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OPINION: Building a Green Economy

by Gary Gardner and Michael Renner on November 12, 2008

When [leaders of the 20 largest economies gather in Washington this week](#), a centerpiece of their deliberations should be a Global Green Deal that capitalizes on the current economic crisis to build economically and environmentally sustainable economies.

The perfect storm of today's economic, environmental, and social ravages requires a robust, multi-pronged response. Indeed, the challenge for global political leadership, including U.S. President-elect Obama, is not merely to kickstart the global economy, but to do so in a way that creates jobs *and* stabilizes climate, increases food output using *less* water and pesticides, and generates prosperity with *greater* equality of incomes. Successful political leaders will be those skilled at identifying synergies among today's hydra-headed problems and using them to craft powerful global coalitions from such constituencies as business, labor, and community organizations.

This broad approach will require a conceptual blueprint evocative of America's 1930s New Deal - but more audacious in scope and vision. The [United Nations Environment Programme has recently called for a transformation of the global economy](#) so that it works for the broad majority of humankind, within boundaries set by the planet's rate of resource renewal and waste-absorption capacity. This historic moment calls for not merely repairs to our hyper-productive, yet ailing, economy, but for a new approach suited to the realities of a heavily populated and environmentally stressed world - a Global Green Deal that shifts the focus from growth to development, and that is geared less to providing consumerist superfluousness than to ensuring that nobody's true needs go unmet.

A Global Green Deal would have several strategic objectives:

- **Transition to a renewable energy economy.**

Make renewable energy sources the dominant feature of the world's energy system, and systematically phase out reliance on fossil fuels. Wind and solar technologies are not just more environmentally benign than oil, coal, and nuclear power, but also more jobs-intensive. Alternative forms of energy already provide employment to more than 2 million people worldwide, and continued rapid growth will likely multiply these numbers in coming years.

- **Launch an efficiency revolution.**

Doing more with less is one of the surest paths to wealth creation, and environmentalists have a great many ideas to raise energy and materials efficiency. Indeed, some European analysts have asserted that a tenfold increase in resource productivity is possible. Transport, housing, industry, and utilities are ripe with opportunities for huge efficiency gains. A "dematerialization" of economic activity requires far less mining and logging, and thus permits a sharp reduction in their environmental impacts.

- **Invest in green infrastructure.**

Revolutionizing the electrical grid, creating transportation systems that are less reliant on automobiles and embrace rail and mass transit, and encouraging settlement structures that are compact, not sprawling, will stimulate economic activity, create millions of jobs, and free us of unnecessarily high levels of energy and materials use.

- **Make materials circulate.**

Analyst Walter Stahel of the Product Life Institute has pointed out that the front end of an economy-extractive activities such as mining, logging, oil drilling, and fishing-tends to use less labor and create more pollution than manufacturing and maintenance activities. A circular economy emphasizes durability, reparability, recycling, and remanufacturing, squeezing more value out of the resource base and generating greater employment. Companies will thrive on helping their customers derive the most functionality and service out of a product, rather than merely seeking to maximize sales.

- **Work for a fairer distribution of wealth within and across borders.**

According to the International Labour Organization, two-thirds of countries for which data are available underwent an increase in income inequality in 1990-2005 between the top 10 and bottom 10 percent of wage earners. Management - worker pay disparities rose to new heights. CEOs at the S&P 500 leading U.S. firms averaged \$10.5 million in 2007, 344 times the pay of the average American worker. (And the top 50 U.S. hedge- and private-equity fund managers averaged \$588 million each, some 19,000 times as much as the average U.S. worker.) Just three decades ago, CEO pay averaged only 30 to 40 times the pay of the average worker.

Translating these goals into reality will require smart regulations, tax shifts, subsidy reforms, mandates, incentives, and an ecologically-inspired industrial policy. [A powerful first step is for governments to ensure that prices "tell the ecological truth"](#) - ending the free ride that fossil fuels have enjoyed vis-à-vis renewables and ensuring that the air and water

pollution, health impacts, and climate destabilization inherent in burning oil, natural gas, and coal are fully reflected in the price of energy.

Carbon taxes and similar measures accomplish this goal. Governments can use the resulting revenues to lighten the tax burden falling on labor in the form of payroll taxes. Such an ecological tax shift, which has been carried out on a limited basis in Europe, would encourage job creation. Other measures might include tax credits for companies that reduce their energy and material intensity or that step up their recycling, reuse, and remanufacturing activities - with double the tax break to those firms that use their savings to hire more employees.

A second idea is to use government procurement power to create large-scale markets for green technologies and employment generation, overcoming barrier-to-entry and chicken-and-egg problems that often bedevil innovative approaches. From the local to the national level, governments around the world spend trillions of dollars on public purchases every year. Intelligent use of procurement programs, coupled with expansive consumer product labeling and information campaigns, can play a critical role in ramping up economies of scale that render green products cost-competitive.

Public works programs, a third tool in government's toolbox, may be useful in both urban and rural settings, at least on a temporary basis. In rural areas, they could focus on reforestation and measures to halt soil erosion and adapt to climate change. Coupled with the promotion of organic agriculture as well as land reform, such programs can help create more resilient rural economies. In urban areas, they could focus on efforts to establish green belts, rehabilitate park and other green areas, modernize infrastructure, and build or expand pedestrian zones and biking lanes.

Fourth, retrofitting existing buildings will slash heating and cooling needs and would be a boon for the world's 111 million construction industry jobs. Germany's experience - government and private investments to weatherize apartments created or saved 140,000 jobs in a five-year span - is instructive. But a Green Deal would go far beyond housing for the world's middle class to combine greening measures with efforts to provide decent housing for those marooned in the world's teeming slums.

Strategic investments in greening the auto industry could also pay major dividends. Having focused on churning out gas-guzzling SUVs, some of the major manufacturers, like GM, are now struggling for survival. Governments could inject resources into the industry under the condition that R&D and commercialization efforts are unequivocally devoted to developing high-efficiency vehicles, while mandating that new models achieve fuel efficiency on an ambitious upward sliding scale. In recognition of the "built-in" consumption levels of existing inefficient fleets and the normally slow turnover rate, governments could pair such efforts with programs that buy up inefficient vehicles.

However, transportation policy needs to look beyond the auto industry and commit to a major revival of inter-urban rail and urban mass transit networks. Expanding and modernizing such systems and their infrastructure would offer an alternative to a car- and airplane-focused approach, stimulate innovation, reduce air pollution, and provide large numbers of well-paying manufacturing jobs.

Finally, the financial industry's rescue effort should be leveraged to turn the financial sector from a purveyor of the debt-driven consumer juggernaut into a force for green development. Such a re-orientation would seek to overcome the problem of high up-front costs for more efficient appliances and equipment by developing sustainable credit programs. In a greening economy, advantageous credit terms would be made available for weatherizing houses, installing solar panels, purchasing more durable and efficient goods, and other transactions that promise green dividends. So-called "location-efficient mortgages" are being offered in a small handful of U.S. cities. In essence, they offer preferential mortgages in areas that are well-connected to public transit and walkable. Used widely, they can counteract the sprawling settlement structures that are at the base of automobile dependency.

Where might the money come from?

The origins of the current crisis are found in the "overgrowth of financial assets relative to growth of real wealth," as University of Maryland professor Herman Daly has put it. Nonetheless, a global credit crunch threatens to starve even legitimate business and household needs and could trigger mass unemployment. This raises a key question: can capital for a global green rescue effort be mobilized?

Despite the global economic contraction, the answer may well be yes. The \$700 billion committed to the U.S. financial bailout, plus additional large sums marshaled by other countries, suggests that governments can raise sizable sums of capital in emergency situations. Any number of large pools of capital might be tapped to fund a Green New Deal, if the right incentives were set in place. Here are a few ideas:

- **Military spending** - The Stockholm International Peace Research Institute reports that world military spending in 2007 ran to a record **\$1.3 trillion** - 45 percent higher in real terms than a decade earlier. The United States alone is spending about **\$700 billion** per year on maintaining the Pentagon and conducting wars in Iraq and Afghanistan. In a world with no major power conflicts, a substantial portion of these budgets would be better dedicated to a Global Green Deal.
- **Sovereign wealth funds** - Oil rich nations and governments with large trade surpluses held **\$2-3 trillion** dollars in wealth in 2008. Why not design incentives for government holders of such capital to invest in a Global Green Deal?
- **Tobin Tax** - Trade in the world's currencies amounted to **\$3.7 trillion daily** in 2007. Why not institute a Tobin tax - a levy named for its earliest proponent, economist James Tobin - as a way to raise Green Deal revenue? Even a minimal tax on foreign exchange transactions could bring in many billions of dollars, as well as dampen destabilizing currency speculation.
- **Fossil fuel subsidies** - These are estimated at **\$150-\$250 billion** each year. Oil companies are highly profitable, and their product is toxic to climate stability. Why not remove government supports and pledge those funds to a Global Green Deal? And a tax on "windfall" oil profits, carbon taxes, or proceeds from the auction of carbon allowances

could all serve the same dual purposes.

- **Insurance industry** - The cost of weather-related natural disasters is on the rise, and is considered a "strategic threat" to the insurance industry. Between 1980 and 2004, the cost of such events totaled \$1.4 trillion, of which \$340 billion were insured. The industry may have a strong incentive to contribute to the climate stabilization piece of a Global Green Deal.
- **Treasury bonds** - Bonds are commonly used for a variety of purposes, and could be dedicated to green investments. For instance, China's government has supported hundreds of energy conservation projects since 2006 in part by issuing treasury bonds.
- **Private Capital Flows** - The energy industries alone invest several hundred billion dollars each year in fossil fuel-related projects; a share of that capital could be redirected to energy efficiency and renewable energy initiatives.

Moving a Global Green Deal agenda is not the work of a single leader or even a small group of governments. Instead, it will require an overhaul of global governance at least as great as the one that occurred after World War II, when the United Nations and the Bretton Woods financial and economic institutions were founded to establish a new era of global stability. Today, a new international policy architecture is needed that includes issues such as climate change and other environmental issues that are central to the health of the global economy.

This includes a fresh direction for the World Bank and International Monetary Fund to promote green and equitable development, and innovative arrangements for cooperative green technology development and sharing of best sustainability practices. In January 2009, a group of governments will establish the new International Renewable Energy Agency. IRENA is to become a key driver of the large-scale adoption of renewables around the world. Paired with an organization to promote international cooperation on energy efficiency, IRENA could become the core of Green Deal global governance.

This is a tall order in this severely challenged and constrained world, but the G20 meeting later this week is the ideal venue to begin this process. It is typically during times of crisis, not contentment, that humanity rises to new challenges. The present circumstances likely present a brief window of opportunity—a chance to shuffle the deck and create a more just and green civilization for a crowded world. Let the work begin.

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For Additional Information:

Worldwatch Institute's [Green Jobs](#) Web page.

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The real goal of the

Submitted by [Lisa P](#) on November 17, 2008 - 4:41am.

The real goal of the economic bailout plan is to allow the government to buy defunct loans from the banks, owning up to one third of the larger banks for a period of time in the process. There was some lingering hope that Treasury Secretary Henry Paulson might use a newer portion of the \$700 billion bailout plan's funds to help out consumers with their devaluing mortgages. It has now been effectively dashed, as it is clear no such thing is going to happen. A good chunk of the remainder is going back into the consumer credit market, such as car loans, student loans, and credit cards. Since it is a form of consumer credit, payday cash loans should be getting a portion, but there will be none made available to that industry, whose usual customers have either no credit or credit difficulty. Paulson wants normal avenues for consumer credit to remain open, such as car loans, student loans, and credit cards; these normally open lines of credit have become far too narrow or even frozen as "liquidity." "This is creating a heavy burden on the American people and reducing the number of jobs in the economy." Inexorably so, but has anyone else seen what is going on here? Paulson has admitted a mistake with the earlier strategy of the plan, including massive banking bailouts. If only America had a President willing to admit his mistakes. We do have to pick up the pieces and move forward, but certainly some things could have been avoided. However, government officials are doing something right by encouraging investors to return to the market by the bailout. If the investors return, then confidence and jobs could start returning to the world market, and fewer people may have to rely on payday cash in tough times. Sure, it is a good tool to have sometimes, but it isn't a long-term solution.