

## GREEN ECONOMY — POLITICAL BALANCING TRICKS OR PREDETERMINATION

The Green Economy is one that is good for the environment. Instead of “green economy”<sup>1</sup> we can use the terms “ecological economics” (“ecology — economy”) and “sustainable economy”. Each of these terms has its own specifics, but the common between them is the recognition of the need for prompt and decisive actions to eradicate the harmful effects of human activities on the environment.

To be called green, an economy should meet certain social and ecological criteria<sup>2</sup> (Fig. 1):

The predetermination of social and ecological criteria for the green economy is hardly disputable, although their ranking is a matter of priority from a strategic point of view. Furthermore, I believe that the idea of «a new type of Keynesian policy” determined as macroeconomic policy stabilizing aggregate demand, rather than stimulating it (as in traditional Keynesianism), deserves attention. Moreover, a self-sufficient economy with zero growth would solve the problems with the depletion of natural resources. In this sense, the current crisis and slowdown in economic growth provide a unique opportunity for transition from economy always eager to growth with devastating impacts on the environment and human health to environmentally friendly economic system. Such a transition is a radical one and can be carried out only in a radical way with radical measures<sup>3</sup>:

- Elimination of all capital investments and sectors, which create instability and threaten the environment, human health, including nuclear energy, war industry and

all productions exacerbating the problems of waste and greenhouse gases emissions;

- The State as a supreme sovereign to take over management of the process of building a green economy and all costs associated with it, as the environment and human health are the highest form of public interest.

Traditional Keynesian theories cannot ensure the long-term sustainable development. To survive life on Earth, contemporary capitalist economy promoting social inequality and wasting natural resources must be replaced by *a steady green economy*. Of course, this must be done globally by achieving consensus among all countries in the world, as well as mutual respect toward their interests. There are many possible ways for Bulgaria’s integration into the European and world economy, but most reasonable, from the economic point of view, would be building a green economy.

There is no logical alternative to green economy in our country. Definitely, there are many possible ways for development, but with regard to the economic logic and price effectiveness, it would be recommended that the Republic of Bulgaria should choose an environmentally friendly economic and business model. Unfortunately, when talking about the economic value of preserved environment<sup>4</sup> the logic has no place in our country. The relatively preserved environment in Bulgaria has a high economic value, because of the country’s natural conditions that provide opportunities for the production of green products.

*“Green” is only the production<sup>5</sup> that contributes to*

<sup>1</sup> For the purposes of this study it is not necessary to go into “the deep waters” when clarifying the terminological nature of the “green economy”. Therefore we accept, without claim to comprehensiveness, that it is defined as good for the environment. The word “green” may also be replaced with ecological or environmental, while the term “ecological economics” is a combination of ecology and economy. From a human perspective, ecology is the idea of what surrounds us. Economy, broadly speaking, is a human matter. In the broadest sense it is a scientific principle: economy of the universe, economy of psychology, economy of nature, economy of happiness. Human society has been developing on the basis of the economy; the human culture is even higher. Only human existence has greater importance than the economy. “Ecological economics” is understood as the attitude of the conscientious owner towards natural resources. However, who is the conscientious owner? — The man, in one form or another. That’s why economics is a promising area. For details see: Sabev, D. “The Green Economic Alternative for Bulgaria”. Economics. — Vol. 1. — 2008. — P. 24.

<sup>2</sup> Todorov, I. Achieving sustainable development through European economic integration, reforming the international financial system and building a “green” economy. Dissertation, p. 122.

<sup>3</sup> Todorov, I., op.cit., p. 122 — 123

<sup>4</sup> It is known that certain aspects of preserved environment (aestheticism, awe, curiosity — devoid of measurable economic benefit) may not be realized by the impersonal institution on the market, for which the prices are a regulator of economic activity. Also, we should not overlook the destructive component of human kind, as well as the frequent refusal to cooperate because of mistrust in “the neighbour”, a task described as the so-called “prisoner’s dilemma”. This does not exhaust the factors for conflicts of human inertia. Most importantly, however, is that this situation could be changed as the green economy (the basis of the green economic policy is the environmental education) has higher comparative value versus the traditionally collapsing, as well as post-industrial economy causing its indirect “suffocating pressure”. Sabev, D., op. cit., p. 23.

<sup>5</sup> The definition differs from the idea of “less harmful than the rest products on the market”, since there is no ecological utility of such an idea.

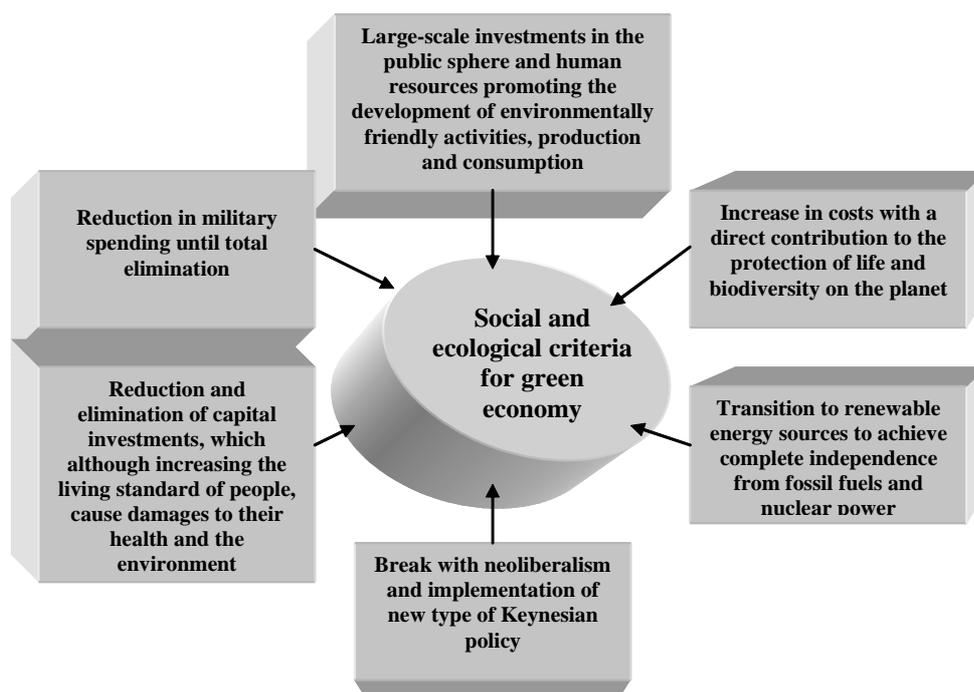


Fig. 1. Social and ecological criteria for green economy

**increasing the sustainability of human existence on Earth.**

The green products demand grows internationally and their prices are high. The internal market for green products has also good prospects: potential customers are local population, tourists and potential environmental migrants from overurbanized economies to peripheral part of Bulgaria.

The country's potential to create a green economy can be measured through analytical and statistical concept called "Demographic Pressure". It measures the pressure exerted by people on the environment because of their number, consumption and mainly because of their economic activity, which underlies the function "Power of Activity"<sup>6</sup>. As a basis is used the concept of natural region — a part of the biosphere historically formed by the interaction of anthropogenic and natural factors. Something similar called "historical district" is set in the UN development programs; the German ethnologist Leo Frobenius in the early XX century called it "Paideuma": the natural aspect of human economic culture; the Russian Academician Berg uses the term "horonomical" (from Greek χώρος, room) in order to explain the principle, on which the form of human habitation has been built.

The "Demographic Pressure" is the ratio of GDP (value added) generated in a natural region, the area of this territory, adjusted by degrees of population density, its economic activity, the pace of urbanization and the analytical coefficient of natural degradation (e.g. deforestation). It is determined as the humans' impact as a result of their economic activities — entrepreneurship

and consumption — on a region with certain characteristics of resources and specific environment. Regarding this indicator, Bulgaria has a unique location: **the demographic pressure here is among the lowest in Europe** according to a research carried out in 50 key countries. Demographic pressure in Bulgaria is 50% lower than in Romania, 40% lower in comparison with Turkey (despite the vast territories in Asia Minor, where the GDP is negligible) and nearly two times lower than in Greece. Demographic pressure in Bulgaria is also significantly lower compared to the countries, which joined the EU in 2004. Just for information, the countries with the highest demographic pressure in the world are the following: Republic of Korea, the Netherlands, Japan, Germany, Switzerland, Italy.

From the above stated can be concluded that our country has a competitive advantage — low economic pressure, respectively low pressure on the environment as a result of human activities, which is evaluated by the market and there is a specific demand of preserved nature on behalf of individuals and price. The demand of preserved nature leads to counter-supply<sup>7</sup>.

***In the absence of government regulation the overvalue of the pure nature is fully distributed among the first buyers of the preserved plots of land, which then form the secondary market. If the State allows the overvalue of the preserved environment to be fully distributed according to the market principles, this overvalue will be lost and the government will have to restore it using public funds.*** EU membership provides good opportunities for our

<sup>6</sup> Zahariev, El. "The Green Economy — Determinant in the Development of the Economic Policy Adequate to the Challenges of XXI Century". In „Horizon 2020 to Economic and Business Knowledge". Volume I, Svishtov: "D. A. Tsenov" — Academy of Economics, 250 — 262.

<sup>7</sup> For details see: Sabev, D., op. cit., p. 26.

country to trade in green products in and through the EU. The low degree of urbanization and the abundance of fertile soils can make Bulgaria one of Europe's leading manufacturers of expensive organic foods (plant-growing without chemicals and „humane animal husbandry”) and an expensive, but a favorite place for soft tourism and recreation<sup>8</sup>. In our country, not only make we no attempts in this direction, but also erase the rudiments of entrepreneurial farming, from where the “pure” stock-breeding production comes. This opportunity can only be used in case of firmly demonstrated commitment and result-oriented policy on behalf of the State. Currently such are missing. The utilization of EU funds for agriculture and rural development is difficult; there are protests of farmers, and the trade in plant products is governed by suspicious groups under the indifferent gaze of state institutions.

The preserved environment provides our country unique ecological advantages over the overurbanized West, which unfortunately we do not use. One of the major macroeconomic problems of Bulgaria is *the huge foreign trade deficit*. This problem can be solved by building a green economy that favors the export of significant quantities of green products at high prices. Bulgaria has a huge budget surplus, but the nation's resources are not invested in major environmental projects.

To build a green economy specific actions on behalf of the State are needed for protection and restoration of the environment using budget funds, i.e. resources of the nation. Of course, only budget financing would not be enough to build a green economy, but it is a crucial need, because it will show businesses that the State finally takes its inherent duties and responsibilities for conservation and restoration of the national resources. Budget financing of the environment projects can be supplemented by funds from the Operational Program “Environment”, as well as private financing.

Bank loans have a key role in building a “green” economy. In recent years, the aggressive bank lending has had a negative impact on the Bulgarian nature, which makes us a nation of consumers that do not even think about the fact they have to repay their liabilities one day. Interest and principal are paid primarily with natural resources in their most accessible form — with plots of land, and funds from loans are invested mainly in non-productive assets. Oversupply of property and indiscriminate construction endangers the environment and destroys the economic value (profit), which could be derived from the nature in case of a sustainable management. In support of the above is the statement that „New constructions are not only harmful like an area flooded with concrete, but they also disfigure the landscape, as well as the ethnosphere in the small rural areas. Shortsightedness is only one possible explanation for the bad model of economic development in Bulgaria. The

other are: fear, laziness and corruption — at the highest levels of political authority”<sup>9</sup>.

The reasons for the selected harmful to the environment model of economic development in our country are shortsightedness, incompetence and corruption of the political elite, easy and quick profit-seeking companies and individuals, unawareness of the true importance of the preserved environment by the majority of people, etc. ***There is no civilian control and management of natural resources in our country. Bulgaria takes the last place in the EU not only with regard to the level of GDP per capita, but also concerning knowledge on environmental protection and green business.***

The State should educate people about the green economy. If they realize the importance of preserved nature, the idea of conservation and restoration of natural resources will get political support through their voting power. I do not support any political power and will not do it until there is such one with an explicit program for building a green economy in our country — the environment protection and the economic revival as well. Party interests are short-term and are shared by a small circle of people; national interests are long-term and much broader than the next government office term. Universal interests are higher than national interests, since they are related to the survival of human species<sup>10</sup>.

Humanity has destroyed or endangered the existence of one fifth of the species on Earth. Bulgarian Black Sea waters fall into the second most polluted category. The negative effects of business activity on the environment in our country are a fact, despite the population decline and the relatively low absolute level of GDP per capita. Therefore, the natural resources of our country must be protected with a special legislative initiative.

Green economy means creating higher benefit with less use and no loss of resources. Green and traditional economies are incompatible concepts for many reasons<sup>11</sup>:

- “Ecology — Economy” is based on long-term interests of society and the industrial economy — based on the interest of businesses to maximize their profits in short term;
- The traditional economy is based on the mass consumer culture that encourages the waste of natural resources;
- The market does not realize the importance of preserved environment, since it possesses enormous quantitative characteristics.

***The transition from traditional to green economy requires a green economic policy. “Green economic policy” is a specific type of management of labor supply, products and services, which from a macroeconomic perspective is an objective with a long-term planning horizon of an appropriate “green” structure of national economy. In***

<sup>8</sup> Ibid., p. 24.

<sup>9</sup> Sabev, D., op. cit., p. 25.

<sup>10</sup> Ibid., p. 25.

<sup>11</sup> Todorov, I., op. cit., p. 124 — 125.

terms of the global financial crisis that began at the end of 2007, the main concerns of politicians who make economic decisions are the economic growth and employment. They are worried about food shortages due to the rebellious nature, which can cause global inflation and economic slowdown — unemployment. Moreover, the struggle to maintain the economic growth is justified by the argument “jobs”. Of course, these are serious concerns that cannot be left unanswered, since our country has an open economy, heavily dependent on global economic situation. In Bulgaria, however, the problem of “unemployment”<sup>12</sup> and (or) inflation stands differently, because the country has a shortage of skilled labor. This shortage will lead to labour demand in the future and new jobs creation. The State should manage the creation of new jobs and staff in order to be sure that they are suitable for the green economic structure we strive to achieve. Education is crucial for the appropriate macroeconomic management and labour demand. Newly created jobs and staff must not destroy, but preserve and reproduce environment, i.e. shortly said, the new jobs preserve the nature. They may be far more environmentally friendly or even favored by nature in comparison with “traditional” industrial production, whose environmental price is high and we all pay it. It could be stated that the current economic development of Bulgaria does not comply with its resource potential, it even destroys it.

***Shortsighted economic policy of Bulgarian governments can lead to irretrievable loss of precious natural resources that are competitive advantages of our country on the world market.*** The government signed contracts to implement environmentally hazardous energy projects with Russia, leaving areas with unique natural features outside the protection of the European Program “NATURA”. Bulgarian Investment Agency honors mostly construction companies with the title “Investor Class A”, beaches and national parks are being massively built up.

Considering the above mentioned, some authors rightly pose the question: “What are we going to have in 2023, when according to some scenarios oil peak will be reached and energy prices will increase sharply?” Of course, the answer is construction of pipelines in cooperation with Russia and perhaps two nuclear power stations. In addition — we will have destroyed area. Destroyed opportunities for recreation of labor resources, international specialized tourism, organic agriculture, wildlife reserves, sustainable fisheries, herbs, etc. — just the things that would be then sought. And the popular knowledge economy, which should start building from now on — it will be gone. Since in Europe emission standards will become far more stringent, we will have to import, among others, also environmental equipment — machinery from Austria and Germany instead of the ability to produce such. Ultimately, it is not necessary to produce it; we can purchase it using the profit of

something else we do well. What is worse is that we will have to import even most simple ideas, to which we could come alone, but we just neglect them. The idea of a green economy can hardly flourish by itself, because we do not want to stop using traditional materials, but we want to create conceptual products. This requires funds, which must be first found and then effectively invested. Moreover, if the seed is a world-recognized need for sustainable and human economy, and the soil is internal feature and external demand for “green” at high prices, the watering can, through which the “live-giving liquid” could be poured, is *the government economic policy*. State enterprises have proved ineffective and the government in the huge number of cases should not directly manage the funds raised. However, the State should directly regulate economic direction providing a good environment: institutions and incentive measures<sup>13</sup>.

Furthermore, mass consumer culture on Pseudo-American model was formed under the indifferent gaze of the public institutions, which led to sharp increase in consumer spending with a direct negative impact on the environment.

The lack of environmental assessment in loan disbursement and utilization reflected in indiscriminate and harmful to the environment construction. Bulgarian politicians widely use terms such as: “sustainable development”, “environmental standards”, “responsibility towards future generations”, “environmentally friendly economy”, ***but a comprehensive state environmental protection policy is absent.*** The reasons are many and varied (Fig. 2):

Indeed, as we look deeper into the above various kinds of reasons for the lack of a comprehensive state environment protection policy, it seems to have one haunting question: Who would be the politician opposed to the unimpeded making money? Resistance, however, is mandatory from an economic perspective, as this “unimpeded” making money is related to destruction of wealth at a much higher value than the income received, for which wealth “entrepreneurial” politicians and businessmen do not even suspect. Green products become more expensive, when suppliers realize their actual value. The higher the sellers evaluate their green products, the higher will be the price that the buyer is willing to pay for them. Bulgarian population begins to understand intuitively the high economic value of the preserved environment and green products, but it is still far from its full realization.

The primary task of the State, which is not currently implemented, ***is to increase awareness of the environmental and economic value of pure nature.***

There are all prerequisites for successfully building a green economy (Fig. 3):

Having in mind the above stated we should loudly say that we have “the greatest biodiversity in Europe”,

<sup>12</sup> In terms of human economy, it is difficult to determine what is the lesser evil — unemployment or inflation. Moreover, they can occur simultaneously in a period of stagflation.

<sup>13</sup> Sabev, D., op. cit., p. 26 — 27.

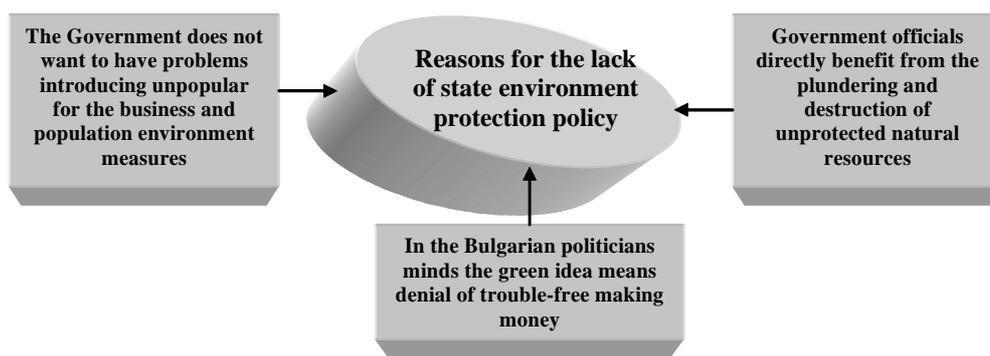


Fig. 2. Main reasons for the lack of state environment protection policy

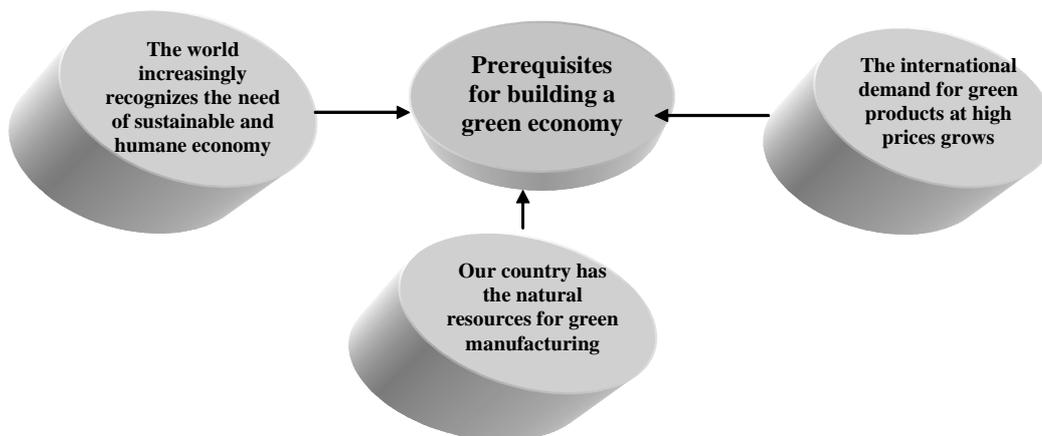


Fig. 3. Prerequisites for successfully building a green economy

which must be protected and multiplied. We would be hardly satisfied if the main we deal with is to translate European laws into Bulgarian, to harmonize our legislation and win foreign funding under “programs”. Furthermore, it is hardly believable that anyone could consider seriously the fact that the construction of eco trails and wind generators on protected areas can be classified as major projects, moreover, that funds under the Operational Programme “Environment” are not Bulgarian.

Finally, *ecology* became part of the society’s agenda and politicians from London to Seoul began to spend billions on clean technologies, which — according to them — create new jobs. Nevertheless, if we all do not accept the risk to hurt us a little more than we expected, the green revolution can end before it has really started.

The American president Barack Obama expressed his great expectations for the environmental agenda with the promise to invest \$ 150 billion in green technology over the next decade. “It will help us transform our industry and bring the country out of the economic crisis, creating 5 million new green jobs, which are going to be well paid and can not be exported,” he said in November. A similar call for international “Green New Deal” (a reminder of Roosevelt’s New Deal during the 1930’s) towards “low carbon recovery” made by the British Prime Minister Gordon Brown. UN requires one percent of global GDP to be invested in environmental initiatives. Rich countries like Canada, Japan and South Korea follow the call spending

billions to promote environmental projects and green businesses. Even the U.S. Congress discusses various measures to reduce greenhouse gases — from regulatory measures such as increasing fuel efficiency of automobiles or requiring electricity companies to produce most of the energy using renewable sources, to carbon taxes and a cap-and-trade system for power stations.

From the environmental point of view, many of the ideas discussed here are justified. It is doubtful, however, that they offer opportunities to quickly restart the economy. What does it mean? *First*, the global financial crisis was caused by very different problems — the real estate bubble burst and lending from St. Petersburg to San Francisco, the related implosion of the heavily indebted international banking sector and the resulting collapse of the real economy. These urgent issues will not be resolved by switching to hydrogen vehicles and installing solar roof panels. *Second*, in the light of truth we must admit that eco laws both create and destroy jobs. In the U.S., for example, because the country relies on cheap coal—fired power plants, restrictions on carbon emissions will lead to higher energy prices. (How much higher remains an open question.). Companies with older technologies or working in the energy intensive industries will have to make higher production costs, which may lead to termination of their activity or looking for new ways to do their business outside the country, where electricity prices are lower and restrictions on greenhouse gas emissions are not so strict.

Bulgaria is a small country and the best way to integrate into the global economy is finding a market niche based on national competitive advantage. Such a niche is undoubtedly the green economy. It is the most logical way for the development of Bulgarian economy, it promises good profits to producers of broad strata of Bulgarian society. Through the green economy can be simultaneously implemented the goals of existence, economic objectives, social objectives, as well as objectives of cultural maturation of the nation. The economic value of green environment is greater than the economic value of the smoking chimneys and holiday complexes. This economic value is destroyed by unfair, shortsighted and without any concern for the national interests attitude of the politics, government and business in Bulgaria. Consequently, the State authority loses large amounts, ideology, political doctrine, as well as opportunities for national consolidation and wealth in the future.

Unfortunately, we still cannot boast *an adequate environmental policy*. This could be seen from the disturbing trends in the utilization of EU funds for environmental infrastructure projects in the first months of 2010, which in the opinion of the Commission are crucial to successful implementation of “Environment” and ISPA programs. A positive result can be achieved only if the efforts of the central administration are supported by competent and responsible actions of the municipalities, but such actions of the municipal and regional structures related to the utilization of EU funds have not been yet a focus of public interest. So far, experience shows that the quality of local project preparation and management is crucial — both for their successful implementation and for their failure.<sup>14</sup>

The preparation of the National Green Investment Scheme has started after the Parliament approved the amendments of the Environmental Protection Act. The government concept of green investments includes active sales of gas emission reductions under Art. 17 of the Kyoto Protocol, as well as companies’ actions in relation to the final adoption of the Second National Allocation Plan for emission allowances, which will secure the full participation of Bulgarian companies in the European markets for trading with carbon quotas. It is highly possible that the expectations of the Ministry of Environment and Water of Bulgaria for revenues of 400 million euros in the National Trust Eco Fund are to be realized, despite the unfavorable market situation of free emissions. The funds will be used for subsequent financing of environmental projects in the sphere of energy efficiency, transport, waste management, etc. Long-term effects of the

program are to encourage businesses to participate in the so-called green economy and create conditions for additional employment and new green jobs. Such an approach in the development of national economies is also stimulated by the European Commission priorities formulated in the Community Development Strategy 2020.

### **Zakariev Elenko. Green Economy — Political Balancing Tricks or Predetermination**

The Green Economy is one that is good for the environment. Instead of “green economy”<sup>15</sup> we can use the terms “ecological economics” (“ecology — economy”) and “sustainable economy”. Each of these terms has its own specifics, but the common between them is the recognition of the need for prompt and decisive actions to eradicate the harmful effects of human activities on the environment.

*Key words:* green economy, balance, ecology, effects, activity.

### **Захарієв Еленко. Зелена економіка — політика балансу хитрощів або приреченості**

Зелена економіка — єдина, найкраща для навколишнього середовища. Замість „зеленої економіки” використовують терміни „екологічної економіки”, „екологія — економіка”, „підтримувана економіка”. Кожен з цих термінів має власні специфічні особливості, але спільне між ними — розпізнавання потреби в швидких і вирішальних діях, щоб знищити небезпечні впливи людських дій на навколишнє середовище.

*Ключові слова:* зелена економіка, баланс, екологія, ефекти, діяльність.

### **Zakariev Elenko. Зеленая экономика — политика баланса уловок или обреченности**

Зеленая экономика — единственная, наилучшая для окружающей среды. Вместо «зеленой экономики» используют термины «экологической экономики», «экология — экономика», «поддерживаемая экономика». Каждый из этих терминов имеет собственные специфические особенности, но общее между ними — распознавание потребности в быстрых и решительных действиях, чтобы уничтожить опасные влияния человеческих действий на окружающую среду.

*Ключевые слова:* зеленая экономика, баланс, экология, эффекты, деятельность.

Received by the editors: 14.02.2011  
and final form in 25.11.2011

<sup>14</sup> See: The Economy of Bulgaria — April 2010. — Report of the CED: [http://www.ecom.bg/.../iconomikata\\_na\\_bulgariya\\_yanuari\\_2010\\_g](http://www.ecom.bg/.../iconomikata_na_bulgariya_yanuari_2010_g)

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