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978-0-521-13202-2 - A Global Green New Deal: Rethinking the Economic Recovery

Edward B. Barbier

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A Global Green New Deal

Meeting the short-term challenges of reviving the worldwide economy need not mean sacrificing long-term economic and environmental sustainability. A Global Green New Deal (GGND) is an economic policy strategy for ensuring a more economically and environmentally sustainable world economic recovery. Reviving growth and creating jobs should be essential objectives; but policies should also aim to reduce carbon dependency, protect ecosystems and water resources and alleviate poverty. Otherwise, economic recovery today will do little to avoid economic and environmental crises in the future. Part I puts forward the case why a GGND strategy is essential to the sustainability of the global economy. Part II provides an overview of the key national policies, whilst part III focuses on the global actions necessary to allow national policies to work. Part IV summarizes the main recommendations for national and international action, and discusses the wider implications for restructuring the world economy towards “greener” development.

EDWARD B. BARBIER is the John S. Bugas Professor of Economics in the Department of Economics and Finance, University of Wyoming. He has over twenty-five years' experience as an environmental and resource economist, working mainly on the economics of environment and development issues. He is the author of many books on environmental policy, including *Natural Resources and Economic Development* (Cambridge University Press, 2005) and, with David Pearce, *Blueprint for a Sustainable Economy* (2000).

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No one can possibly have lived through the Great Depression without being scarred by it. No amount of experience since the depression can convince someone who has lived through it that the world is safe economically.

Isaac Asimov

I think if there's a great depression there might be some hope.

Lawrence Ferlinghetti

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Foreword

A year ago, in October 2008, a beleaguered world that had just been through a spate of shocks and crises – in food, fuel and finance – now found itself in the grip of a global recession the likes of which it had not seen since the 1930s. G20 governments were willing to commit significant fiscal stimulus packages – estimated at more than US\$2.5 trillion – towards economic recovery. The question begged to be asked: would the post-recovery economy be sustainable, or would it be prone to the very risks and weaknesses that had led to this latest recession?

To answer this question, and to address the closely related and unsolved challenges of excessive carbon dependency, increasing ecological scarcities and persistent poverty, the United Nations Environment Programme (UNEP) decided to launch, in October 2008, an urgent inquiry into how a “green economy” model could be seeded at this critical time in order to stimulate a sustainable recovery. Named after the original “New Deal” of US president Franklin D. Roosevelt, this inquiry and its recommendations were dubbed a “Global Green New Deal” (or “GGND”), because they were “global” in scope (as befits the challenge of the current recession) and “green” in their principles for a sustainable post-crisis economy. Professor Edward Barbier was nominated to prepare a defining study and recommendation, to be taken to the UNEP General Council in early 2009, to the G8 and G20 meetings soon afterwards and to other fora.

The urgency of this exercise was palpable and essential: every day saw more bad news hit the headlines, and impressive proposed fiscal stimulus packages and wide-ranging reforms were being talked about, but very few were explicitly targeted at a sustainable

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recovery, as against just a revival of “business-as-usual” GDP growth.

Twenty years ago Ed Barbier co-authored (with David Pearce and Anil Markandya) a path-breaking work on sustainable development called *Blueprint for a Green Economy*. *Blueprint*, as it is popularly known, challenged traditional notions of the so-called trade-off between environmental stewardship and economic development, and created widespread awareness of what is possible: a “green economy,” which thrives through innovation and investment in renewable energy, energy efficiency, materials efficiency and a focus on maintaining natural capital and limiting ecological risks to human progress. Since then Barbier has researched and written extensively on the subject, and so his selection for the challenge of preparing UNEP’s “GGND” came as no surprise.

What emerged from this effort was a principled and thorough study on how to address the challenges of this recession with new thinking around the model of a “green economy.” Barbier’s *Rethinking Economic Recovery: A Global Green New Deal* (GGND, for short) was presented at the UNEP Governing Council of Ministers in February 2009, and was widely appreciated. It was further developed by UNEP and many UN sister agencies into a *GGND Policy Brief* for the G20 nations. This helped create a broad understanding and a willingness among nations to explore economic options other than a mechanical return to the “business-as-usual” pattern of unsustainable growth and unsolved global problems.

Ed Barbier’s book draws from his work on GGND, and presents a logical and structured set of policy analyses and recommendations for both rich and poor nations, addressing the need to reform domestic policies and subsidies, and to improve international policy frameworks in trade, aid and carbon markets. Its suggestion regarding fiscal stimulus packages is to focus around a quarter of these packages (or 1 percent of GDP) on “greening” the economy. In the case of developed economies, this means 1 percent

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invested in reducing carbon dependency – a key factor for the success of any post-Copenhagen regime. It targets the triple objectives of economic growth and job creation whilst protecting the vulnerable, of reducing climate risks and ecological scarcities (especially freshwater) and of achieving the Millennium Development Goal of poverty reduction.

It asks for nothing less than a shift towards a global economy driven by significant job creation from the growth of resource- and energy-efficient building and construction, the widespread use of modern public transport in mega-cities, the scaling up of solar, wind, wave, thermal and bioenergy in the total energy mix, and sustainable agriculture that reflects the latest thinking in ecosystem management, biodiversity and water conservation. It also addresses the key risks in poor countries, to prevent recession from having its most catastrophic effects on freshwater availability, sanitation, health and the sustainability of primary production.

UNEP's Green Economy Initiative is already taking forward many of the themes and policy solutions described in this book with individual governments around the world, as they seek to reform policies, reinvigorate their economies, re-employ their citizens and address their own challenges of persistent poverty. We are delighted that Ed Barbier's timely book is with us as we do so, providing a rich source of useful reference information and practical advice on a "Global Green New Deal."

Achim Steiner

Executive Director

United Nations Environment Programme

Pavan Sukhdev

Special Adviser and Head – Green Economy Initiative

United Nations Environment Programme

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Preface

On December 2 and 3, 2008, the United Nations Environment Programme (UNEP) convened a consultative meeting of policy experts in Geneva, under the auspices of its Green Economy Initiative (GEI), to outline possible proposals for a “Global Green New Deal.” To participants in that meeting, the need for such a comprehensive global strategy was self-evident: the world was confronted with multiple crises – fuel, food and financial. By December 2008 it was already apparent that the result of these crises would be one of the worst global economic recessions since the Great Depression of the 1930s. The multiple crises threatening the world economy therefore demanded the same kind of initiative that had been shown by the New Deal of US president Franklin D. Roosevelt in the 1930s, but at the global scale and embracing a wider vision. Such a vision would require finding the right mix of policy actions to help stimulate recovery and create jobs while also improving the sustainability of the world economy, enhancing the livelihoods of the world’s poor and channeling investments into dynamic economic sectors and at the same time lessening carbon dependency and environmental degradation. The phrase “Global Green New Deal” (GGND) refers to such a timely combination of policies.

The main conclusion of the UNEP meeting in December 2008 was that a report should be commissioned to outline the key elements of a GGND strategy. I was asked to undertake this task by Pavan Sukhdev, the project leader of the GEI, and Hussein Abaza, the chief of UNEP’s Division of Technology, Industry and Economics (DTIE), which administers the GEI. The consultancy also received the full endorsement of and support from UNEP’s executive director, Achim Steiner.

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Given the rapidly unfolding global economic crisis, the timetable set for my task of writing the GGND report was necessarily short. In just over five weeks I produced a draft report, which became the basis for further consultations at UN interagency and expert meetings held at the United Nations in New York from February 2 to 3, 2009. A separate consultation meeting was held at the UN Foundation, Washington, DC, on February 4.

Based on the helpful comments arising from these meetings, as well as numerous comments sent to me by those experts unable to attend, I revised the report in time for its launch on February 16 at UNEP's Twenty-fifth Governing Council/Global Ministerial Environment Forum in Nairobi, Kenya. The report was the key background document for UNEP's *Global Green New Deal: Policy Brief*, which was released in March 2009.¹ That month I was also asked by the UK government to produce a short note based on the GGND report, "The G20 agenda should include implementing a global 'green' new deal," for the macroeconomic policy debate in the run-up to the April 2 London meeting of the twenty largest economies (the G20) in the world.²

Since then I have made minor revisions, and in April 2009 I updated the GGND report, which is currently titled *Rethinking the Economic Recovery: A Global Green New Deal* and available through the GEI website.³ UNEP has also issued a limited print run of the report.

Interest in the report has continued, however, and, thanks to the efforts of UNEP and Cambridge University Press, it should reach a wider audience. With this aim in mind, I have written the

¹ UNEP. 2009. *Global Green New Deal: Policy Brief*. Nairobi, UNEP. Available at www.unep.org/pdf/A_Global_Green_New_Deal_Policy_Brief.pdf.

² Barbier, E. B. 2009. "The G20 agenda should include implementing a global 'green' new deal." Debate, "Macroeconomics: A Global Crisis Debate." VoxEU.org, posted March 7, 2009. Available at www.voxeu.org/index.php?q=node/3223.

³ Barbier, E. B. 2009. *Rethinking the Economic Recovery: A Global Green New Deal*. Report prepared for the Economics and Trade Branch, Division of Technology, Industry and Economics, UNEP, Geneva. Available at www.unep.org/greeneconomy/docs/GGND-Report-April2009.pdf.

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following book based on the GGND report. This task involved three principal objectives.

First, transforming a consultancy report into a book has necessarily required changing its structure to make it more readable and accessible. Overall, however, much of the original GGND strategy and discussion of key policies has been retained.

Second, as far as possible, the book has been updated with current information on the state of the global economic crises as well as government plans and policies in response. I have tried my best to do this up until the date of this final typescript (August 2009).

Third, and perhaps most importantly, every effort has been made to improve the “shelf life” of this book. As a result, both the introductory part I and the concluding part IV have been substantially revised to explain why a Global Green New Deal strategy is still relevant for the world economy, even though some analysts believe that the world economy may already be showing signs of recovery.

This latter objective requires further elaboration, as it gets to the heart of the main theme of the book.

In its July 2009 *World Economic Outlook: Update*, the International Monetary Fund (IMF) predicts that any recovery will be weak and uneven, with the global economy expected to contract by 1.4 percent in 2009 and to expand by a modest 2.5 percent in 2010.⁴ This suggests that the world economy is likely to be affected by the current economic recession for some years to come.

Faced with the social and economic consequences of a deepening world recession, or at best a weak, unstable and protracted recovery, it may seem a luxury to consider policies that aim to reduce carbon dependency and environmental degradation. Such a conclusion is both false and misleading.

⁴ IMF. 2009. *World Economic Outlook: Update*. Washington, DC, IMF. Available at www.imf.org/external/pubs/ft/weo/2009/update/02/pdf/0709.pdf.

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For one, as the subtitle of this book indicates, at this critical period in world history we still have time to “rethink” our strategy for the economic recovery. This choice boils down to a simple policy question: do we want the recovery simply to revive the existing “brown” world economy on its business-as-usual growth path, or do we want to orient the global recovery towards a “greener” economy that will allow it to avoid future economic and environmental pitfalls?

The key message of this book is that the expanded vision offered by a GGND is critical to the lasting success of a world economic recovery. Reviving growth, ensuring financial stability and creating jobs have to be essential objectives. Unless the new policy initiatives also address other global challenges, however, such as reducing carbon dependency, protecting ecosystems and water resources and alleviating poverty, their impact on averting future crises will be short-lived. Without this expanded vision, simply resuming global economic growth today will do little to address the imminent threats posed by climate change, energy insecurity, growing freshwater scarcity, deteriorating ecosystems and, above all, worsening global poverty. To the contrary, it is necessary to reduce carbon dependency and ecological scarcity not just because of environmental concerns but because this is the correct and only way to revitalize the economy on a genuinely sustainable basis.

In short, as argued in this book, the key elements of any Global Green New Deal should focus on three main objectives:

- reviving the world economy, creating employment opportunities and protecting vulnerable groups;
- reducing carbon dependency, ecosystem degradation and water scarcity; and
- furthering the Millennium Development Goal of ending extreme world poverty by 2025.

Some G20 economies already appear to be working towards some of these objectives, by including “green” investments in their stimulus packages to reduce carbon dependency, enhance economic

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recovery and create jobs. The full range of GGND objectives cannot be achieved merely through injections of “green” fiscal stimulus investments by a handful of national governments, however. It is unlikely, therefore, that current global green stimulus spending by G20 governments will turn current economic recovery efforts into a global “green recovery.” Thus, we return to the fundamental policy question posed by this book: what more must be done to ensure that the world economy is on a recovery path that is more economically and environmentally sustainable?

This is a question that should remain the central concern of global policymakers, not just for the next one or two years of economic recovery but for the next critical decade or so, as we grapple with the ongoing threats posed by climate change, energy insecurity, increasing freshwater scarcity, weakening ecosystems and, most of all, growing global poverty.

Edward B. Barbier
Centennial, Wyoming
August 2009

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First and foremost, I am indebted to Pavan Sukhdev, head of the Green Economy Initiative project for the United Nations Environment Programme, for encouraging me in writing the GGND report for UNEP, providing important suggestions and assisting me in revising the UNEP report and promoting its publication as a book. I would also like to thank Hussein Abaza, chief of UNEP's Division of Technology, Industry and Economics, which administers the GEI and is responsible for managing the whole GGND process, including several consultative inter-agency and expert meetings. Finally, I am grateful to Achim Steiner, executive director of UNEP, for his belief in the GGND, his ongoing support of the process, and his tireless efforts to communicate the GGND strategy to policymakers.

I would also like to thank Jay Dowle, communications officer for the UNEP Green Economy Initiative, Fulai Sheng, of the DTIE, and Nick Nuttal, spokesperson, Office of the Executive Director, UNEP.

Thanks also go to Chris Harrison of Cambridge University Press for commissioning this volume and for providing advice on how best to transform the original GGND report into a book.

Many other people also provided invaluable assistance in the preparation of the original UNEP GGND report, which has also influenced this book.

Special thanks go to Joanne Burgess, who read over early drafts of the GGND report in their entirety and provided detailed

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The report also benefited from consultations held at the United Nations, New York, on February 2 and 3, 2009, with experts from, amongst others, the European Environmental Agency (EEA), the International Centre for Trade and Sustainable Development, the International Labour Organization (ILO), the IMF, the Organisation for Economic Co-operation and Development (OECD), various UN agencies (UNCEB, UNCSD, UNCTAD, UNDESA, UNDP, UNECE, UNECLAC, UNEP, UNESCAP, UNFAO, UNFCCC, UNIDO and UNSD), the World Bank and the UN Secretary General's Office. A separate consultation meeting was held at the UN Foundation, Washington, DC, on February 4, 2009, with experts from the Center for American Progress, the Pew Center on Global Climate Change, the Union of Concerned Scientists, the UN Foundation, the World Resources Institute and the Worldwatch Institute. I thank all participants at these meetings for their helpful comments and suggestions, and for sending material for use in subsequent revisions of the original UNEP report on which this book is based.

Specific individuals helped me considerably in drafting the material that appears in the original report and now this book. Heewah Choi, Peter Poschen and Kristof Welslau of the ILO provided the information on the South Korean Green New Deal used in part II. Sanjeev Sanyal provided written input on the general reforms of the financial system, which I have adapted and used in part III. Ben Simmons provided me with the background discussion on enhancing trade incentives, which I have also used in part III. Appendix 1 is based on Trevor Houser, Shashank Mohan and Robert Heilmayr's February 2009 publication *A Green Global*

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Finally, I would like to issue the following disclaimer. Although this book is based on a report that I wrote for the United Nations Environment Programme, the findings, opinions, interpretations and recommendations in this book are entirely mine, and should not be attributed in any manner to the Green Economy Initiative or to UNEP.