

Free critical thinking on stones framework applied to senate hearing

[Finance](#), [Investment](#)



\n[toc title="Table of Contents"]\n

\n \t

1. [Global Investment Trends in Clean Energy](#) \n \t
2. [Goals](#) \n \t
3. [Tradeoffs](#) \n \t
4. [Problems](#) \n \t
5. [Solutions](#) \n \t
6. [Manufacturer's tax credit](#) \n \t
7. [Conclusions](#) \n \t
8. [Works Cited](#) \n

\n[/toc]\n \n

Global Investment Trends in Clean Energy

Once again the country is concerned with our reliance on an energy policy that depends on controlling resources in other countries. The Senate hearing of March 17, 2011 addressed national and international dynamics in clean energy. Clean energy refers to the use of renewable, nonpolluting (or less polluting the fossil fuels) sources of energy.

The hearing was held by the Committee on Energy and Natural Resources of the U. S. Senate. Senator Jeff Bingaman, New Mexico is the chair of the committee and presided at the hearing. The hearing was called to “ Examine Current Global Investment Trends in Clean Energy Technologies and the Impact of Domestic Policies on that Investment.” A clean energy investment consultant, U. S. Senators from New Mexico and Alaska, a professor of policy

and a financial policy analysis addressed the hearing and answered questions.

The hearing is very interesting when analyzed with Dr. Deborah Stone's Framework. Her political model assumes that players with different motivations will identify different problems and therefore desire different goals. This becomes apparent in political discussions about resources in general. It was striking that no inventors, engineers or anyone with hands-on experience building or selling clean energy technology products was present. The Stone political model assumes that, " Policy analysis is dominated by market economy, which disrupts political life" (Stone 48). By analyzing the hearing we can better understand how strongly the market economy influences Senate hearings on energy issues.

Goals

Goals contrasted between witnesses depending on their political party for the Senators and the area of their expertise for the other witnesses and were sometimes unexpected. During his introductory comments Senator Bingaman New Mexico expressed goals that used common patriotic symbols. He spoke about competitive aspects that blocked the U. S. from a clear cut leadership role in familiar terms (liberty, a political goal), security (a political goal) with clean energy and making the right choices for " our children and grandchildren" (Senate Hearing 3). After the testimony during questioning he brought up his senatorial goal in terms of polis, using the concept of equity by determining the best public policy (Senate Hearing 4)

Senator Murkowski, Alaska, suggests that costs to reach the goal of clean energy must be gained cooperatively (equity) by asking “ What the American people will support?” (Senate Hearing 4) which is a democratic (Stone 18) rather than market approach.

Later in the hearing a very obvious different perception emerges when Senator Shaheen, New Hampshire, asks Mr. Zindler¹, “ Would everybody on the panel agree that the single, most critical policy that we could put in place at the national level to move us toward clean energy, is a clean energy standard? I mean, is that what I hear you saying?” (Senate Hearing 51). She is also presenting the goal as a Polis 1 Head of Policy Analysis, Bloomberg New Energy Finance goal rather than a Market-driven goal but using the construct of security which is an outmoded method of understanding the problem (Stone 87).

At first Mr. Zindler doesn't want to answer because he doesn't feel that is his area of expertise; it's not the type of goal he works towards, his goals appear to be Market because, on the face of it, he works to meet the goals of his investors. (Senate Hearing 51). Yet later he does offer a polis type goal, the national interest of equity (Senate Hearing 59).

Mr. Coleman² responds to the Senators question with two goals that are important to reach, “ I'm probably going to disappoint you because one isn't going to be that clearly defined which is something along the lines of a clean energy standard.” (Senate Hearing 52). Here is a classic example of the Polis view which calls for decision fluidity in order to be more inclusive and he

goes on to call for equity; what's best for the most in the nation and efficiency (resource allocation) because in the long-term time and money will be saved (Stone 61).

Tradeoffs

Often tradeoffs were discussed by the witness in terms of security vs. efficiency. Stone points out that "productivity does not decline when sense security increases" (Stone 115)³ the point being that security and progress are compatible. The witnesses addressed these tradeoffs usually with that exact premise.

"I believe that the United States cannot afford to cede technology leadership in one of the world's fastest growing sectors that addresses so many core national interests any more than it can afford to spend the taxpayers' money far faster than it collects it." (Senate Hearing 39). He doesn't make a judgment call instead he points out that some kind of tradeoff has to be made during decision making.

Mr. Zindler brings up the tradeoff demonstrated with the implementation of the Loan Guarantee Program. The federal government on the one hand has been directed to help start-up technologies that may or may not have the potential for success while at the same time they are expected to be careful in spending tax payer money (Senate Hearing 8).

Problems

Stone's Framework alerts us to the use of numbers as a "variation on the story of decline" (Stone 163). The story of decline is one with a positive

beginning but then something changed, the situation deteriorates and now something needs to be done. Mr. Auerback (Senate Hearing 36) gives an example of numbers being used in such a way.

“ When I entered the clean energy sector in 2004, global investment in our sector was approximately \$50 billion. In the last seven years, global investment in clean energy surged fivefold to nearly \$250 billion, over 30% ahead of 2009. In 2004, the United States was the destination for approximately 20% of the clean energy capital invested in the sector, while China accounted for just 3%. Last year, however, the United States dropped to 19% of global clean energy investment, and China recorded over 20% of that investment.” Mr. Coleman (Senate Hearings 47) brings up an example of a problem that is thinking in an old way that is no longer useful,

“ There have been some shuttered minds in the United States that are now reopening. It's actually a perfect example of the struggle between manufacturing critical components and environmental safety. The environmental safety concerns are abundant.”

“ Shuttered minds” are the problem. The trade-off the old-school manufacturers have to face is that environmental safety won't put as much money into their pockets but it will give them healthier customers that will live longer. So certain values are used in decision making by those who want to do everything the same way and not look at new options. The problem is a type of nonlinear paradox which depends on the way of looking at the action being considered.

Mr. Auerbach (Senate Hearing 65) offers his opinion on the problem arguing that the problem is lack of a balanced financial portfolio and lack of diversification.

“ What we have seen over the last 10 or 20 years is remarkable progress in reducing costs across a wide variety of clean energy technologies. From where I sit I see those trends as continuing quite aggressively. So that by encouraging capital formation and deployment in this country ultimately what we're investing in. I know it involves spending money, but not necessarily depending upon how you design it, is actually not just a cleaner energy future, but also a lower cost future.”

In a very gentle or perhaps backwards-way he is referring to the nation's investment to non-renewable resources particularly oil, coal and nuclear energy while at the same time ignoring clean energy renewable sources which need start-up capital to succeed and eventually start making profits. So if start-ups know they can be subsidized to a certain point, consistently and reliably by the federal government they would be able to attract larger investments because of a lessening of risk.

Using the Stone Framework it is in the interest for the national government to do this as representatives of the taxpayers may not be self evident but reason and experience have proved this to be the case. It is a linear problem in the way that money has to be paid into the project in order to make a profit down the line but paradoxical to those who do not have long term values in their decision making habit.

Solutions

Calisolar (a California solar cell manufacturer) received a grant from the federal government using the Manufacturer's Tax Credit (MTC) 5. Calisolar was able to build a new solar cell manufacturing facility with the funding but according to Mr. Auerbach, faces,

"... a challenge in utilizing all of the MTC that many other recipients of the MTC probably faced. The MTC program assumes that the award recipient pays current federal corporate income tax, since the award entitles the recipient to reduce its federal income tax liability."

Manufacturer's tax credit

So they were able to acquire funding to build a new facility but had not been in business long enough to have the necessary liability needed that would allow it to use the MTC ruling. This is a negative example of an inducement that started out positively but ended up hurting the company.

Ms. Gallagher suggests that setting federal policy for energy efficiency standards could lead to clean energy progress (Senate Hearing 67), Stone's Framework regards inducements as a practical way to bring about change from people or entities who might not choose to do so without knowing there will be a sanction against them if they don't reach the standard (Stone 265). So the government is the giver to the community of manufacturers of clean energy who then have the choice to use the inducement and receive a reward (no penalty) or chose not to meet the standard (the inducement) and receive a penalty (pay a fee).

Earlier in the discussion Mr. Auerbach (Senate Hearing 41) had given the example of the CAFÉ2 standards set in 1975 by Congress. From 1990 to 2011 the standard was 27.5 miles per gallon. Setting the standard worked to get the automobile manufacturers acting on hybrid vehicle technology but the problem Mr. Auerbach points out was the “stagnant government policy” of the CAFÉ standards which did not continue to push manufacturers to push for greater efficiency. He pointed out

Corporate Average Fuel Economy standards for passenger vehicles was set at 18.0 miles per gallon that by failing to raise the standard of miles per hour allowed the U. S. to fail to encourage and challenge the industry. So what started out to be a successful inducement failed in the long term.

Conclusions

The Stone political model assumes that players with different motivations will identify different problems and therefore desire different goals. Analyzing the hearing with this in mind brought up this striking example I would like to offer in conclusion.

The chairman, Senator Bingaman, in his opening remarks defined the problem as being one of “competition” with Germany, South Korea and China (Senate Hearing 3). He described the current energy resources as “endanger(ing) our long-term prosperity” and “leave us reliant on unstable regions” but never mentioned the reason the regions are unstable is due to U. S. military interference (Senate Hearing 3). In this way he used two common myths in which to introduce the clean energy discussion. Firstly he

claims that we must compete with Germany, South Korea and China rather than cooperate with them, but cooperation might be the best way for progress.

The Stone framework regards cooperation and honest evaluation as preferable to competition. Secondly he claims the regions rich in fossil fuel resources are unstable due to some reason not connected to our “need” to control the resources. This is a “variation on a story of decline.” We don’t like to have to deal with unstable regions but we must because we “need” their resources. (Stone 145).

Later Senator Shasheen (Senate Hearing 67) also brings up the subject of competition with China in terms of carbon capture technology.

What is interesting is the witness Ms. Gallagher addressed the assumption of “competition with China” as an opportunity for cooperation (Senate Hearing 68) while the Senators brought up China in the context of competition and vying for leadership.

This contrast mirrors the contrast between the Stone Framework and the traditional market approach. This can be explored in many ways but a common and important way is “Security” and how the “needs” of citizens are met. Both the senators and Ms. Gallagher are approaching the problem from the point of security which according to Dr. Stone encompasses the type of security (such military intervention vs. cooperation), what kinds of needs the citizens want met (renewable resources vs. taxation), with what trade-offs are the citizens willing to approve (military conflict taking workers

overseas vs. workers here in jobs producing renewable resource equipment) and finally who should decide (The Market or the Polis) (Stone 17-210). From analyzing the hearings the guests at the hearings seemed to grasp much easier the concepts of the Stone Framework (although they might not be aware of it) than the Senators. The Market “framework” seems to have grown outmoded and inflexible with the needs of today’s society.

The Stone Framework recognizes the importance of choices, cooperation, reason and balance. The Stone Framework puts the public (Polis) back into public policy.

Works Cited

Stone, Deborah. Policy Paradox: The Art of Political Decision-Making. 1988.

Norton Revised 2nd Edition. Print.

U. S. Senate Hearing 112-52. “Global Investment Trends in Clean Energy.”

17 March 2011. Hearing before the Committee on Energy and Natural

Resources before the U. S. Senate to Examine Current Global Investment

Trends in Clean Energy Technologies and the Impact of Domestic Policies on the Investment. Doc. I. D.: f: 67633. wais. Print.