



Green Macroeconomics at a Glance

SUMMARY

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- ▶ 3 – The Macroeconomics of a Green Economy
- ▶ 4 – The Green Keynesianism

1- Green Economy in the Context of Sustainable Development

- ▶ During the 2008 financial crisis, the United Nations General Assembly and many United Nations agencies underscored that the crisis represented an opportunity to promote green economy initiatives as a part of economic police stimulus being put in place to support the recovery*.
- ▶ The green economy concept is held in the context of sustainable development and carries the promise of being part of a new economic growth paradigm that is friendly to earth's ecosystems and can also contribute to poverty alleviation.
- ▶ With this context in mind, the concepts of green growth and green economy are considered sister terms.

* *The Transitions to a Green Economy: Benefits, Challenges and Risks from a Sustainable Development Perspective*. Report by a Panel of Experts to Second Preparatory Committee Meeting for United Nations Conference on Sustainable Development

2 - The Search for a New Economic Model

- ▶ The green growth concept has been widespread as a new model of growth by the Global Green Growth Institute (that was elevated to a new international organization at the Rio+20 Conference in June 2012).
- ▶ In this wave, some G20 countries response (Seoul Summit 2010) to the financial crisis in 2008 was to adopt expansionary policies that incorporated a green fiscal component, as Barbier (2011) emphasizes.
- ▶ The idea is to guide the countries over the old industrialization patterns and avoid the trap of growing first and cleaning up later.

3 - The Macroeconomics of a Green Economy

- ▶ Ocampo (2011) points out the majority of literature on sustainability and green economy exists at a microeconomic dimension. However, there is a scarcity of literature on green macroeconomy. He stresses four different macroeconomic issues that must be taken into account in the analysis of the green economy.
 - ▶ the first one relates to issues of inter-temporal welfare: how the welfare of future generations is taken into account in current economic decisions;
 - ▶ The second points out the effects that degradation of the environment has on aggregate supply, as well as the effects of environmental spending and protection policies on both aggregate supply and demand;
 - ▶ The third point relates to the fact that economic growth is always a process of structural change;
 - ▶ The fourth issue is about how global initiatives in green economy are going to be financed.

4 - The Green Keynesianism

- ▶ The wake of the 2008 financial crisis gave rise to new macroeconomic paradigms about green economy.
- ▶ The Post-Keynesian argument has re-emerged in order to add new aspects to the traditional Keynesian statements on policy measures to avoid economic collapse in a world that claims for sustainable recovery policies.
- ▶ The Green Keynesianism argument lies in the same short-term way.
- ▶ In a context of crisis, economies that had experienced a strong recessionary shock could be stimulated back into growth by means of a demand oriented environmental policy, Jacobs (2012).

4 - The Green Keynesianism

- ▶ The government stimulus does not have to be necessarily green, but given the extent of the environmental opportunities available, policies with green stimulus offer particular advantages.
- ▶ The main critics to the Green Keynesianism is about the the tensions between the ecological economics and Green Keynesianism itself since traditional Keynesianism is growth oriented, while ecological economics stresses limits to growth.
- ▶ This last argument is opposed by Harris (2013). He argues that a Green Keynesian policy aimed at a combination of economic and environmental goals could consider issues that range from national to international levels.
- ▶ The Brasilia Group stresses that the main difficulty to take into account the environment we need a proper “Green Economic Index”. This is actually required. However, the practical challenges consist in overcoming the restrictive habits of thought that limit the scope of economic theory and policy.

Thank You !

