TRANSFORMATION TO A GREEN AND SOCIAL ECONOMY AFTER THE GLOBAL CRISIS

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Abstract (AJ)

The global financial crisis confirmed that a return to the previous state is impossible and we need a new concept of economic and social growth adapted to the changing global economy. The new European Union`s strategy Europe 2020 emphasize sustainable development and green economy as an engine of future development. The green and social economy has a significant role in the structural changes in European economies (technologies, innovation, new jobs).

Key words; sustainable development, green economy, social economy, global crisis,

INTRODUCTION

The purpose of article is to show how the concept of green and social economy can be an empowering tool of the sustainable development in Europe and to describe a green, social economy as a new, more radical direction in creating the harmonious, balanced social and environmental development of countries. The concept of green economy is formulated as an alternative approach to the existing model of economy. This article examines the new thinking started after a global financial crisis (2008) and continued to the conference in Rio+20.

To reach a purpose of this paper the methodology based on systemic approach will be used. (Sterman J., 2000, p. 86-88). First the short diagnosis of situation will be presented base on literature review. I will concentrate around few aspects of global crisis and it will be a short diagnosis of existing economic system. Then second step is a question: Why is it a problem, it means what is a cause of the problem? The next step of systemic approach is to propose a new model, which is green and social economy. Following that, we can conclude from the literature and from the documents of European Union what kind of strategy and policy will be used to implement the green and social economy concept and what kind of instrument will support it.

1 GLOBAL FINANCIAL CRISIS AS TURNING POINT FOR THE ECONOMY – SHORT DIAGNOSIS

The global financial crisis in 2008-2009 became multidimensional economic, social and environmental. On the economic level effects of the crisis were a reduction of world GDP and volume of international trade, reducing investment and jobs creation etc. Side effect of the crisis was a reduction of the level of well-being. (Streeck, 2011) (Krugman, 2009) (Roubini i Mihm, 2011). People have lost savings, lost their jobs and, in particular, have lost confidence in the financial sector, banking and more generally to a market economy. The scale of this crisis, and its global dimension also the lack of early warning signals from a market economy was a shock for the citizens, politicians and even for the same financiers and bankers. (Stiglitz, 2010) International organization and countries prepared recovery programs and strategies for future. (OECD, 2011), (The Transition to a Green Economy, 2011), (Europa 2020, 2010). What should be the new purpose of economic strategy after the crisis. Which objectives and values are important to build a new model of the economy. Many actors of political and economic life propose a sustainable development, operationally defined as a green economy concept. (Barbier, 2010) (Ocampo, 2011)

2 WHAT HAS CHANGED IN WORLD ECONOMY AFTER CRISIS?

The myth of growth has failed us – says Tim Jackson in his book *Prosperity without growth*. It has failed the two billion people who still live on less than $2 a day. It has failed the fragile ecological systems on which we depend for survival. It has failed, spectacularly, in its own terms, to provide economic stability and secure people's livelihoods. Today's world is characterized by the degradation of forests, lakes and soils, conflicts over land use, water quality, fishing rights and the concentrations of carbon in the global atmosphere. And we face these tasks with an economy that is fundamentally broken, in desperate need of renewal. In these circumstances, a return to business as usual is not an option. Prosperity for the few founded on ecological destruction and persistent social injustice is no foundation for a civilized society. The global crisis challenged the dominant economic model to its foundations. (Jackson, 2009, p.5)

The table below is based on many papers (Wehinger, 2009) (Krugman, 2009) (Beker, 2011) (Streeck, 2011), books (Roubini i Mihm, 2011), (Kołodko, 2011), (Stiglitz J., 2010), (Jackson, 2009), reports, statistical data of Eurostat (Economic Crisis in Europe: Causes, Consequences and Responses, 2009) and articles published just after crisis. Positive and negative aspects of crisis shows complexity and systemic character of the global crisis.

Table 1. Negative and positive aspects of global crisis for economy

ECONOMY	
NEGATIVE	POSITIVE
• Reduction of GDP • Recession • Growing unemployment • Deficit of the national and local budgets • High public sector spending on private-sector rescue • Reducing the level of investment • Decrease of people confidence in market and financial sector • Lower supply of goods and services • Reduced public spending for social purpose • The growing role of governments in economy • The crisis of an economic model	• Discussion of the limitations of GDP as a main indicator of economic activity • Global Green New Deal • Green Economy • Eco-innovations • Green investment founds • Sustainable finance and banking • Moving toward the renewable energy investments, and environmentally friendly technologies (new jobs)

Source: own elaboration

The new trends in economy are already a fact. We can see sustainable banking, eco-taxes, green investment funds, green public procurement, eco-innovations in industry, low carbon economy, alternative sources of energy etc. New strategies prepared for European Union and other countries only confirmed existing trends.

Table 2. Negative and positive aspects of global crisis for society

SOCIETY	
NEGATIVE	POSITIVE
• Unemployment • Lower income • Loss of trust, uncertainty • Less public goods and services financed by the state • Lowering the standard of living • Loss of financial liquidity in private households • The drop in household consumption	• Saving • To be not to have • The quality of life - important value • Mobilization of civil society • Increased awareness and responsibility for the crisis • Turning towards more balance life (financially, socially, emotionally and environmentally)

Source: own elaboration

Social consequences of the crisis are particularly important, since the existing economic development was based on the trust of society to the market, to economists, financiers and politicians. Politicians especially said: vote for us, pay taxes and we provide you prosperity and social security. This promise is already outdated. Citizens emphasized values associated with the quality of life, health, quality of the environment. Around the idea of the action is carried out by NGOs and civil society. The positive effect of the crisis is the growing activity of civil society. (Oniszczuk, 2010). People are more and more aware of their responsibility for the crisis.

Economic growth is based on production and consumption which was unlimited. Demand for natural resources is coming from consumers. Overconsumption is a cause of negative pressure for environment.

3 WHAT IS A NEW PICTURE OF ECONOMY, WHAT KIND OF DEVELOPMENT DO WE NEED? MAIN WORLD AND EUROPEAN INITIATIVES

The politician were first in diagnosing the situation after the crisis. They were surprise somehow what happened. President Sarkozy asked economists, scholars and providers of economic data why there were no warning signals from financial markets and from the economy about coming crisis. Therefore the first diagnosis and recovery programs were created by governments and international organizations like United Nations, OECD, European Union. For the purpose of this paper important is the presentation of the content of few selected documents. Because the common characteristic of these documents is that in the heart of them is concept of sustainable development and green economy. Authors of presented strategies and reports are convinced that the recovery after the crisis and future development which will protect us against next crisis has to base on sustainable economy. The concept of the sustainable development and the green economy has gained importance because we need a response to the multiple crises – the climate, food, economic and social crises – with an alternative paradigm that offers the promise of growth while protecting the earth's ecosystems and, in turn, contributing to poverty alleviation. In this sense, the transition to a green economy will entail moving away from the system that allowed, and at times generated, these crises to a system that proactively addresses and prevents them. (The Transition to a Green Economy, 2011)

There are interesting ideas in United Nations *Global Green New Deal* and Green Economy, in European Union`s program *Beyond GDP* and strategy *Europe 2020*. Practical suggestions how to measure economic and social development are in the Report by the Commission on the Measurement of Economic Performance and Social Progress guided by prof. J. Stieglitz. Certain point of view is presented in the report *Enough is enough. Steady state economy.* Also the newest event Rio+20 - the United Nations Conference on Sustainable Development in Rio de Janeiro, Brazil, in June 2012 was organized around the idea of transition towards green economy. The United Nation is again bringing together governments, international institutions and major groups to discuss, among other topics, a vision of future economy.

"Global Green New Deal" of United Nation Environmental Program (UNEP) proposed for reviving the global economy and boosting employment while simultaneously accelerating the fight against climate change, environmental degradation and poverty that a significant portion of the estimated US$ 3.1 trillion in economic stimulus packages be invested in five critical areas: energy efficiency in old and new buildings; renewable energy technologies, such as wind, solar, geothermal and biomass technologies; sustainable transport technologies, such as hybrid vehicles, high speed rail and bus rapid transit systems; the planet's ecological infrastructure, including freshwaters, forests, soils and coral reefs; and sustainable agriculture, including organic production. The new picture of economy in this document shows that the sector of green economy is a priority in future development. 20 most advanced economies has been called to engage in a Global Green New Deal by investing at least 1 per cent of their total GDP in promoting green economic sectors. (Barbier, 2010). UNEP reiterates its Global Green New Deal call, and urges governments to invest US$ 750 billion of the US$ 2.5 trillion stimulus package (about 1 per cent of global GDP) towards building a green economy – one that reduces carbon dependency, addresses poverty, generates good quality and decent jobs, maintains and restores our natural ecosystems, and moves towards sustainable consumption. The development of green economy means also development of clean technologies, renewable energy sources, improving energy efficiency in industry, changing the model of consumption and production for more sustainable, implement integrated product policy, green procurement, creating green jobs and finally ecological tax reform. (Barbier, 2010)

In the European Economic Recovery Plan was recognized that the crisis should also be taken as an opportunity to set our economy more firmly on the path to a low-carbon and resource-efficient economy. These challenges point to the need for more inclusive markers than just GDP growth. The new strategy called *Europe 2020* puts forward three mutually reinforcing priorities:

– Smart growth: developing an economy based on knowledge and innovation.

– Sustainable growth: promoting a more resource efficient, greener and more competitive economy.

– Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion. (Europe 2020. A strategy for smart, sustainable and inclusive growth, 2010, p.6)

The motor of this strategy is sustainable growth which will help to decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernize our transport sector and promote energy efficiency. The crisis made us aware that "business as usual" is not possible anymore.

The purpose of inclusive growth is implemented by concept of the social economy, which is a sector which makes a significant contribution to employment creation, sustainable growth and to a fairer income and wealth distribution. This sector has weathered the economic crisis much better that others analyzing the impact of the economic crisis on the social economy and studying how the social economy can and will contribute to implementation of the "Europe 2020 Strategy" [1]

The global financial crisis rocks people’s faith in business and governments. The main challenge was to rebuild trust and find answers to many of the tough questions society faces. The *Vision 2050* project has been a collaborative effort among the 29 companies, supported by the World Business Council for Sustainable Development (WBCSD) secretariat, the wider business community and regional network partners around the world. The goal was to see what the sustainable development would mean for business and markets in general and what can be done for better future. The impression was that business-as-usual cannot get us to sustainability or secure economic and social prosperity; these can be achieved only through radical change, starting now. Born of environmental and economic crises and spread by education and the media, these initiatives encourage “One World – People and Planet” behavior in society and individuals. (Vision 2050. The new agenda for business, 2010, p.10)

Finally, the concept of green and social economy were presented on the United Nations Conference on Sustainable Development in Rio de Janeiro in June 2012. The objective of the conference was to secure renewed political commitment for sustainable development and address new and emerging challenges. The moment could not be more fitting. We are on the cusp of the first environmental limit – climate change and the first economic reality of a global resource limit as demand for oil outstrips supply. We have a global financial sector that having caused the Great Recession.

The Conference was focus on two themes: (a) a green economy in the context of sustainable development and poverty eradication; and (b) the institutional and financial framework for sustainable development. (UNEP, 2011)

Greening the economy means mainstreaming the environment into economic development. The term 'green economy' is not consistently defined as it is still an emerging concept. A green economy is one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities.

One of the possible answer for the multi-dimensional crisis is the concept of green economy. There is shared awareness that broad, systemic and longtime vision is necessary. And in fact the concept of a green economy has become a center of policy debates in recent years.

4 THE CONCEPT OF GREEN AND SOCIAL ECONOMY

There is a “growing recognition that achieving sustainability rests almost entirely on getting the economy right”. It also emphasizes the crucial point that economic growth and environmental stewardship can be complementary strategies (The Transition to a Green Economy, 2011). The concept of green economy should be seen as consistent with the broader and older concept of sustainable development, which has been mainstreamed into the work of the United Nations. The specificity of the broader concept is associated with its both

[1] Monzón J. L., Chaves R., The Social Economy In The European Union, http://www.eesc.europa.eu/resources/docs/qe-30-12-790-en-c--2.pdf. 15.11.2013

its *holistic* character, as it encompasses the three pillars of development - economic, social and environmental- and its particular focus on *inter*-generational equity (Ocampo, 2011, p.16)

As has already been noted, what is essential to the concepts of green economy and green growth is the understanding that the benefits of environmental sustainability outweigh the costs of investing in and protecting the ecosystems, so that it is possible to have a win-win or “double dividend” strategy of growth with environmental sustainability, and even win-win-win or “triple dividend” strategy that also includes poverty eradication and broader improvements in social equity. (Ocampo, 2011, p. 19). This is interesting from the point of view of policy makers, because they have to deal with many dimensions of the crisis and the idea of sustainable development is offering the path to transform economy but also to support citizens and environment.

Green growth is closely related to the concept of a green economy, which UNEP defines as one in which “growth in income and employment should be driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services.“ (Global Green Growth Forum, 2011).

There is a growing debate among scholars about the importance of green economy concept for future development policy. Below author presents few of them: “The concept of a green economy is crucial for guiding policies for sustainable development, since it goes to the heart of the matter: organize economies in ways that fit local and global ecological prerequisites and long-term dynamics.” (Mol, Sonnenfeld i Spaargaren, 2011, p.65). „A ‘green economy’ concept is an essential step towards the transition to a resilient and sustainable economy. However, it does not go far enough as long as it does not address the dilemma of economic growth: every expansion of economic activity implies more stress on the planet’s ecosystems”. (Pirgmaier, 2011, p.67)

“The ‘green economy’ concept is useful to the extent that it engages policymakers, economists and businesses in critical dialogue with other stakeholders to compare alternative pathways for development. The comparison should then consider economic criteria alongside social, political, cultural and ecological criteria, and how “business-as-usual” development and more sustainable alternatives trade off.“ (Downs, 2011, p.64). By recognizing that the economy is a subsystem of human society which is itself a subsystem of the environment, the green economy concept helps to prioritize sustainable development and resource management on decision makers agendas, influencing their thinking and giving them a mandate to ensure that our economic activities do not exceed environmental tipping points. (Polzin, Kostka, 2011, p.66).

The social economy is the part of the economy that is neither privately nor publicly controlled. It is sometimes referred to as the third, citizen, or plural sector. In seeking to leverage the efficiencies of the private sector in pursuit of traditionally public goals such as improving social wellbeing, the social economy is a pragmatic response to the economic and social challenges of globalization. [2] The outcome of social economy after the crisis and lack of social trust is social value creation, social impact and social change.

The third sector recently increased production of goods and services which does not mean a downturn in other functions such representing interest and rising public awareness for specific

[2] Nancy Neamtam, The Social Economy: Finding A Way Between The Market And The State, Policy options 2005

issues there is a new dynamic of development in third sector, kind of revolution. We can observe a rising asymmetry between the amount of state-based services and those provided by society[3]. The third sector is associated with public policies and actions of government. It plays intermediary role in public arena framework of tripolar system market, state, society.

The social economy is defined as a set of private, formally-organised enterprises, with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote, or at all events take place through democratic and participative decision-making processes [4]

The main and most important trend that can be observed in the recent evolution of the social economy is its consolidation in European society as a *pole of social utility* between the capitalist sector and the public sector, made up of a great plurality of actors: cooperatives, mutual societies, associations, foundations and other similar companies and organizations.[5] The new social economy is taking shape as an emerging sector which is increasingly indispensable if an adequate response to the new challenges of the global economy and society is to be provided. The social economy is the fastest growing sector of society, generating jobs faster than traditional business. Across the globe, social entrepreneurs are applying innovative approaches to addressing social problems that have not been satisfactorily addressed by the public or private sectors.

In official statement for RIO+20 European Commission sad that green and social economy is more than the sum of existing commitments: it has the potential to lead us to a new development paradigm and a new business model where growth, development and environment are seen as mutually reinforcing each other. Increasing resource efficiency, promoting sustainable consumption and production patterns, tackling climate change, protecting biodiversity, combating desertification, reducing pollution as well as using and managing natural resources and ecosystems in a sustainable and socially responsible manner are both requirements and key vehicles in ensuring a just transition to a green economy. (United Nations Conference on Sustainable Development, 2012)

CONCLUSIONS

To summarize all issues we can ask the question what is new in debate about green economy, why we hope to get something unusual? The answer was given by Tom Bigg from Boston University: "green economy is a term used by new and surprising sets of actors. Incorporation of "green stimulus" elements in the financial recovery packages in 2008–09 was not driven by an environmental lobby, but by economic calculations of the potential for job creation and economic resilience. Within many countries, anticipated scarcity in access to fossil fuels and "rare earth" minerals (to pick just two examples) are driving policy and technological efforts to shape alternative futures. Private sector actors are anticipating major shifts in markets and resource availability, and planning for much lower carbon intensity production as a result. In short, the economics of scarcity and uncertainty are stimulating significant efforts to develop alternative, "greener" business models and patterns. (Bigg, 2011, p.28-29). There is a common interest of governments and business to finance transition to green, social economy.

[3] Evers A., laville J.L, (ed), The Third Sector in Europe, Edward Edgar Publishing 2004, p.12
[4] Ibidem p.22
[5] Ibidem p.102

Especially the state policy and actions are important, without them the power of private sector is useless. The state role as rule-setter and enforcer is crucial for successful implementation of green and social economy. The economy-as-usual cannot get us to sustainability or secure economic and social prosperity; these can be achieved only through radical change, starting now.

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