THE New GREEN Deal

Climate Protection, New Jobs and Social Justice

The Greens | EFA
in the European Parliament

Reinhard Bütikofer und Sven Giegold

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Managing crises – the case for a Green New Deal

Humanity is confronted by historic challenges. While the economic and financial crisis has rocked the foundations of our economic system and threatened the livelihoods of millions of people here in Europe and in the rest of the world, we cannot afford any further delay in tackling the crises in the realms of climate change and global justice.

It is by no means certain that we shall succeed in managing the crises that face us and in finding sustainable solutions based on solidarity. The tasks that lie ahead pose a formidable challenge, but at the same time more and more people across the world are now aware of the need for concerted and resolute action to resolve these crises. This means that a historic opportunity is presenting itself to renew the foundations of our economic and social system. The crises are asking fundamental questions about the ways in which we run our economies, the ways in which we consume and the ways in which we transport ourselves and our goods. Indeed, many people today are already seeking new paths towards a good life and sound economic management. They have no wish simply to carry on as before.

The Green New Deal that is on the table is a substantive outline of what can and must be done now. Underlying the Green New Deal is the realisation that we cannot resolve the various crises unless we work together, because all three crises have common causes, such as the obsession with quick returns in our economic system, because a political response to the crises must accommodate the interests of all stakeholders – from the developing countries' right to a better future to our own peoples' concern for their jobs – and because a wholehearted adoption of a new approach will help us to emerge faster, better and with greater foresight from the current economic crisis with good jobs geared to future requirements and a focus on sustainability. Any attempt to play one crisis off against the others, to postpone responses to climate change or the quest for global justice on account of the economic crisis, will fail. It is today that resolute efforts are needed to achieve a better tomorrow – for everyone.

The Green New Deal shows that this aim is achievable.

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Three crises

The frequent breathless rush from one headline-grabbing problem to the next obscures the fact that our world is currently experiencing three simultaneous problems, which must be seen as interconnected and dealt with accordingly. These crises – the financial crisis, climate change and global poverty and inequality – cannot be put on the back burner or resolved in sequence, for they are strongly interlinked. Unless the common causes of the crises are understood, not a single one of them will be resolved.

The economic and financial crisis

The worst financial crisis since the 1930s has taken the world economy to the edge of the abyss. Almost all of the industrialised nations have been plunged into deep recession, with falling economic output, rising unemployment and a spectacular increase in public debt, and the emerging economies and developing countries have also been hard hit. While gigantic rescue packages for banks and financial markets and huge pump-priming packages have served to avert a total collapse, it is not at all clear what the basis for economic recovery should be.

The crisis is the result of decades of the deregulation policies of economic liberalism, the consequence of a worldwide economic model based on unrestrained capitalism in which the globalisation and unshackling of economies and financial flows have not been followed by globalisation of the social and environmental framework within which markets operate.

The primary cause of the present crisis was the bursting of the US property bubble, and its global spread was due to the web of interdependence in the financial system. Banks lost trust in each other, which meant that global money markets dried up. The crisis was caused by the high risks that banks, funds and insurers incurred in their quest for double-figure returns and by errors and gaps in supervision. Any analysis of the crisis must also take account of global economic imbalances between countries with growing export surpluses and others with mounting debts, the concentration of wealth in ever fewer hands and the unsustainability of our economic and social system. The plain fact is that the economic crisis came about because the global economic model of the last two decades was unsustainable in several respects. It was unsustainable because asymmetrical relations between importing countries, especially the United States, in which consumers were becoming more and more indebted, and exporting countries, like China and Germany, which focused extraordinarily obsessively on the pursuit of export records and failed to develop domestic demand, could not be economically stable in the long term. It was unsustainable because social inequality kept growing, and far too few people were benefiting from economic development. Lastly, it was unsustainable because it was built on massive consumption of finite resources and on increasingly dangerous concentrations of greenhouse gases in the atmosphere.

The climate and resource crisis

The need for vigorous responses to the climate crisis is becoming increasingly urgent. We are regularly told of climate scientists' new findings which are even more alarming than those that went before. If the international community does not manage to reverse the steady increase in the volume of harmful emissions within the next decade, the objective of limiting global warming to an average increase of less than 2°C on pre-industrialisation levels will become virtually unattainable. As things stand, it seems more likely that the planet is headed for a temperature increase of up to six degrees Celsius. The results would be catastrophic. The geography of the inhabitable world would alter in ways that are scarcely conceivable from a present-day perspective. Water supplies and soil fertility would be jeopardised in vast areas of the world. Extreme weather events and their ravages would become ever more frequent. Rising sea levels would inundate large, populous and economically powerful coastal regions. Huge migratory movements of climate refugees would occur, numbering hundreds rather than tens of millions. Biodiversity would be wrecked, and vital ecosystems would vanish for ever. The total economic damage would be devastating; economist Nick Stern has estimated that it could amount to as much as 20% of global GDP.

Like the financial crisis, the climate crisis has its roots in the lack of sustainability of our economic system. As in the case of the financial crisis, the search for quick profits has taken precedence over sound long-term strategies and sustainability. As a result, we are using up our planet's finite resources at a breathtaking rate, wantonly destroying unique ecosystems and polluting the environment with volumes of emissions and waste that go far beyond its capacity for absorption and must ultimately lead to its destruction.

As with the financial crisis, what is lacking are rules to prevent a situation in which the few live and do business at the expense of the many. The fact is that both harmful emissions and resource consumption are extremely unevenly distributed. A minority of 20% of the world's population are responsible for 80% of the consumption of its resources. These reckless business practices and lifestyles cannot be allowed to spread. An economic system designed to enable six or nine billion people to live in decent conditions cannot be built on finite fossil resources. The surges in commodity prices before the onset of the credit crunch testify to that.

The climate and resource crises have therefore raised searching questions about the way we engage in economic activity, the way we consume and the way we transport ourselves and our goods. The industrialised nations must cut their CO_2 emissions by almost 100% – in other words, they must achieve the transition to a carbon-neutral economy – if they are to halt climate change. We must all reduce our dependence on finite resources so that competition for them does not endanger economic activity and peace.

The justice crisis

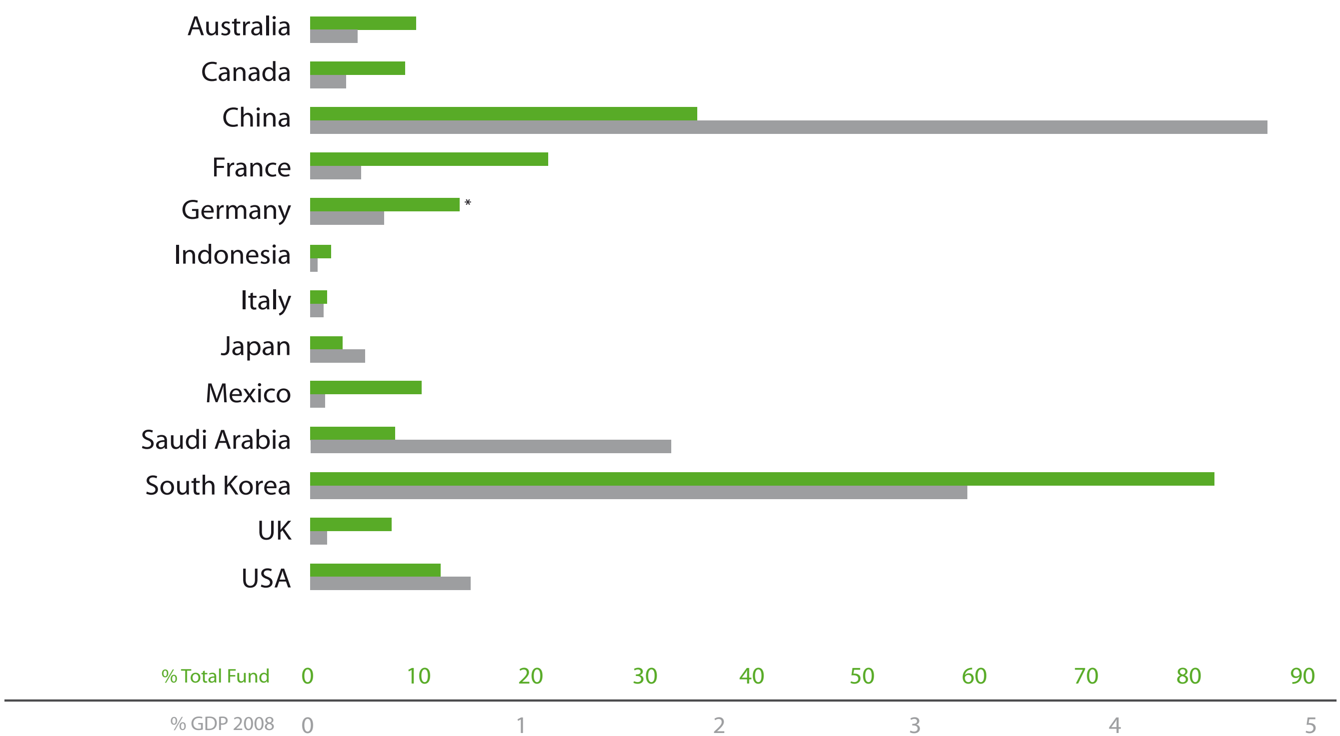
The two crises referred to above are occurring in a world in which billions of people are denied the chance of a decent life. The number of people who are chronically affected by hunger has risen above a billion for the first time in human history. Even more people have no access to education, health care or clean drinking water. Prosperity, however, is not only unfairly distributed between North and South. Within individual countries too, the gulf between rich and poor is widening – not only in the developing and newly industrialised countries but also in the developed industrialised nations. Growing social insecurity is a particular problem in the industrialised countries. As the gulf between rich and poor continues to widen, entire sections of the population are excluded from access to work, income and a good education. However complex and involved the reasons for this development may be, the machinations of the financial markets in recent years have posed huge problems, even in crisis-free periods. Deregulated financial markets have greatly accelerated the growth of the social divide and the concentration of wealth; by creating pressure for rationalisation, they have deprived more and more people of employment and income.

The Green New Deal

The current financial and economic crisis is often compared with the Great Depression of the 1920s and 1930s. In those days too, a financial crash triggered a deep slump in the real economy. President Franklin D. Roosevelt managed to turn things round in the United States by means of a large-scale investment programme and with the aid of financial, economic and social reforms.

Figure 1:
Percentage of green investments in recovery packages and percentage of GDP in 2008

The trailblazers of the Green New Deal are South Korea and China, whose investments are more sharply focused on environmental aims. Germany, on the other hand, still has some ground to make up.



*includes €5 billion for the scrappage premium

His New Deal was intended to 're-deal the cards', give a second chance to people rocked by the crisis and build new foundations for the national economy. Investment programmes and public employment schemes created new jobs, the banking and financial system was radically overhauled and was refocused on the task of funding the real economy. Minimum wage rates, the introduction of welfare schemes and a progressive system of income tax created new social cohesion. This is the experience on which we base our strategy.

Today, as then, strenuous joint efforts are needed to pave the way for a better tomorrow. Unlike its forerunner, however, today's New Deal can only be a Green New Deal, one which is concluded for the benefit of the environment, not to its detriment. Trying to resolve the economic crisis without taking any account of climate means destroying the basis for future life. Moreover, unlike the national economic programme launched by President Roosevelt in 1933, the Green New Deal must be an internationally coordinated strategy. In view of today's global interdependence, purely national efforts will not achieve the desired effect. With the Green New Deal we can generate sustainable economic impetus - an economic impetus which is not fuelled by the deficit spending of millions of US consumers but which is underpinned by the environmental restructuring of our economy, by massive investments in eco-friendly low-carbon infrastructure and technology.

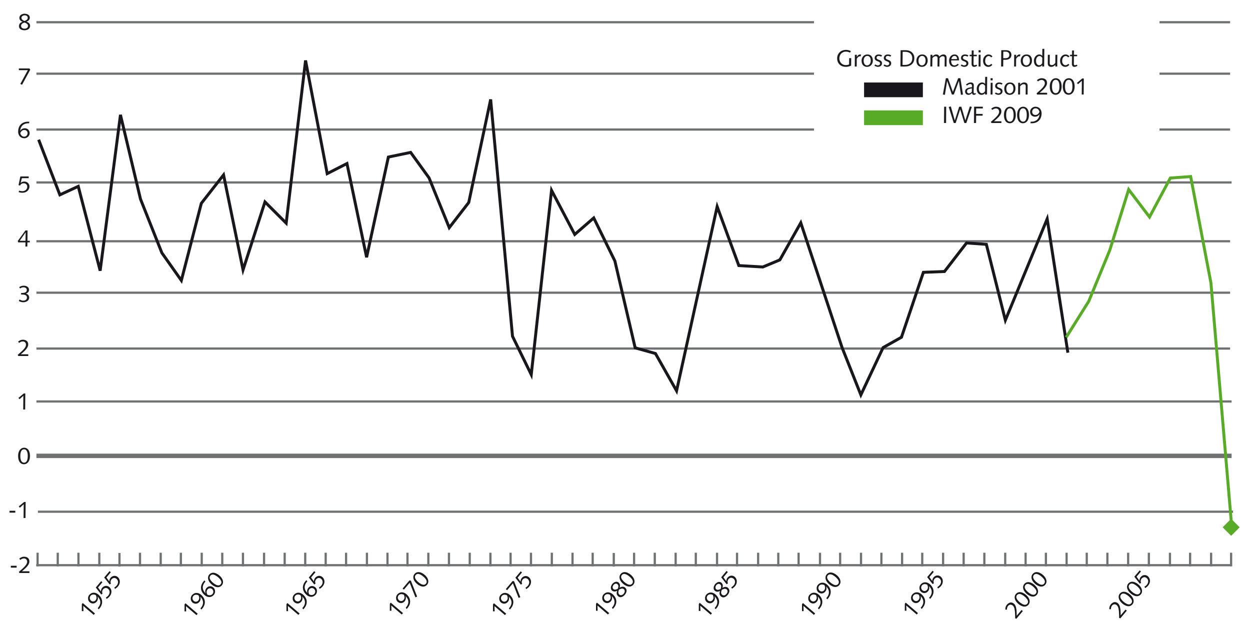
Today, as in the past, such a New Deal cannot be anything other than a fair and equitable deal. Whether in the industrialised nations, in the countries with emerging economies or in the developing world, people will not support a Green New Deal unless it is fair. Only if the right of developing countries to nurture their own economies is preserved will they support efforts to combat climate change. Only if our own people are not threatened by mass unemployment and job insecurity will they embrace the greening of the national economy, which, besides creating many opportunities, will also bring difficulties.

The Green New Deal, in other words, is far more than an environmentally and socially responsible economic recovery programme. Nor is it an abstract vision for a different and better economic system. The Green New Deal is a specific package of measures through which our economic system can be environmentally and socially restructured in the coming years. The Green New Deal directly answers the pressing questions that people are asking: where can new sustainable jobs be created? Which sectors of the economy can inject fresh economic impetus? How can our economic system become stabler and more sustainable? What can we do nationally and globally to narrow the ever-widening gap between rich and poor?

The Green New Deal rests on three pillars. The first is the re-regulation of the unbridled financial markets so that, instead of continuing to create one speculative bubble after another, they guarantee the funding of sustainable economic development. The second pillar is the environmental and social restructuring of our society, driven by massive investments in measures to combat climate change, in education and in justice as well as by green industrial policy. This will create jobs and generate new economic dynamism. The third pillar is the renewal of the social contract between North and South and between rich and poor in our own countries.

Figure 2:
Annual growth of global GDP

The financial crisis has led to the most spectacular collapse of the world economy since the Second World War. Negative global GDP growth has been registered for the first time ever.



A green leash for financial markets

The main trigger of the present economic crisis that has destroyed the livelihood of millions throughout the world and brought the global economy to the brink of total collapse was unbridled, profit-driven wheeling and dealing in the international financial markets.

With the aid of new financial products, the main purpose of which was to enable investors to spread their risks, a gigantic house of cards was built of mortgages, loans and financial derivatives. In good times, it showered dream profits on global financial operators, but, when the wind changed, the house of cards collapsed, taking the world economy with it. Even during economic upsurges, however, the operation of the financial markets was fraught with problems. The pressure to maximise short-term profits severely exacerbated social and environmental problems. The deregulated financial markets greatly accelerated the widening of the social divide and the concentration of wealth in ever fewer hands.

Politicians are not blameless for the present crisis. For too long they tolerated a situation in which the new financial instruments such as credit derivatives, securitisation instruments and hedge funds were largely immune to effective supervision. For too long, politicians looked the other way, even though it was known that banks were circumventing their own equity requirements by outsourcing transactions to special-purpose entities. For too long, politicians looked on as new financial operators conducted bank-like transactions, issuing long-term loans and refinancing themselves with short-term borrowing, without being subject to the same regulation as banks. Scarcely anything was done to shift the focus away from short-term profits.

The dynamism and innovative power of functioning markets can be a great help in meeting the challenges of climate change and combating global poverty. This will not work, however, if the consequences of the crisis are confined to the amendment of a few details of existing regulatory provisions or to better and more transparent supervision, necessary though these things are. The time has come to create an effective regulatory framework for the world economy, a framework that puts markets at the service of social and environmental development. The financial markets in particular must be redirected towards their proper purpose, which is to fund investments, to provide for liquidity and to underwrite risks. We need financial markets that channel capital into investments in our future instead of destroying our future through speculation and a mania for profits.

1_Close the casino

If the financial markets are to become servants of the real economy once more, they must start to cushion risks emanating from other markets again instead of posing a deadly risk to the economy themselves. While crises and recessions can never be entirely eliminated, the unnumbered financial and monetary crises of the past two decades were not unavoidable but were the consequence of a totally misplaced and quite plainly discredited neo-liberal deregulation policy. Virtually everywhere in the world, politicians have contributed to this process under pressure from the finance lobby. In this way, the financial markets have become a gaming casino. The time has come to close the casino.

> Simple rules for everyone

The crisis was able to wreck the global financial system so quickly because the rules prescribing the amount of equity that banks had to hold as security for their risks (known as capital adequacy) were flawed. To make matters worse, many financial operators acting like banks did not have to offer any security at all. Moreover, the existing system of regulation goes in the wrong direction, since it lays down complex detailed rules, while the required level of capital adequacy depends on rating agencies' assessments of the position, assessments that often prove to be wrong in the event of a crisis, which is precisely when capital adequacy becomes important. A new regulation philosophy is needed today. Instead of complex rules for each individual type of case, which are easily circumvented, there should be simple rules that apply to all players – banks, hedge funds or whatever else investment bankers might dream up tomorrow. The bigger the bank, the higher the security requirements – that must be the principle. This would counteract the tendency to form bigger and bigger banks and would prevent a scenario in which more and more operators become 'too big to fail' – so big, in other words, that their collapse would automatically plunge the entire financial system into crisis. Such a simple, universal rule could put an end to many of the recent problems. Hedge funds, which often leverage their high-risk transactions with huge inputs of borrowed funds without any obligation to offer adequate security, could not continue to operate in that way and would no longer pose a risk to the system. To this end, the Basel II international regulatory agreement and the EU Capital Requirements Directive must be reformed.

> Bring financial transactions out of the shadows

The fact that politicians on both sides of the Atlantic have long been giving too much unquestioning support to financial innovations has further encouraged flights of fancy in the financial markets. A large percentage of today's financial transactions are conducted in places where there is no oversight and with products that are not subject to supervision. Financial products are not standardised, and the risks they entail are downright unfathomable. That was precisely how the house of cards was built in recent years. In future such transactions must be banned. Financial products must be standardised, and all trading in them must take place in stock exchanges. In addition, financial regulators must be able to remove from the market any financial products that pose risks to the stability of the system. Such procedures are absolute standard practice in other industries in cases where products potentially pose serious risks to the general public or to the buyer.

Another target of heavy criticism has been the securitisation of risks. The problem, however, is not the securitisation mechanism as such. Securitisations are, and will remain, a useful way to pass on loans to a creditor who is better equipped to accept the risk, thereby creating scope for the securitising body to make more funding available. There is, however, a need for rules designed to ensure that only high-quality securitisation products are marketed. Banks should be required to keep at least 20% of their receivables in their own books. Moreover, borrowers must not find themselves in dire straits or have their consumers' rights curtailed as a result of their loans having been sold on.

> Clip the wings of rating agencies

Rating agencies occupy a key position in the financial markets. Provided their assessments are correct, they ensure transparency and thereby save market players' money. Now that there are only three major providers of credit-rating services, namely Moody's, Standard & Poor's and Fitch, even the downgrading of a transferable security by two agencies can lead to a hectic selling frenzy and knock the financial markets sideways. Instead of delivering reasonably sound information and assessments, the rating agencies repeatedly arouse the herd instinct on the stock exchanges.

The agencies are subject to conflicts of interest. They are paid by those whose products they rate. If these ratings are wrong or are not worked out properly, however, the losers are normally those whose actions depend on them. In order to avoid conflicts of interest as effectively as possible, the business model of rating agencies must be altered. A sharp line must be drawn between consultative functions and rating. Ratings should be paid for by those who use them, not by the rated bodies, which always foot the bill at the present time. That principle must be enshrined in the reformed EU rules governing financial markets. Moreover, an independent European rating agency may be a useful addition. It is also essential to downgrade the role of ratings. The power that rating agencies possess today was given to them by politicians by means of banking regulations or through decisions taken by central banks. This applies especially to the banking system, in which ratings have almost superseded the banks' own checks in some cases. Simplification of the capital-adequacy obligations would serve this very purpose of diminishing the importance of ratings.

> Introduce a financial turnover tax

A tax on financial turnover would also make the financial markets more stable. This would mean that every purchase and sale of financial products would be taxable at a minimal rate, such as 0.1%. The underlying idea is that certain speculative transactions in which buying and selling follow in quick succession, thereby generating high turnover, would become unprofitable because of the tax. Real transactions, however, which have a longer time frame, would scarcely be affected. The financial turnover tax is thus one step up from the Tobin tax, which was intended exclusively for international transactions between different currency areas, and a stock-exchange turnover tax, which would only affect turnover in stock exchanges. The fact is that currency speculation and stock-exchange turnover are not the only problems today and that trade in derivatives in unregulated markets is a particular headache. Such a tax could be introduced in the euro zone without impairing Europe's competitiveness; there would certainly be no need for international consensus. The financial turnover tax would also finally make the financial sector contribute to the funding of the common good like every other industry. The revenue from such a tax, which, according to studies, would amount to EUR 64 billion within the EU even at a rate of only 0.01%, could also be used to finance the social and development measures of the Green New Deal.

> Supervise financial markets more strictly

The supervision of the financial market in Germany by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and the Deutsche Bundesbank has failed to achieve its real purpose of curbing aberrations before they develop into crises. We need a marked improvement in supervision of the financial market in Germany. The Supervisory Authority must be made more independent of the industries it is supposed to oversee. It must be more proactive in forestalling crises instead of waiting until they erupt before it acts, and it must become more incisive in overcoming problems, for example through the power to take financial products off the market and to correct unsustainable business models of banks. At the present time, the companies that it oversees provide half the members of the administrative board of the Federal Financial Supervisory Authority. This can lead to conflicts of interest, which then prejudice the imperative independence of market supervision. The staffing of the Supervisory Authority must be increased so that the Authority can operate on an equal footing with the market players.

The Member States of the EU must ensure that an appropriate supervisory structure is created in response to the integration of Europe's financial markets. That is the only way to guarantee rapid reaction in an emergency. The group supervision of European banks that has been agreed so far is not enough. An EU supervisory structure must be modelled on the German Federal Financial Supervisory Authority and the British Financial Services Authority (FSA), in that it must cover all financial services. Separate supervision of securities, insurance and banking is an anachronism. Besides the task of safeguarding the stability of financial markets, the remit of a European supervisory authority must also include the protection of investors.

> Create greater trust by establishing consumer protection in financial markets

The financial crisis has confirmed in a spectacular manner that there are wide gaps in consumer policy in the financial services field. Closing the casino also means tailoring financial markets to the interests of consumers. It is wrong that lack of knowledge and bad advice should cause people to buy risky financial products and to lose their money as a result. Accordingly, advice should be geared in future to consumer protection, not brokers' commission. We want aggrieved consumers to be able to enforce a right to compensation. Financial products that are not transparent must be prohibited.

2_Gear financial markets to sustainable investment

More stability for financial markets is not enough, for the problem today is that financial markets do not direct capital into the areas where it is needed for sustainable development. Over the past twenty or so years, an increasingly large share of global capital has no longer been flowing into investments in the real economy but into gambling activities in the financial markets. Instead of serving the real economy and supplying it with capital, the financial markets have been bound up with themselves. Financial operators are not the only ones to be affected by this malaise. With the widely cited locusts and an extreme obsession with short-term shareholder value, the financial markets have forced many companies to adopt unsustainable corporate policies and have increased social insecurity. As a result, even normal companies have been investing less in real assets and have been using their profits to speculate in the financial casino. Where they have invested, the main focus has all too often been on quick returns rather than the long-term development of the business. This trend is one of the reasons why many companies have failed to make long-term investments in climate protection and sustainable production methods. In spite of all the emergency summits and eloquent policy statements, the problem has not been resolved in any way. On the contrary, the public funds in the bailout packages for banks are not being used to provide loans for the real economy but to grease the financial roulette wheel and get it spinning again. The stock market is booming while the real economy bemoans the lack of available credit – that is the absurd situation today. A Green New Deal can only work if this imbalance is redressed.

> Ensure that credit is available

There is no alternative to stabilisation of the banking system. The aim, however, is not to rescue troubled banks or revitalise inter-bank trading but to safeguard the supply of credit, especially to small and medium-sized enterprises. That is the only way to ensure that the crisis does not impact with additional force on the real economy, increasing the danger of a return to recession. The provision of credit on favourable terms for small and medium-sized enterprises must be a condition of aid to banks. The United Kingdom has already incorporated that condition into its aid programmes. Germany should follow its example. We must not place the entire onus for such assistance on the ailing Kreditanstalt für Wiederaufbau – the Reconstruction Loan Corporation – and let the banks evade their responsibility. This is why it would also make sense to follow the British or US example by means of a state-enforced replenishment of banks' capital. In Germany, by contrast, the Federal Government has assembled a gigantic rescue package without providing any scope whatsoever for parliamentary scrutiny or for political influence on the business policies of banks, and such a measure does not bite properly. The temporary partial nationalisation of troubled banks is the better approach in this respect.

> Fair executive earnings and extensive codetermination rights for employees

The extreme short-termism of financial operators and executives has a great deal to do with the way in which executives have been paid. As a result of the shareholder-value mentality, bonus systems have been used as incentives for the maximisation of short-term returns on share capital. This must stop. As a contribution to more sustainable business management, we want the remuneration of executives to be based more heavily on long-term and sustainable criteria, for example through the introduction of a minimum period for which bonus shares must be held. Such a requirement should also be at the heart of the planned EU directive on executive pay. We do not want the general public to have to contribute to excessively high executive salaries and mind-boggling golden handshakes. For this reason we want to limit executives' tax-deductible operating expenses to an annual ceiling of EUR 500 000 per head.

In addition, we want to flesh out the principle of company interests in the provisions of company law so as to require boards of directors and supervisory boards to base their actions not only on shareholder value but also on the interests of the company workforce and of the wider community. The fact is that a company's workforce has a strong interest in the long-term sustainable development of the enterprise. Hostile takeovers and the dismantling and plundering of companies are not part of a green market economy. We want to extend the rights of works councils in these matters. The legal rights of the employees' side should be stronger in future when it comes to decisions on major corporate restructuring – sales of significant shareholdings, outsourcing arrangements, etc. Works councils must be given a mandatory right of codetermination in matters concerning the reconciliation of interests and must have a say in the use of temporarily hired labour. For all companies with 1 000 or more employees, full codetermination should be the rule in future. Where companies have 200 to 999 employees, worker participation should be introduced within a tripartite structure.

> Strengthen and develop the public and cooperative banking sectors

We cannot achieve the economic aims of the Green New Deal with a purely private banking system. A green market economy also needs banks with a political remit to provide loans on favourable terms for investments that are essential for reasons of climate policy and to lend to small and medium-sized enterprises across the country. This is why it is essential to preserve the three-pillared German system of private, cooperative and public banks.

The public banking sector must be strengthened and further developed in response to the spectacularly misguided ventures of many of the Landesbanken, the public-sector banks in Germany's federal states. Public banks have a clear mission to pursue business policies designed to promote the common good and to finance the regional economy. It goes without saying that public banks should also be allowed to respond to the currency markets, thereby performing an important service for the local savings banks and their customers. The nature and scale of such transactions must, however, be consistent with the banks' public mission. It is unacceptable to play the global financial markets with state assets in a bid to earn rapid maximised returns.

In view of the problems that have become apparent in state banks and the spectacular collapse of many a private bank, it is time to refocus more sharply on the cooperative part of the banking system. Regionally rooted cooperative banks that are committed to ethical investment, in which customers help to shape business policy and which also take responsibility for the development of their region, can provide conditions in which the Green aim of stable, customer-centred and sustainable financial markets will be achieved.

> Turn financial markets green

Returns at a rate of 25% cannot be sustained without causing damage elsewhere. This is a far cry from responsible investment, in which investment decisions take account of environmental, social and ethical considerations. A new code of practice for financial markets must ensure that people are able to exercise their responsibility. Disclosure obligations for asset managers and companies should enable investors to base their investment activity on social, ethical and environmental criteria. The investment of public money, such as statutory pension reserves, funds held by the Federal Employment Agency or pension funds in public ownership, should be subject to compliance with fixed sustainability criteria. By means of sustainable investment and clearly defined reporting obligations on environmental and social indicators, we want to ensure that financial markets make a constructive contribution to the establishment of a more environmentally and socially responsible economy.

3_Green reins on capitalism

Harnessing the financial markets in the service of sustainable economic management and reducing the depletion of natural assets will not work unless there is a clear environmental and social regulatory framework for capitalism. The current crisis has clearly illustrated once again that the globalisation of the economy and of financial operations is a recipe for disaster unless it is accompanied by binding global rules designed to protect the environment, to stabilise economic systems and to safeguard social standards. New rules for executives, a financial turnover tax – all such innovations will prove fruitless in the absence of robust crash barriers for global markets. Accordingly, sustainability must become the compass needle of economic policy. This means that prices must finally tell the environmental truth. It is time to stop rewarding polluters. This means that there must be clear, far-reaching and binding obligations to protect the climate by reducing atmospheric emissions, obligations which, along with an effective system of emissions-trading, are actually enforced. This means that, with minimum social standards which are binding in Europe and the rest of the world, competitive dumping would be prevented. Only with this kind of regulatory framework can the pioneering spirit and the innovative power of dynamic markets be channelled into socially just and sustainable development. Only with this kind of regulatory framework can we release the full impact of environmental change and so create new opportunities and new jobs. It will take time to establish this kind of global regulatory framework, but it is high time that this long-overdue work was begun. Europe must take the lead and become the trailblazer in the bid to combat climate change and to reshape the world economy in accordance with environmental principles. This will not only show the rest of the world that these aims are achievable but will also give European industry a significant competitive edge in the markets of the future.

> Reward investments in the environment – green financial reform instead of climate-busting subsidies

The idea of green financial reform is simple: prices must tell the environmental truth. Those who produce and consume in an eco-friendly manner should pay less than those whose production and consumption pollute the environment and damage the climate. To this end, environmentally harmful subsidies must be reduced, and environment-friendly behaviour must be fiscally rewarded. In particular, the burden of taxes and other charges must be shifted from one production factor – labour – to another, namely environmental pollution. That would create new jobs, because it would make labour cheaper in relation to other factors, and it would bring relief to the public at large.

The financial reforms initiated by the SPD and Green coalition must be continued. We want to develop environmental financial reform further at the level of the EU. The crises have put enormous pressure on national budgets in the EU. Ireland, Greece, Spain, Britain and Slovenia face bankruptcy in the medium term. The countries that resisted the harmonisation of environmental taxes in the past are being compelled by rising government debt to increase taxes.

Instead of the employees' lump-sum travel allowance, we want to introduce a mobility supplement that is paid to all employees, irrespective of their income. We want to abolish special treatment for official vehicles with high fuel consumption. We want to end the subsidies for coal and repeal the exemptions from regulatory energy taxes (ecotaxes). At the same time, we want to scrap electricity tax on power generated from renewable energy sources.

> Make climate protection a binding obligation

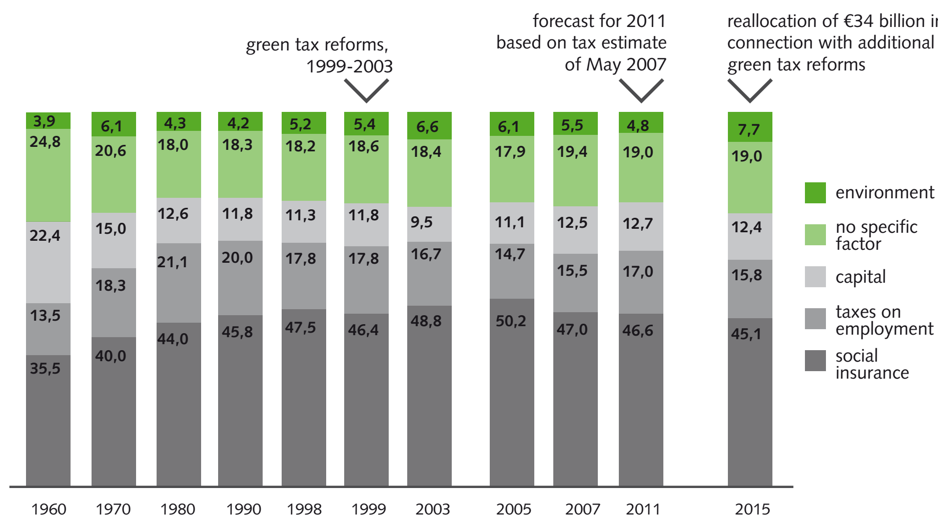
Protecting the climate is not a luxury in which we can indulge when times are good. It is vital to our survival. We Greens are unconditionally committed to the goal of limiting global warming to a minimum in this century. For this goal to be achieved, all industrialised nations must reduce their emissions of greenhouse gases by considerably more than 80% by 2050. New scientific findings, indeed, suggest that cuts of up to 95% in greenhouse-gas emissions will be needed.

A new global climate convention is imperative if a successful worldwide fight is to be waged against climate change. We Greens are committed to the accelerated worldwide development of energy from renewable sources as well as to effective European emissions-trading. A price must be put on Carbon Dioxide & Co. if a new mentality is to be established. Those who pollute with greenhouse gases must pay, and those who protect the climate can save money. That is why we favour the principle of auctioning emission certificates instead of giving them away. We want climate policy to lead to the restructuring of our industrialised society on the basis of environmental principles. We do not wish to allow reduction credits earned outside Germany or Europe to be available for purchase through the dubious arrangements known as flexible mechanisms.

Emissions-trading cannot realise its full potential until the auctioning of certificates becomes standard practice and there are no more loopholes for energy-intensive industries. The fact that CO2 certificates are issued virtually free of charge at the present time has not only created a massive disincentive but has also enabled energy conglomerates to rake in millions in additional profits without having done anything to earn them. That must stop.

Figure 3: Development of the structure of the German system of taxes and levies

Under the SPD-Green coalition, ecotaxes accounted for an increased percentage of total tax revenue. Labour, however, remains the production factor that bears the heaviest burden of taxes and levies. That is why ecotaxes are to be further increased under the Green New Deal. This will help the climate and create new jobs.



4_A fair world economy

Another pillar of the Green New Deal is a new global code of financial practice. The proliferation of financial capital circling the globe in the form of short-term speculative investments has drastically increased the risk of monetary and financial crises with far-reaching social repercussions. At the same time, the absence of a global regulatory framework has led to the emergence of global economic imbalances, which are further destabilising the world economy. At the present time we have a short-sighted and destabilising financial system. Calls for a global code of financial practice, a global regulatory framework, are growing ever louder. There is an urgent need for such a global process to rewrite the rules. Yet the G20 summits have so far ended in disappointment. Without a sustainable code of financial practice, however, any national regulatory system will ultimately fail.

Even more pressing is the need for more coordination within the European Union. The creation of a common internal market, closely interconnected financial markets and monetary union has generated a great deal of economic impetus. At the same time, however, it is more obvious than ever that such close economic cooperation cannot function sustainably and in a socially acceptable manner unless political control is functioning equally effectively. In this respect there are alarming deficiencies in the European Union. Even within the Union, massive economic imbalances have developed between countries with balance-of-trade surpluses, such as Germany and the Netherlands, and countries with deficits, such as Spain and France. These imbalances have an extremely destabilising effect within a monetary union. Another major problem is posed by the astronomically high government debt of particular Member States. The financial crisis has effectively brought some countries to the brink of bankruptcy. This is why we must forge ahead with the process of European integration in the realms of economic policy and financial-market policy. That would give Europe the opportunity to demonstrate how, through supranational action, markets can be made to serve the aims of social justice, economic stability and environmental protection.

> A new global financial architecture

We Greens want a new global financial architecture in which the United Nations plays an active role. To this end, we want to upgrade the Economic and Social Council of the United Nations (ECOSOC) to make it a central institution legitimised by the entire international community. As part of this process, the G8 must be dissolved, because global problems can no longer be overcome without the involvement of newly industrialised and developing countries. In the long term, we want to bring the central institutions for global coordination and regulation under the umbrella of the United Nations.

We want a global regulatory framework for the world market, a framework that lays down basic, universally binding environmental and social standards. It must also regulate action to deal with global economic imbalances. These imbalances are destabilising the world economy. More effective countermeasures are needed in future to prevent their emergence. Consideration must be given to the question whether it would not be possible to establish global rules designed to give countries incentives to avoid excessive trade deficits or surpluses.

Recent years have seen the emergence of a mixed system of floating and fixed exchange rates, which has contributed to the destabilisation of the world economy and of financial markets. During this period there have been huge fluctuations in exchange rates between the major currencies. This has created uncertainty among potential investors in the real economy and has distorted trade patterns, with particularly adverse effects on the economic development of developing and newly industrialised countries. Now the crisis has exacerbated the situation in a number of countries whose currency values have plummeted. For this reason, we must move towards a system of stabilised exchange rates.

Efforts to redesign the global financial architecture must pay particular heed to the development potential of the poorest countries. These countries can benefit from functioning global markets and especially from foreign direct investments. These are also the countries that depend most crucially on stability. Past years, however, have seen recurring cycles, driven by the financial markets, in which large amounts of capital initially flowed into these countries only to go gushing out again at the first sign of bad news, with disastrous results. That is why these countries must have the right to control cross-border movements of capital.

> European economic governance

We need European economic governance in the euro area. A common currency cannot work in the long run unless the economic policies of the relevant Member States are closely coordinated. The high export surpluses of Germany and the Netherlands are endangering the stability of the euro zone, as are the growing trade deficits in France, Italy and Spain. The burden of adjustment must be borne by the countries in deficit as well as by those in surplus. The governments of the euro-zone countries must intensify their cooperation without delay. The Euro Group must be upgraded so that, together with the European Central Bank and in consultation with the representative bodies of business and labour, it can set the macroeconomic control variables. The remit of the European Central Bank must, like that of the Federal Reserve in the United States, not only cover monetary stability but also encompass responsibility for stable macroeconomic development, including the employment situation.

New foundations for our economy

The rethinking necessitated by the economic crisis, the climate crisis and the crisis with regard to global justice is not confined to the political regulation of financial markets. There is also a need to set our economic system on new foundations, for we in the industrialised countries are still producing at the expense of future generations, of the environment and of people in the southern countries of our planet. There must be an end to the model of blind economic growth, because it is destroying our climate and is doing nothing to aid the efforts to solve our social problems.

Throughout the world, governments are working with billions to tackle the economic crisis – unimaginably vast sums. It is wrong to spend so much money hurriedly cementing over the cracks in the old foundations of our economy. We must be resolute and build new foundations. Only then shall we leave our children and grandchildren something on which they can build instead of nothing more than a mountain of debt. It is not worth pampering crisis-torn industries and outdated structures with generous handouts. Instead, we must invest in the infrastructures of the future, in a green economy, in more education and in a new social contract. That will create jobs and deliver economic success both today and tomorrow. The policy of indiscriminate short-term pump-priming programmes with fleeting effects like those of the scrappage premium, in conjunction with high levels of borrowing, is no recipe for economic recovery, nor is it responsible. The requirement is for investments that are as huge as they are sustainable, not for short-term pump-priming. The markets of the future are green. This means that the economy and the environment must henceforth be firmly linked. Rebuilding society for climate-friendly living and business will be the key political task in the coming years and is also a golden opportunity.

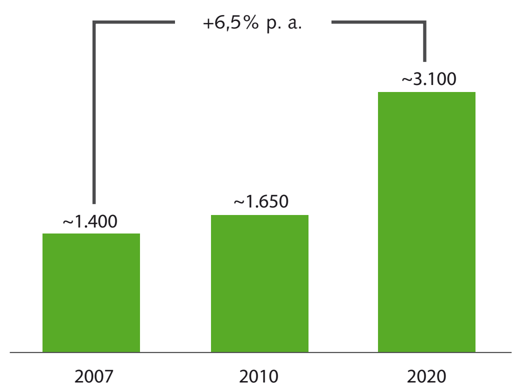


Figure 4: Global market trends for environmental industries, 2007-2020

Industries manufacturing environmental technology offer great growth potential. A study conducted by the Federal Ministry of the Environment, Nuclear Safety and Nature Conservation predicts annual growth of 6.5% for these industries by 2020. We are tapping into this potential with the Green New Deal.

By means of the Green New Deal, we want to change our wealth-creation basis into a human and eco-friendly economy in which wealth means education, social welfare and public assets, health and personal care, environmental products and services, culture and science. These are the areas in which our future lies. Human creativity is one of our major resources. This is why we want to give workers the opportunity, through more extensive codetermination rights in companies and more employee shareholding, to guide corporate development in the direction of sustainability. In this way, the Green New Deal seeks to restructure the old industrialised society so as to equip it to face the future.

The Green New Deal will enable us to create a million new jobs in Germany within four years. For Europe as a whole, the Green New Deal offers the prospect of as many as five million new jobs. The development of renewable energy, new rail and energy networks, better local public transport, increased energy efficiency and much more besides will all bring new employment and represent far more than niche activities. The fact is that environmental modernisation will also preserve and create jobs in the traditional industries – in the motor industry, the chemicals industry, mechanical engineering and steel production – as well as in crafts and trades. New jobs created by the Green New Deal will not only result from the environmental modernisation of industry but will also materialise in the realm of social services, in other words in sectors such as education, health and personal care.

The renewal of our economic foundations and the creation of new sustainable jobs are aims for which we must mobilise all the forces at our disposal. To this end we need a new understanding of relations between the market and government and a different balance within that relationship. Markets are powerful drivers of innovation and change, and these are the very things we need for the environmental modernisation of markets. If markets are to be able to perform their function, however, they must be embedded in a political framework, for markets pose numerous problems if left to their own devices, as the financial and climate crises have graphically demonstrated. Markets are not intrinsically sustainable. Many markets are stifled by powerful advocates of the status quo – such is the case in the energy sector, for example – and in many cases generate widening social disparities. The only way to eliminate these problems is through the judicious use of political instruments. One task is the establishment of an environmental and social framework as described in chapters 3 and 5. This also involves setting ambitious targets, such as 100% generation of energy from renewable sources, and in particular a mix of clear regulatory policy, such as the setting and enforcement of CO_2 ceilings for private cars, new financial instruments – compulsory national health insurance and a solidarity levy for education – new rules governing the labour market, such as the exemption of low earners from social-insurance contributions, and government investments – either additional or brought forward from future years – in areas such as education and the upgrading of building stock.

The Green New Deal

Financial markets

Economy

1_Investment drive
2_Third Industrial Revolution
3_Upgrading social services
4_Strengthening regional economies and the solidarity economy

Social justice

1_Investment drive

At the heart of the Green New Deal is an investment drive in measures to combat climate change, in education and in justice. Merely keeping the consequences of climate change within manageable limits would require the annual global investment of twelve-figure sums in energy efficiency, renewables and adaptations in response to climatic changes. In the domains of education and local infrastructure too, there is an enormous need for investment. Many of these investments must be made now, either because investment in new energy networks is a prerequisite for the development of renewables or because of the need to avert tomorrow's damage today. In some cases, extra investment is necessary because investments in the wrong capital goods, such as power stations, aircraft and ships, are making it impossible to fight climate change in the coming decades – one need only think of the planned construction of a dozen new coal-fired power stations in Germany. Other investments are necessary because, in areas such as education, opportunities to create a better future will be squandered unless we take resolute action now. For these investments a vigorous programme of public investment is needed now, but we must also create greater incentives for private investment, for example by reforming the Renewable Heat Act (*Erneuerbare-Wärme-Gesetz*) to include old buildings.

> Investments in the fight against climate change

There is a particular need for heavy investment in the fight against climate change. We have to mobilise resources for a radically new kind of energy supply, for greater energy efficiency, for the effort to curb global warming and for the generation of energy from renewable sources. Since the time frames are very long for some of these investments, there is a need not just for public support and investment but also for a reliable political framework that will enable companies to plan their investments on a long-term basis. Such investments by low-income households would be financed through an Energy Savings Fund.

> Investments in education

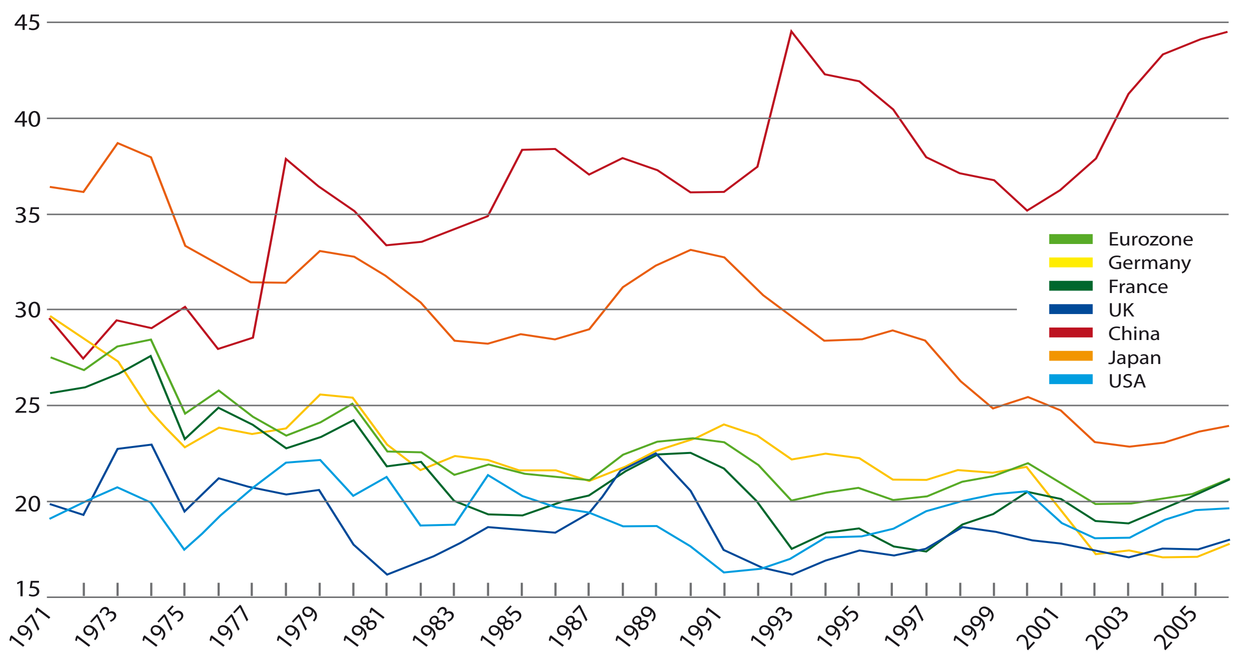
In our view, priority attaches to the legal entitlement to a high-quality place at a day nursery. More than €5 billion will be needed over the next two years for this purpose alone. The same amount again would be spent on the conversion of schools into gebundene Ganztagsschulen - schools with compulsory morning and afternoon lessons. By 2010, almost 3 500 schools could be developed into all-day schools with this level of investment. An investment of €2 billion would pay for the establishment of some 200 000 extra places in higher education over the next two years.

> Investments in municipalities

Our Green Investment Programme focuses on the municipalities. Local-authority investments have a direct local impact, create a good number of jobs and favour regional wealth creation. Although the local authorities ought to be developing their infrastructure in terms of social, employment and education services, municipal investments have been falling since 1992. The German Institute of Urban Affairs (Deutsches Institut für Urbanistik) puts the total funding requirement for the period from 2006 to 2020 at €704 billion. On the basis of local-authority investment levels in 2005, this represents an annual shortfall of €7 billion. Local authorities in poor municipalities in particular have a great deal of catching-up to do on the investment front. However, because many of them are allowed to adopt only emergency budgets, investment support must be made available to them with minimal part-funding requirements or none at all.

Figure 5: Investment rate compared with other countries

Germany's investment rate (the ratio of public and private investment to GDP) has fallen steadily in recent decades and is now lower than that of other comparable industrialised nations. A sharp targeted increase in investments is therefore needed for the eco-friendly modernisation of the economy.



2_Green light for the third Industrial Revolution

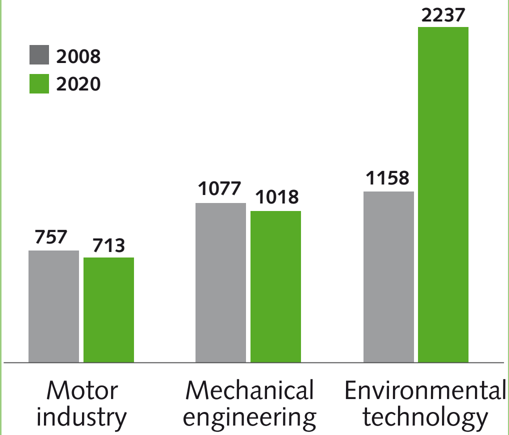
Germany must take the financial and economic crisis as an opportunity for the environmental modernisation of its industries. In spite of the trend towards a service-based and knowledge-based society, manufacturing still accounts for 24% of Germany's GDP, six million jobs and a total annual turnover in excess of €1 600 billion. Industrial production is one of the foundations of Germany's economic strength.

It is especially important that the adoption of a low-carbon, conservationist approach to business operations should extend to industrial structures. These are still the main source of CO2 emissions, and they still offer a great deal of potential for energy savings and efficiency gains. This conversion process represents nothing less than a third Industrial Revolution. The first Industrial Revolution brought the transition from an agrarian to an industrial society. The second intensified and mechanised the production process. Today it is time for a third Industrial Revolution, in which people, the environment and the climate take precedence. It is an environmental and economic necessity. Companies' prospects of success will depend on their adapting quickly to the markets of the future, to consumers' changing needs and concerns and to global demand.

An efficient and competitive industrial sector, sustainable jobs and a resource-saving production process go hand in hand. This transformation, however, will not happen automatically. It will require active policies that make use of market mechanisms to guide corporate creativity and innovative capacity towards the greening of industry. To this end, politicians must develop an overarching transformation strategy that lends direction to structural change and carries companies into a new take-off era.

This transformation strategy requires various instruments. While an environmental and social regulatory framework, such as emissions-trading, offers incentives for sustainable development, and while public investments create the infrastructure on which such a greening process can be built, Green industrial policy will moderate the changes in the various industries. With targeted support and research programmes, such as those for which the Renewable Energy Priority Act provides, and with precisely targeted government requirements, such as CO2 ceilings for cars, or measures to boost demand for eco-friendly products, for example through public procurements, we shall create new investment opportunities for companies, and in this way we can kick-start the necessary restructuring process. Green industrial policy focuses on all industries. Separation into good and bad industries makes no sense. We want to give industrial production the impetus it needs for a general renewal in terms of energy efficiency and material efficiency, and we want to fast-track strategic technologies, whether in the renewables sector or in the motor or chemicals industry.

Figure 6: Jobs in key German industries (in thousands)



Given the right political conditions, environmental technology can be well ahead of the field as Germany's leading strategic industry by 2020. It will then be providing work for three times as many people as the motor industry.

> 100% renewables

The most important aim of the next two decades in the fields of industrial and economic policy will be a full switch to the use of renewable sources in the production of electricity and other forms of energy. By 2020 we are committed to a share of at least 40% in electricity generation and 30% in heat generation. To this end, development of renewables on a huge scale will be necessary along with massive efforts to increase energy-efficiency and energy savings. The benefits are twofold – protection of the climate and the creation of new jobs.

The switch to energy from renewable sources will launch an intensive innovation process and will create and safeguard hundreds of thousands of jobs. Wind farms, solar and photovoltaic installations and biomass power plants have to be designed, manufactured, installed and maintained. New jobs will thus be created not only in the renewables industries but also in mechanical engineering, manual trades and construction.

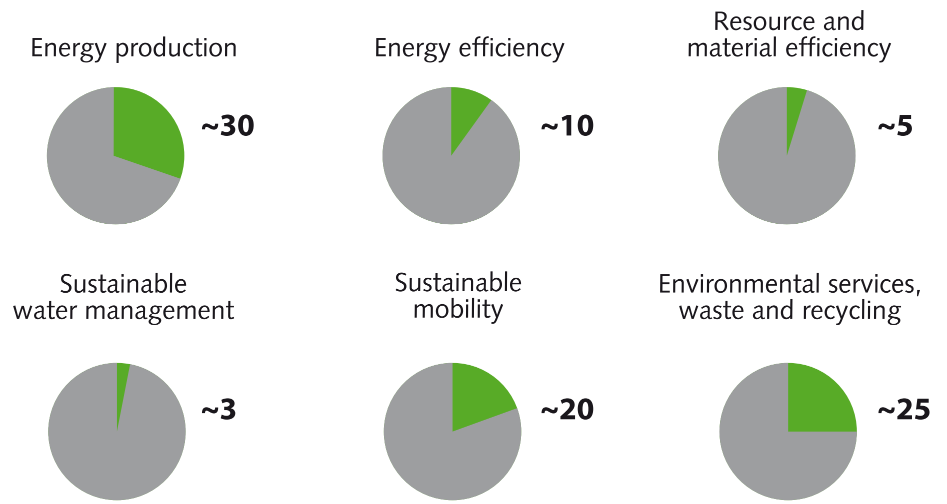
For these things to happen, a resolute approach will be needed in the realms of economic and industrial policy. The construction of new coal-fired power stations must be banned, and the abandonment of nuclear energy must be continued unrelentingly. Above all, however, there is a need for measures to increase energy efficiency. By means of an ambitious Energy Efficiency Act, we shall sharply reduce energy consumption. We want to improve the basic conditions for the use of environment-friendly combined heat and power generation and increase its share of total electricity generation to 30% by 2020 (quota model).

> The ideal of resource efficiency

Materials account for about 40% of manufacturing costs, while labour accounts for only about 25%. The price explosions in commodity markets in recent years have sometimes utterly dwarfed the increase in wage costs. The switch to low-resource production processes and closed-loop material cycles will therefore not only benefit the environment but will also make our economy more competitive and safeguard jobs. Through greater material efficiency, businesses can achieve cost savings of more than two per cent within a short space of time. By means of a resource levy we want to increase the pressure to make innovations that result in resource-saving products, and we want to develop the Material Efficiency Stimulus Programme (Impulsprogramm Materialeffizienz) further, extending it to cover energy efficiency and using it as a genuine stimulus programme to make efficient production more attractive, especially for small and medium-sized enterprises. Easier access to advice through the German Material Efficiency Agency in conjunction with support programmes, including micro-credit programmes, could trigger a run on resource-efficient machinery.

The development of smart metering is a prerequisite for material-efficient and energy-efficient practice, both in production processes and in the home. We are committed to a dynamic efficiency standard in which the household appliances with the best energy-saving performance serve as benchmarks which all suppliers will have to match in future (the 'top-runner model'). Better energy advice, clear labelling with energy-consumption data and strict energy-consumption ceilings for manufacturers' products will make it easier for consumers to purchase energy-saving appliances.

Figure 7: Percentage market share of the environmental sector in Germany



> Green Cars

The German automotive industry has been actively blocking the development of climate-friendly vehicles. That has come back to haunt them because the economic crisis is now being compounded by a profound structural crisis. The feasibility of socially and environmentally acceptable use and growth of the worldwide car fleet depends entirely on huge reductions in fuel consumption and exhaust emissions.

Hundreds of thousands of jobs depend on the German automotive industry. These jobs cannot be preserved unless the industry goes green. To have an economic future and remain competitive, companies must have eco-friendly cars on the world market. Accordingly, it is crucial that the most innovative and efficient cars should be rolling off German production lines in future. The average CO2 emission limit must be reduced to 80 grams per kilometre by 2020 and then to a far lower figure by 2030. We want to end the taxation privileges accorded to large official limousines with high fuel consumption and create a road-tax structure that clearly favours energy-saving cars. We want to introduce a blanket speed limit of 120 kph (75 mph) on motorways and 80 kph (50 mph) on country roads, one aim of which is to put an end to competition to produce the most powerful engines.

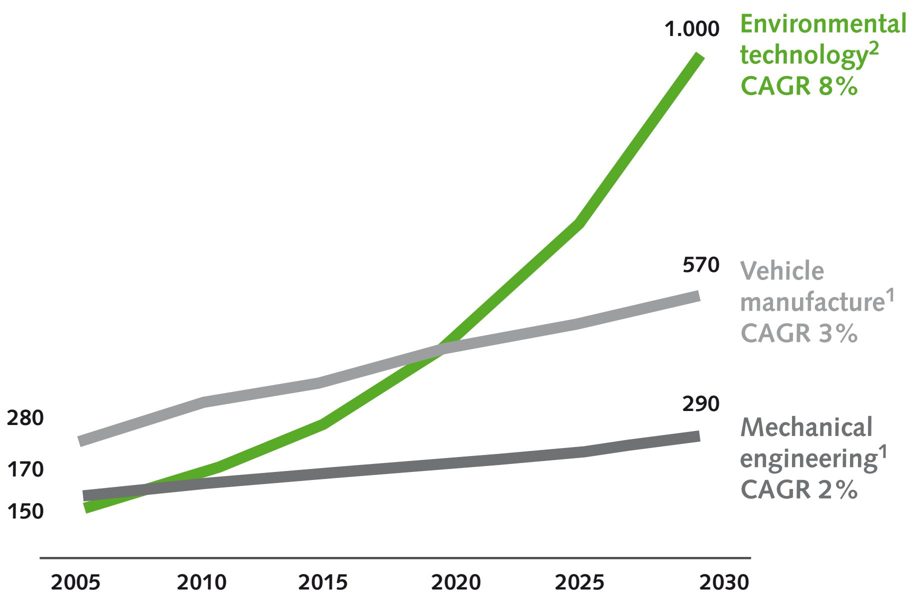
Electric vehicles with additional power from renewable sources have almost no net effect on the climate, are quiet, emit no pollutants and overcome our dependence on oil. We want to ensure that at least two million electric vehicles will be on the road in Germany by 2020. To that end we shall launch a market incentive and research programme with an annual budget of some €500 million.

> Greening the chemicals industry

Nowhere is there such an accumulation of the challenges we face as in the chemicals industry. The chemicals industry is part of the problem, but it is also part of the solution. The chemicals industry is a major contributor to the emission of greenhouse gases. This is hardly surprising, since mineral oil remains the industry's main resource. Irrespective of the climate issue, however, its production processes are distinctly resource-intensive.

The chemical industry, however, also has immense potential for the resolution of pressing problems. New materials are based on new chemical compounds and can help to replace heavy, finite raw materials that cannot be disposed of without serious environmental consequences. Biotechnological processes are replacing environmentally damaging production processes. Recycling is very rarely possible without the aid of chemical processes. Chemicals can help to insulate buildings, to generate solar power and to make transport cleaner. The marketability of an electric car depends on a powerful and efficient battery.

To help the chemical industry to become part of the solution rather than part of the problem, we want to create incentives for faster dismantling of outdated structures while contributing to the exploration of new green potential. The chemicals industry is a major player in the German economy. It provides a living for about 440 000 people. That is another reason why we would be well advised to maintain an efficient chemicals industry in Germany and to increase its competitiveness. Our goal is to preserve existing jobs and create new ones in the chemicals industry in Germany. The issues of climate change, the environment and scarcity of resources are keys to new areas of business activity. The sooner the German chemicals industry moves towards green chemistry and falls into line with the pursuit of sustainability, the better it will be for global competitiveness and jobs in Germany.



1: Sales (excluding goods purchased for resale) at 2000 prices
2: Conservative estimate of growth rate and base value in 2005

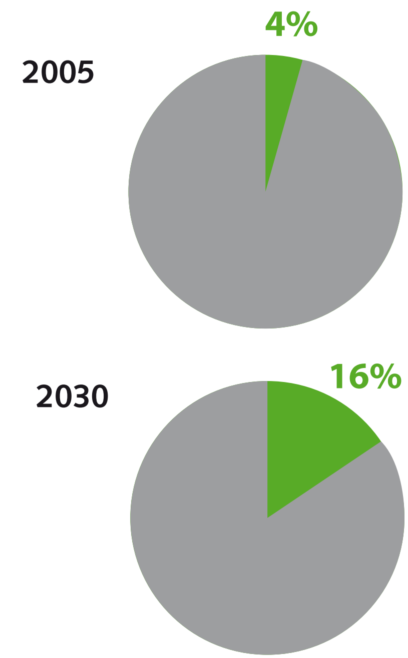


Figure 8:
Projected sales of environmental technology in Germany (in € billion) and compound annual growth rate (CAGR)

Figure 9:
Sales of environmental technology as a percentage of total sales for all industries

3_Upgrading social services

In the Green New Deal we are not only advancing the process of eco-friendly modernisation but also targeting a gradual change in the basis of our wealth creation towards a more human and greener economy. By investing in education, modernising social-security systems and creating an honest and socially just employment market, we shall create jobs in those areas from which society derives the greatest benefit, namely health, personal care and education.

> New jobs through strategic investments in education

Education is the key to the future. Investing in education means investing in our capacity, and that of every individual, to face the future. Education is the prerequisite for personal development and fair career prospects as well as being the foundation stone of a fairer and vigorous society and of a robust economic system. We are setting clear priorities for a national education strategy and a qualitative leap towards more and better education opportunities for people of all ages. This will safeguard our future as well as creating new jobs in the education sector.

In the face of the education crisis and the economic crisis, we want to make massive investments to eliminate injustices in the education system, to raise the quality of education and to build the education system of the future. A high-quality range of care services for all children at an early age, the development of all-day schools and more course places and staff at universities would require 185 000 new nursery nurses, teaching staff and specialists, whom we wish to recruit over the next four years. These posts will be partly funded from the educational solidarity fund we have proposed.

> New jobs through investment in a socially just health system

One of the principal growth industries is the health sector, including the realm of personal care. We regard the health sector as a key strategic sector of the economy and its realignment towards sustainability as a matter of social justice. Today, however, funding deficiencies and staff shortages are the source of numerous problems, such as stress, poor treatment, a lack of preventive intervention, impersonal treatment of care patients and rationing. For this reason, we do not regard investments in health as a debit item; on the contrary, if we want the sector to grow, we need to spend more on health and care services. Our policy is based on a broad definition of the health and care sector; besides the traditional domain of doctors and dentists, hospitals and retirement homes, we also include areas such as medical technology, prevention, nutrition and wellness.

Investments in health also make sound economic sense. Like investments in education, they constitute investments in people, and in this respect they are a prerequisite for innovation and sustainable economic development. This is why we want to put prevention at the heart of health policy. Expenditure on prevention is absolutely minimal at the present time and so fails to reflect the social importance of preventive care and treatment. Demographic change is also generating a sharp rise in demand for care services. In an ageing society the number of people in need of assistance and care is increasing. New areas of activity are growing up around the traditional care occupations, ranging from assistance with shopping or gardening to occupational therapy, etc. A sustainable jobs boom will only materialise, however, if we make the funding of health and care services more sustainable by means of a compulsory national health-insurance scheme.

> New jobs in the social labour market

It is estimated that 400 000 people are permanently excluded from earning their living because of the present employment situation. Their stake in society is in danger, and they face the threat of social exclusion. The Greens believe that politicians and society in general must face up to the task of helping to open up new prospects for these people. We advocate the reintegration of the long-term unemployed by means of sustained state-sponsored jobs with compulsory payment of social-security contributions. For this reason we want to establish a socially acceptable area of employment for people with no foreseeable job prospects in the mainstream labour market. This is to be achieved through employment in the voluntary sector, and through support for employment in integration companies. The jobs will be funded from the appropriations for benefit payments and support measures for this group of unemployed persons. This means that they will not entail any additional costs. By the end of the first stage in 2013, 60 000 jobs will have been created in this 'social labour market'.

> New jobs through the elimination of illicit work

Illicit work is widespread in Germany, especially in the service sector, and prevents the creation of legal employment. We want to combat it and create regular employment by exempting small incomes from welfare contributions with our graduated contribution scale. In this way, and through the removal of unnecessary red tape, 200 000 new jobs can be created within four years.

4_Strengthening regional economies and the solidarity economy

Strengthening regional economic cycles is a necessary complement to globalisation and one which we wish to pursue through the Green New Deal. Regional business activity increases economic stability and employment as well as promoting crafts and trades and small service businesses and forging close links between consumers and agriculture.

> The solidarity economy

New forms of economic management need not only government regulation but also a sector focused on the common good and based on solidarity. Social enterprises, neighbourhood solar installations and wind turbines, cooperative initiatives, alternative bartering networks, regional currency schemes or trader networks and voluntary community service are steadily growing in importance. We want to support the linking of social concerns with entrepreneurial activity. In the green market economy, we want to provide targeted support to the 'solidarity economy', in which the freedom of autonomous action and democracy are combined with social justice, and continue its development. To this end, promotion of the solidarity economy must be institutionalised in the Ministry of Economics. We want to clear away the red tape connected with the legal form and create a sound legal framework for regional currency schemes. There must be an end to discrimination against community enterprises in start-up and support programmes.

> Regional business activity

Decentralisation of business activity must include support for local trade, local services and local funding structures. Devolved elements in the economic system enhance the stability of the whole system and mitigate the effects of crises. Solidarity-based business activity, local lending and the issuing of small loans and micro-loans should be supported as much as possible. Such support encourages the involvement of local people and reduces dependence on decisions taken in the financial markets.

> Eco-friendly agriculture

Jobs not only exist in industry and the service sector; in rural areas there are jobs in agriculture too. For decades many jobs have been lost in conventional farming in Germany, where fewer and fewer farmers have been managing increasingly large areas. At the start of this century, we Greens initiated a new agrarian revolution. It is fair to say that organic food production has been booming since then.

At the present time, some 160 000 work in the organic-food sector, more than 50 000 of them on farms, 50 000 in manufacturing and about 60 000 in the wholesaling or retailing of organic foodstuffs or in health-food shops. The total number of people employed in the organic sector has almost doubled in the last ten years. We want to bring about a vast increase in the percentage of agricultural land that is farmed organically, which stood at only 5.1% in 2008, and thus eliminate the supply shortages in organically produced foodstuffs from Germany. If we increase the number of farmers switching to organic farming and treble the acreage of organically farmed land by 2020, the result could be 70 000 new jobs. Agricultural subsidies must also be made dependent on farmers' contributions to the protection of the environment and climate, and support premiums should be increased, especially those for conversion to organic farming.

A new social contract

The third pillar of the Green New Deal is social justice. Our ambition is to overcome the social divide that has widened everywhere in recent years.

The Green New Deal

Financial markets

Economy

Social justice

1_Redistribution between North and South
2_Fair distribution of opportunities and income in Germany
3_Financing the Green New Deal fairly

More than a billion people are suffering hunger. Even more people have no access to clean drinking water or education. In almost all of the industrialised nations, wages have fallen in real terms, while profits and income from property have risen. The concentration of wealth in the hands of a small few has sharply increased; in Germany, for example, 47% of the country's wealth is owned by five per cent of the population. Equality of opportunity and access are alien concepts to more and more children, and the consequences for their future working lives are often dire.

The global crises are hitting the poorest countries and people particularly hard. Because of the financial crisis, they face the threat of cuts in the funds that have been pledged for development cooperation as well as the flight of capital to wealthier countries. Climate change also poses a particular threat to people in the South in the form of floods, droughts or the loss of agricultural land.

Overcoming this social divide is not only a dictate of justice, however. It is also essential as the key to the achievement of a sustainable economic system. Failure to tackle the social divide between North and South will make it impossible for us to enlist the support of the developing and newly industrialised countries for climate change. Failure to tackle the social divide at home will result in a lack of support for the greening project. Joint action cannot happen without a level playing field.

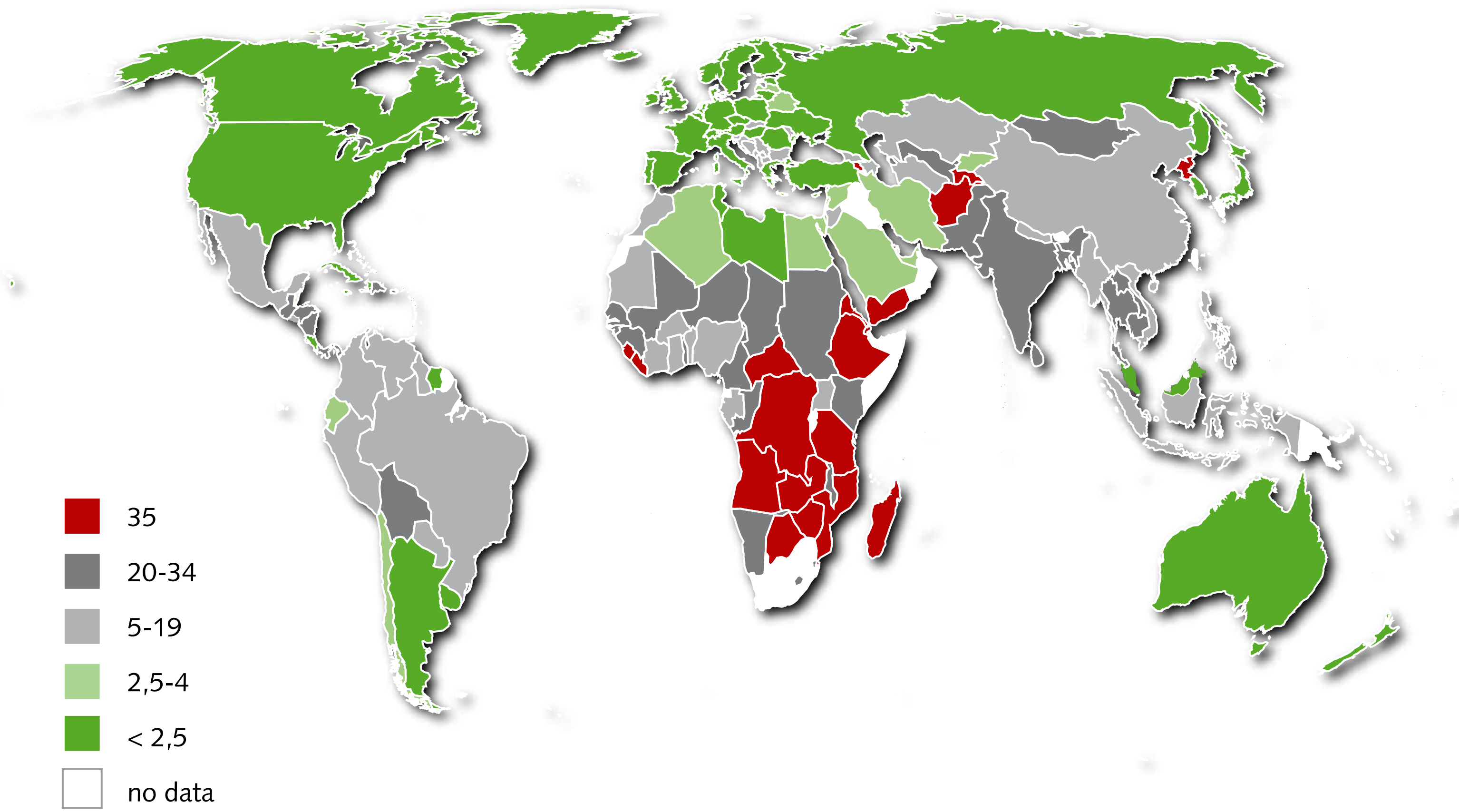


Figure 10: Percentage of undernourished people

The number of people afflicted by hunger has risen above a billion. Africa and southern Asia are the hardest hit.

1_Redistribution between North and South

The Green New Deal must be a global deal that takes account of the needs and interests of the developing and newly industrialised countries. It must give them an opportunity to take part in the fight against climate change and at the same time to make further headway towards economic development. It must respond to their interest in a stable financial and monetary system. Last but not least, it must aim to improve the living conditions of billions of people who are afflicted by poverty and hunger.

> Fair world trade

It is time to stop applying double standards in the field of trade policy. Developing countries must be able to protect themselves against imports of agricultural produce at rock-bottom prices from the industrialised world. EU farm subsidies must be governed by social and environmental standards and must no longer be used to subsidise European agricultural exports. A fair world trade order is a keystone of the Green New Deal. A one-sided focus on trade liberalisation must no longer determine the agenda of the WTO, the World Trade Organization. On the contrary, we want to enshrine recognised environmental, social and employment standards instead of jeopardising them through the WTO. Particularly in the light of the financial crisis, financial markets must not be deregulated under the WTO's General Agreement on Trade in Services (GATS). Developing countries must not have free-trade agreements foisted on them which undermine the sustainable development of their sunrise industries and their agriculture.

> Kyoto plus justice

The destruction of the climate cannot be halted unless the industrialised countries shoulder their responsibilities. The main brunt of climate change is already being borne by the developing countries, which did least to cause it. In Africa alone, 250 million people are expected to be suffering water shortages by 2020. We advocate a 'Kyoto Plus' agreement. This internationally binding global climate agreement should halve global greenhouse-gas emissions by 2050. To that end, the industrialised nations must take the lead and cut their emissions by at least 80%. To give the developing countries a fair chance of sustainable growth, however, climate policy and the right to development must be reconciled with the specific reduction targets.

The newly industrialised and developing countries are entitled to assistance from the industrialised nations. The latter must undertake to raise €100 billion a year to support the efforts of developing and newly industrialised countries to combat climate change. As the main polluters, the industrialised nations must honour this undertaking.

The transfer of knowledge and technology in the fields of renewables and energy efficiency to the developing and newly industrialised countries is crucial and must be more vigorously encouraged. Even the poorest countries must have access to technology in these fields. The investments of the World Bank and individual countries must no longer be channelled into the promotion of fossil fuels but into renewable energy sources.

> Millennium Goals and development financing

Efforts to achieve the Millennium Development Goals of the United Nations, which targeted major improvements in the fight against global poverty by 2015, now run the risk of failure. The lion's share of the blame lies with the industrialised nations, which are still refusing to provide adequate funding. And now the financial and economic crisis is threatening to push development financing even further down their list of priorities.

The Green New Deal, by contrast, provides for the OECD countries to do what they agreed back in 1970 and finally devote 0.7% of their GDP to development cooperation by 2015 and, in particular, to engage in closer partnership with Africa. In addition, innovative funding instruments such as the financial turnover tax and a levy on flight tickets are to be introduced. This is the only way to avert a complete failure to achieve the Millennium Development Goals.

2_Fair distribution of opportunities and income in Germany

In Germany too, the divide between rich and poor has widened glaringly. Here too, we can narrow this gap again with the Green New Deal. The hugely unequal distribution of wealth and incomes and the erosion of real wages have massively dented domestic demand. We must generate fresh impetus, for instance by means of minimum wage levels, in order to stimulate economic growth. Moreover, the realms of public welfare – health, personal care and social services – and education offer great potential for new jobs. A sustained jobs boom, however, can only be achieved if we manage, by means of a compulsory national health-insurance scheme for example, to achieve sustainable funding of health and care services, if we make occupations in health and personal care more appealing and if we develop prevention into the third pillar of the health system.

The Green New Deal must be financed on a basis of solidarity. Investments in education, the climate and justice, a green industrial policy and more aid for the world's poor do not come cheap. For this reason we want to tax property and capital gains more heavily to fund the Green New Deal, for broad shoulders can carry heavier burdens. At the same time we want to increase environmental taxes and reduce environmentally harmful subsidies. We want to convert part of the solidarity levy for eastern Germany into an educational solidarity levy, because we need an effort from the whole of society if a fair education system is to be established. In addition, inheritance tax must be reformed in such a way that the revenue creates more financial scope for higher expenditure on education.

> Increase low incomes and stimulate domestic demand

We want the prosperity of German society to be fairly distributed, and we want everyone to have the opportunity to share in it. To this end, it is necessary immediately to increase the standard monthly rate of unemployment support to €420 in the first instance for all adults. Action is also needed on the standard rates for children and young people, for whom we want to establish a new assessment basis that takes account of actual needs. According to conservative estimates, the standard rates for the various age groups should currently range from €280 for small children to €360 for older children. By means of a uniform minimum hourly wage of at least €7.50, we want to ensure that people are able to live from their work and that competitiveness in Germany no longer depends on wage dumping. In order to prevent the further spread of low wages and guarantee fair pay once again, we also want to set up a minimum-wage commission based on the British model. With the Greens' graduated contribution scale, we shall target low incomes of up to €2 000 a month for appreciable cuts in welfare contributions. With these measures we shall create a fairer system and increase the purchasing power of low-income households. At the same time, this will boost domestic demand in Germany.

> Invest in justice

The creation of a genuine stakeholding society entails investment in better schools, high-quality nationwide child care, publicly supported jobs, modern hospitals and individual accommodation and care facilities. We Greens want to improve the quality of public institutions and to allocate an additional annual amount of €20-30 billion for that purpose.

As the Scandinavian countries have shown, investments in public institutions are not just a contribution to genuine stakeholding but also create new and sustainable employment in the areas from which society derives the greatest benefit, as a substantial high-quality education and childcare infrastructure or patient-centred health care require investments in brains more than anything else. For the essential development of the infrastructure for under-threes alone, we shall need 100 000 more pre-school teachers by 2013. In other occupations too, such as those in the fields of health and personal care, a considerable shortage of skilled staff is emerging. In order to remedy these bottlenecks with qualified personnel, we must increase the appeal and the social recognition of these occupations as well as improving the funding of training.

3_Financing the Green New Deal fairly

The Green New Deal will not come cheap. Investments in the fight against climate change, in education and in justice, a new social contract and a green industrial policy will all cost money. The Green New Deal will require an increase of about €30-40 billion per year in public investments.

At the same time, public budgets – the federal budgets, the state budgets and the local-authority budgets – are in a perilous state. Structural problems are compounded by the effects of the financial and economic crisis, and the full impact of all these things on public finances has not yet been felt but will be unleashed in the coming years. Even without tax reforms, under current financial plans the Federal Government will have to incur new debts in excess of €300 billion by 2013. The situation for the Länder and local authorities is equally fraught. Local and regional politicians are in danger of losing all room for manoeuvre. In these circumstances it would be irresponsible to finance the Green New Deal entirely by means of new borrowing. For this reason, the Green New Deal must be partly funded from solidarity-based tax increases.

> Distribute burdens fairly – tax property and capital gains on the basis of solidarity

One reason for the proliferation of short-term speculative investments of financial capital is that wealth has been concentrated in ever fewer hands in recent years and capital gains have grown at the expense of income from wages and salaries. It is a scandal that capital gains are actually taxed less heavily than wage income. That is indeed the case, and the blame lies with the Abgeltungssteuer, a flat-rate savings tax deducted at source. The Greens' policy, on the other hand, is to use tax revenue from capital gains as well as from earned income to fund the common interest and to subject capital gains to the same graduated income tax as wages and salaries. The prerequisite for such an approach is effective action to combat the use of tax havens.

In addition, the Greens' policy involves a more consistent taxation of property to counteract the trend towards the concentration of wealth in too few hands. To this end, we want to tax legacies far more heavily so as to ensure that those who are rich in capital and property contribute more to the financial upkeep of our society.

Taxation of property is the way in which the wealthy are to contribute more to the upkeep of our society. At the present time, five per cent of the population own 47% of the country's wealth. We believe it is only right to entrust greater responsibility to those with the broadest shoulders to carry us out of this historic crisis. That is why we Greens are proposing a non-recurring levy on property, payable within a limited time, as envisaged in Article 106 of the Basic Law (Grundgesetz). The revenue from this levy is to be ring-fenced to offset the cost of overcoming the crisis, which is likely to exceed €100 billion.

> Make those responsible for the crises pay

The cost of the Green New Deal should be borne primarily by those who caused the crises, which they would do through emissions-trading and ecotaxes. In this way, climate programmes and financial aid measures for the developing countries can be launched. By means of a financial turnover tax, we want to involve the financial sector to a greater extent in funding the common interest. We also want to press further ahead with the greening of the tax system.

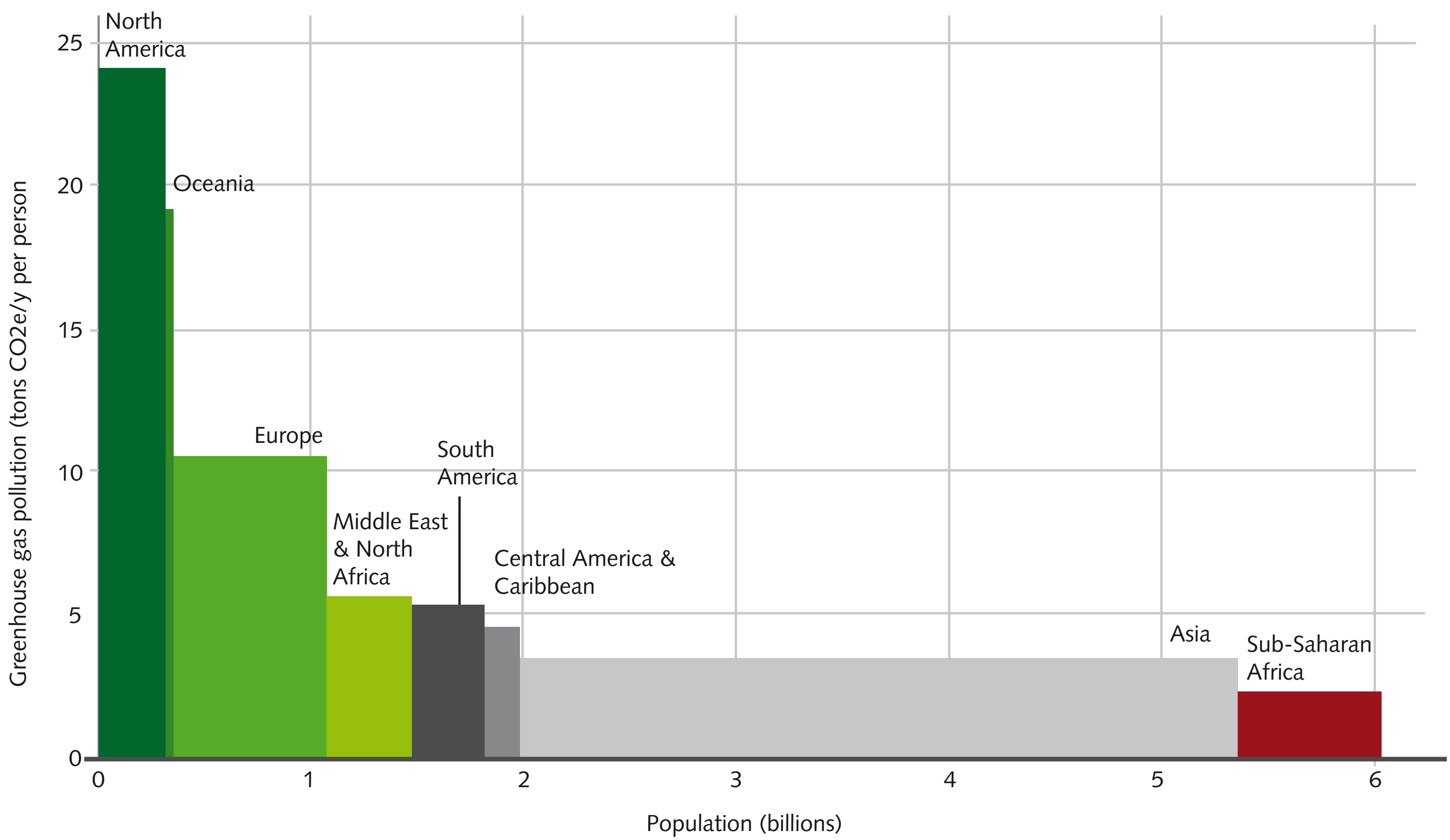
> Eliminate tax havens

A socially just tax system in which those with income from property and capital gains pay a fair share towards the upkeep of the community cannot be achieved unless we put up a fiercer fight against tax evasion, tax avoidance and the use of tax havens. Our task is to create the means of taxing capital gains effectively and progressively.

To achieve this goal, we need an EU action plan. Many tax havens are located in the European Union or its immediate vicinity or in dependencies of EU Member States. Joint action should be taken with the OECD to exert pressure on tax havens and their beneficiaries by means of sanctions and legally binding obligations. Should the EU and/or the OECD be unable to agree on a joint approach, Germany must take action, together with individual partner countries, against tax havens.

Figure 11:
Greenhouse-gas emissions in 2000 in relation to population figures for eight regions of the world

In 2000, Europe emitted double the global average volume of greenhouse gases. Emissions in North America were as high as four times the global average.



Looking beyond the Green New Deal

The Green New Deal offers a clear strategy for essential action over the next ten years to combine protection of the global climate, new economic dynamism, sustainable jobs and new justice. It shows that we can treat the present global crises as an opportunity. If we embark on this common effort, a better tomorrow will not be an empty promise. It is equally true to say, however, that the Green New Deal will not solve all of our problems. It is certainly not the end of the story, or indeed of the green story.

Slow-growth economy

In addition to the Green New Deal, there is also an urgent need for us to come up with solutions and visions on fundamental issues regarding the future structure of the economy. This relates primarily to the question as to how an economy without growth or at least with very little growth might look. The strategy of reconciling growth, resource conservation and climate protection by greening the economy will work well for the next ten to twenty years, but it does raise other questions, which we must be prepared to address today. How can we live well and manage our economy well without constantly striving to have more? Do we in the industrialised nations need economic growth at all in order to be a ‘contented' society? Or could less even be more? Is it possible to put into practice Václav Havel's theory that progress is measurable by lower consumption levels and, if so, how? What would company statutes look like in a climate-friendly society? Does not a society with scarce environmental resources need more social equality so that the use of nature does not become a luxury good, notwithstanding the fact that nature actually belongs to everyone? What form do truly sustainable lifestyles take? How can we succeed in escaping the permanent pressure to perform that irks so many people?

The Green movement in Germany and Europe must ask itself these questions today as a matter of urgency, because our societies will have to confront such issues.

It will not be easy to implement the Green New Deal against the widespread resistance that is taking shape both nationally and internationally. The current crises present the Green movement with an opportunity to use the Green New Deal to channel economic decisions and financial flows towards the achievement of progressive social objectives. In this way we shall achieve more economic stability, release new investment potential, give people the opportunity to become involved and pave the way for a greener world. Moreover, by so doing we shall quite fundamentally reinforce green alternatives to the status quo. Let‘s get to work!

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