Economic Development & Green Growth

Lecture 22

Background

- 1987, Brundtland Report: "*Sustainable development* meets the needs of the present without compromising the ability of future generations to meet their own needs."
  - The set of assets (natural, built, environmental, intellectual, etc.) bequeathed should be as valuable as the set inherited
  - 20th century Saudi Arabia v. 19th century UK v. …
  - No explicit focus on natural assets or poverty alleviation; implications not always clear ("their own needs"); "all good things…?"
- 1992, UN Conference on the Environment and Development, held in Rio; climate was the headline
  - 172 governments, 108 heads of state or government
  - Framework convention on climate change; declarations on sustainability, poverty, ecosystems…
- 2012, UN revs up for Rio+20 in June, the UN Conference on Sustainable Development; what's the headline now?

Possible Headline: Green Growth

- Beginning in 2009 or so, staff in the UN Environment Program, the World Bank, and the OECD began to advocate “the green economy” and “green growth”
- Definition of green growth not entirely clear, but seems to be sustainable development + no degradation of natural or environmental stocks
  - Could *probably* use fossil fuels, but no species extinctions,…
  - An alternative: “inclusive growth” (elsewhere in the WB) would focus on poverty alleviation rather than environmental protection
- Key assertion: making very large investments in going green (mainly reducing CO_2) would, after a short time, raise growth in living standards – “a new engine of growth”!
  - Not only a free lunch, but one we would all be paid to eat!
- Business community got nervous, engaged economists

Some Relevant Points (1)

- GDP does not measure change in most stocks (NNP only helps a little), particularly natural/environmental; thus is not a proper measure of income
  - A party paid for by selling the family silver would show up in GDP, but it is not an increase in income, properly measured
  - An increase in GDP paid for by trashing the environment is also not an increase in properly measured income
  - UN, US working on better measures of income, but not easy
- Making very large investments in <u>anything</u> will raise properly measured growth, as long as benefits > costs
- Models seem to show growth acceleration because investments reduce environmental limits on growth
  - Certainly possible in theory, perhaps in fact in China?
  - But globally? No evidence supports models' assumptions

Some Relevant Points (2)

- In rich countries, *may* make sense to cut CO_2 emissions sharply by conservation, shifts to gas, etc.
- "Green growth" the developing world much tougher
  - Don't have the $$ for massive investments; massive foreign aid unlikely, effectiveness doubtful in any case
  - Without aid, why not use hydro, fossil fuels in Africa to cut poverty?
  - Equity issues plain: rich world did not follow green growth
  - Still, green opportunities exist – see class report on India
- Developing world will likely drive climate change and be most harmed by it – no obvious, workable fix
- Expect a circus at Rio+20; long non-binding declaration may endorse green growth but with qualifications; few serious promises likely to be made

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