



# GREEN GROWTH – CHALLENGES AND OPPORTUNITIES

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# Mature Capitalist Market Democracies at Crossroads

- Financialization Model exhausted
- Established growth path contested
- Social and ecological costs increasing
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- Productivity Model exhausted

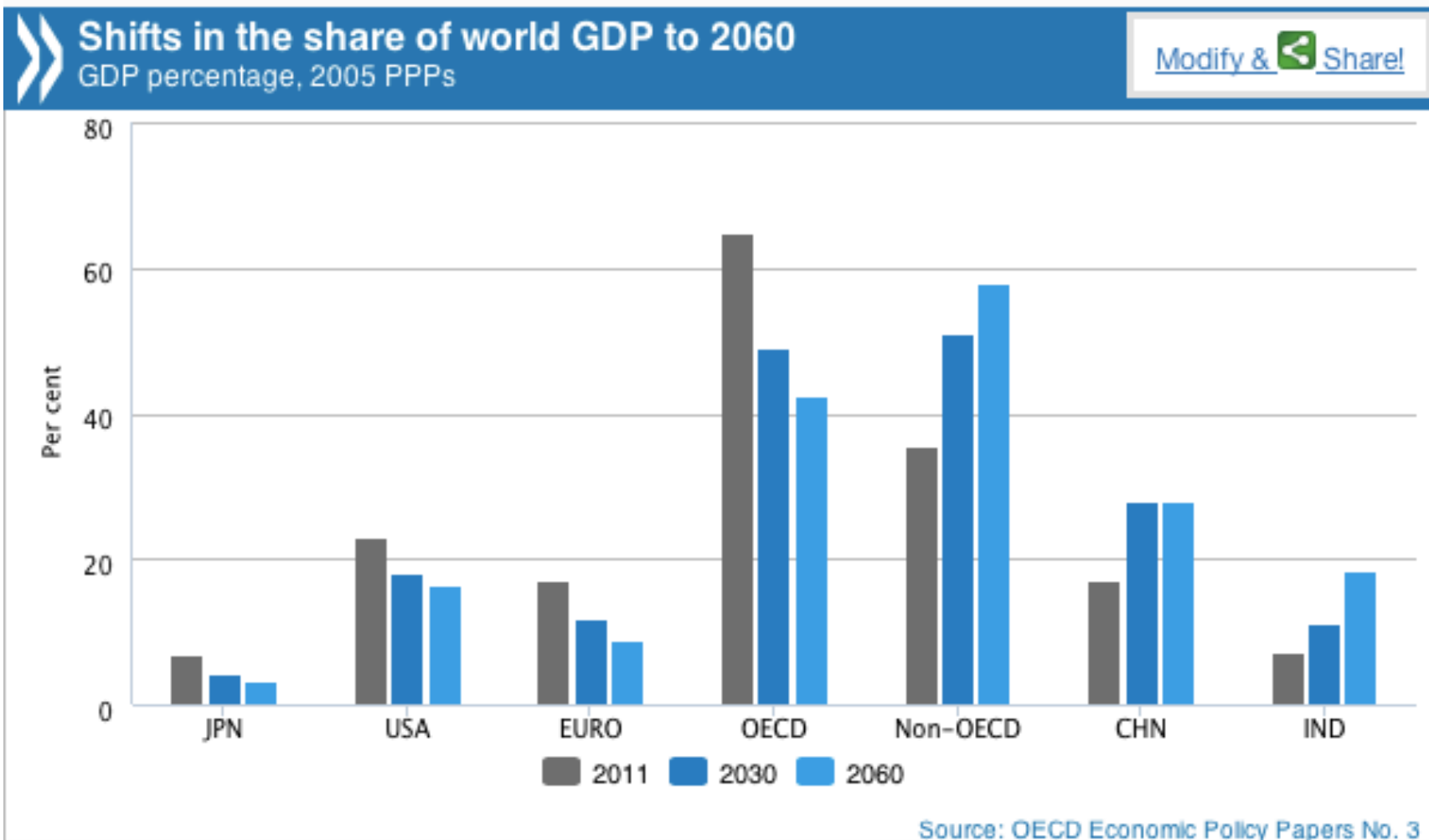
# Financialization

- Fragility and Instability as Permanent Features
- Bubble Economies
- Misallocation of scarce resources
- Proposing tremendous income inequality
- Socio-economic benchmarking negative

# Exhaustion of Growth Model

- Economic globalization adds mobility options for capital
- New Market Competitors and thus
- Stiffer competition for established companies
- Dynamics in comparative advantages increase
- Upward adjustment as internal mechanism

# The Shift in Global Economic Power



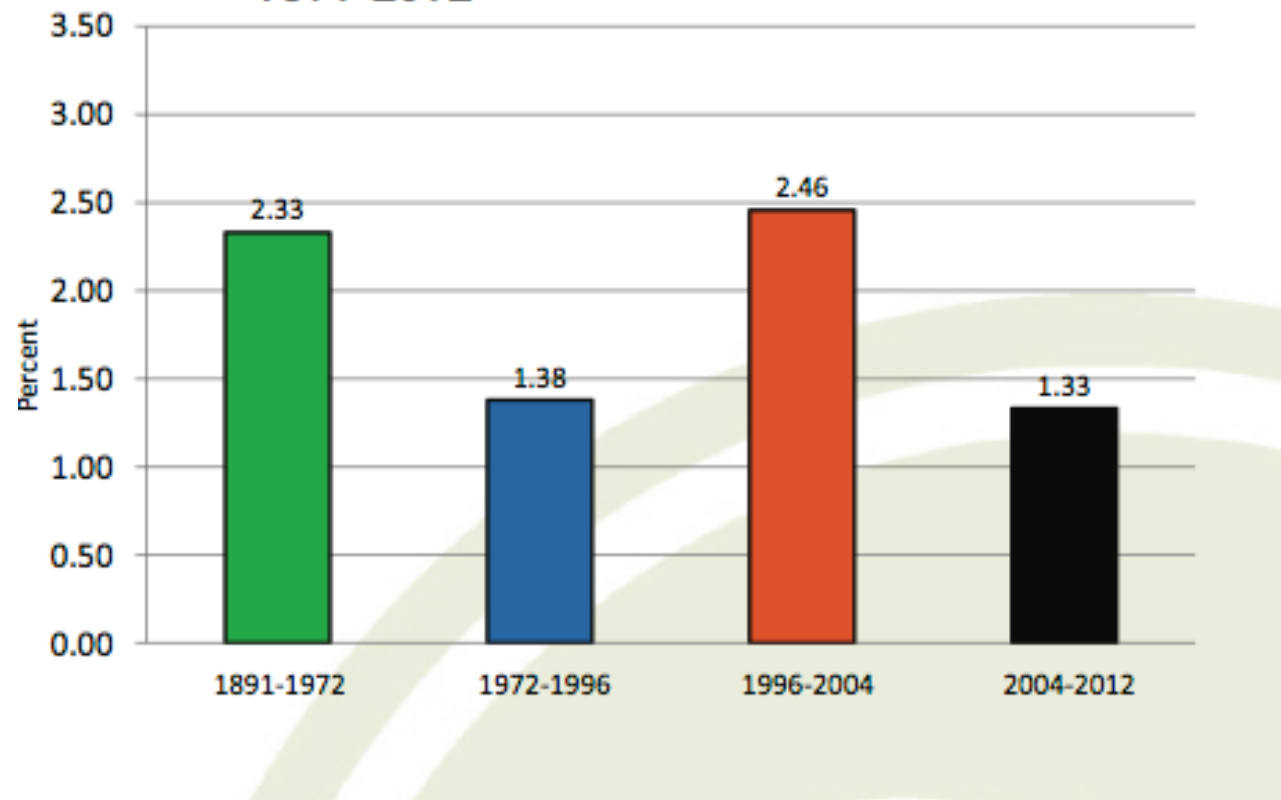
# Ecological Costs Increase over Time

- ...for various reasons (active and passive costs)
- On a global level: loss of GDP due to environmental degradation
- On the side of catch-up economies: depletion of natural resources
- On the side of economic-political laggards: losing technological competitiveness
- On the side of forerunners: short-term (?) increase of adjustment costs

# Productivity Model

- Secular decline in labor productivity growth rates in mature economies
- Petering out of effects of most recent all-purpose-technologies
- Only the fate of the forerunner?

**Figure 4** Average growth rates of US labour productivity over selected intervals, 1891-2012





# The question is not whether we need a new growth model...

- ...but how to move to a new growth regime
- And this implies the question what growth regime we should pursue?
- Low Carbon Emission Economy as Genuine Political Project: Ultimately, a low carbon economy is one which is characterized by activities which emit low levels of carbon dioxide into the atmosphere.

# Challenges are intrinsic

- Carbon emissions are not contained to nationally defined political-economic spaces
- Reduction in one economy may go hand in hand with increases in other economies
- Free rider/Trittbrettfahrer
- One reason why global attempts for a carbon regime fail

	<b>Change in territorial Co2, 1990-2008 (MT)</b>	<b>Net exports of CO2, 1990-2008 (MT)</b>	<b>Change to 2008, net territorial emissions</b>
<b>Germany</b>	-242	-221.9	-20.1
<b>Austria</b>	11	-28.04	39.04
<b>Belgium</b>	7	-119.51	158.56
<b>Denmark</b>	-4	-13.18	9.18
<b>Finland</b>	5	-24.02	29.02
<b>France</b>	-17	-154.89	137.89
<b>Greece</b>	27	-23.08	50.08
<b>Ireland</b>	12	-29.09	41.09
<b>Italy</b>	33	-153.09	186.9
<b>Netherlands</b>	2	-45.98	47.98
<b>Norway</b>	9	-31.33	40.33
<b>Poland</b>	-18	45.79	27.79
<b>Portugal</b>	13	-53.37	66.37
<b>Spain</b>	117	-94.18	211.18
<b>UK</b>	-28	-158.64	130.64
<b>Sweden</b>	-4	-32.63	28.63
<b>Australia</b>	59	55.66	3.34
<b>Canada</b>	113	-37.08	150.08
<b>Russia</b>	-850	280.7	-1130.7
<b>US</b>	809	-479.18	1288.18
<b>Switzerland</b>	-2	-67.15	65.15
<b>Japan</b>	139	135	4

# Economic Advantages and Political Problems

- Well established knowledge tells us that costs of transition and change will be smaller the earlier policies are coming into effect
- Moving to an low carbon emission growth path can't be restricted to changes in the energy systems or in the transportation sector
- ‘Green growth’ is a encompassing project that asks for changes in the established production and consumption modes
- Already the transition period will produce sectorial winners and losers
- Compensation of Losers and redistribution of gains (BC carbon tax example – tax income-neutrality)

## ...and then, why we?

- Carbon leakage and differences in policy action provide free riding attitudes
- But also
- Offers opportunities for first-movers
- Green technologies already attract significant global demand, and those markets will get more important

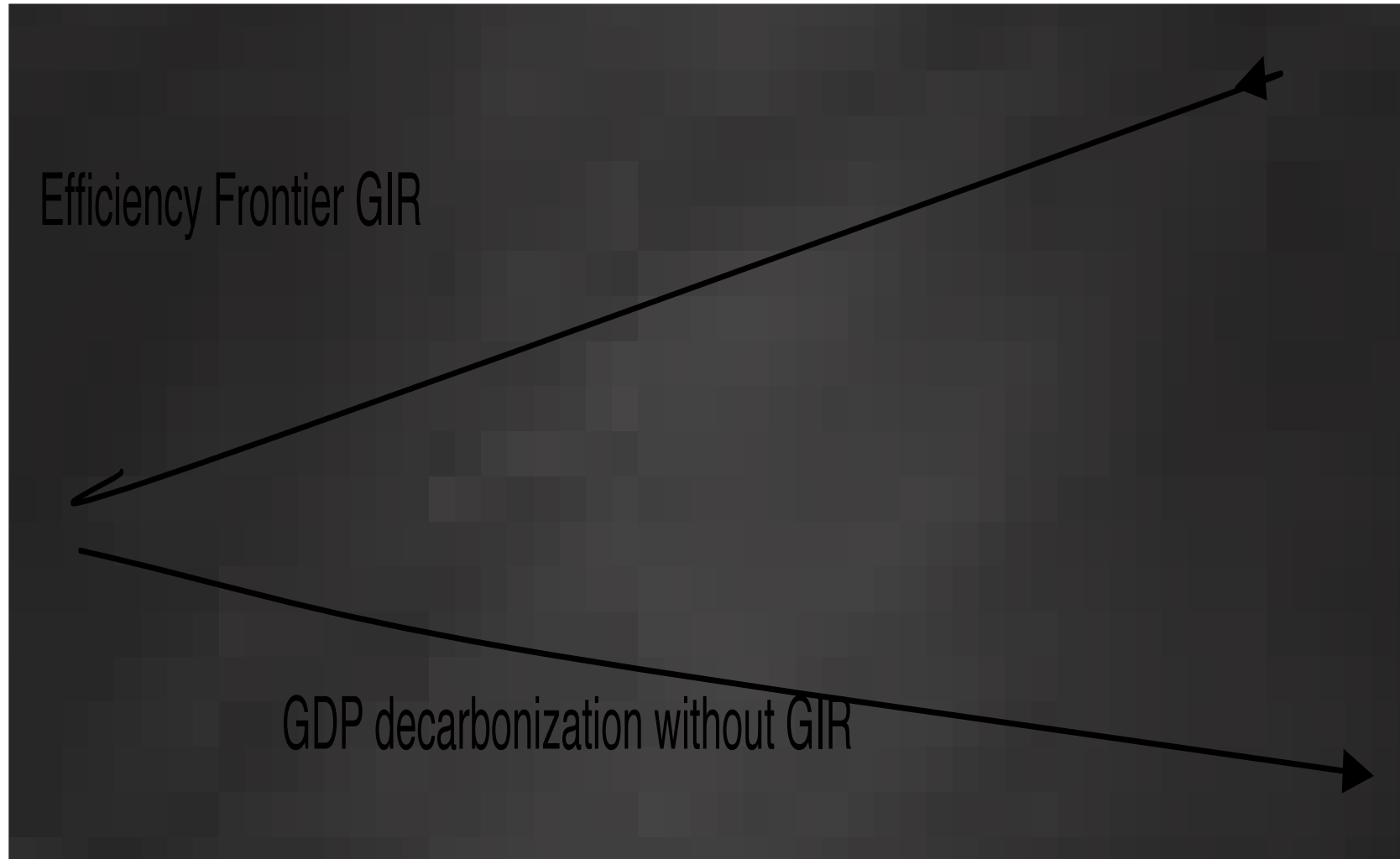
# Green Innovation Machine

- Green Innovations tend to be under-produced due to a mismatch of social and private benefits
- Market failure of this kind asks for state actions

Moving towards a truly Green Innovation Regime (GIR) becomes key:

Technology – Norms – Rules – Mechanisms – Skills – Education ...

## Efficiency and GIR



# Low Carbon Coalition

- Worker and consumer alliances: Overcoming the double-bind
- Intergenerational contract and tax regime
- Trade unions as push factors