

## Time for global responsibility in the global economy

**Stuart Parkinson looks at the potential for a sustainable, low-carbon economy to be created through efforts to tackle the current global economic problems.**

The major problems that the global economy is currently facing have many of their roots in the irresponsible practices of the financial sector. High levels of credit have been granted to those unable to repay, and bad debts have been hidden in complex financial packages sold and re-sold in the financial markets. It has brought the global financial system to the brink of collapse, and is driving the global economy into recession.

There is widespread acceptance that major reform of the financial sector is necessary to help tackle the problems. But there is also growing recognition among governments across the world that action to rapidly expand the development and deployment of greener technologies will provide a major boost to the economy and create many jobs. The question is: will the scale and the breadth of the action be enough to shift our societies onto a truly sustainable and peaceful path?

### Green New Deal

A number of national programmes have been proposed, or are already being implemented, by governments of the major economies that in some way contribute to the development of a low-carbon economy. For example, the UK government has announced<sup>1</sup> a new programme on domestic energy efficiency worth nearly £1 billion and a financial assistance package<sup>2</sup> to the ailing motor industry including over £2 billion of loan guarantees for low-carbon initiatives. Meanwhile, incoming US President Barack Obama has promised to spend \$150 billion (£105 billion) over 10 years to “build a clean energy future”,<sup>3</sup> and China has announced a similarly sized programme of low-carbon initiatives.<sup>4</sup>

However, programmes such as these, while very welcome, could be much bolder. Evidence for this perspective can be found in some groundbreaking reports published in the last six months that outline radical programmes to tackle both the economic crisis and global environmental and energy problems.



Some of these have adopted the term ‘Green New Deal’ – inspired by the ‘New Deal’ programme undertaken by US government of Franklin D Roosevelt following the Wall Street Crash of 1929.

One key set of proposals that focus on the UK situation are given in a report by the Green New Deal Group<sup>5</sup> (see review on p.24) – a group of nine leading green thinkers. The report outlines proposals for major reform of the economic and financial systems, which could allow an investment of up to £50 billion a year in UK skills, infrastructure and new technologies and hence bring about a rapid shift to a low-carbon economy.

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The United Nations Environment Programme (UNEP) has also been arguing the social and environmental case for a major shift to a low-carbon economy. In a report<sup>6</sup> on 'green jobs', it estimates that at least 2.3 million people currently work in the renewable energy sector worldwide, with many more in related sectors. The report argues that with the right combination of policies and measures the market for environmental goods and services could grow to a massive \$2,700 billion (£1,900 billion) by 2020.

Even the organisers of the World Economic Forum have made radical proposals<sup>7</sup> – arguing that globally, over \$500 billion (£350 billion) needs to be spent each year up to 2030 on limiting carbon emissions.

### The peace dividend

But even these reports are failing to discuss a key issue. As SGR and several peace organisations have repeatedly pointed out, huge resources – in terms of skills, finance and materials – are still tied up in the vast military programmes of the world's major economies, especially the USA. Government spending on the military across the industrialised world dwarfs that spent on, for example, tackling climate change.<sup>8</sup> Furthermore, while employment is increasing in the green economy, rationalisation has led to a less rosy situation in military industry. In the UK, for example, employment in this sector is showing a long-term downward trend, despite the high levels of funding.<sup>9</sup>

And the current economic problems mean that military industrial programmes are starting to come under greater scrutiny. Recently the UK government announced that the construction of its two new aircraft carriers was to be spread over a longer timeframe as a way of controlling costs.<sup>10</sup> This therefore seems to be an opportune moment to ask more searching questions about spending on this and other large military technology programmes such as the Astute submarines, Type 40 destroyers, Joint Strike Fighters and – especially – the planned replacement of the Trident nuclear weapons programme.

### The steady-state economy

But the debate over the economy could go even deeper. One issue that mainstream economists and senior policy-makers still refuse to discuss is whether the current economic system – based on the unending growth of economic activity, itself based on the continual growth of consumption of materials and energy – can be sustained for much longer as we start to reach resource and environmental limits.

To its credit the *New Scientist* magazine devoted a recent issue<sup>11</sup> to this question, entitled 'The folly of growth'. Prominent among the recommendations was the need to move to some sort of a 'steady-state' economy – something first argued by former World Bank economist, Herman Daly, as far back as 1973.<sup>12</sup>

### Conclusion

The last time the world saw a financial crisis of the current magnitude was in 1929. It led to a global depression, the rise of extremist governments in major countries, and ultimately the biggest war in history. Arguably the action being taken now by leading governments will be enough to avert a global depression this time, but it is much less certain that we will avoid one further down the line if we do not take action to deal adequately with climate change, peak oil and other natural resource problems. And if we reach a crisis point without having achieved elimination of the 25,000 nuclear weapons currently in global arsenals, we are going to be very serious trouble.

The current global economic problems have catalysed scrutiny of the financial sector. But policy-makers need to go further, and grasp the opportunity for deep and lasting change across the whole economy, starting with the energy, environmental and security sectors. Professionals across science, design and technology will need to push for this change as much as we can.

**Dr Stuart Parkinson is Executive Director of Scientists for Global Responsibility.**

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