The global financial crisis confirmed that a return to the previous state is impossible and we need a new concept of economic and social growth adapted to the changing global economy. The new European Union’s strategy Europe 2020 emphasizes that sustainable development and green economy is an engine of future development. The green economy plays a significant role in structural changes in the European economies (technologies, innovation, new jobs).

**Keywords:** sustainable development, green economy, Baltic Sea Region, global crisis, steady state economy, global green new deal.

**Introduction**

The purpose of the article is to show how the concept of green economy can be an empowering tool of the sustainable development in Europe and in particular in the Baltic Sea Region and to describe green economy as a new, more radical direction in creating the harmonious and balanced social and environmental development of countries. The paper shows the way of new thinking from the global financial crisis to the conference in Rio+20. The International Summit RIO+20 held in June 2012 was concentrated on the transition to green economy. The countries and regions
were encouraged to face the challenge and create a framework for sustainable economy. The Baltic Sea Region can combine many dimensions of the sustainable development and establish a good practice in the transition process to green economy. No country in the pan-European region has done it yet.

To reach the purpose of this paper the methodology based on systemic approach will be used. The first question is: What is the problem? Here a short diagnosis is necessary. Then the second question: Why is it a problem, i.e. what is a cause of the problem? What model is ideal? To answer this question author presents a concept of green economy. The following questions are possible: How to implement the ideal concept (model)? What kind of policy instruments can be used? What is possible in the real world?¹

1. Global financial crisis as a near death experience for the economy
   – a short diagnosis

   The global financial crisis of 2008–2009 became a multidimensional economic, social and environmental phenomenon. On the economic level the effects of the crisis included the reduction of the world GDP and the volume of international trade, reduced investment and jobs creation etc. The side effect of the crisis was the reduction of the level of well-being.² People have lost savings, lost their jobs and, in particular, have lost confidence in the financial sector, banking and more generally in the market economy. The scale of this crisis, and its global dimension as well as the absence of early warning signals from the market economy was shocking to the citizens, politicians and even for the financiers and bankers themselves.³ International organizations and countries prepared recovery programs and strategies for the future.⁴ What should be the new purpose of economic strategy after the crisis?

Which objectives and values are important to build a new model of the economy? Many actors of political and economic life propose a sustainable development operationally defined as a green economy concept.5

2. What has changed in the world economy after the crisis?

The myth of growth has failed us – says Tim Jackson in his book *Prosperity without growth*. It has failed the two billion people who still live on less than $2 a day. It has failed the fragile ecological systems on which we depend for survival. It has failed, spectacularly, in its own terms, to provide economic stability and secure people’s livelihoods. Today’s world is characterized by the degradation of forests, lakes and soils, conflicts over land use, water quality, fishing rights and the concentrations of carbon in the global atmosphere. And we face these tasks with an economy that is fundamentally broken, in desperate need of renewal. In these circumstances, a return to business as usual is not an option. Prosperity for the few founded on ecological destruction and persistent social injustice is no foundation for a civilized society. The global crisis challenged the dominant economic model to its foundations.6

The table created by the author is based on many papers,7 books,8 reports, statistical data of Eurostat9 and articles published just after the crisis. Positive and negative aspects of the crisis show complexity and systemic character of the global crisis in three dimensions: economic, social and environmental. Most of the positive consequences, which are placed on the right side of the table are related to the environment and the new direction towards a green economy.

---


Table 1. Negative and positive aspects of global crisis for economy

<table>
<thead>
<tr>
<th>Economy</th>
<th>negative</th>
<th>positive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of GDP</td>
<td>Discussion of the limitations of GDP as a main indicator of economic activity</td>
<td></td>
</tr>
<tr>
<td>Recession</td>
<td>Global Green New Deal</td>
<td></td>
</tr>
<tr>
<td>Growing unemployment</td>
<td></td>
<td>Green Economy</td>
</tr>
<tr>
<td>Deficit of the national and local budgets</td>
<td></td>
<td>Eco-innovations</td>
</tr>
<tr>
<td>High public sector spending on private-sector rescue</td>
<td></td>
<td>Green investment funds</td>
</tr>
<tr>
<td>Reducing the level of investment</td>
<td></td>
<td>Sustainable finance and banking</td>
</tr>
<tr>
<td>Decrease of people confidence in market and financial sector</td>
<td></td>
<td>Moving toward the renewable energy investments, and environmentally friendly technologies (new jobs)</td>
</tr>
<tr>
<td>Lower supply of goods and services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduced public spending for social purpose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The growing role of governments in economy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The crisis of an economic model</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: own elaboration.

The new trends in economy are already a fact. We can see sustainable banking, eco-taxes, green investment funds, green public procurement, eco-innovations in industry, low carbon economy, alternative sources of energy etc. New strategies prepared for European Union and other countries only confirmed existing trends.

Table 2. Negative and positive aspects of global crisis for society

<table>
<thead>
<tr>
<th>Society</th>
<th>negative</th>
<th>positive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>Saving</td>
<td>To be not to have</td>
</tr>
<tr>
<td>Lower income</td>
<td></td>
<td>The quality of life – important value</td>
</tr>
<tr>
<td>Loss of trust, uncertainty</td>
<td></td>
<td>Mobilization of civil society</td>
</tr>
<tr>
<td>Less public goods and services financed by the state</td>
<td></td>
<td>Increased awareness and responsibility for the crisis</td>
</tr>
<tr>
<td>Lowering the standard of living</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss of financial liquidity in private households</td>
<td></td>
<td>Turning towards more balance life (financially, socially, emotionally and environmentally)</td>
</tr>
<tr>
<td>The drop in household consumption</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: own elaboration.

Social consequences of the crisis are particularly important since the existing economic development was based on the trust of society to the market, to economists, financiers and politicians. Especially the politicians used to say: vote for us,
pay taxes and we give you prosperity and social security. This promise is not binding anymore. Citizens emphasized values associated with the quality of life, health and the quality of the environment. This idea is pivotal for the operations of many NGOs and for the civil society. The positive effect of the crisis is the growing activity of civil society.\textsuperscript{10} People are more and more aware of their responsibility for the crisis. Economic growth is based on production and consumption which was unlimited. Demand for natural resources is coming from consumers. Overconsumption is a cause of negative pressure on the environment.

Table 3. Negative and positive aspects of global crisis for environment

<table>
<thead>
<tr>
<th>Environment</th>
<th>negative</th>
<th>positive</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less public money for environmental issues</td>
<td>The growing interest in sustainable development</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Discussion about degrowth and steady state economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chance for organic market development</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Green Economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reducing emissions of CO\textsubscript{2} and other greenhouse gases</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reducing the environmental pressure from industry and transport</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reduce consumption of resources and energy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reduced waste</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Saving energy and raw materials</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Eco-innovation in the industry</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Eco-Investing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New jobs in green sectors of industry</td>
</tr>
</tbody>
</table>

Source: own elaboration.

The largest beneficiary of the crisis is the environment. Reduced GDP decreased the demand for resources, fuel, energy. This is the most important positive effect – lower growth means better condition of the nature. There are many initiatives to save energy, reduce waste, develop sectors of clean production, eco-innovations and environmental investments.\textsuperscript{11} Green economy creates new jobs, attracts investors and is supported by governments. Markets for eco-friendly products and


\textsuperscript{11} A. Atkisson, Life beyond growth, ISHES, Tokyo 2012.
services generate profits. Citizens express their positive attitude towards sustainable initiatives and are willing to invest their money in green investment funds and in shares of companies in green economy.

3. What is a new picture of economy, what kind of development do we need? – main world and European initiatives

The politicians were the first to diagnose the situation. They were surprised somehow what happened. President Sarkozy asked economists, scholars and providers of economic data why there had been no warning signals from financial markets and from the economy about the oncoming crisis. Therefore the first diagnosis and recovery programs were created by governments and international organizations like the United Nations, the OECD, the European Union. For the purpose of this paper it is important to present the contents of few selected documents because the common characteristic of these documents is that in the heart of them there is a concept of sustainable development and green economy. The authors of presented strategies and reports are convinced that the recovery after the crisis and future development which will protect us against the next crisis must be based on sustainable economy. The concept of the sustainable development and the green economy has gained currency to a large extent because we need a response to the multiple crises – the climate, food, economic and social crises – with an alternative paradigm that offers the promise of growth while protecting the earth’s ecosystems and, in turn, contributing to poverty alleviation. In this sense, the transition to a green economy will entail moving away from the system that allowed, and at times generated, these crises to a system that proactively addresses and prevents them.12

We can find interesting ideas in the United Nations Global Green New Deal and Green Economy, in the European Union’s program Beyond GDP and the Europe 2020 strategy. Practical suggestions how to measure economic and social development are in the Report by the Commission on the Measurement of Economic Performance and Social Progress guided by Prof. J. Stieglitz. Another point of view is presented in the report Enough is enough. Steady state economy. Also the recent event Rio+20 – the United Nations Conference on Sustainable Development in Rio de Janeiro, Brazil, in June 2012 was focused on the idea of transition towards green

12 The Transition to a Green Economy…
economy. The United Nation is again bringing together governments, international institutions and major groups to discuss, among other topics, a vision of future economy.

“Global Green New Deal” of the United Nation Environmental Program (UNEP) proposed for reviving the global economy and boosting employment while simultaneously accelerating the fight against climate change, environmental degradation and poverty that a significant portion of the estimated US$ 3.1 trillion in economic stimulus packages be invested in five critical areas: energy efficiency in old and new buildings; renewable energy technologies, such as wind, solar, geothermal and biomass technologies; sustainable transport technologies, such as hybrid vehicles, high speed rail and bus rapid transit systems; the planet’s ecological infrastructure, including freshwaters, forests, soils and coral reefs; and sustainable agriculture, including organic production. The new picture of economy in this document shows that the sector of green economy is a priority in future development. 20 most advanced economies have been called to engage in a Global Green New Deal by investing at least 1 per cent of their total GDP in promoting green economic sectors.13 UNEP reiterates its Global Green New Deal call, and urges governments to invest US$ 750 billion of the US$ 2.5 trillion stimulus package (about 1 per cent of global GDP) towards building a green economy – one that reduces carbon dependency, addresses poverty, generates good quality and decent jobs, maintains and restores our natural ecosystems, and moves towards sustainable consumption. The development of green economy means also development of clean technologies, renewable energy sources, improving energy efficiency in industry, changing the model of consumption and production for more sustainable, implement integrated product policy, green procurement, creating green jobs and finally ecological tax reform.14

Also the report of Professor Joseph Stieglitz,15 which was prepared for the President of France, shows that the reasons why the crisis took many by surprise is the failure of our measurement system not focusing on the right set of statistical indicators. Report says: “The crisis is teaching us a very important lesson: those attempt-

13 E. Barbier, op.cit.
14 Ibidem.
ing to guide the economy and our societies are like pilots trying to steering a course without a reliable compass.”\textsuperscript{16}

In the European Economic Recovery Plan it was recognized that the crisis should also be taken as an opportunity to set our economy more firmly on the path to a low-carbon and resource-efficient economy. These challenges point to the need for more inclusive markers than just the GDP growth. The new strategy called \textit{Europe 2020} puts forward three mutually reinforcing priorities:

\begin{itemize}
\item smart growth: developing an economy based on knowledge and innovation.
\item sustainable growth: promoting a more resource efficient, greener and more competitive economy.
\item inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.\textsuperscript{17}
\end{itemize}

The motor of this strategy is sustainable growth which will help to decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernize our transport sector and promote energy efficiency. The crisis made us aware that “business as usual” is not possible anymore.

For this new strategy the GDP is not a compatible indicator. We lack a comprehensive environmental indicator that can be used in policy debates alongside the GDP. Such a single measurement for the environment would help foster a more balanced public debate on societal objectives and progress. The European Commission intends to present a pilot version of an index on environmental pressure in the years to come.

The economists representing the steady state economy emphasize that the economy is a sub-system of the environment. All the inputs to the economy come from the environment, and all the wastes produced by it return to the environment. As the economy grows, it requires more resources and discharges more waste. Since we live on a finite planet with limited resources, it is not possible for the economy to grow forever. This incredible increase in economic activity has resulted in an equally incredible increase in the use of resources and energy. Humanity now uses eleven times as much energy, and eight times the weight of material resources every year as it did only a century ago. The appropriation of materials, energy, and land for human

\textsuperscript{16} \textit{Ibidem}.

\textsuperscript{17} \textit{Europe 2020. A strategy for smart...}
activity has profoundly impacted ecosystems and reduced the space available for non-human species, leading to species extinctions and biodiversity loss.\textsuperscript{18}

A steady state economy is an economy with \textit{enough} as a goal – it prioritizes well-being above consumption, and long-term health above short-term gains. It focuses on innovation and development instead of growth, and it aims for stable throughput of energy and material resources. The pursuit of endless economic growth, with all of its downsides, is clearly unsustainable in the 21st century. A steady state economy is the sustainable alternative to perpetual economic growth.\textsuperscript{19}

The global financial crisis rocks people’s faith in business and governments. The main challenge was to rebuild trust and find answers to many of the tough questions society faces. The \textit{Vision 2050} project has been a collaborative effort among the 29 companies, supported by the World Business Council for Sustainable Development (WBCSD) secretariat, the wider business community and regional network partners around the world. The goal was to see what the sustainable development would mean for business and markets in general and what can be done for better future.

The impression was that business-as-usual cannot get us to sustainability or secure economic and social prosperity; these can be achieved only through radical change, starting now. To play its role, business will still need to do what business does best: innovate, adapt, collaborate and execute. These activities will change along with the partnerships that we form with other businesses, governments, academia and non-governmental organizations in order to get it right for all. Born of environmental and economic crises and spread by education and the media, these initiatives encourage “One World – People and Planet” behavior in society and individuals.\textsuperscript{20}

The United Nations Conference on Sustainable Development was held in Rio in June 2012. The objective of the conference was to secure renewed political commitment for sustainable development and address new and emerging challenges. The moment could not be more fitting. We are on the cusp of the first environmental limit – climate change and the first economic reality of a global resource limit as demand


\textsuperscript{19} \textit{Ibidem}.

for oil outstrips supply. We have a global financial sector that having caused the Great Recession.

The Conference focused on two themes: (a) a green economy in the context of sustainable development and poverty eradication; and (b) the institutional and financial framework for sustainable development.\footnote{Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication – A Synthesis for Policy Makers, 2011, United Nations Environmental Programm, www.unep.org/green-economy, pp. 2–4 (15.05.2012).}

Greening the economy means mainstreaming the environment into economic development. The term ‘green economy’ is not consistently defined as it is still an emerging concept. A green economy is one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities.

One of the possible answer for the multi-dimensional crisis is the concept of green economy. There is shared awareness that broad, systemic and longtime vision is necessary. And in fact the concept of a green economy has become a center of policy debates in recent years.

4. The concept of green economy – the ideal model

There is a “growing recognition that achieving sustainability rests almost entirely on getting the economy right”. It also emphasizes the crucial point that economic growth and environmental stewardship can be complementary strategies.\footnote{The Transition to a Green Economy...}

The concept of green economy should be seen as consistent with the broader and older concept of sustainable development, which has been mainstreamed into the work of the United Nations. The specificity of the broader concept is associated with its both its holistic character, as it encompasses the three pillars of development – economic, social and environmental – with particular focus on inter-generational equity.\footnote{J. Ocampo, op.cit.}

As it has already been noted, what is essential to the concepts of green economy and green growth is the understanding that the benefits of environmental sustainability outweigh the costs of investing in and protecting the ecosystems, so that it is pos-
sible to have a win-win or “double dividend” strategy of growth with environmental sustainability, and even win-win-win or “triple dividend” strategy that also includes poverty eradication and broader improvements in social equity.\textsuperscript{24} This is interesting from the point of view of policy makers because they have to deal with many dimensions of the crisis and the idea of sustainable development is offering the path to transform economy but also to support citizens and environment.

Green growth is closely related to the concept of a green economy, which UNEP defines as one in which “growth in income and employment should be driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services.”\textsuperscript{25}

There is a growing debate among scholars about the importance of green economy concept for future development policy. Below the author presents a few of them: “The concept of a green economy is crucial for guiding policies for sustainable development, since it goes to the heart of the matter: organize economies in ways that fit local and global ecological prerequisites and long-term dynamics.”\textsuperscript{26} “A ‘green economy’ concept is an essential step towards the transition to a resilient and sustainable economy. However, it does not go far enough as long as it does not address the dilemma of economic growth: every expansion of economic activity implies more stress on the planet’s ecosystems.”\textsuperscript{27}

“The ‘green economy’ concept is useful to the extent that it engages policymakers, economists and businesses in critical dialogue with other stakeholders to compare alternative pathways for development. The comparison should then consider economic criteria alongside social, political, cultural and ecological criteria, and how “business-as-usual” development and more sustainable alternatives trade off.\textsuperscript{28} By recognizing that the economy is a subsystem of human society which is itself a subsystem of the environment, the green economy concept helps to prioritize sustainable development and resource management on decision makers agendas,

\textsuperscript{24} Ibidem.
\textsuperscript{26} A.P. Mol, D. Sonnenfeld, G. Spaargaren, Viewpoints, “Natural Resources Forum” 2011, No. 35.
\textsuperscript{27} E. Pirgmaier, Viewpoints, “Natural Resources Forum” 2011, No. 35.
\textsuperscript{28} T.J. Downs, Viewpoints, “Natural Resources Forum” 2011, No. 35.
influencing their thinking and giving them a mandate to ensure that our economic activities do not exceed environmental tipping points.\textsuperscript{29}

To summarize, the green economy is in the center of debates but also in the heart of strategies and recovery programs in Europe. The Baltic Sea countries are very advanced in this process and they can share their experience with others.

5. Challenges for the Baltic Sea Region

The Baltic Sea Region can combine many dimensions of the sustainable development and establish a good practice in the transition process to the green economy. Countries of the BSR are able to create common strategy for the transition towards Green Economy. No country in the pan-European region has done it yet. What can be the real contribution of the European Union and the Baltic Sea Region to the process of transition? In official statement for the RIO+20 European Commission said that the green economy is more than the sum of the existing commitments: it has the potential to lead us to a new development paradigm and a new business model where growth, development and environment are seen as mutually reinforcing each other. Increasing resource efficiency, promoting sustainable consumption and production patterns, tackling climate change, protecting biodiversity, combating desertification, reducing pollution as well as using and managing natural resources and ecosystems in a sustainable and socially responsible manner are both requirements and key vehicles in ensuring a just transition to the green economy.\textsuperscript{30}

There are many areas of cooperation of the BSR countries – eco innovations, eco technologies, social and environmental responsibility, sustainable consumption, sustainable production, renewable energy, green public procurement, resource and energy efficiency, low carbon emission. Most of these issues are well known but what is new after the Rio+20 is naming them with one word, i.e. Green Economy, and combining separated specific policies to one strategy towards one common goal. The green economy strategy has got three aspects: economic, environmental and social.

The economic dimension of the strategy by creating and supporting green growth can secure and support the environmental and social aspects.

\textsuperscript{29} C. Polzin, G. Kostka, \textit{Viewpoints}, “Natural Resources Forum” 2011. No. 35.

The basic foundations for a systemic change in the Baltic Sea Region can base on a regional transition plan: that puts countries on paths towards green economy. BSR could use the potential of member states. Some countries, such as Germany, Sweden, Denmark, are more advanced in sustainable development. Other countries are less developed, more traditional in their way of living and consumption, with smaller ecological footprint and can be used as an example for others of how green economy strategy is created. Regional transition plan could be a good practice for other regions. Debates during the Rio+20 conference underline a need for more radical policy change for sustainable development. The BSR has this kind of potential. The important instrument of this process is a new financial architecture, specially the public finance including structural funds. The fiscal policy and public expenditure of the countries can be used in managing economic transition.

Conclusions

To summarize all the discussed issues, we can ask the question what is new in the debate about the green economy, why do we hope to get something unusual? The answer has been given by Tom Bigg from Boston University: “green economy is a term used by new and surprising sets of actors. Incorporation of “green stimulus” elements in the financial recovery packages in 2008–2009 was not driven by an environmental lobby, but by economic calculations of the potential for job creation and economic resilience. Within many countries, anticipated scarcity in access to fossil fuels and “rare earth” minerals (to pick just two examples) are driving policy and technological efforts to shape alternative futures. Private sector actors are anticipating major shifts in markets and resource availability, and planning for much lower carbon intensity production as a result. In short, the economics of scarcity and uncertainty are stimulating significant efforts to develop alternative, “greener” business models and patterns.31 There is a common interest of many groups: governments, business and civil society. What is especially important are the state policy and actions – without them the power of nongovernmental organizations and the potential of the private sector is useless. The role of the state as a rule-setter and enforcer is crucial for successful implementation of the green economy. The economy-as-usual

cannot get us to sustainability or secure economic and social prosperity; these can be achieved only through radical change, starting now.

References


TRANSFORMACJA W KIERUNKU ZIELONEJ GOSPODARKI – WYZWANIA DLA REGIONU MORZA BAŁTYCKIEGO

Streszczenie

Globalny kryzys finansowy sprawił, że powszechne stało się przekonanie, że powrót do stanu z przed kryzysu jest niemożliwy, że konieczna jest nowa koncepcja rozwoju dopasowa-
na do zmieniającej się sytuacji. W międzynarodowej debacie prowadzonej przez polityków, ekonomistów i przedstawicieli organizacji międzynarodowych centralnym elementem stała się koncepcja zrównoważonego rozwoju i idea zielonej gospodarki. W artykule przedstawiono definicje zielonej gospodarki zaproponowane przez Program Środowiskowy ONZ, Unię Europejską i organizacje społeczne. Zielona gospodarka może mieć znaczącą rolę w strukturalnej przebudowie gospodarek europejskich. W tym procesie przed krajami Regionu Morza Bałtyckiego stoją wyzwania i szansa międzynarodowej współpracy w regionie.

Słowa kluczowe: zrównoważony rozwój, zielona gospodarka, Region Morza Bałtyckiego, globalny kryzys, globalny zielony nowy ład.