

# Green Economy and the Emperor's New Clothes

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# What is the Green Economy?



Improved human well-being and social equity



Reduced environmental risk and ecological scarcities

What's needed  
to deliver the  
Green  
Economy?





Ecological  
Surety



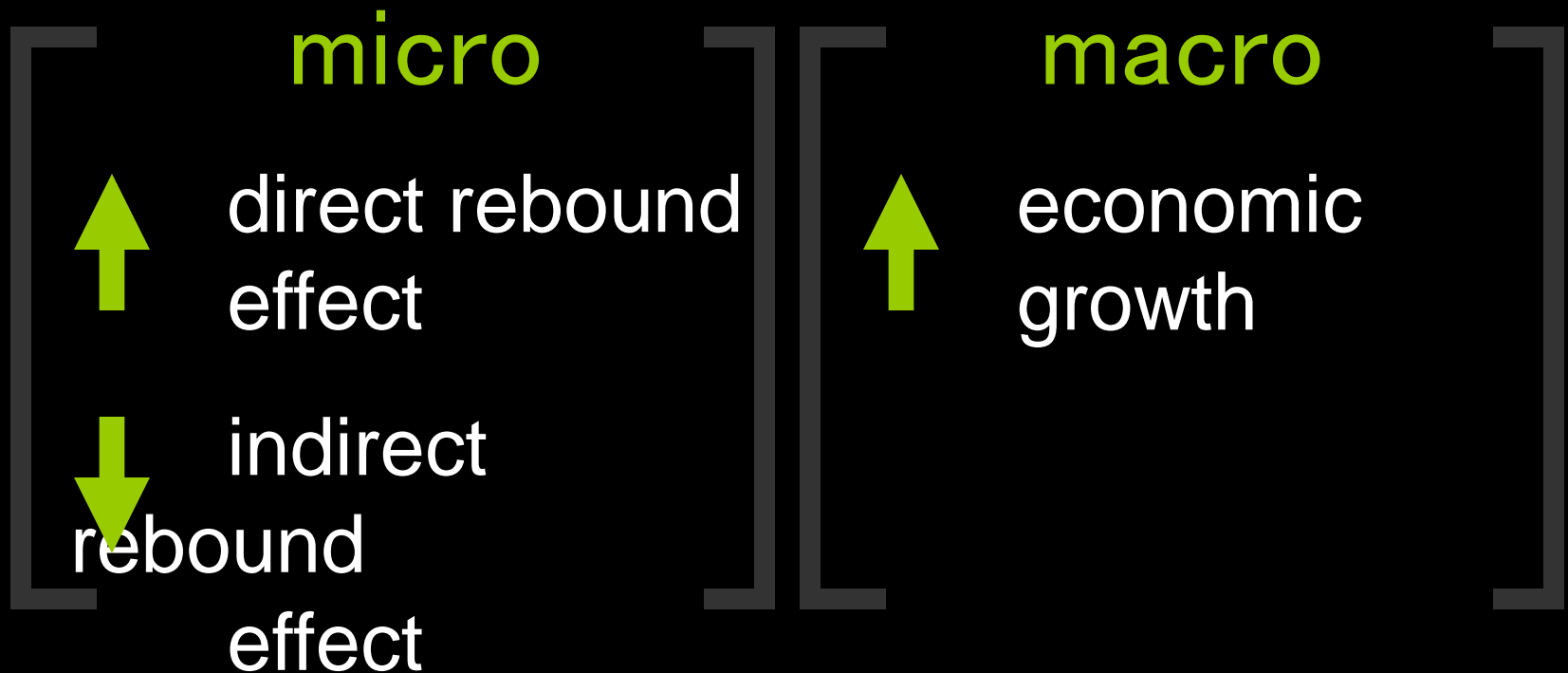
**BUT!**

# Our Economy

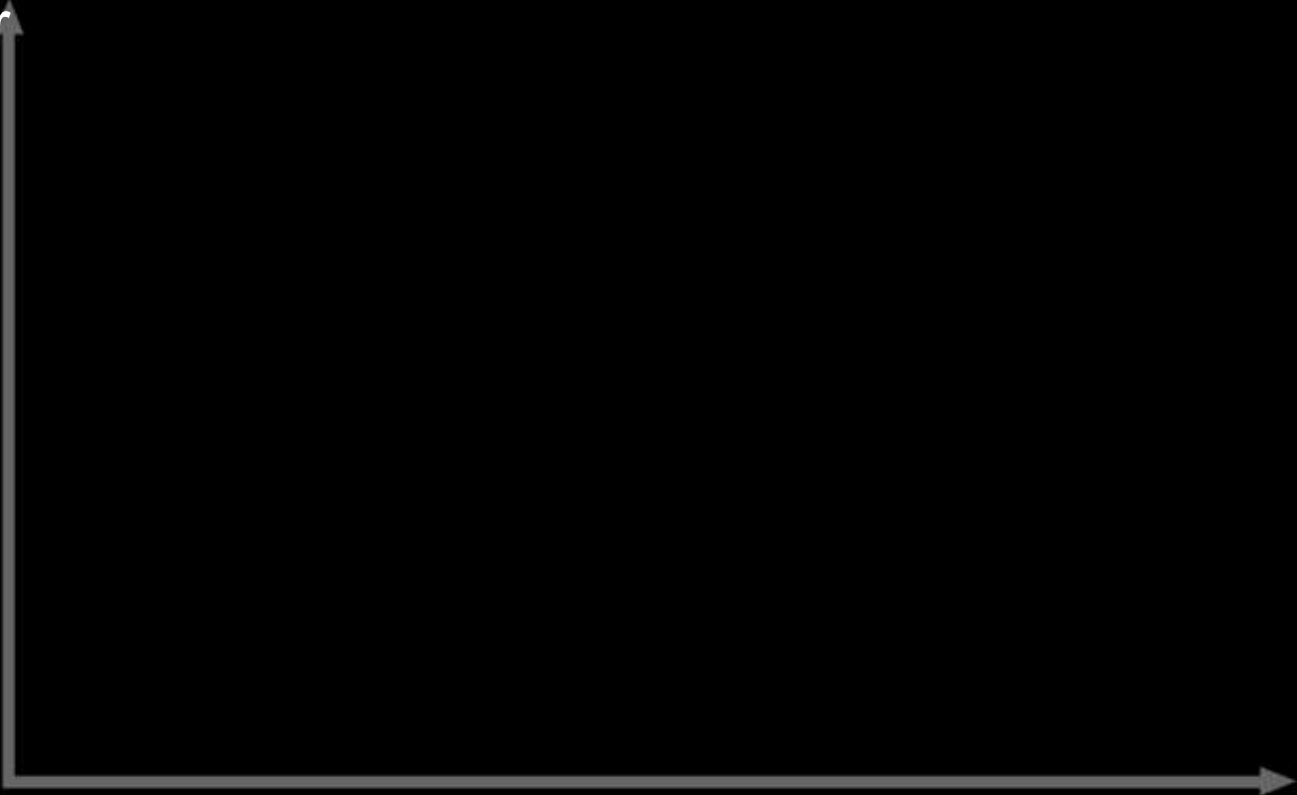
The capitalist market economic system based on neo-classical economics.



# Khazzoom-Brookes Postulate



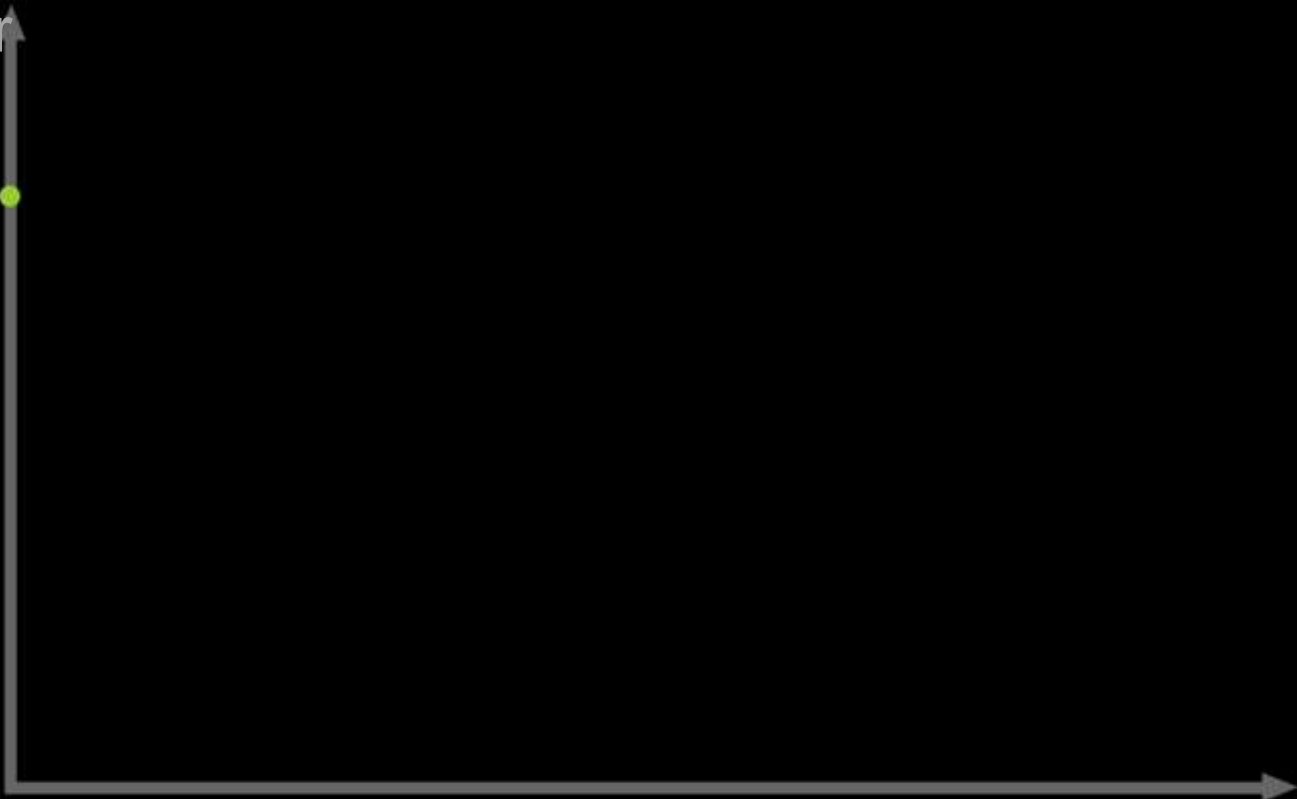
Consumption of other goods



Consumption of widgets produced

Consumption of other goods

$X_1$

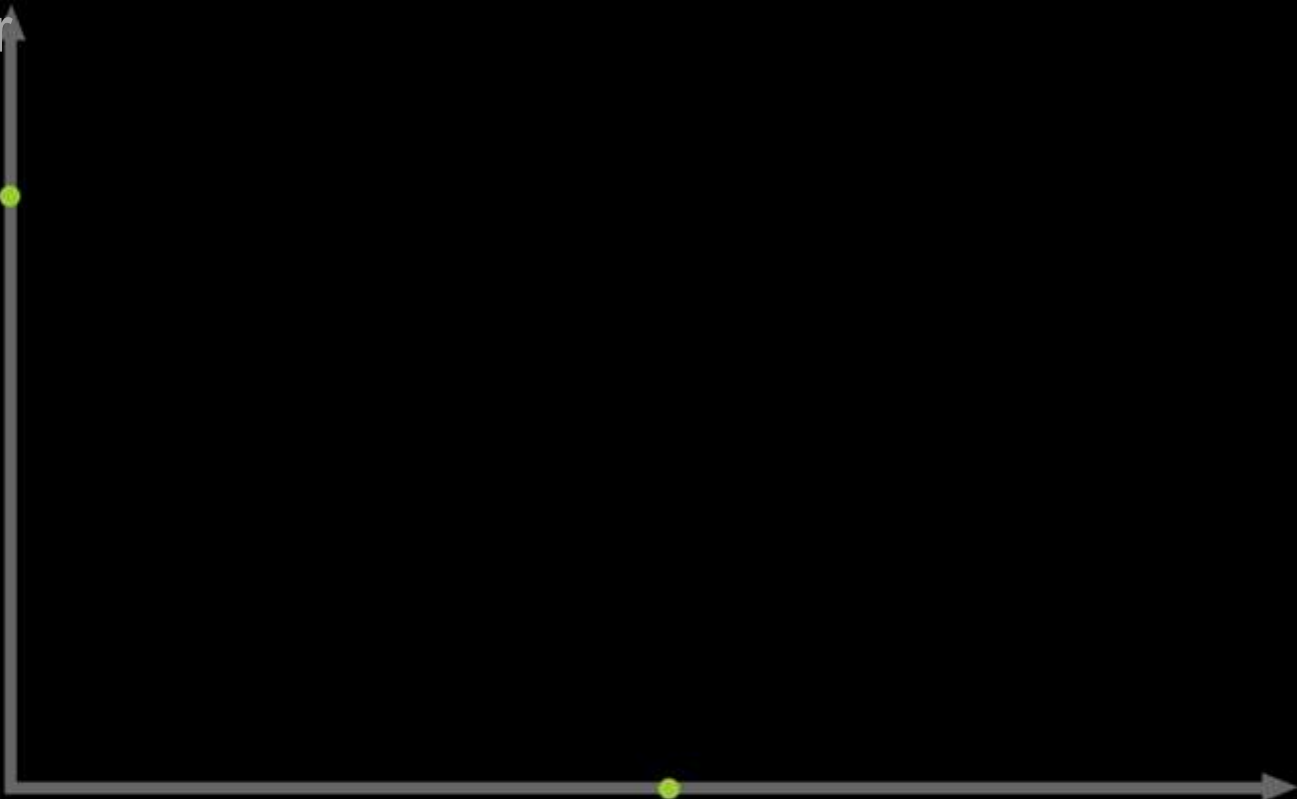


Consumption of widgets produced



Consumption of other goods

$X_1$



$W_1$

Consumption of widgets produced

Consumption of other goods

$X_1$



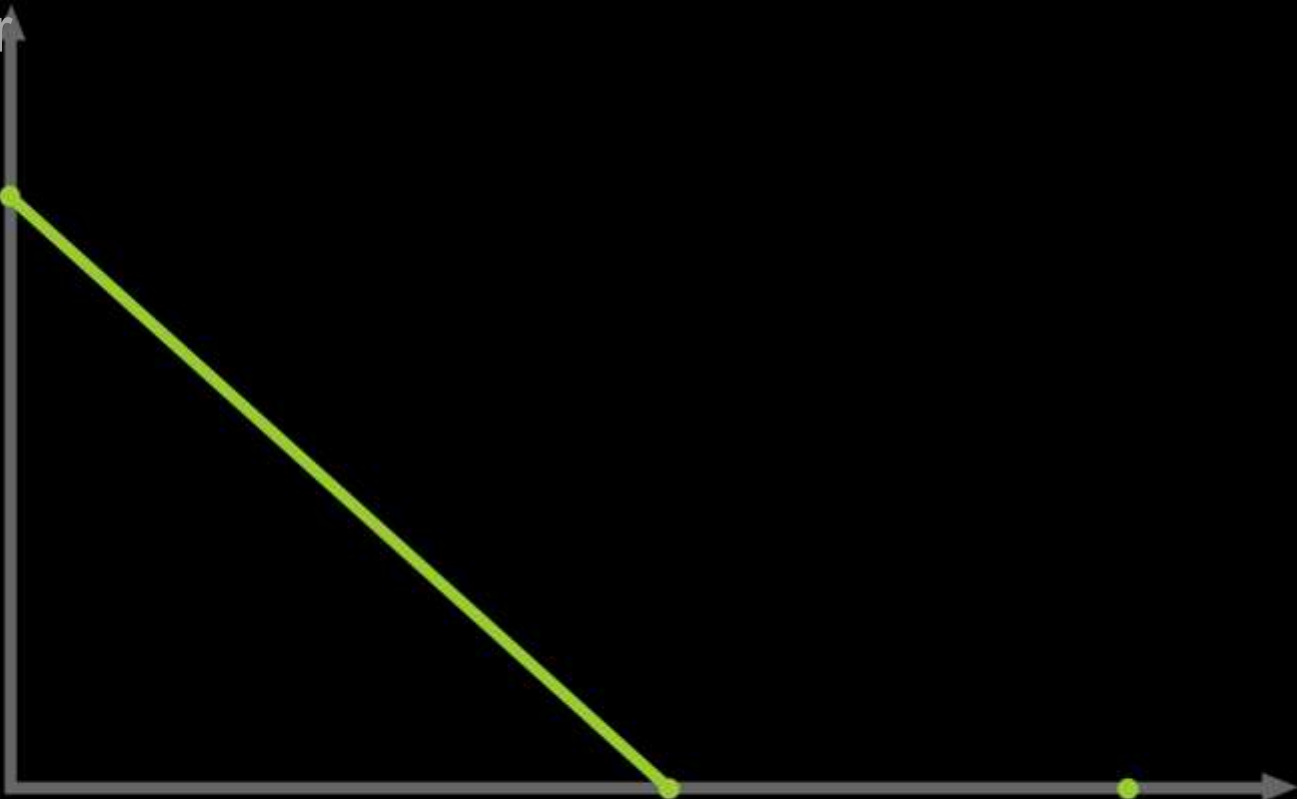
$W_1$

$W_2$

Consumption of widgets produced

Consumption of other goods

$X_1$



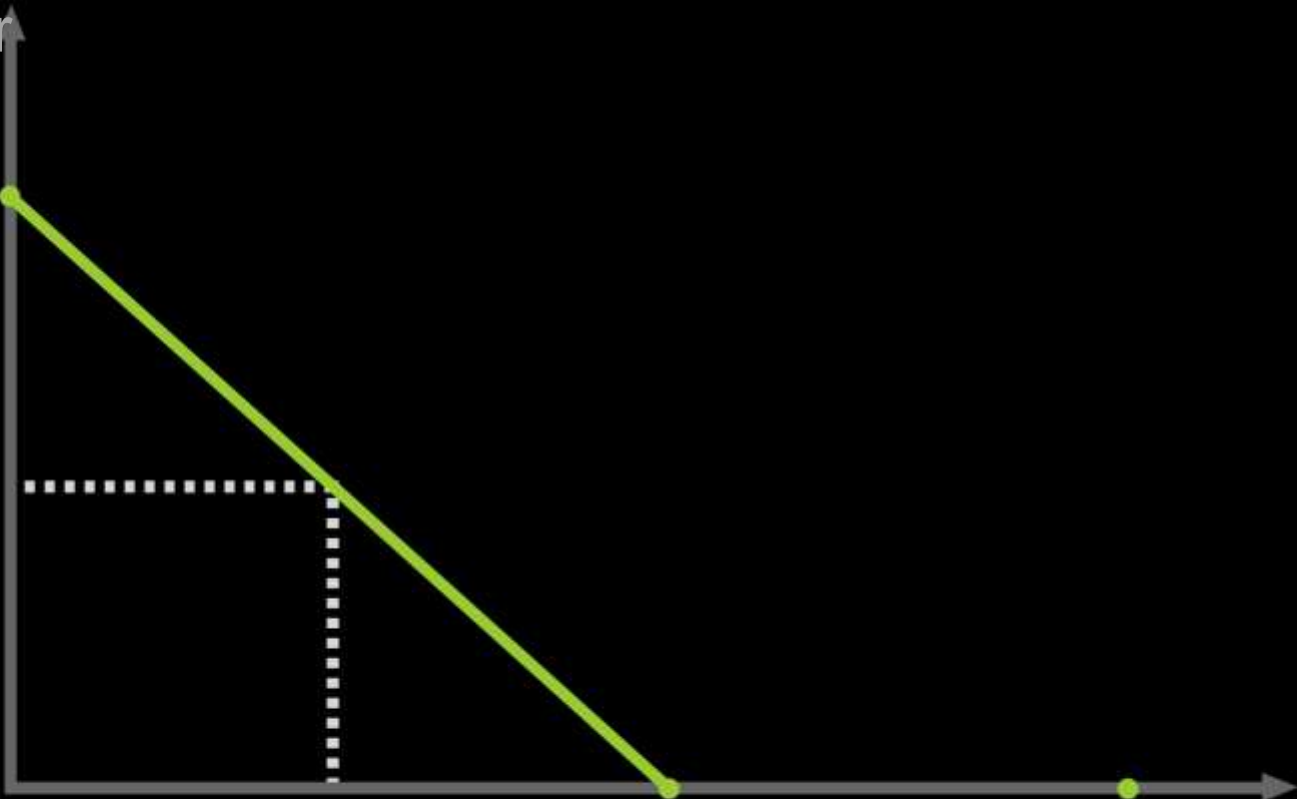
$W_1$

$W_2$

Consumption of widgets produced

Consumption of other goods

$X_1$



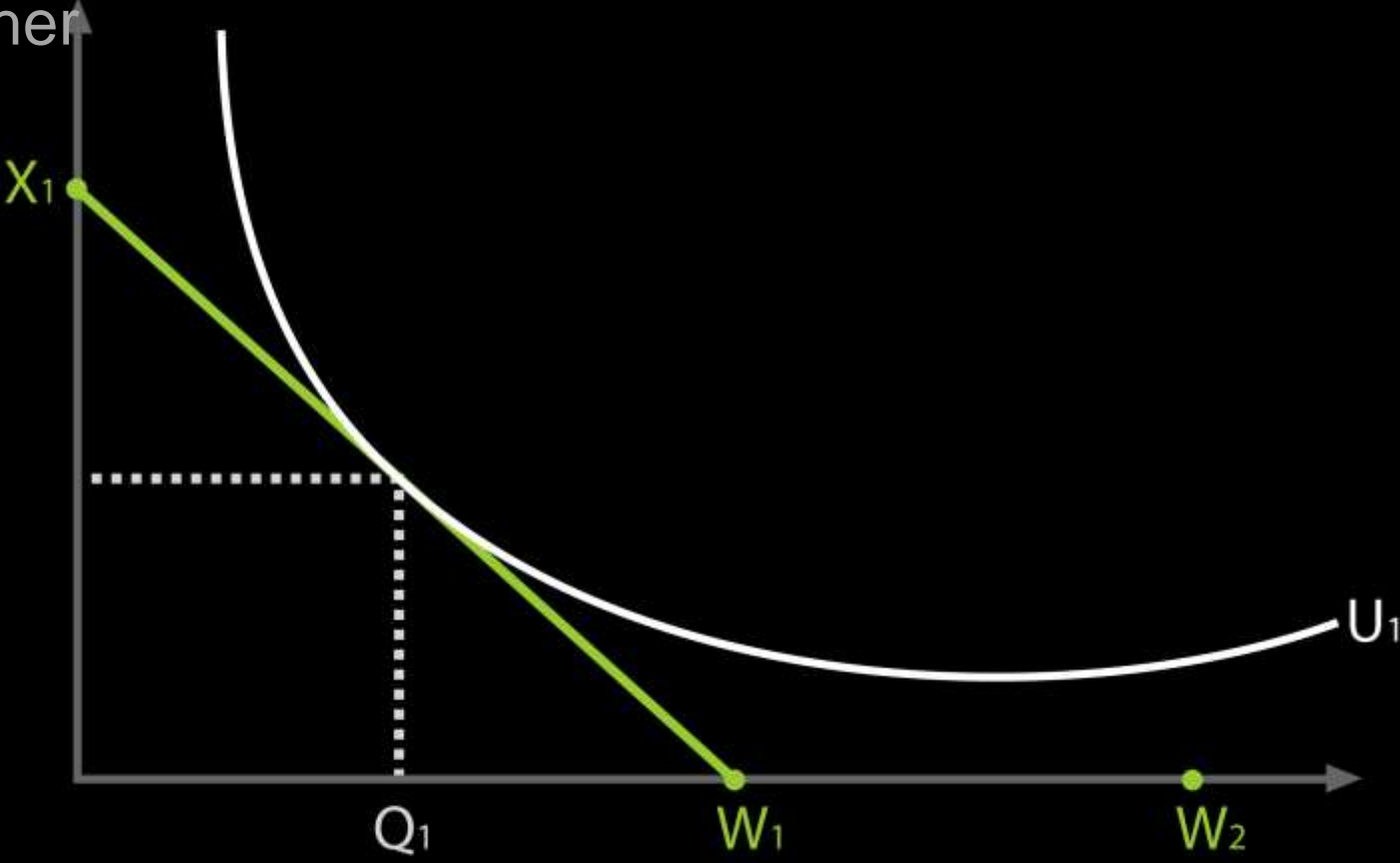
$Q_1$

$W_1$

$W_2$

Consumption of widgets produced

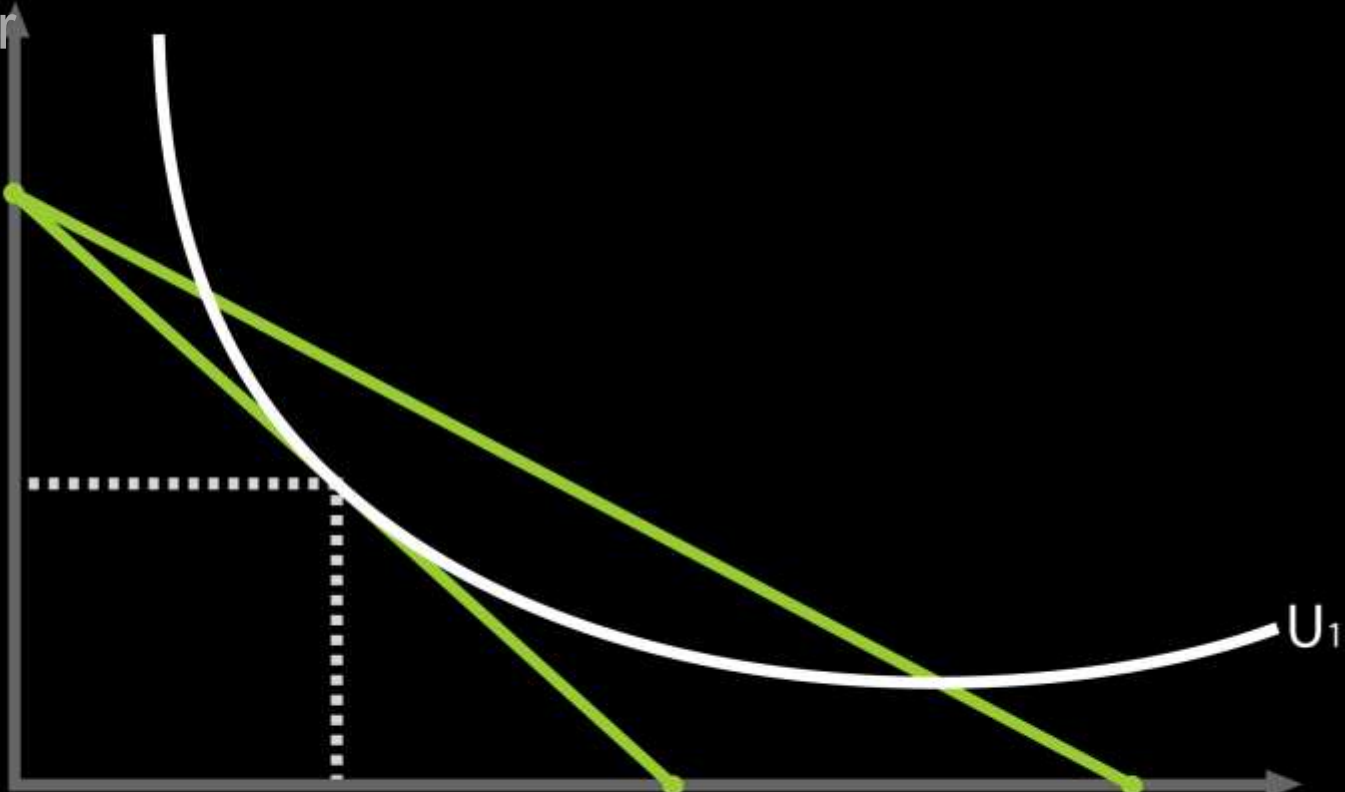
Consumption of other goods



Consumption of widgets produced

Consumption of other goods

$X_1$



$Q_1$

$W_1$

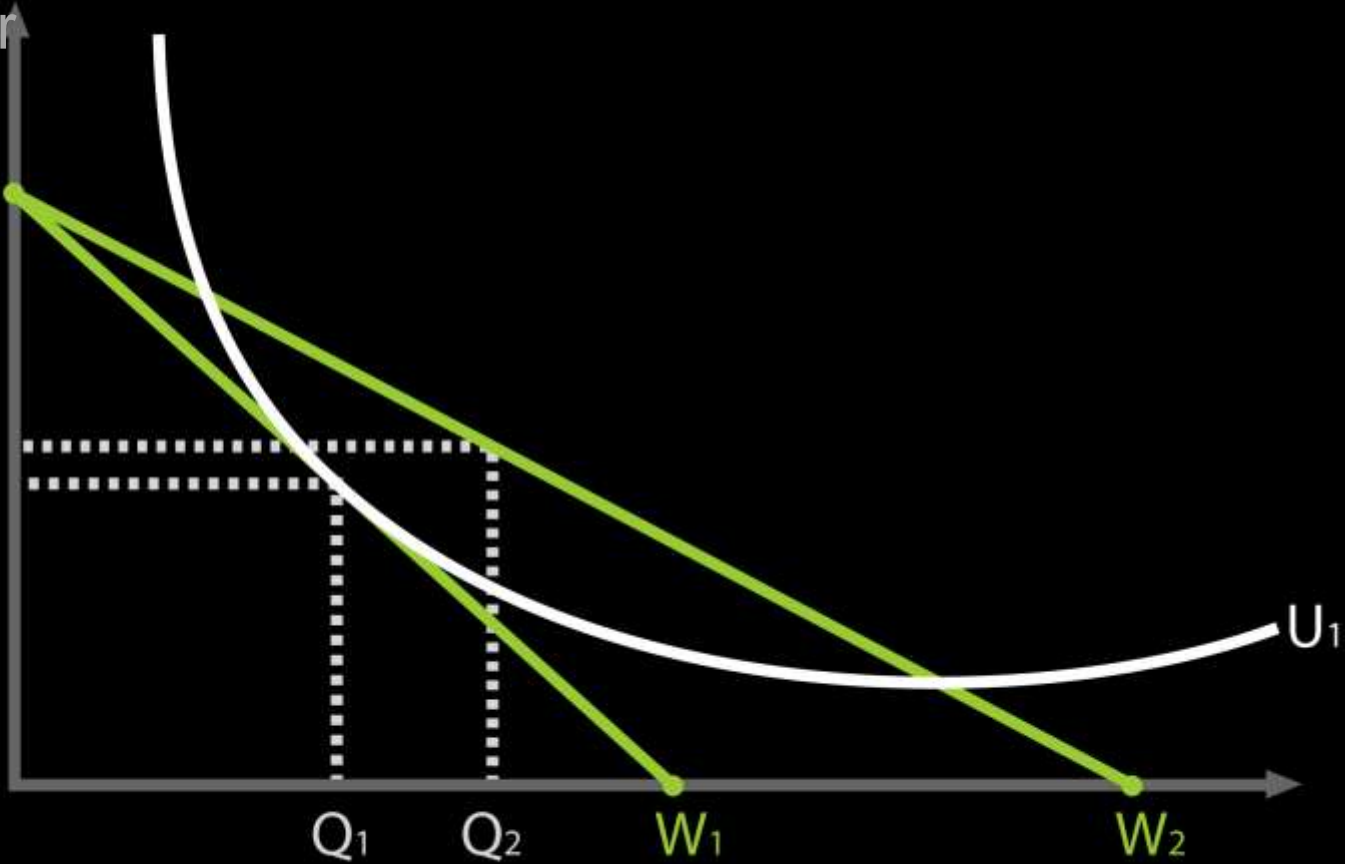
$W_2$

$U_1$

Consumption of widgets produced

Consumption of other goods

$X_1$



$U_1$

$Q_1$

$Q_2$

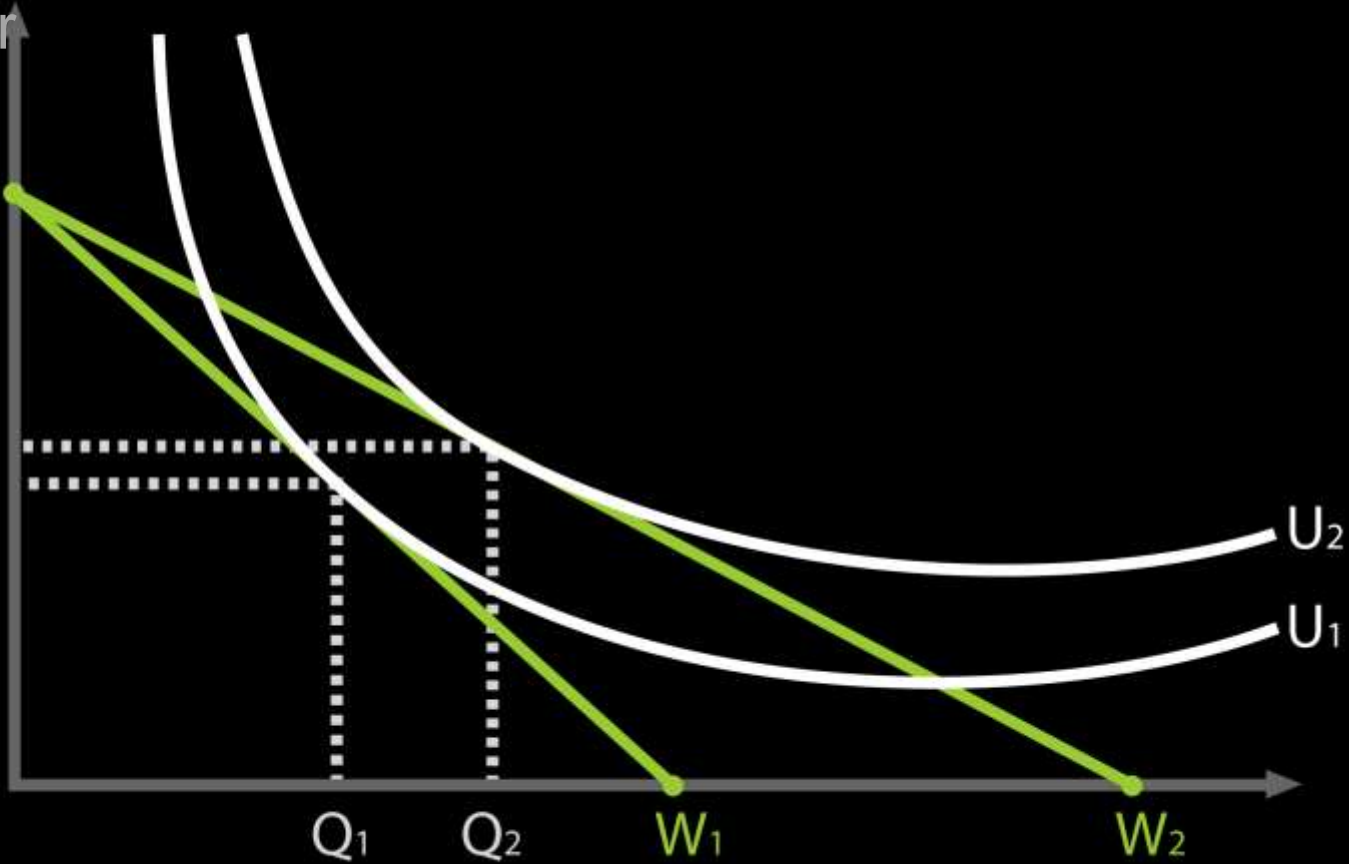
$W_1$

$W_2$

Consumption of widgets produced

Consumption of other goods

$X_1$



$Q_1$

$Q_2$

$W_1$

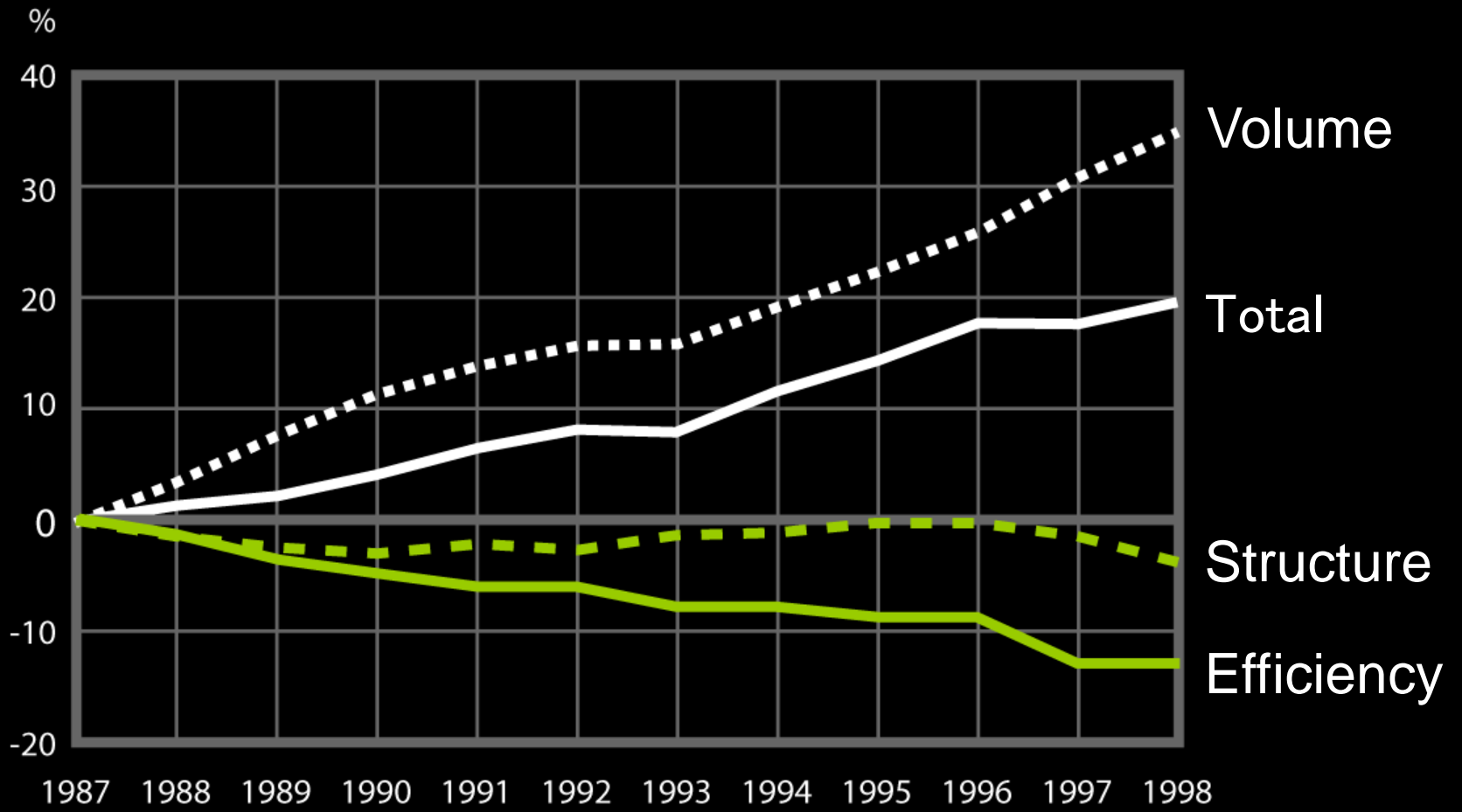
$W_2$

$U_2$

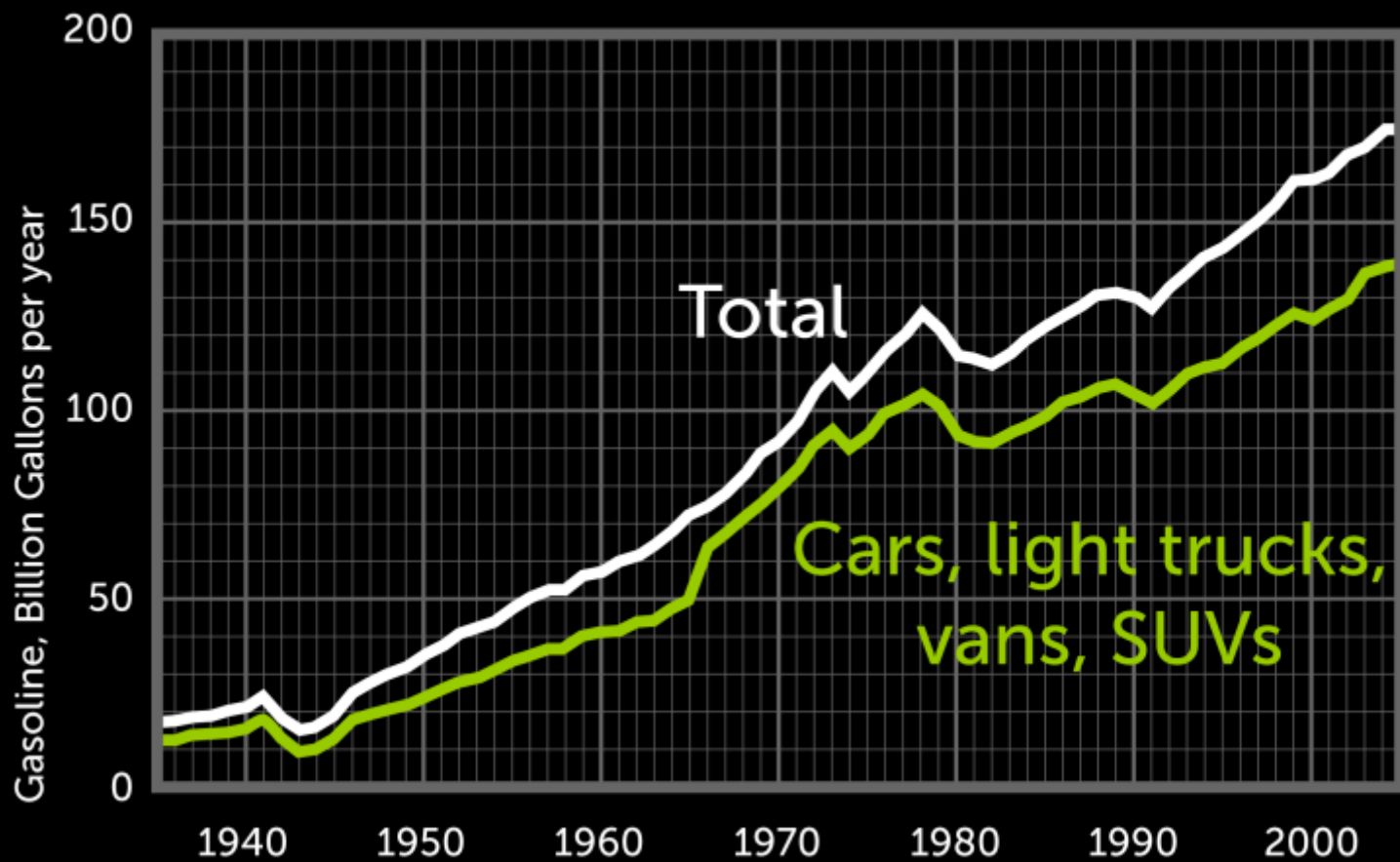
$U_1$

Consumption of widgets produced





Haan, M., 2001. A Structural Decomposition Analysis of Pollution in the Netherlands. *Economic Systems Research* 13, 181-196.



# Social Equity



# What is Social Equity?

- Fair access to resources
- Full capability space
- Full participation in community
- Self-determination



# Social Equity



Not in the  
present  
system!

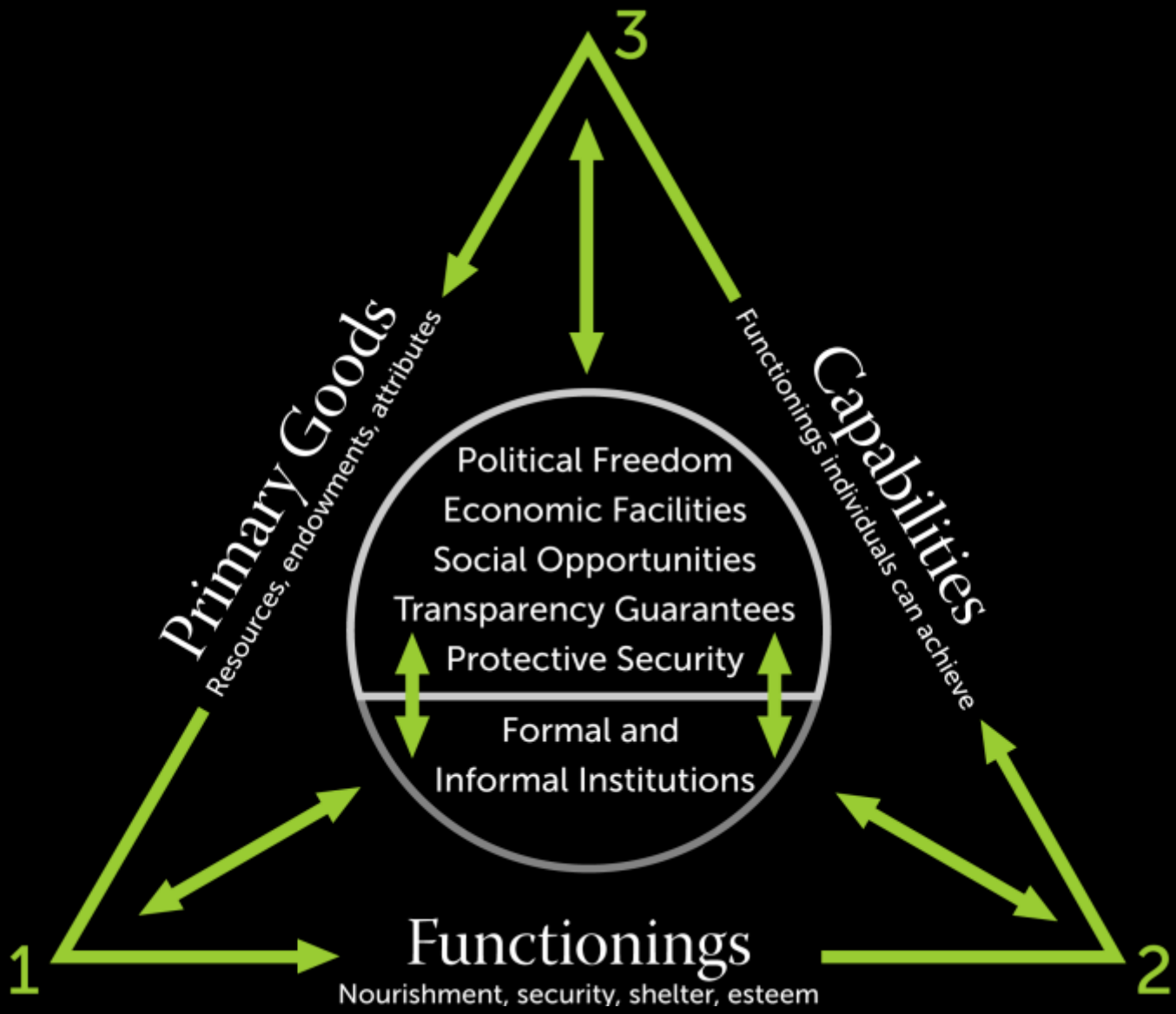


# Why not?

- Markets are not designed to address equity issues
- Trickle down theory does not address equity. It might address absolute poverty.

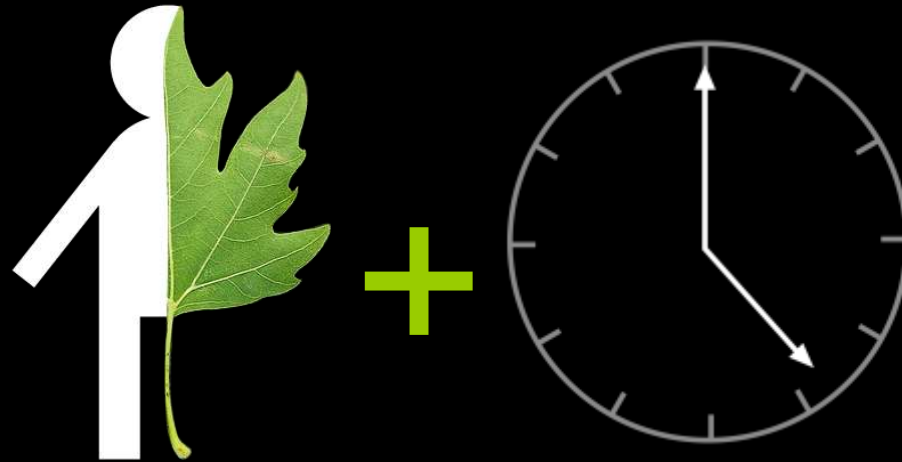
# What's Needed?

- Institutional Oversight of:**
- Economic facilities
  - Transparency guarantees
  - Social opportunities
  - Protective security
  - Participatory opportunities
  - Ecological surety





# Sustainability



Maintaining well-being over time including environmental, economic, and social dimensions

How can we  
measure  
progress in a  
green  
economy?



# GNP/Capita

- Supports the macroeconomic effect of efficiency gains – more output
- No consideration of equity
- No consideration of environmental impacts
- No sustainability focus

# HDI

- Expands to include social variables but equal weighting of variables allows GNP/capita to dominate
- No consideration to environment
- No sustainability focus

We need to  
reexamine  
how we  
measure  
progress



# Inclusive Wealth

- The productive base or inclusive wealth of an economy
- The discounted sum value of:
  - (i) manufactured capital; (ii) human capital; (iii) social capital; and (iv) natural capital

Non-decreasing well-being requires non-decreasing inclusive wealth

# Implications for Asia

- Growth rates are expected to be the highest in the Asia region over the next decade
- Korea: 80% of stimulus funding on green economy
- China: 35% (15.6 billion in 2008)
- Japan: 15%



# Implications for Asia

- Opportunity to move to a sustainable trajectory or,
  - Possibility to exacerbate the present situation
    - Political Willingness
- NEED:**
- People's support

# Global Sustainability



Earth is an autarky system and  
needs an new approach  
measuring progress

# Main Messages

- Behavioral change is key for ecological surety
- Capability and instrumental freedom are key to social equity
- Inclusive wealth (IW) is a new metric for progress

# One World One Planet



How do we  
secure  
global  
sustainability  
?