of almost any politicians, the governors that create jobs. And so it's very much a pocketbook.

Greg Dalton: So if clean energy is good for the politicians, why are they running away from things that are clean energy I'm trying to unwind this if it's --

Michael Grunwald: I mean, I think almost -- there are very few issues that really matter in elections. One of the lessons in my book, I think, is, you know, all -- you know, they did all this stuff in this huge bill and why have we never heard about it? Why is it so unpopular? Why did he -- why did he do healthcare which was also so unpopular, instead of focusing on jobs, and did this financial reform that had this problem and that problem, student loans, all the stuff that he's gotten so much abuse over? And, you know, his numbers haven't really change that much. And so one of the lessons, maybe this is less about the politics and more about governing, but when you're governing you ought to do stuff because ultimately you're just going to be judged, you know, for -- you know, 90 percent of the country is probably already made up its mind anyway. And what they feel about energy depends on what their guy says about energy.

The real lesson is you can make a real -- the subtitle of the book is *The Hidden Story of Change in the Obama Era* because you can do a lot of change when you're sitting in that chair as opposed to, you know, sort of gaming out the political considerations of everything in it. You know, instead they could have said, "Huh, I don't know how is geothermal going to be play outside of Nevada and how, you know, wind turbines, you know, do we want to tie ourselves to that kind of untested technology

or et cetera, et cetera?" Instead they just said, you know, what Obama really said is "We talked about all this stuff in the campaign. We've got \$800 billion. Why don't we do it? Let's see what happens." And it turned out it was unpopular but he's still winning.

Greg Dalton: And high speed rail is one thing we haven't touched on but you write about how Rahm Emanuel thought that Republicans were horning for high speed rails turned out to be wrong and that's why they tried to cramp a bunch of money in. It got cut back. But let's touch on that one and then we'll get some audience questions in here in a minute.

Michael Grunwald: Sure. You know, high speed rail is another one that's been a political disaster. You know, I go to sleep crying because my governor killed my Florida high speed rail project that was supposed to get me to my in-laws a lot faster than I can get there now.

Greg Dalton: So Governor Rick Scott.

Michael Grunwald: Yeah, he killed the fast train that was going to eventually connect Tampa, Orlando to Miami. But look, high speed rail, it's turned out there's only one bullet train, and as you guys know, in California it's off to a very slow start. But there is, you know, there's billions of dollars being poured into the Midwest into the northeast, into lots of different places for sort of higher speed rail, and it's kind of making rail better. And ultimately, you know, I don't want to predict what's going to happen in California but it's still alive. And these are all -- a lot of what the stimulus was sort of, you know, a little bit -- there was a little bit of an element of throwing the spaghetti up against the wall and seeing what would stick. But you could really defend each individual piece of it on its own merits. There was a defense for it whether you like it or not, and high speed rail is obviously about trying to deal with this future with millions more people were, you know, who knows if these short flights are even going to be economically sustainable. Who knows -- you can't just keep building highways forever. This is more fuel efficient. It's kind of a nicer way to travel. You can see how it's working in Europe and Asia. It's another way of trying to build this 21st Century infrastructure in the same way that health IT or the smart grid or the broadband expansions are in those next of the woods.

Greg Dalton: Michael Grunwald is a senior national correspondent for Time Magazine and author of *The New New Deal: The Hidden Story of Change in the Obama Era*. Other guest at Climate One today is Nancy Pfund, managing partner of DBL Investors. I'm Greg Dalton. If you're just joining us, you can find this and other podcast of Climate One in the iTunes store.

Let's go to our audience questions. And in this brief technical break, I'll encourage you to come up with one one-part question. If you're on this side of the house, please come over. Go out that door. And the line starts over with Jane Ann. So we welcome your participation. This is often one of the best parts of the programs. So let's have our audience question. Yes, sir. Welcome.

Peter Jesella: Hi. My name is Peter Jesella. And I've been interested in the national service program for 30 years. I proposed the Youth Energy Corps back in 1980 based upon my military experience and the history of the Civilian Conservation Corps. Now, Time Magazine in September of 2007 did an extensive article on the case for national service. And Senator McCain and Obama supported this concept. And Obama promised to have 250,000 youth in AmeriCorps. Now, unfortunately, with the stimulus program, none of that money, the \$800 billion, was allocated to AmeriCorps or the corporation for national community service. Now, a month later he got a bill passed to expand AmeriCorps and other programs with the focus on energy conservation and you mentioned weatherization focus. Can you express or understand why the Obama administration was interested in this program, got a bill passed but provided very little stimulus money for this program to impact on our society?

Michael Grunwald: I think there was some AmeriCorps money, and I know there's actually a Green Corps that was started, because I met somebody at one of my events the other day that's doing a film about the Green Corps. This is working out along the Anacostia River in Washington to -- teaching young people some of the kind of -- for the jobs, green jobs of the future and doing actual conservation work. You know, I think weatherization is something that got off to a horribly slow start, got a lot of horrible media coverage about what a slow start it got off to, got a lot of nasty inspector general reports about how slow things were going. And then I tell the story in a book about how they actually sent in this kind of butt kicking woman with a real private sector background to turn around the turkey farm.

Greg Dalton: Operation Cupcake.

Michael Grunwald: That's right. She started -- that didn't work out so well and she ended up getting sort of ridden out of Washington on a rail. But she did fix the program and it did meet all its deadlines and nobody wrote any stories about that. It did end up weatherizing a million homes. So again, stuff is happening. It's not getting a lot of attention because it's not so sexy.

Nancy Pfund: I spoke at the graduation of the Green Corps class in Oakland this summer. And it was the first I had encountered, the program. The graduates are working for city governments, regional governments, clean tech firms. Many of them are implementing stimulus programs relating to solar or energy efficiency or other aspects, and that wouldn't be happening without some of the dollars that support those programs but it's a very vibrant program, and the graduates are off to the races in terms of having career choices.

Michael Grunwald: When the Republican alternative that Paul Ryan voted for, it was almost identical. One of the differences was that it had no money for youth jobs.

Greg Dalton: And those jobs are jobs that are not easy to be exported, right, those are sort of domestic jobs that aren't going to be sent off to India or anything like that.

Michael Grunwald: And after you caulked a window, it's caulked, you know.

Greg Dalton: Right. Future savings.

Nancy Pfund: Of course, that's a wonderful part of the story, is that so many of those jobs, especially on the downstream, on the installation, on the building the big solar plants or putting on rooftop solar, same with wind. Those jobs are local and are quite high quality.

Greg Dalton: Let's have another audience question. Welcome to Climate One.

Alex Trembath: Thank you. Alex Trembath, I'm an energy policy analyst at the Breakthrough Institute in Oakland. My question is, Mike, you described the stimulus as a down payment on America's clean energy economy. My question to both of you would be, what is next? I think all eyes are on, in particular the production tax credit expiration, for wind energy at the end of the year and then wind turbine deployment is expected to plummet in 2013. So it's not clear that these technologies in these sectors are free of subsidy independence or policy support. So what do you see is the next couple of years of the next decade in policy influence and in capital market movement for clean energy sectors?

Nancy Pfund: Well, I would start by saying that all forms of energy in this country are subsidized including -- especially fossil and fossil fuels through the tax code and other -- and nuclear through insurance, the Price-Anderson Act. So think a lot, renewables as having incentives is not at all accurate today or any time in our history. What's happening is that you're -- there's an impatience

because of the political climate that we've been describing for these incentives for renewables and so they're under pressure. But what I'm hearing in Washington is that after the election when cooler heads will hopefully prevail, that there is support, bipartisan support, for some kind of an extension of the production tax credit which will sort of eliminate some of the problems that you described. And because of what we were saying earlier that the wind blows just as hard in red states as in blue states. You're seeing support from main street for the PTC in a way that perhaps you don't see in Washington debates.

Michael Grunwald: One thing I'd just add is that the part of the goal of the stimulus, and I think it's been pretty successful in some areas, was to help bring some of these technologies to scale so that they would start reducing their costs to at least get a little closer to the level of playing field. And you're seeing that with solar which is the reason that Solyndra went under, right? Solar got too cheap too fast.

Greg Dalton: Which was not because of the stimulus but because of China flooding the market and --

Michael Grunwald: The China stimulus.

Greg Dalton: Right.

Michael Grunwald: But the U.S. demand side stimulus helped as well but in a -- again, electric vehicle batteries is another example where there's a glutted market and you're going to see some Solyndras there. But ultimately, you're also seeing the cost, really, coming down quickly. Other areas that are really starting to pick up, thanks to that jumpstart, the smart grid which now utilities -- the government sort of gave utilities a little boost, and now you're going to start seeing them do more of that on their own. Some areas like, you know, like the cleaner coal stuff, that really -- it looks like it's going to take a really serious carbon price to get anywhere with that. That's been -- that's been pretty disappointing.

Greg Dalton: We're discussing clean energy with Michael Grunwald from Time Magazine and Nancy Pfund from DBL investors. I'm Greg Dalton. Let's have our next audience question.

Clara Vondrich: Hi. I'm Clara Vondrich with CimateWorks Foundation. Thank you so much for being here. I really appreciate you reminding me that President Obama has done a number of important things on climate and energy. I'm often very down on him on that, still resentful that he put healthcare before cap and trade and then virtually stood back and did nothing to support cap and trade. What do you think the chances are for movement in that direction if he does get reelected? Conversely, I've also heard a lot of talk about carbon tax lately, especially in the context of a debt deal. Do you hear anything in Washington right now that gives a signal that we might see some kind of compromise over the debt that includes carbon tax?

Michael Grunwald: I'll take the second one first. No. I don't expect that.

Greg Dalton: So no carbon tax.

Michael Grunwald: No carbon tax. That's just, you know -- and this goes to the first question. Thank you for your kind words. But certainly, the arc of the Obama narrative I think that I did -- I hope my book is somewhat of a corrective, is that you can't make change if you don't have the votes. The bills that don't pass the Senate don't make change. And there was not 60 votes for cap and trade which is why Obama and particularly, Rahm Emanuel, did want to deal with it because he felt it was a losing battle. It wasn't worth spending the political capital. People say why wasn't the

stimulus bigger. If you read the book you'll find that there were three Republican senators who were willing to support the stimulus but they said absolutely not one dime more than \$800 billion. There were also half a dozen centrist Democrats who said absolutely -- they were drawing the same line in the sand. So I think a lot of the -- and it's fair to say, "Oh, you know, he was a great communicator. Why couldn't he convince these people?" But, you know, it's not clear how President Mark Begich of Alaska was going to be convinced, you know, you can't impeach him. And I do think that he did --

Greg Dalton: U.S. Senator Mark Begich, right?

Michael Grunwald: Yeah, exactly. And he was one of the people who said he just wasn't willing to do more than \$800 billion. Why not more than \$800 billion? He didn't really have a good explanation but that was his line in the sand. And that's how you end up with these, you know, why is there no public option in healthcare. Well, because he didn't have the vote for the public option and that's why he ended up with the Cornhusker Kickback for healthcare too because Ben Nelson wanted that. And that's what makes a lot of the -- governing is sort of inherently ugly, and the process of getting to 60 votes in the Senate is even uglier. And when Rahm Emanuel was in the middle of it, it's not really suitable for, you know, young ears either. But that's how change gets made. People forget sort of what's social security look like after -- in its first version when FDR passed it because it doesn't look like the social security we have today.

Greg Dalton: And you write that the stimulus plan basically showed that President Obama was the kind of person that he promised to be, that he was a data oriented left center technocrat and pragmatist who's solicitous of experts. Is that right?

Michael Grunwald: Yeah, and he didn't go running after the perfect, you know, if he was going to spoil the good because, again, the sort of implicit argument of the book is that the stimulus was pretty damn good, I mean, you know, going from a few billion dollars to \$90 billion in clean energy, that's orders of magnitude more than anybody ever done about global warming. And I understand why people are upset that he isn't talking about climate change as much as he once did, and perhaps he may have over promised and talked about how he's going to stop the rise of the oceans. But, you know, it's fair to say that he hasn't lived up to the hype but I would say that parenthood is the only thing that lives up to the hype.

Greg Dalton: Let's talk about Solyndra a little bit. We have a few minutes left. Solyndra, I learned some things in the book that it raised a billion dollars before the government got involved, that it had funding from Richard Branson and the Walton of the Walmart fortune. Yet, all that's often heard about is the sort of crony donors to the Obama campaign, et cetera, and it was a really stupid thing to do but there was other -- a billion -- some presumably smart people put a billion dollars in first on some things that was a good idea.

Michael Grunwald: Right. And remember, the Bush administration chose Solyndra from among 143 companies that had all applied for clean energy alone. Solyndra was the winner. It was going to get the first won, and they almost got it done during the Bush administration. Like you said, it has Republican donors, the Republicans in Congress had subpoenaed 300,000 pages of documents. They haven't found anybody doing anything wrong. This is unfortunate but if all the loans had hit it big, you'd know that these really didn't need the government involved in the first place. There are going to be more Solyndras. These things are going to fail. What Steve Chu would always say is that, you know, we're pioneers and pioneers can't be afraid to fail. But look, the overall portfolio, John McCain's finance chairman was appointed to do a review of the entire portfolio and he's found that it's doing fine. There's plenty of money. They could have half a dozen Solyndra size failures and there would still be plenty of money to cover it.

The idea of it is there ought to be a great debate in this country about this sort of green industrial policy. But it's not just picking winners and losers. It's picking a game. And the argument was, "Hey, look, we need to reduce our dependence on this foreign petrol thugs who want to sell us oil. We want to reduce our carbon emissions that are broiling the planet. We want to stop our vulnerability to when a hurricane comes through or something crazy happens in the Middle East suddenly we're plunged back into a recession." And yeah, this look like the industry to the future.

Maybe we can create millions of jobs that are sort of -- they sort of play to America's value added as an innovator. So yeah, this is where we're going to put some of our chips. And it didn't just invest in solar or solar manufacturing or renewables. It's really the entire food chain, just about anything that any pathway away from fossil fuels got some money. And you can argue whether we ought to be subsidizing thousands of private firms. Instead maybe we should have just hired government workers. Maybe we shouldn't have put money into the industry at all. But we've been debating this imaginary stimulus that outsourced wind turbines to China when in fact we've in-sourced wind turbines, that it was just this big crony capitalism deal when really the only example of any inappropriate political pressure was something that I reported in the book for actually a very Republican friendly company that Obama had promised to help during the campaign. There hasn't been anything real there on any of those accusations and we haven't had the real debate about clean energy and whether it deserves government support.

Nancy Pfund: And it's important to remember pre the loan guarantee for Solyndra. There was a time when Solyndra was very popular venture deal. I mean, there were people buying firms to get into that deal. And obviously it didn't work out but it had to do with what went on around Solyndra.

Certainly, there were internal issues to the company. But when you have that kind of freefall in solar prices that we've witnessed over the past three years, it's going to change a lot of business plans and not all of them are going to survive. So the point is that the government had a portfolio approach and it required other private sources of capital in those later stage loan guarantees to step up as well. So it wasn't out there on a limb. And as we've been talking about, there are success stories that are out there.

Michael Grunwald: Solar City is doing pretty well, right?

Nancy Pfund: Right. Solar City didn't get a loan guarantee when all was said and done, but has certainly benefited from the rigours of that process in getting private capital to finance solar strong which you're referring to.

Greg Dalton: But there will be more Solyndras and more failures. And when that happens, you're in the business, you're accustomed to that, that's part of what you expect. But taxpayers and voters don't always like or expect those kinds of failures. When that happens, will Silicon Valley investors do some communicating and say "Hey, look, this is part of the game," or do you just go to be quiet?

Nancy Pfund: That's part of the reason that people like me are on shows like this and we go to Congress, we try to educate people as much as we can about how these programs have played a very positive role in our companies. One company we're in Prime S power that makes a flow battery for storage to wind and solar energy to link them the amount of time that the solar day occupies or to firm up wind's variability, got a very small grant from the ARPA-E Program a few years ago, and just last month got a big grant from the Bonneville Power Authority to help it figure out what to do with its wind sources because if you could store some of that wind, you wouldn't have to curtail it and anger a lot of people in the Northwest that objected to a few summers ago when there was a lot of hydro coming to the Bonneville Power that curtailed wind and ended up with some lawsuits as a result. So they're all kinds of -- there are very -- if you look at these companies they're meeting their milestones, you know, some are taking a little longer than people thought. But on the venture, you know, that's -- on a venture basis, you really look at, okay, you got this amount of money, how much

did you get done, and that determines kind of what price you pay for the next round.

Michael Grunwald: If I could just jump -- you know, this also speaks to -- your questions speaks to this larger sort of zero defect mentality in government. And one of the untold stories of the stimulus that I try to tell in the book, is that there really was this kind of this hidden government reform, a new way of dealing with how are we going to spend the taxpayers' dollars. And it's a little riskier because the old way like you take transportation, if you want to build some sprawl road in the middle of nowhere, you know, you do your traffic study, you show that, you know, you've done your small business hiring report, minority hiring report, you've checked all your compliance boxes and the government gives you a check. It's like the old entitlement mentality. And we just spread money around the country like peanut butter for anybody that raises their hand.

The stimulus created these competitions where you actually -- it was kind of revolutionary. You had to show that your project made sense. You had to show that you weren't just shovel-ready but you were shovel-worthy. And then you had to compete and then for transportation, there was this tiger program where you had to do -- they're really measured which has the biggest economic and environmental benefits. And one of the scary things about that is it means that bureaucrats have to make decision, they actually have to think. And believe it or not, it turns out that some people went into public service to serve the public and they actually welcome that kind of challenge, but it does mean that when something goes wrong, you can point your finger and say "Hey, that's a screw up." Like somebody in the White House told me they were like "You think that there aren't students who got Pell Grants who don't end up drunk on the street corner?" I mean, you know, everybody gets a tax break then nobody says when the company goes under, "Hey, that company got a tax break." And somebody forecloses on my house and they don't say "Hey, he got home mortgage deduction." But these are actually -- when you have to compete, when you have to show that you actually deserve the loan and then the government says "Hey, you deserve the loan and you don't." then you set yourself up this Solyndra type situations and we'll see whether the political culture can handle it.

Greg Dalton: We have just a couple of minutes left. Let's look at the future, things that you think should happen or you're looking to happen that would advance the clean energy economy, that stimulus is the path. Let's look at the future. Where is this going? Michael Grunwald and we're going to end with Nancy Pfund.

Michael Grunwald: I think some sort of renewable energy standard would certainly help. I think the chance of carbon price in the very near future is kind of unlikely but you'll see states like California moving in that direction, and that going to drive innovation. And so I think there's going to be this constant interplay between the innovation and technology side and the policy side with, I suspect, innovation way ahead of policy.

Greg Dalton: Nancy Pfund, clean tech was a fad in Silicon Valley for a while. A lot of firms pulled back. Is that going to stay or are we going to see another wave of clean tech?

Nancy Pfund: I think there's still a lot of support for clean tech here in the valley and across the country with the venture capital community. The numbers continue to grow and it has surmised, you know, billions of dollars in terms of investment. So I don't think you're going to see a big stepping away from that. The venture industry goes through cycles and it has its ups and downs and certainly in this climate it's been difficult but I think there's fundamental support because it has to do with innovation and the cycle is a strong one and we're just beginning to see some of the fruits of that coming out. And so I think that once we get some more Tesla's out there and begin to show that there's a robust model here, then you'll see more investment and more realization of today's investments.

Greg Dalton: We have to end it there. Nancy Pfund is managing partner at DBL Investors. Other guest today at Climate One is Michael Grunwald, senior national correspondent with *Time Magazine* and author of *The New New Deal: The Hidden Story of Change in the Obama Era* which is on the *New York Times* bestseller list. I thank the audience here at Climate One. I'm Greg Dalton. If you just joined us, you can listen to this and other podcast at Climate One in the iTunes store. So thank you all for coming, to our audience here in San Francisco.

[Applause]

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