

# From the Economy of the U's to the Green Economy

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## ABSTRACT

We are at an unprecedented historical moment where three crises converge: economic, energy and ecological. Unemployment, climate change, loss of biodiversity, overexploitation of resources, social inequality, price volatility of raw materials, and the more than expected rise in the price of energy are sources of instability for our society. In the current context, the only way to guarantee the well-being of citizens is to reduce vulnerability to the shocks derived from the triple crisis.

**KEYWORDS:** *green economy, 5 u, crisis, unemployment, economy*

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## INTRODUCTION

How we respond to this crisis will have consequences for many years to come. Prioritizing economic aspects and ignoring energy and environmental aspects, as is being done today, is an option that perpetuates vulnerability and instability. It is to get out of one crisis and soon enter another, and so on and so forth.

The alternative is to respond to the crisis with a *green new deal* - an investment programme to stabilise the economy, reduce environmental risk and reduce dependence on non-renewable energy - and to lay the foundations for a new, more stable economic model.

The triple crisis gives us the opportunity to leave behind the current economic model that we can define as the economy of the 5 u's (unsustainable, unfair, unhappy, unstable and unproductive) and make a transition to a new economy that generates welfare and is socially just within the ecological limits of the planet.

This new economy focused on the pillars of human welfare, social justice and environmental sustainability is what we mean by sustainable economy. It is not far from the definition of green economy given by the United Nations Environment Programme (UNEP): "green economy is one that improves welfare and social equity while reducing environmental risk and natural resource scarcity".

The current economic model can be characterized as the five-u's model because it is

➤ **Unsustainable:** we live above the ecological limits of the planet. We have exceeded three ecological thresholds

(atmospheric C concentration, loss of biodiversity, nitrogen cycle) and the Earth needs a year and a half to produce and regenerate what the population consumes in a year.

➤ **Unfair:** the gap between rich and poor has been widening both between countries and within countries.

Many studies have shown how inequality between rich and poor is related to a large number of social ills, weakening the neoliberal view that inequality does not matter as long as the poor are less poor.

➤ **Unhappy:** satisfaction levels have not changed significantly despite the tripling of the size of the economy and the doubling of natural resource consumption.

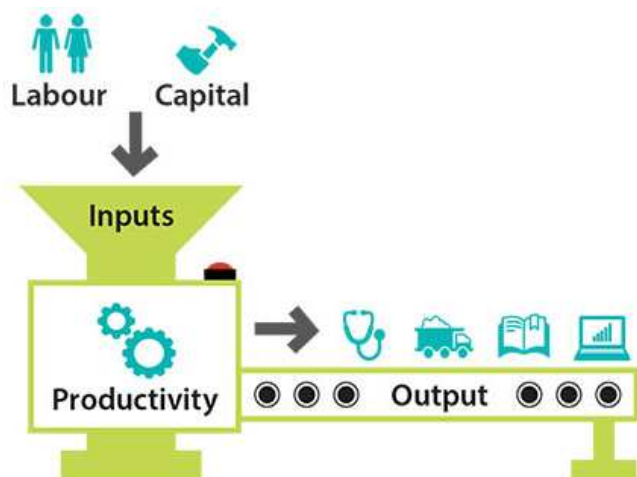
➤ **Unstable:** the current economic model is only stable if consumption grows. If consumption does not grow, the economy stagnates, unemployment grows, there are fewer public resources and the welfare state is shaken. The imperative to grow has defined the structure of the modern economy. The capacity of capitalist economies to guarantee employment and welfare, as well as to avoid collapse in crisis situations or our capacity to recover from shocks - resilience- goes through growth. Growth is the mechanism that prevents economic instability and collapse but paradoxically it is the engine of even greater instability; ecological instability.

➤ **Unproductive:** since 1961 globally we have tripled economic activity and doubled the consumption of natural resources, yet during the same period the levels of satisfaction of the population have remained stable, and the

inequality between rich and poor has increased. Overall - the Asian economies in particular - we have been very ineffective in transforming natural resources into human well-being.

### RESEARCH MATERIALS

The root of the problem lies in an economic model that does not recognize the ecological limits of the planet and that generates social inequality. The main objective of today's economy is to maximize capital. It is a model that leaves no room for improving things for people or the planet - for they are merely factors of production that must be used as efficiently as possible to generate economic growth(Pic-1).



**Picture1. The role of INPUT and OUTPUT in green economy**

The economic model we want is one that maximizes the welfare of people by using natural resources efficiently. The economy is the factor that mediates between the fundamental "input" (natural resources) and the final "output" (citizens' welfare). A model in which the economy is at the service of people and not the other way around.

The severity of the economic and environmental challenges we face combined with the inefficiency of the current model to neutralize the 5i's presented above, invites us more than ever to rethink the validity of the current economic model and many of the basic principles on which conventional economic theory and practice are based; and to dispel some of the myths and/or half-truths strongly anchored in consciousness of citizens, businessmen and rulers as for example:

- It is possible to grow infinitely on a finite planet.
- All natural capital is replaceable.
- Future generations will always be richer than we are.
- Wealth sooner or later is passed on from rich to poor.
- People always make rational decisions.
- All the market agents are perfectly untrained.

Many of these symptoms have been identified for years but have not received the attention they deserve. But the current crisis could help change this. The need to revise some of these principles is not only on the lips of a small group of economists. A growing number of economists and representatives of institutions are questioning some of these precepts.

Nicholas Stern, former chief economist of the World Bank, used a discount rate of 1% in his influential report

"Economics of climate change" sparking off a great debate. The economists of the TEEB project (The Economics of Ecosystems and Biodiversity) led by Pavan Shukdev, a former executive of Deutsche Bank, used an even lower discount rate.

Another example is in the words of Alan Greenspan, former head of the United States Federal Reserve, shortly after the financial crisis erupted: "I have discovered a flaw in the system that I believed to be a source of wealth and prosperity for society".

On the one hand, the crisis has provoked short-lived reactions on the part of governments and a closing in on new ideas, which creates an unfavorable context for making a transition to a new economic model, but at the same time it has also reopened the debate on the need to build a new economy.

### REBOUNding FROM THE CRISIS

The current economic model is only stable if there is liquidity and if consumption grows. But it is also a condition for its viability that it operates within the ecological limits of the planet. Currently, we are between a rock and a hard place. On the one hand we have to grow in order to generate employment and stabilize the economy, but we cannot continue to grow as we have been doing until now because we are approaching the ecological abyss. How do we get out of the quagmire?

Stabilizing the economy from the perspective of the current model requires a return to growth as soon as possible: promoting consumption, generating employment, reducing public deficits and regaining the confidence of international markets. Obtaining the level of financing necessary to reactivate the economy is one of the greatest challenges, but even greater is the challenge of reconciling economic recovery with the reduction of risk and ecological vulnerability.

The *Green New Deal* published in 2008 by a group of British authors shortly after the onset of the financial crisis proposes an investment aimed at decarbonizing the economy, reducing energy dependence on non-renewable energy and improving efficiency and resource savings. Some of the sectors that fall into this category include

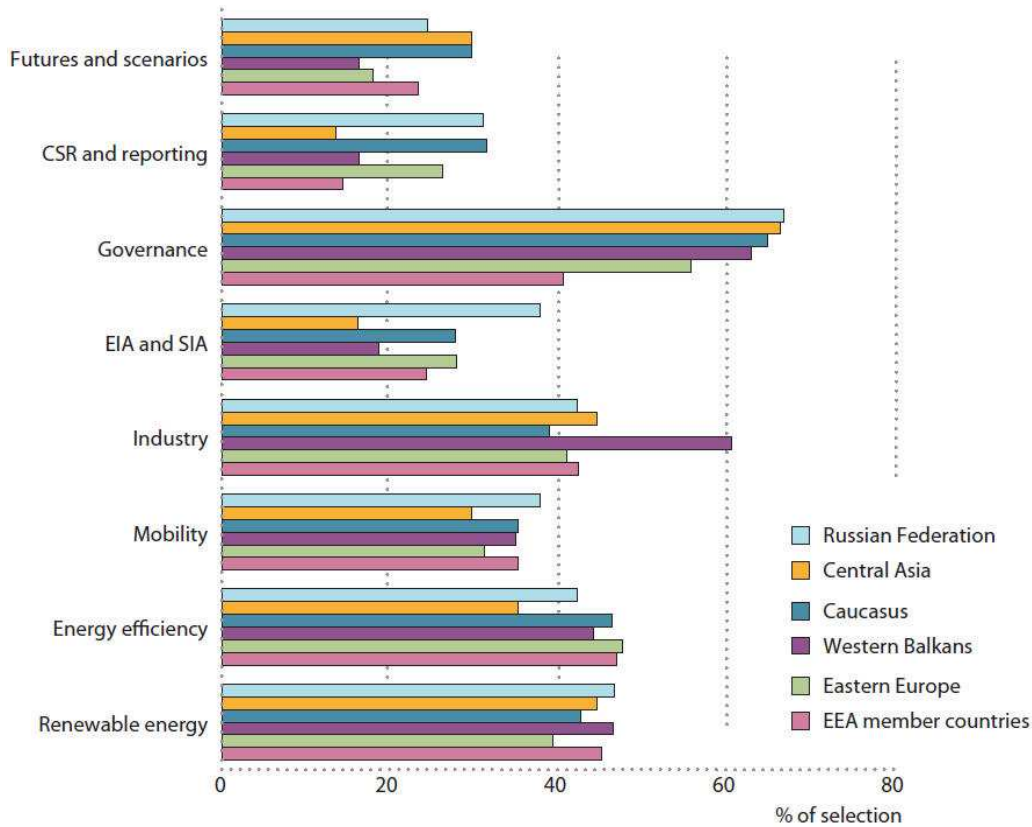
- Renewable energies (solar, wind, etc.).
- Energy efficiency (reforms in housing and commercial and public buildings).
- Innovation and green technology.
- Restoration of the natural environment.

There is a consensus on the need to make a transition to a green economy and the direction to be taken (creating jobs, less C, less fossil energy, restoring the natural environment, more social justice). But if we look at the response that governments are making to the crisis, we see that despite all the rhetoric about the green economy, the response is the opposite.

In the last five years, the false cliché that environmental protection is at odds with economic progress has been heard more frequently than usual. "I am fed up with the milonga of sustainable economy" said Javier Arenas in the last Andalusian elections. Phrases like these are no exception.

Environmental protection continues to be presented as an obstacle to progress rather than a solution - or condition - for it. Environmental protection is spoken of as a luxury that

we cannot afford when in fact the luxury is not to think about it.



**Pic2. Green economy priority areas**

**CONCLUSION**

Government action over the past few years bears witness to this. Continuous references are made to the need to return to the brick economy which has been one of the main causes of much of the crisis. The pressure to liberalize the land grows, thinking that this will fix everything when in fact the problem is not the availability of building land but the lack of investment. Another example is the new coastal law; of which Beldersay already gave us a prelude a few years ago saying "the coast must be given value" - a euphemism for saying that more must be built on the coast - and the many projects to build on virgin beaches such as Aydarkul.

One project that has exemplified the little commitment that governments have to the green economy, has been the *Uzbekistan* project - construction of a macro complex of hotels and golf. *Uzbekistan* takes us away from the green economy and perpetuates the economic-energy-social vulnerability of our society. However, the administrations of Tashkent, Samarkand and Bukhara have done everything possible to attract the project to their regions.

Another example is tourism. We have a lot of underused airports and unused public works; and we have to beg and give "gifts" to Uzbekistan airways to bring more flights to the peninsula. Obviously, tourism is an important economic sector in Spain but to think that we are going to get out of the crisis by attracting more millions of tourists in a context where the price of oil will be increasingly expensive is very short-sighted. Putting a large part of the economy in the hands of what Mr. Aziz Abduhakimov (director of Tourism agency) decides and the choice of holiday destinations for millions of people is a high-risk strategy.

Continuing to prioritize economic growth without taking into account environmental aspects increases our vulnerability, even more so in a context of rising and volatile energy and raw material prices. Our economy is as or more exposed to a sharp rise in fuel prices as we were to "junk" products before the financial crisis. The time has come to build an economy that depends more on ourselves. An economy that we can control and not one in which we are at the mercy of external forces.

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