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GREEN ECONOMICS – A CASE FOR ACHIEVING SUSTAINABLE AND EQUITABLE GROWTH

Vijaykumar. N* Suresh S. Patil Yasmeen*** D. G. Satihal******

**Ph. D, Student, Department of Agricultural Economics, College of Agriculture, University of Agricultural Sciences Raichur.*
***Professor and Head, Department of Agricultural Economics, College of Agriculture, University of Agricultural Sciences Raichur.*
****Ph. D, Student, Department of Agricultural Economics, College of Agriculture, University of Agricultural Sciences Raichur.*
*****Assistant Professor,(Farm Superintendent), Department of Agricultural Economics, College of Agriculture, Bheemarayangudi.*

Abstract

Over the past few years the issue of climate change has moved from a peripheral concern of scientists and environmentalists to being a central issue in global policy-making. This is but one of many indications that our economy is in fundamental conflict with our ecological systems. These indications stimulated the development of a green approach to the economy. Green economics confines "any theory of economics by which an economy is considered to be component of the ecosystem in which it resides". Green economics is arising from a study of the economy that takes a philosophical position characterized by a deep respect for nature. It is primarily a system of ideas and principles, rather than a rationally argued intellectual position. It includes the eco-logical and environmental impact in addition to the economical impact of a transaction. It means a direct focus on meeting human and environmental need. It regards political issues as fundamental in understanding how to achieve change in the economy. Therefore it is very active in issues of political power and in policy. It provides a common platform for economists, environmentalists, policy makers, corporate and researchers to bring to core the concept of green economics and its practical utility.

Green economics would use metrics such as the index of Sustainable Economic Welfare which measures the environmental conditions, loss of natural capital and social conditions (Green Accounting). Green politics would limit the power of individuals and corporations to monopolize the media as part of a healthy economy. Conventional economics disregards any values that do not lie in the financial sphere. Profit is all; damage to society or environment is regarded as an "externality", something which the economist can disregard. Green economics on the other hand demands that these costs are internalized into the product or process by applying a financial value to represent the ecological or social costs of the damage done. It aims for optimal distribution of resources within any nation, between nations and between the present and future generations. A sustainable system of economic activity should avoid both free market capitalism and the command economy. Sustainability requires convergence between the fortunes of rich and poor countries. A green economy is an economic vehicle for sustainable development. A green economy has strategies to end the persistence of poverty. It is a new economic paradigm that can drive growth of income and jobs, while reducing environmental risk and scarcity. Green energy, organic agriculture, eco-friendly textiles, green building- there are so many opportunities for business growth and therefore, employment growth. More jobs equal more spending and saving, which is vital for the economy to thrive. To create a sustainable economy is not technically difficult. Indeed, it is far easier than coping with the social and environmental difficulties that will flow from continuing conventional economics. The problem arises in summoning the political will to enable meaningful changes to be made in time to prevent irreversible damage to society and environment.

Introduction

A methodology of economics that supports the harmonious interaction between humans and nature and attempts to meet the needs of both simultaneously. The green economy is an economy that results in reducing environmental risks and ecological scarcities, and that aims for sustainable development without degrading the environment. It is closely related with ecological economics, but has a more politically applied focus. It catalyses investment, competition and innovation which will support sustained growth and give rise to new economic opportunities.

Economics for Life Green economics is the emphasis on the ecosystem as the right starting point for economics. This in direct opposition to the neo-classical approach, which classifies the ecosystem as an "externality". Green economics is a discipline in development. It does not follow the categories of the existing economics discipline since that would constrain our ability to find the novel solutions we need. It calls for pluralism in the teaching and study of economics.

- It is accelerating resource scarcity, species loss and rapidly rising carbon emission.
- Economics for people and the planet.
- A Green Economy is the economic vehicle for sustainable development.
- A Green Economy has strategies to end the persistence of poverty.

Four Pillars of Green Economics

The green economics regards political issues as fundamental in understanding how to achieve change in the economy. Therefore it is very active in issues of political power and in policy.

1. Academic
2. Campaigning
3. Business
4. Political

Three Principles of Green Economics

a. People are precious
b. Natural Resources are important
c. Innovation can be lonely

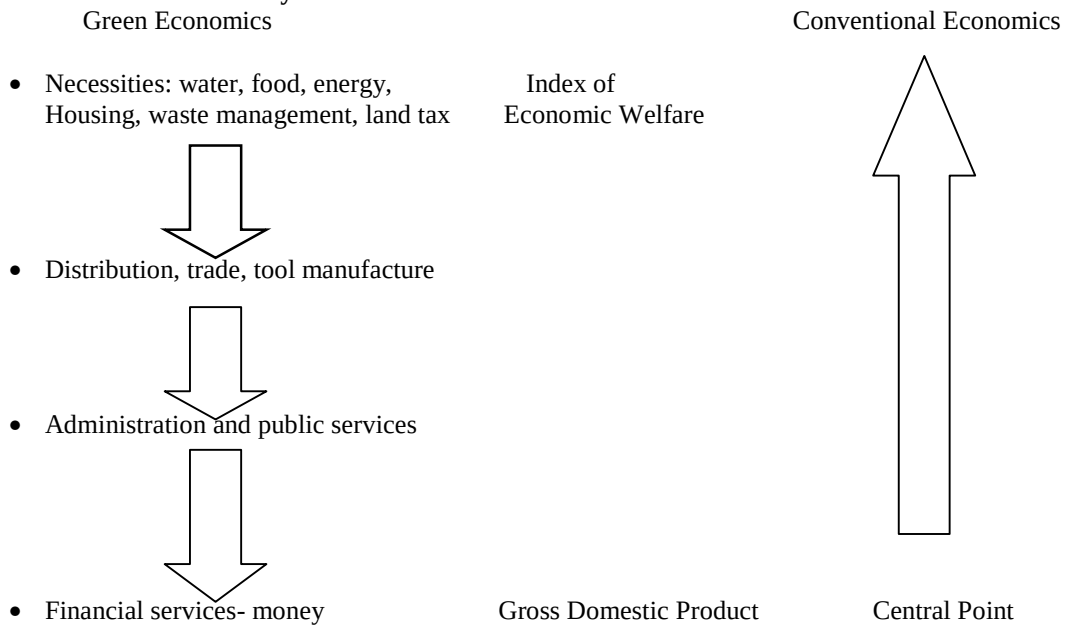
Need for Green Economics

1. To provide a common platform for economists, environmentalists, policy makers, corporate and researchers to bring to core the concept of green economics and its practical utility.
2. It is expected to enhance understanding of the relevance of green economics in achieving sustainable development.
3. Expected to explore the need and challenges in incorporating green strategy in our present highly profit oriented monetary economic setup.
4. To educate the youth about the relevance of assimilation of environment protection in our everyday life.
5. To explore and understand the nexus between green economics, poverty reduction and employment generation.
6. To understand the role of state governments, corporate sector and WTO in adopting the ideology of green economics.

Tools for Supporting Green Economics

- **Appropriate Pricing**, including phase-out of inefficient subsidy, assessment of natural resources in monetary terms and the introduction of taxes that harm the environment;
- **Public Procurement Policies** that encourage the production of environmentally friendly products and use the principles of sustainable production methods;
- **Reforming the System of "Environmental" Tax**, involves a taxes on pollution;
- **Increase Public Investments** in infrastructure (includes public transport, renewable energy, energy-efficient buildings) and natural capital to restore, maintain and, where possible, increase the volume of natural capital;
- Targeted **Government Support for Research and Development** related to the creation of environmentally sound technologies;

The Structure of the Economy



Relationship between Economy, Society and Environment

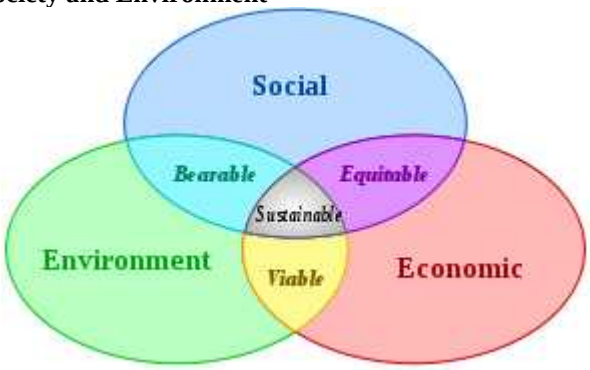


Figure 1: Relationship between Economy, Society and Environment

The figure-1 illustrates the differing views of the relationship between economy, society and environment taken by neoclassical and green economists. From the perspective of green economists, the formal economy is embedded within a system of social and economic structures: formal economic activity is only one aspect of economic activity. This contrasts sharply with the neoclassical view of the predominance of markets and their laws as analogous to the physical laws of the universe, far beyond the influence of the human community. For a green economist, the interacting social and economic systems of human society are enclosed within the planet, which is itself a closed system. It is when we fail to recognise these complex interactions that the natural balance that exists in nature is disrupted and we create problems such as desertification or pathogenic pollution. This is in contrast to mainstream economics, which sees the environment as a possession of the economy, to be exploited at will.

Sectors of Green Economics

At its most basic level, the green economy is the clean energy economy, consisting these sectors:

1. Renewable energy (e.g. solar, wind, geothermal)
2. Green building and energy efficiency technology
3. Improved waste management
4. Low carbon transport
5. Clean technologies
6. Improved freshwater provision
7. Sustainable agriculture
8. Forest management
9. Sustainable fisheries

Views on Sustainable Development

Sustainable development provides important context for green growth. Green growth as a subset of sustainable development: narrower; an operational policy to achieve measurable progress. Green growth focus on fostering innovation, investment and competition that can give rise to new sources of economic growth. Green growth strategies pay attention to social issues and equity concerns as a result of greening the economy. Sustainable economic development involves maximizing the net benefits of economic development, subject to maintaining the services and quality of natural resources over time.

Choosing Green Economic Development Strategies

Growth Vs. Development: Simply put, economic growth is an increase in output through the efficient use of resources, while economic development is a change in functional capacity that generates new resources for growth. Growth is quantitative change (in numbers of new business, jobs, per capita income, buildings, etc.,), while development is qualitative, structural change that can help foster innovation and improve productivity. Growth can lead to development, if the new resources it generates are reinvested in businesses, people, or places. Likewise, development will likely increase growth – but only over the long-term.

Green Economics and Sustainable Development

- Sustainable development provides important context for green growth.
- Green growth as a subset of sustainable development: narrower; an operational policy to achieve measurable progress.
- Green growth focus on fostering innovation, investment and competition that can give rise to new sources of economic growth.

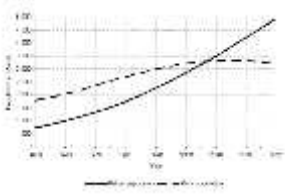
- Green growth strategies pay attention to social issues and equity concerns as a result of greening the economy.

Obstacles of Green Economics

- Lack of awareness on the green economics concept.
- Lack of proper understanding of green economics.
- Lack of capacity to implement the concept in full.
- Difficulties to International economic rules, don't often promote green economics concept (WTO).
- Green protectionism (wind power, carbon taxes).
- Lack of Social Inclusiveness (e.g. no new jobs or "dirty" jobs).
- The concept will be used as pure environmental.
- The same approach for different countries, without specific situation.

Selected Green Sectors with Trade Potentials:

Table-3 illustrates selected green sectors that have export potentials. trade facilitation and financing in these fast growing sectors could assist exporters in seizing new green export opportunities, from organic fruits to clean technologies.

	**Agriculture:** • Organic agriculture provides more than 30% jobs/ha than non-organic. • Increasing demand for value-added organic products (e.g. juices, spices). • Higher price premiums. • **Improved trade balances**: use of local, instead of costly imported inputs and increased exports of sustainable agrifood products. • China has increased its allocation of land for organic production from 300,000 mha in 2011 to 3.5 mill ha in '12.
	**Forests:** • Many communities directly depend for their livelihoods on non timber forest products. • Sustainable forest management can: create massive employment, provide for livelihoods, make a significant contribution to the fight against climate change, combat deforestation and land degradation.
	**Sustainable Cities:** • Cities are polluted, crowded and complex to manage. • Delivering the smart city: • The Green Economy will be guidance plan for mayors to improve sustainability and growth in cities.
	**Green Buildings:** Energy efficient buildings: • Investments in improved energy efficient buildings create 2- 3.5m jobs. • In Australia a proposed US$ 3b green housing over 4 years is expected to reduce green house gas emissions by 3.8mtons/year and create 160,000 jobs. • In the US it is estimated that US$ 100b to improve energy efficiency of building & cities over 4 years will generate 2m new jobs.

	**Sustainable Transport** - Shifting 25% of all air travel in 2050 under 750 km to high speed rail travel would result in savings of around 0.5 Gt of CO2/year (IEA, '08). - Shifting 25% of all road freight over 500 km to rail, 0.4 Gt of CO2/year could be saved (IEA, '08).
	**Renewable Energy** - About 2.3 million jobs in renewable energy sector in comparison to 2m employed in oil & gas refining industry. - Projected investments of US$ 630b in renewable energy sector by 2030 would translate into at least 20 m jobs. **Exports of renewable energy:** many developing countries have **abundant renewable energy resources** (potential to export), including solar energy, wind power, geothermal energy, biomass and hydro.
	**Manufacturing** • Switching to more efficient manufacturing will save energy and resources and enable developing countries to produce **goods for export at a lower price** -> increased competitiveness. • Potential to generate **new business from remanufacturing:** -> technology and knowledge transfer, increased employment and exports. • **Eco-labels** to market sustainably manufactured products -> growing demand in developed countries. • **New greener products**, e.g. energy efficient products like light bulbs -> new market opportunities.

Conclusion

To create a sustainable economy is not technically difficult. Indeed, it is far easier than coping with the social and environmental difficulties that will flow from continuing conventional economics. The problem arises in summoning the political polices to enable meaningful changes to be made in time to prevent irreversible damage to society and environment.

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