

Green Macro Economics

- Difference between Micro and Macroeconomics
- Replaces partly theory/policy split
- Microeconomics is used as a foundation of Macroeconomic models
- Macro level sees main political debate
- Economic theory and policy highly contentious on macro level
- Loss of consensus in economics

Macroeconomic areas

- Allocation
- Stabilisation
- Distribution
- Employment
- Growth
- Development
- Inflation
- Investment
- Money/interest

Issues with mainstream economics

- 3 areas:
- Scope
- Methodology
- Contents

Scope

- Leaving the society out of a 'social' science
- Narrow scope of subject – production of goods and services, then enlarging this view to questions of society
- homo oeconomicus
- Atomistic, individualistic view

Methodology

- Quantitative vs qualitative methods (use of mathematics)
- Strictly reductionist – excessive use of models and results are used to explain reality unadjusted
- Preference for very simple results as complex reality cannot be described formally to same extent
- Effectively 'normative' model building

Contents

- Main stream economics is not value free – (traditional scarcity selects conservative values) and attempt to preserve them
- Selection of subjects and how they are approached (e.g. public choice theory, cultural critique left out, consumer sovereignty)
- Personal preferences, historic circumstances (Making the economic conditions to suit own advantages (international trade policies))

Macroeconomic theory

- Aggregated level of economic activity
- Attempt to show equilibrium situations
- Optimal vs equilibrium (absolute/relative)
- Market stability and economic policies
- Assumptions and question of reductionist methodology
- Quantity vs quality in economic models
- Normative vs positive model building

Green challenges

- Definition of different values in 1960ies
- Evolutionary nature of society
- Search for new solutions/freedom
- Cultural change and breakdown of class society
- Traditional values and scarcity
- Economics as a conservative science
- Awareness of 'normative' elements

Impact on economics

- Loss of consensus accelerated
- Awareness that existing science is not positive
- Accusation of ideology and bias
- Search for alternatives and analysis of contradictions/errors
- Strong defensive response from mainstream/partial incorporation of ideas

Current situation of economics

- Strong criticism of mainstream but no comprehensive objective alternatives
- Tendency to radical criticism/ignorance of facts or blindly following tradition
- No new, modern consensus achieved
- Unsolved problems mounting
- Urgent need of objective new concepts based on current realities

Green Economics approaches

- Schumacher: Production problem not solved
- Critique of consumerism: Objective efficiency in consumption
- Growth: Limits to growth or problems with the quality/structure of growth
- Purpose of economy/aims of society (employment, quality of life)

Green economics approaches

- Wider variety of subjects and concerns (developing economics, price vs value, alternative indicators)
- Impact of other sciences encouraged (psychology, natural sciences, philosophy, history and evolution)
- Traditional values identified and avoided in the progression of the discipline

Growth/development

- quality/structure of growth
- Long term trends of private and public consumption
- Savings and investments ($I=S$), identity of production and income
- Kondratief cycles and environmental investments
- Savings and public debt

Growth/development vs stability

- Stabilising the economy with less conventional growth (Growth became value in its own right)
- Important area to get the political strategy right as people need to be convinced (2 stages approach)
- Avoidance of the trade-off argument, no abstract systems debates required
- Technological progress – structure of the economy – focus on final goals of the economy
- Effectively acceptance of absolute limits set/ explained by other disciplines

Employment

- Debate about quality of life
- Unemployment and competitive pressure
- Productivity and employment
- Growth, wage levels and employment (the traditional view)
- Demand vs supply side economics

Employment

- Refocus the economic debate on employment rather than growth
- Productivity (policies) and quality of work
- Unemployment and competitive pressure
- Growth, wage levels and employment (the simplistic traditional view)
- Requirement to have more detailed policies to address the above (structure of work, security, etc.)

Employment policies

- Working time reductions
- Working time flexibility to avoid unemployment
- Meaningful work
- Reducing unemployment to reduce competitive behaviour
- Factor price adjustments (social security contributions and tax system)

Development of society

- Economic influence on culture
- Preservation of traditional scarcity
- Competition and co-operation
- Wider definition of economics and subjects/objects to be considered
- Definitions of 'freedom' and use of terms in economics

Public sector economics

- Market based vs non-market based approaches (problems of definition)
- Direct vs indirect solutions
- Market failures and external effects
- Cumulation effects and distributive justice
- Economic rents and issues of taxation

International economics

- Main area for the promotion of normative economics
- and main area where conventional explanations break down
- Neo-liberal agenda promoted strongly as no international political framework existing
- Equired to develop international trade agreements based on 'structuralist' arguments
- Economic integration like EU vs neo-protectionism and localisation