Green New Deal: A Green Way out of the Crisis?

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Abstract

The multi-dimensional nature of the current crisis requires a holistic approach in addressing economical, social and ecological problems. Following the crisis, several organizations started to publish reports on a concept called Green New Deal with reference to the New Deal policies of the 1930s in USA. Since then the concept started to gain increasing popularity among the public. On the other hand, it fueled a heated discussion between its supporters and Ecosocialists. The aim of this paper is to highlight the points at which GND supporters and Ecosocialists converge and diverge, and discuss critically the transformative capacity of different GND proposals. We conclude that GND policies can help to set the stage for the transformation long sought by Ecosocialist agenda, and hence from this perspective, these two approaches can be seen as complementary rather than substitutes.

JEL Codes: B50; P50

Key Words: Green New Deal, Ecosocialism, Triple crisis,

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1. INTRODUCTION

In 2008, the world economy confronted with a global crisis. Even in the early days of 2008, many people started to liken the current crisis to the 1929 Great Depression. And they were partially right in their description. During the Great Depression, world GNP fell dramatically as unemployment soared to unprecedented levels in many countries. In the aftermath of the 2008 crisis, many countries were confronted with similar economic and social problems. But the world faced with another problem in 2008 which was absent in 1929; the ecological crisis which is represented by food and energy insecurities and climate change. What made this crisis different than its predecessors are its multi-dimensional characteristics, and hence it is often called as “triple crisis” (Lipietz, 2009). With the outbreak of the crisis, many governments around the globe found themselves obliged to bail-out private sector, and to intervene to the economy more rigorously. During the same time, inspired from Roosevelt’s New Deal (ND) program in 1930s, a new concept, Green New Deal (GND), entered into our lives. GND aims to solve triple crisis simultaneously by replacing the fossil-fuel based economy to renewable-energy based one with the help of both public and private investments, often called as green investments. As in ND, GND proposals underline the importance of regulatory frameworks. Several multilateral organizations like United Nations Environment Program (UNEP), International Labor Organization (ILO), and NGOs like New Economic Foundation (NEF), Green European Foundation (GEF) published reports on GND and on related topics such as green investments and jobs. It is still early to claim that GND policies find their places in economic policymaking, nevertheless it managed to give its green color to economic stabilization programs of some countries like South Korea, China, USA (Robins et al., 2009). The BlueGreen Alliance in the U.S.\(^2\), One Million Climate Jobs in the U.K.\(^3\), and the Global Green New Deal\(^4\) can be given as examples of GND initiatives.

No matter how limited in spirit and implementation, the green turn in the existing capitalist economic system revitalized the century-old debate on the left: reform versus revolution (Luxemburg, 1900)\(^5\), yet in a different setting. Original debate around the early years of 20\(^{th}\) century was between Orthodox Marxists, or revolutionaries, and revisionist, or reformist. The former group believed that socialism can only be achieved through the self-emancipation of working class, whereas the latter group denied the necessity of revolution, and argued that

\(^2\) http://www.bluegreenalliance.org

\(^3\) http://www.climate-change-jobs.org

\(^4\) Barbier (2009)

\(^5\) See http://www.marxists.org/archive/luxemburg/1900/reform-revolution/index.htm
enough reforms like more democratic rights, more social welfare programs, were likely to pave the way to socialism. For them, this can be achieved within the parliamentary democratic system. Today, the same debate re-emerges in a slightly different form between Ecosocialists and GND supporters.

The publication of the famous report titled as “The Limits to Growth” (Meadows, et al. 1972), the dismal environmental performance of Soviet-type central-plan economies emboldened the crack within socialist thinkers in 1970s and led to the rise of a movement called as Ecosocialism, whose roots can be traced back as early as Russian Revolution in 1917. Following the Russian Revolution in 1917, several scientists (e.g. Aleksander Aleksandrovich Bogdanov) started to study ecological issues, especially to provide an understanding of how thermodynamics and energetic are related to ecology. Bogdanov ideated humans as part of nature, existing with their capacity to obtain and process usable energy (Gare, 1996). In this respect, these themes were debated in the Proletarian Cultural and Educational Organizations (Proletkul't) in 1918. However, Stalin preferred to put industrial growth policies forward to gain strength over Western Europe and neutralized the assumptions of the Bolshevik leaders such as Bogdanov. Therefore, Marxist and socialist analysis of ecology and environment were decelerated in that period.

In 1993, David Pepper published his work, titled *Ecosocialism: From Deep Ecology to Social Justice*, and asserted that Marxism, Anarchism or deep ecology may have different solutions for the same problems but in fact these different approaches could be combined together under the name of Ecosocialism (Pepper, 1993, pp.2). Kovel (2005) defines ecosocialism as socialism that is ecologically rational. The Ecosocialist manifesto launched by Joel Kovel and Micheal Löwy in 2001, presents Ecosocialism as an alternative to capital’s world order and states that “the crises of ecology and those of societal breakdown are profoundly interrelated and should be seen as different manifestations of the same structural forces” (Kovel and Löwy, 2001, p.1).

One of the main dividing lines between GND supporters and Ecosocialists is the question of the actor. Who is capable of solving the triple crisis? GND supporters argue that private sector with the support of state, in terms of public investments and incentives, can play a role in transforming the unsustainable economic system (Barbier, 2009; Schepelmann et al., 2009), whereas Ecosocialist, broadly speaking, dismiss the notion of GND as “green capitalism”, a new form of capitalism which has to be overthrown in the first place by political movements such as civil rights, feminists and peace movements (Pepper, 1993). The second important element of the rift

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6 See e.g. Mally (1980) for more details.
7 See e.g. Cohen (1980) for more details.
is the question of the mechanism and tools. GND supporters argue that market-system if regulated “adequately” can provide solutions, whereas Ecosocialists are mainly against market-based strategies for overcoming the triple crisis (Löwy 2002).

The aim of this paper is to highlight the points at which GND supporters and eco-socialists converge and diverge, and discuss critically the transformative capacity of different GND proposals.

The rest of the paper is organized as follows. In section 2, we will present and discuss the dimensions of the triple crisis: economic, social and ecological. After demonstrating the linkages among these dimensions, we will argue why conventional demand-side economic policies cannot be a part of the solution but rather the problem themselves. In section 3 we will briefly summarize the main elements of ND programs of 1930s to lay the ground for GND. In section 4, we will outline and analyze the main elements of GND in the light of the criticisms raised by eco-socialists. In the next section, the economic recovery packages offered by several countries will be analyzed. Section 6 concludes.

2. DIMENSIONS OF TRIPLE CRISIS

Today the world economy is still trying to recover from the negative effects of the current financial crisis which started in 2008. The blowing up of the US subprime mortgage bubble fuelled by easy monetary policies during 2000s led to a dramatic credit crunch and brought many financial and real sector firms to the point of bankruptcy.

US subprime mortgages provided an opportunity for borrowers with poor credit histories and weak documentation of income to borrow loans with incentives such as easy initial terms and the promise of a long-term trend of rising housing prices. As a result, the share of subprime mortgages in the overall mortgage market increased from less than 10 per cent in 2001 to almost 21 per cent in 2006 (Harvard Report, 2008). The problems were amplified by the advent of the financial operation called securitization. Traditionally, banks originate a loan to the borrower (homeowner) and retain the credit (default) risk. Securitization, however, led the banks to distribute credit risk to investors through financial tools known as mortgage-based securities (MBS) and collateralized debt obligations (CDO). This practice enables banks to replenish their funds, which are then used to issue even more loans, since more loans mean more transaction fees earned. These MBS are valued according to mortgage payments and house prices. So, when the housing prices started to decline most of the financial institutions which had borrowed mostly from subprime MBS started to report significant losses. Just after these losses, several defaults
and losses on other loan types also started to rise. In October 2008, the 10-City and 20-City Composites Indices posted annual declines of 19.1 per cent and 18.0 per cent, respectively (S&P/Case-Shiller U.S. Home Prices Indices, 2009) The credit crisis forced households to increase their savings. Significant losses in the financial markets and mortgage bubble burst caused consumers to spend less, thus leading to global financial panic a la Kindleberger and Aliber (2005).

Worried about the negative spillover effect of the financial instability the US Government bailed out key financial institutions like the American International Group (AIG) which was the largest U.S. insurance company at the time. These actions put enormous strain on the federal government budget. In US alone, as Bloomberg (2009) reported, the cost of bailing out these institutions put a bill reaching to some $9.7 trillion on the shoulders of US taxpayers.

The economic crisis in US spread rapidly to other parts of the world thanks to intensified financial and trade linkages. Before the crisis hit in 2008, global economic growth was 5.2 per cent in 2007 which dropped to 0.6 per cent in 2009. The forecast for 2011 global economic growth is only 4.3 per cent, that is still less than the figure before the financial crisis (IMF, 2009, pp.155).

The brand new dimension of the triple crisis is the ecological crisis. One can define the ecological crisis in terms of the increasing pace of biodiversity loss, the extinction of species due to climate change, global warming due to high levels of greenhouse gas emissions, and air, soil and water pollution. Climate change constitutes the primary challenge facing humanity today. The Stern Review on the Economics of Climate Change (2007) indicates that average global temperature increases of only 1-2°C (above pre-industrial levels) could commit 15-40 per cent of species to extinction. According to the review, global temperature rise will lead to melting glaciers, declining crop yields, rising sea levels and accordingly causes malnutrition and heat stress.

According to the World Resource Institute’s (WRI) (2011) total greenhouse gas (GHG) emissions (CO₂) data, developed countries seem to be the major culprits for high levels of GHG emissions in the atmosphere. As seen in Table 1, 56 per cent of world’s CO₂ emissions were shared by China, the U.S.A and the European Union (27) in 2007.

Table 1. Insert here

Expectedly, economic crisis has aggravated the social problems in the form of increasing poverty, income inequality, and unemployment. ILO (2011) reports that the global unemployment rate is 6.2 per cent (preliminary estimates) in 2010 in comparison to 6.3 per cent
in 2009, but still higher than the rate of 5.6 per cent in 2007. UNESCO (2009) reports that the reduced growth in 2009 due to global financial crisis would likely to affect 390 million in sub-Saharan Africa living in extreme poverty. According to the study, their income fell by $18 billion which corresponds to a 20 per cent drop of the per capita income of an average African. Increase in food/commodities/energy prices, and unemployment rates increase the vulnerability of lower strata of societies in many countries. At a global level, Barbier (2009) reports that the demand for food will continue to increase towards 2050 as a result of the population growing by an additional 2.7 billion people. Increasing food prices due to rising demands for food can be expected to lead to higher rates of infant and child mortality because of malnutrition and poverty. The International Energy Agency (2008) predicts that the price of oil may reach USD200 per barrel by 2030 due to rapidly increasing demand, in contrast to “increasingly constrained supply”. Due to the high crude oil prices, reliance on crops as biofuels is rising. This means the arable lands are increasingly devoted to the biofuel crops which pose another threat to food insecurity.8

Recent financial crisis boosts social vulnerabilities. As briefly indicated above, the adverse impact of the current financial crisis on vulnerable groups can be observed from rising unemployment rates, declining economic growth rates, rising food and energy prices. The accumulating scientific evidence on the effect of economic activities on environment does not portray an optimist picture either. Ewing et al. (2010) claims that the human demand has led to an environmental degradation that surpasses the Earth’s ecological capacity to regenerate already in the mid 1970s, and this “overshooting” is growing ever since. It is becoming increasingly clear that the mainstream economic growth paradigm is not sustainable, neither economically or socially or ecologically (Schneider et al. 2010; Jackson 2009). However, following the 2008 crisis, many governments were quick in their attempt to revive their economies by pursuing conventional demand-side stabilization policies. It is highly questionable whether these policies would be able to solve the triple crisis, if not worsen them. The Stern Review (Stern, 2007) estimates that the total cost of ‘business as usual’ climate change over the next two decades equates to an average welfare loss equivalent to at least 5 per cent of the value of global per-capita consumption, now and forever. Also, it is predicted that stabilizing at or below 550ppm CO2 equivalent would cost, on average, around 2 per cent annual global gross domestic product (GDP) by 2050.

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8 U.S. Department of Agriculture (USDA) (2011) reports that the use of corn for biofuels in the United States has increased from 31% of total corn output in 2008/9 to a projected 40% in 2010/11.
Acknowledging the fact that today’s problems are much more complex than the ones in 1930s, several institutions, on the international as well as national level, published reports involving policies to address economic, social and ecological problems at once. Inspired by the New Deal policies of 1930s, these policy set is baptized as Green New Deal. Despite their differences in diagnosing the roots of the crisis, these reports (i.e. Pollin et al. 2008; Barbier 2009; NEF, 2008; Schepelmann et al., 2009) nevertheless, share many common points. GND aims to ensure intra and inter-generational prosperity. This objective is based on reconciling lifestyles with the physical limits of the world and reducing inequalities within and between societies.

In the coming section we will first have a quick review of the historical background that helped to shape the GND concept, and then analyze in depth GND policies.

3. FROM NEW DEAL TO GREEN NEW DEAL

The historical roots of GND go back to the 1930s when US President Franklin Delano Roosevelt introduced a set of policies, known as New Deal, in response to the Great Depression. The beliefs regarding the self-regulating markets and viewing crisis as a process of creative destruction have been backfired following the unprecedented social and economic consequences in the years following the 1929 crisis. Yet, economists such as, Keynes rejects the idea of self-regulating nature of the markets. His earlier works emphasized the importance of the public sector in reviving the economy in crisis and inspired many including Roosevelt in shaping his ND policies. Keynes’s famous book titled General Theory of Employment, Interest and Money which was published in 1936 advocated the use of fiscal and monetary measures to mitigate the adverse effects of economic recessions and depressions (Wallace 1977).

ND programs rested on three pillars: Relief, recovery and reform. By establishing new state agencies, and modifying existing ones (such as FERA-Federal Emergency Relief Administration), government aimed to provide urgent relief for the unemployed and poor people. Government-led large infrastructure investments (i.e. dam construction projects of Tennessee Valley Authority) helped the recovery of the economy to normal levels. And, lastly, it included reforms in several areas most notably the financial system (i.e. Glass-Steagall Act) to prevent a possible outbreak of a crisis of this sort in the future. The US government intervened heavily to industries such banking, transportation, construction, farming, and regulated extensively financial and labor market. The famous Glass-Steagall Act of 1933 regulated the financial sector by separating commercial and investment banking activities which used to be conducted under the
same institutions with an aim to curb speculative actions. As for the labor market, several legislations were made, including National Labor Relations Act of 1935 (also known as the Wagner Act); the Social Security Act of 1935 and the Fair Labor Standards Act of 1938. To decrease unemployment the Works Progress Administration’s relief program was introduced in 1935. New institutions were developed, such as the United States Housing Authority and Farm Security Administration in 1937. In agriculture, the Agricultural Adjustment Act of 1938 aimed to address the problems in the agriculture sector.

The objective of these measures and regulations was to get the US economy on its feet again. And it proved to be extremely successful. However, some studies such as Foster et. al (2009) questions the efficacy of ND programs by claiming that it was not the civilian government spending in ND which overcomes the Great Depression but the expansion of military spending in preparation to the impending Second World War that started in 1939 (p. 22).

ND programs focused mainly on the United States’ economic and social problems in the era of the Great Depression. Yet, they had no concern over the environmental impact of stimulus plans and regulations. Soon, the adverse effects of the large infrastructure projects started to be felt by public. Kovel (2002) indicates that US environmental movement was first initiated, in 1950s and 60s, as a reaction to the negative environmental consequences of ND-type policies. Similarly, rapid industrialization during the 1960s, with the help of the import-substitution policies in developing as well as developed countries, led to an ever-increasing pressure on nature, and paved the way to the ecological crisis humanity facing today. It is clear that ND-type policies, which helped to revive the economies in the 1930s, cannot solve but only aggravate the problems in today’s world. Undoubtedly, today’s crisis requires an urgent action from governments as was the case in 1930s, but these actions have to address ecological crisis as well. A New Deal is required but in order to be effective and sustainable, it has to be green (Lipietz, 2011, p. 2). The following section will present the components of GND.

4. COMPONENTS OF GREEN NEW DEAL

Barbier (2009) argues that today’s triple crisis demands government leadership on a global scale and one that constitutes a comprehensive environmental vision. In this sense, global GND can be thought as a manifestation of a leadership which tries to address the three major objectives. The first objective is to represent a common desire to restore to health a disrupted financial system, an economy in recession which caused severe job losses. The second objective is to ensure that the “post-crisis” economy follows a sustainable model and does not continue to add to the two most
significant risks faced by society: ecological scarcity and climate instability. Finally, the third objective suggests inclusive growth, achievement of the MDGs, and an end to extreme poverty by 2015.

In order to achieve these objectives, GGND determined four key components. The first one is to reduce carbon dependency of the world economy to control the global average temperature increase. The second one is to reduce ecological scarcity and poverty by improving the sustainability of primary production for creating sustainable resource-dependent economies. The third component is to eliminate the challenges, such as “capital gap” and “skills and technological gap”, faced by developing countries. The last component is the national actions necessary for the implementation of global GND, i.e. that each country should spend at least 1 percent of their GDP within a two-year period on reducing carbon dependency, and increasing access to clean water and sanitation.

In line with the objectives and key components stated above, GND reports (Barbier 2009; NEF 2008; GEF 2009) indicate the key industries of a green new deal as energy, transportation, construction and basic materials. Heinrich Boell Foundation (2009) represents a list of core elements of GND. The top item on the list is building a green public infrastructure via smart grid technologies, green transportation through investing in rail, public transportation and electric cars, and also establishing recycling markets. The second one is called as leapfrogging opportunities. These opportunities can be seized by implementing green technology, improving efficiency, and restructuring management practices. The third element calls for a green revolution in digital infrastructures which helps to reduce environmental impact. A rather broad, but extremely important element emphasizes the need for restructuring of prices and markets to promote a green economy.

As in ND, creating jobs is also a priority of GND. But what kinds of jobs are needed? The Green Job Report by the Green Job Initiative (2008) describes green jobs as “work in agricultural, manufacturing, research and development (R&D), administrative, and service activities that contribute substantially to preserving or restoring environmental quality. Specifically, but not exclusively, this includes jobs that help to protect ecosystems and biodiversity; reduce energy, materials, and water consumption through high efficiency strategies; de-carbonize the economy; and minimize or altogether avoid the generation of all forms of waste and pollution” (p.3). According to the definition above, a job is not green if it is not accompanied

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9 For example, global GND initiative proposes a new trade and financial mechanism in order to balance the capital gap in private and public financial investments (Barbier, 2009).
with decent working conditions. For example, a job in a renewable energy sector without occupational safety cannot be considered as green. Rather, the ideal green workplace should provide occupational health and safety, adequate wages, job security, gender equality and worker’s rights.

In order to achieve sustainable green employment, The Green Job Report (2008) proposes that the traditional industry and sector definitions may be forced to change so as to achieve low-carbon emissions and decent workplace conditions. The creation of green and decent jobs through green investment is an important part of the green recovery.

The current global financial crisis and ongoing threats of energy insecurity and climate change force governments to stimulate green investments particularly in clean energy sector. In 2009, the World Economic Forum (WEF) published a report about green investment opportunities in smart grid architecture, energy storage systems, carbon capture and storage systems. The report lists “eight emerging large scale clean energy sectors” as onshore/offshore wind, solar photovoltaic, solar thermal electricity generation, cellulosic and next generation biofuels, sugar based ethanol, and geothermal power. For investing in these clean energy systems, WEF (2009) estimates that $500 billion per year of financing is required by 2020 to limit global warming to 2°C, yet analysis reveals that only a half of the financing target has been achieved so far (Bloomberg New Energy Finance, 2011).

Along with renewable energy investments, transportation has been viewed as another key sector. In order to reduce the reliance on motor vehicles which use fossil fuels, green transport investments are advocated by GND supporters. The most important investment type that GND proposes is to invest in “Nature’s infrastructure” with an aim to protect the ecosystem. Along with government investments, GND proposes carbon markets, wetland banks, water banks, and conservation banks to protect biodiversity and ecosystems (Schepelmann et al., 2009, pp.14).

It can be argued that GND represents yet another exit strategy of the mainstream capitalist system to overcome the crisis situation. It is a reformist proposal seeking to transform the economy within the system by making it greener. For its reformist agenda, GND attracts many criticisms mainly from the ecosocialist school of thought, which will be reviewed in the following section.

4.1 Ecosocialists’ Views on Green New Deal

There is not much dispute on the unsustainable nature of the conventional economic-growth paradigm between Ecosocialists and GND supporters. Both approaches are in a consensus that the current crisis has economic, social and ecological dimensions. Also, both groups recognize
the threats posed to vulnerable groups by rapid environmental degradation and poorly regulated economic expansion. And they both highlight the need for greater coordination on matters of safety and emergency for responding to the triple crisis.

Yet, GND supporters and Ecosocialists disagree on the question of treatment, and on the actor of transformation. Ecosocialists are quiet critical about the GND concept. First of all, they tend to view GND as “green capitalism”, and for them, profit-seeking and societal/environmental goals could not be aligned within the same concept (Smith, 2011; Sarkar, 1999). Hence, for Smith (2011) the only real solution is

“collective democratic control over the economy to prioritize the needs of society and the environment. And they require national and international economic planning to re-organize the economy and redeploy labor and resources to these ends. I conclude, therefore, that if humanity is to save itself, we have no choice but to overthrow capitalism and replace it with a democratically planned socialist economy” (p.112).

Yet, there exists no trace of a strategy to achieve this goal (Schwartzman, 2011). This brings us to the question of tools and actors. Who is going to transform the system and by using what kind of tools? As mentioned above, for GND supporters argue a transformation within the existing capitalist system. The actors of transformation range from ordinary individual to private sector CEOs and from municipalities to central government officials with existing market-based instruments at hand. On the Ecosocialist side, Pepper (1993) analyzed several potential agents and actors which could transform the system. According to classical socialist view, proletariat should be the ideal actor for the transformation. But Pepper (1993) argues that proletarian class might have a false consciousness or “cognitive dissonance” which is related to the fact that “the cult of the individual began to displace that of the collective in politics, destroying the working class’s sense of itself and its own interests” (Sennett 1978, p.237). In this sense, other than proletarian movement, there are also new movements including greens, feminists, civil rights and peace movements. These new movements could raise a consciousness for not only focus on the control of the means of production but also deal with the consumption (Pepper 1993, p.136). Ecosocialist view disapproves market-based mechanisms such as “Cap and Trade” system and/or “Clean Development Mechanisms”. The Belem Ecosocialist Declaration (2009) puts that under the control of these mechanisms, capitalist interest groups can use carbon dioxide as a commodity, which explains the critical stance of Ecosocialists against the multilateral agreements like Kyoto Protocol.

Yet, it would be unfair to claim that Ecosocialists are not aware that the transformation phase
could not meet short term needs to overcome triple crisis (Kovel and Löwy, 2001). Urgency of recovery is crucial for preventing effects of global warming especially its possible damages on ecology and vulnerable groups. In this direction, Ecosocialists propose several immediate actions to deal with ecological and social problems in the short-run, such as reducing GHGs emissions, developing clean energy sources, providing provisions for a free transportation system, and reducing working hours creating pollution clean-up programs (Löwy, 2002).

Another line of division emerges on the question of growth and the real sources of human well-being. Mainstream economic paradigm sees economic growth (be it green or conventional) as indispensable in increasing human well-being. GND supporters do not oppose categorically economic growth which they view crucial to create jobs in crisis-hit countries and to reach targets such as Millennium Development Goals by 2015 in Least Developed Countries. They are mainly concerned about the sectors and the type of investments. By investing on renewable energy sources, and developing eco-efficient technologies, GND supporters argue, it would become possible to “decouple” economic activity from environmental pressure. Yet, despite continuous efforts, there are serious doubts on our ability in decoupling of economic growth from pressure on nature in absolute terms (Moldan et al. 2011). Jackson (2009) claims that decoupling is a myth and put the blame on economic growth for long-term environmental problems and social inequalities. Especially after the global crisis in 2008, the criticisms against viewing economic growth as the only feasible strategy in solving social and ecological problems gained momentum. For example the proponents of “degrowth movement” argue that “human progress without economic growth is possible” (Schneider et al. 2010, p. 512), by also adding that sustainable degrowth does not necessarily mean degrowth in all and every sector or regions.

“Agrowth movement”, on the other hand, argues that degrowth may not be an effective, let alone efficient strategy to reduce environmental pressure. For agrowth supporters, being indifferent about growth is a more logical solution, and such a strategy is more likely to obtain democratic-political support (van den Berg, 2011). The inadequacy of GDP indicator in measuring real prosperity of people lies at the heart of both approaches mentioned above. Jackson (2009) favors the term economic resilience than economic growth and he proposes some modifications in macroeconomic accounting in order

“To account more systematically for changes in the asset base; to incorporate welfare losses from inequality in the distribution of incomes; to adjust for the depletion of material

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10 Decoupling can occur either relatively or in absolute terms. Absolute decoupling requires environmental pressure to be stable or decreasing while the economic driving force is growing, whereas, relative decoupling occurs when the rate of environmental pressure is positive but less than the economic growth rate (OECD, 2002).
resources and other forms of natural capital, to account for the social costs of carbon emissions and other external environmental and social costs; and to correct for positional consumption and defensive expenditures” (p. 106).

To sum up, the Ecosocialist view argues that the transformation of mode of production and consumption is indispensable in the combat against the triple crisis. Yet, in the transition phase, some precautions may have to be taken within the capitalist system for deferring the destructive effects of it.

5. THE EXTENT OF GREEN NEW DEAL IN PRACTICE

As mentioned before, ND was based on three Rs: Relief for unemployed and poor, Recovery of the economy to pre-crisis levels, and Reform of the financial system. Hence, in this section, we will try to uncover the relative of importance of different Rs in governments’ reaction against the 2008 crisis. At the outset, it is fair to claim that majority of policies is about recovery, relief efforts are not satisfactory and reforms are almost non-existent despite the increasing number of proposals.

5.1. Relief and Job Creation

Schepelman et al. (2009) provides information about the job-creation potential of different programs pursued following the global crisis. For example, in Germany it has been estimated that no less than 250,000 jobs can be saved through the German stimulus plan. Robins et al. (2009) study shows that in France, there is a potential to create 80,000 to 110,000 jobs which can offset the possible loss of 90,000 jobs. In South Korea a total of 960,000 jobs are envisaged, mainly through green spending in construction. This figure is estimated to be 350,000 in UK, and 407,000 in Canada. In US, in total, the stimulus package aims to create and save 3,500,000 jobs (Schepelman, 2009, p.22).

But these figures are based on estimates conditional on the implementation. Yet, policy of creating employment by using public resources faced important opposition in some countries, such as USA. US President Barack Obama proposed The American Jobs Act on September 2011, a bill consists of a set of proposals designed to get Americans back to work. The proposed measures include cutting and suspending USD 245 bn worth of payroll taxes for qualifying employers and 160 million medium to low income employees, spending USD 62 bn for a Pathways Back to Work Program for expanding opportunities for low-income youth and adults.11 But the bill in its entirety fuelled a big discussion in the Senate and finally in October 2011 the

11 See http://en.wikipedia.org/wiki/American_Jobs_Act
bill was voted on in the Senate where it failed to obtain the necessary votes to proceed. The bill then was broken into several smaller derivative bills and their legislation process is still ongoing. According to Chinese officials, Chinese government announced an economic package in November 2008 for two years at an amount of 4 trillion Yuan (USD 586 bn). 1 trillion Yuan has been projected to be spent for reconstructing the earthquake hit areas. Again, in an attempt to relieve the burden on poor, Chinese government pledged to spend 400 million Yuan for affordable housing, and 150 million for health-care, education and cultural development.12

5.2. Recovery
Robins et al. (2009), analyzes more than 20 stimulus programs, and categorized the spending and tax-cutting measures according to the 18 investment themes. They identify green investment themes as: (i) Low Carbon Power, which consists of investments in renewable energy and carbon capture-storage technology, (ii) Energy Efficiency, which consists of investments in energy-efficient construction, low carbon vehicles, railways and grid, (iii) Water/Waste (p.2). Their analysis reveals that governments around the globe pledged to spend USD 2.8 trillion within the next few years, as of end-2008 in these 18 investment themes. They note also that, USD 430 billion, or 15% of total stimulus, can be considered as green stimulus in areas mentioned above. The table below summarizes main elements of these stimulus programs for a selection of countries.

Table 2 Insert here.

However, it has to be noted that the green share of stimulus package does not indicate how green overall government spending is (Schepelman, 2009, p.19). For example, Canada’s declaration of the support for the nuclear industry as “green” is debatable. Also, Germany’s “environmental bonus” system which offers a financial bonus for those scrapping their old cars if they buy a new car which meets a minimum emission standard of Euro 4, is open to the risk that the new car could consume more fuel if people switch from small to bigger cars (p. 19).

5.3. Reform
The third, and maybe the most important element of GND is reforming of the international trade and financial architectures since the success of both relief and recovery efforts depends heavily on the question of setting new rules so as to alleviate similar crisis in the future. Yet, reviewing the current policies it is not hard to claim that the reform leg constitutes the weakest link in existing GND programs, despite the existence of several proposals. Reforming international trade and financial architectures is not an easy task though, which requires international cooperation

both within and between North and South (Lipietz, 2011, p. 11). The difficulty in reaching an agreement on curbing GHG emissions in climate conferences of Copenhagen and Durban clearly shows the importance of international cooperation, and the urgent need to find proper mechanisms to take a step forward on the question of the climate change.

Effective transformation of the economic system along sustainability principles requires getting prices right (Spratt et al. 2009, p.90). Prices should be adjusted accordingly in order to reflect social and environmental consequences truly. Such an adjustment will help to minimize the negative externalities emanating from international trade and financial flows. Yet, existing reform proposals are generally concentrated on the financial system. Following the crisis, the debate on taxing financial gains and extending tax base to curb speculative activity was heated up. On EU and G20-level “financial transaction tax” proposal seemed to gain many supporters, but failed to win the backing of member countries. Yet, French President Nicholas Sarkozy on January 2012, announced a unilateral 0.1% financial transaction tax which come into effect in August 2012, with a hope that other EU member countries would follow suit (Kimball et al. 2012). With such an EU-level financial transaction tax, Kapoor and Oksnes (2011) estimates total revenue that ranges from USD 200 bn to USD 300 bn. Note that these revenues are important sources of public financing for green investments. Yet there are other sources as well. Kapoor and Oksnes (2011) proposes a EU-wide fiscal reform on taxation, specifically calls for an “environmental tax reform”, which aims to shift the tax burden from levies on labor to levies on energy, transport, pollution and resource extraction13 (p. 126).

It is hard to claim that the existing pattern of international trade is sustainable. Spratt et al. (2009) highlights the extent of the trade that is ecologically wasteful: “In 2008, the UK exported 4,400 tons of ice cream to Italy, only to re-import 4,200 tons. We imported 22,000 tons of potatoes from Egypt whilst exporting 27,000 tones back again...” (p. 59). One should not forget the effects of the trade liberalization on developing countries. In many countries trade liberalization forced governments to lower down their environmental as well as labor standards so as to be able to attract more FDI flows from developed countries. The so-called “pollution haven” and “race-to-the-bottom” hypotheses (Frankel and Rose, 2005) depict the negative consequences of trade liberalization on environment. Yet, there are counter arguments such as “gains from trade” hypothesis which asserts that trade enables countries to increase their

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13 According to the study, 50 % of tax revenue in EU countries is derived from labor taxes. Only 6,1% derives from environmental taxes. Such a large asymmetry clearly disincentivize employment. By shifting the burden from labor to environment, both environmental protection and job-creation objectives would be realized.
environmental quality through increased access to environmentally-friendly technology and higher income generated by trade (Braithwaite and Drahos, 2000).

After examining the elements in recent economic stabilization packages, we see the main objective as economic recovery rather than transforming the system along with sustainability principles since these packages lack the most required reform leg. The green share in the recovery packages still needs to be fostered for an effective transformation of the economic system towards a low-carbon economy. Public investments may play a larger role, and fiscal and financial reforms would help governments in raising funds to finance these projects.

The transformative power of GND depends more on reforms and international cooperation than on recovery in business-as-usual. The regulation of national and international financial system (a la Glass-Steagall) so as to curb speculative activities and to close down tax havens has been viewed as the most urgent action by several GND proposals (Barbier, 2009; Heinrich Boell Stiftung 2009). Yet, as Lipietz (2011) argues, regulating financial sector is a necessary but not a sufficient condition. As important as financial reform is the trade reform to better distribute the income globally between North and South.

Green investments’ job-creation capacity depends upon the technology employed. Labor-intensive technologies would help to absorb massive unemployment. Also, as Lipietz (2011) argues, green economy should be able to transform those unpaid activities such as personal care, housework, voluntary work to proper jobs to foster social sustainability within society (p.11).

All these reforms require international cooperation, which is very weak nowadays, as dispute between USA and China reveals on the question of responsibility of climate change. The existence of huge ecological debt makes it clear that it is the duty of developed countries to assist LDC to adopt their energy and transportation systems.

6. Conclusion

Following the global crisis in 2008, GND concept has been gaining increasing interest from the public as recent successes of green parties, especially in Germany and France, clearly showed. GND proposes a gradual shift from carbon-based economy to a one based on renewable energy. Green investments, both by public and private sectors, are expected to solve the unemployment problem while helping to reduce the pressure on nature. Its emphasis on social equality both at the global and national levels is also worth to mention. Though, transformation of the economic system along sustainability principles is not an easy task. It requires fairly radical reforms in international financial and trade architectures to be able to solve massive negative externalities
such as climate change. And this, in turn, requires effective cooperation of countries given the trans-boundary nature of problems. Yet, the recent experience from climate negotiations between North and South does not portray an optimistic picture. The negative macroeconomic consequences of economic crisis of 2008 on public budgets and on corporate sector profits are often presented as a pretext for non-action on environmental and social problems. Even reaching MDG targets, which were already agreed upon, by 2015 seems to be impossible, let alone reaching a deal on climate negotiations. GND supporters challenge this view by stating that ecology is not the enemy of economic activities. In other words, green investments carry a potential to hit both social and ecological targets without compromising economic growth. Despite severe criticisms against the conventional economic growth paradigm, which maintains the idea that economic growth is the only panacea for both social and environmental problems, some economic growth seems to be indispensable mainly for political reasons in developed countries, where unemployment is a major problem. The political developments following the Great Depression in 1929 are worth to take into account. The rise of fascism in Europe can be seen as a social and economical response to the crisis, which destroyed Europe at the end. The rise of nationalism in contemporary Europe (i.e. the electoral success of authoritarian, EU-skeptic Fidesz – Hungarian Civic Union political party in Hungary) signals similar threats.

Although the Ecosocialist perspective is more ambitious in reaching a more egalitarian and ecologically sustainable future in the long run, it lacks a clearly defined set of actors and road map that can radically replace the existing global system with a one based on Ecosocialist principles.

Both Ecosocialists and GND supporters agree that business-as-usual policies (i.e. ND-type) would not be able to solve the problems caused by the triple crisis. Yet, two groups mentioned above disagree on how to solve it. The former group calls for a revolution based on Ecosocialist principles and highlights the importance of local and global civil movements. The latter group calls for a gradual transformation of the economy within the existing economic and political system through a democratic process. Having said that, GND supporters do not dismiss the importance of local movements but also note the fact that “locality” appears bigger and bigger when addressing problems such as finance or climate crisis (Lipietz, 2011, p.15).

GND supporters argue that Ecosocialists’ description of GND as green capitalism led them to put too much emphasis on a radical transformation of the existing system, possibly by an Ecosocialist revolution. Whether there exists a political subject that has any plausible capability of effectively starting a process of Ecosocialist transition is questionable, it can be claimed that
the classical left’s politics of “the worse, the better”, where the progressive worsening of the situation is seen as the main driving force behind effective revolutionary practice, neglects two issues: the notion of irreversibility, and the notion of a specific urgency to be met within a short period of time regarding the climate change. It has been stated that once the climate system is pushed beyond its already fragile state, returning to that state will be impossible, and if decisive measures are not introduced within the next couple of decades, very little will remain that can be saved at all.

For Wolf (2010) and Schwartzman (2011) Ecosocialist group fails to trace the roots of the policies that are packaged under GND title. Are they invented by CEOs of the capitalist system in an attempt to save their businesses following the crisis, or are they the fruit of long discussions within the left? Wolf (2010) argues that GND has not been one of capitalist renovation, because they are the policies that have been put forward by alternative movements like greens, Ecosocialists following long discussions sparked by the recognition of the fact that Soviet system failed to provide a democratic, social and ecological alternative within Soviet socialism at the end of 1980s. This does not underestimate the capability of capitalist system in domesticating every alternative and finding a way to make money out of them. In the hands of capitalist system, it is clear that GND faces a huge risk of becoming a mere “green-washing”. Yet, it is an ongoing struggle and a policy of “a green step forwards” is superior to “wait and see” or “the worse, the better” policies. Keeping in mind the historical origins of the GND concept, one may conclude that GND policies can help to set the stage for the transformation long sought by Ecosocialist agenda, and hence from this perspective, these two approaches can be seen as complementary rather than substitutes.
REFERENCES


### Table 1. Total GHG Emissions in 2007 (CO₂) (excludes land use change) Top Ten

<table>
<thead>
<tr>
<th>Country</th>
<th>% of World Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. China</td>
<td>22.70%</td>
</tr>
<tr>
<td>2. U.S.A</td>
<td>19.73%</td>
</tr>
<tr>
<td>3. European Union (27)</td>
<td>13.76%</td>
</tr>
<tr>
<td>4. Russian Federation</td>
<td>5.51%</td>
</tr>
<tr>
<td>5. India</td>
<td>4.78%</td>
</tr>
<tr>
<td>6. Japan</td>
<td>4.30%</td>
</tr>
<tr>
<td>7. Germany</td>
<td>2.77%</td>
</tr>
<tr>
<td>8. Canada</td>
<td>1.98%</td>
</tr>
<tr>
<td>9. United Kingdom</td>
<td>1.80%</td>
</tr>
<tr>
<td>10. Korea (South)</td>
<td>1.75%</td>
</tr>
</tbody>
</table>

**Source:** Climate Analysis Indicators Tool (CAIT) Version 8.0. (Washington, DC: World Resources Institute, 2011).
Table 2. Green Stimulus in Economic Recovery Packages

<table>
<thead>
<tr>
<th>Country</th>
<th>Green Stimulus (USDbn)</th>
<th>% Green Stimulus</th>
<th>Green Investment Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>221</td>
<td>38</td>
<td>low carbon vehicle, railways, grid, water/waste</td>
</tr>
<tr>
<td>USA</td>
<td>112</td>
<td>12</td>
<td>renewable, carbon capture-storage, energy-efficient construction, low carbon vehicle, railways, grid, water/waste</td>
</tr>
<tr>
<td>South Korea</td>
<td>31</td>
<td>81</td>
<td>renewable, energy-efficient construction, low carbon vehicles, water/waste</td>
</tr>
<tr>
<td>European Union</td>
<td>23</td>
<td>59</td>
<td>renewable, carbon capture-storage, energy-efficient construction, low carbon vehicle, grid</td>
</tr>
<tr>
<td>Germany</td>
<td>14</td>
<td>13</td>
<td>energy-efficient construction, low carbon vehicles, railways</td>
</tr>
<tr>
<td>Japan</td>
<td>12</td>
<td>3</td>
<td>energy-efficient construction</td>
</tr>
<tr>
<td>France</td>
<td>7</td>
<td>21</td>
<td>renewable, energy-efficient construction, rail, grid</td>
</tr>
<tr>
<td>Canada</td>
<td>3</td>
<td>8</td>
<td>carbon capture-storage, energy-efficient construction, railways, grid, water/waste</td>
</tr>
<tr>
<td>Australia</td>
<td>2</td>
<td>9</td>
<td>energy-efficient construction</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2</td>
<td>7</td>
<td>energy-efficient construction, low carbon vehicles, railways, water/waste</td>
</tr>
</tbody>
</table>

Source: Robins et al. (2009)