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# Beyond the Corporatist Economy: Impulses for a Green economic policy

**European Green economic policy needs to include more than just environmental and social policies within the old structures. The economy must be transformed from the ground up.**

**About the author:**

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# 1 Green Against the Corporatist Economy

I am often asked whether Greens should mainly focus on environmental and equality issues, and I'm told our main focus should be on environmental and social reform rather than on economic policy. I think this is wrong. If we do not change the basic economic structure of our society, environmental and social changes cannot work; if we do not overcome the structures of the corporatist economy, any Green environmental and social policy is set up to fail. As a Green politician, I have worked on regulating the financial markets and have argued in favour of shrinking them. I have raised concerns about the increased power of big business and pushed for strong anti-trust policies. Often, state decision makers are closely linked to strong financial interests, and so I want to re-establish our democracy. In my first two papers, "Overcoming the Corporatist Economy, Restoring the Market Economy" and "The Corporatist Economy and the Nanny State", I set out my position in detail. Now with this paper I intend to show why Green policy *must* stand against the corporatist economy if we are ever to achieve our aims.

What does the corporatist economy mean? Primarily, it means that in a growing number of markets the priority is no longer competing to provide the best service to consumers: rather, the size and financial clout of a business determine its success. It is therefore time to enforce the structures of the market economy again. Secondly, the term "corporatist economy" describes the power dynamic between financial markets on the one hand, and producers and consumers on the other. Financial markets have become too big, too complex and too fast, and as a result their inherent instability is a danger to society and has unwanted consequences. The corporatist economy, then, means that the balance of power between democratically legitimate institutions on the one hand and large corporations and financial markets on the other is unbalanced. This brings us to the third characteristic of the corporatist economy: that the state and its institutions often act in the interests of large corporations and the financial markets, who profit by having the rules set in their favour and as a result the interests of the broad majority of citizens are ignored.

In such an environment, the Green aims of environmentalism and justice have no chance of success, and neither does the liberal instinct of Green politics, striving for individual self-determination. That is why I believe it is so important to change this environment.

This is how, as a young economist, I came to the Greens in 1996. I was impressed by their ecological-social tax reforms, clear stance on competition policy and strong engagement with civil society and co-operatives. I hoped that the Greens would be the right people to restructure our economy in a sustainable and just way. Since then I have focused on economic and financial policy, because I am convinced that unless we overcome the corporatist economy we will not be able to stop the environmental crisis, we will not be able to correct unequal distribution, and we will not be able to ensure our individual freedom.

# 2 Only an Economy That Serves People Can be Just and Environmentally Sound

Economic trade is part of our life – humans exchange goods and services on the market to satisfy our needs and wants, increase our wellbeing and to become better-developed. We economise because we have to distribute limited resources. The economy and the markets serve humanity and allow us to live better. In recent times, though, this relationship seems increasingly to be reversed: in a lot of areas we see human interests no longer steering the economy; instead, large corporations define what human desires are. The changed structures of our economy are an important driver of this: a corporatist economy has developed that uses humans to its own ends and suppresses society's economic interests. Those concerned about the environmental crisis and pressures on biodiversity, and genuinely care about fair distribution of wealth, must oppose these developments. The economy should exist to serve humanity, not vice versa. Good policy should not seek to ensure the markets work; markets must be limited – limited to the areas to which we want to allow them access.

## 2.1 More than a Return on Investment

If global businesses grow too big for their boots and increasingly set the rules for the world economy, environmental and social concerns become ignored. There's a simple reason for this: corporations and funds (who are, generally, responsible for this) *must* maximise their returns. No other issues can come into consideration for boards of management. Every shareholder has a legal right for business to be done *exclusively* to the benefit of his or her return on investment! Businesses need to consider any other aims - a decent wage for their employees, environmentally sound production methods - from the perspective of how it will affect profit. This profit-making pressure is increased as every trimester businesses must report their successes and failures to shareholders (quarterly reports) and the management's bonuses are linked to annual profit. This short-termism hugely incentivises myopic, unsustainable practices. Anyone hoping for understanding, insight or far-sightedness, or consideration of the bigger picture, does not understand what an incorporated company, limited liability company, fund or any other type of corporation is. They are a means by which profit is generated and maximised. Many managers may, as individuals, be convinced of the need for environmental and social policies, but as business leaders their hands are tied.

An interesting story from the early days of big business is relevant here:[1] Henry Ford believed that his eponymous car company should be more than a "limitless source of profit." He paid his workers above average, and rewarded his customers with price cuts. His motto was that "a reasonable profit is right, but not too much." However, he had not discussed his good deeds with the Dodge brothers who had loaned him $10,500 in 1906 to help start his business. The brothers were furious that Ford's strategy was curtailing their dividend. This caused a scandal which peaked with the now famous Dodge vs. Ford lawsuit. In court Henry Ford tried to argue that a business should be "a service provider, not a goldmine" and businesses ought to think about more than making money, but the judge ruled in the Dodge brothers' favour and Ford was slapped down with a ruling the effects of which are still felt. From that point onwards the principle of maximising profit has never seriously been challenged, and so corporations (in contrast to some personally liable sole traders) continue to follow a fundamentally pathological strategy. I say pathological, because though pursuing power and profit is the right approach from the shareholders' perspective, it often runs in opposition to social aims, and this becomes increasingly clear in a corporatist economy dominated by huge businesses. Pressure for profit and growth against the backdrop of increased global competition are pushing us further from our targets of social and environmental sustainability.

## 2.2 Exposing the Consumption Trap

The pursuit of profit in business is up against a broadly saturated market, at least in Europe and North America. Consumers have reached the stage where they cannot consume much more, meaning domestic growth in production is limited and, accordingly, so are opportunities for profit. So to increase profit, we try to create needs. We make products attractive to consumers who never even wanted to buy them in the first place and who didn't even know until recently that these products existed.

One strategy central to this is to speed up product circulation and shorten the product cycle by changing style more and more quickly. Extensive advertising campaigns suggest to consumers that their still-good watch and perfectly usable sofa need replacing.

Another strategy is what is known as *planned obsolescence*, i.e. artificially shortening a product's lifespan to keep consumption ticking over. A study commissioned by the Green group in the German Bundestag[2] gives concrete examples of how some producers consciously and deliberately plan wear and tear, low repairability, and making old products unusable by bringing in new technical standards. Global player Apple follows this strategy: in 2012 they brought the new iPhone 5 onto the market with modified connectors, meaning accessories from previous models were no longer compatible[3] The consumer footed the bill.

1 See Bakan, J. (2005): Das Ende der Konzerne. S.48f.
2 Schridde, S. & Kreiß, C. (2013): Geplante Obsoleszenz. Gutachten im Auftrag der Bundestagsfraktion Bündnis 90/Die Grünen. http://www.gruenebundestag.de/fileadmin/media/gruenebundestag_de/themen_az/umwelt/PDF/Studie-Obsoleszenz-BT-GRUENE.pdf (8.10.2013).
3 http://obsolescence-programmee.fr/exemples-symboliques/iphone-ipad-ipod-et-mac-dapple/

If all competing businesses are subject to these incentives, a whole product range can quickly fall into a negative quality spiral. Economists have shown that the tendency towards planned obsolescence in monopolies and oligopolies is stronger than in an economy with properly functioning competitiveness. This shows that corporatist economic structures impede economic and social development to a particular degree.[4] France takes this problem so seriously that in March 2015 the government in Paris passed a law making planned obsolescence illegal in their country. Producers are now obliged to clearly inform consumers about the operational life of a TV, mobile phone or other consumer good before purchase, or face a fine of up to 15,000 Euro.

In a corporatist economy where a few suppliers control entire product markets, they push profit-maximising tactics: IKEA decides what furniture is in, Nike sets the next training shoe trend and Apple tells us what a phone should do and what it has to look like. Businesses with a lot of financial power can promote their products in a way that small businesses are unable to. Competition based on quality falls by the wayside, along with consumer choice – and, importantly, so does ecology. This economic model creates more and more waste, consumes more and more resources and produces more and more $CO_2$ to maintain the same living standard. This is not a sustainable economy, nor one that serves humanity. It only serves itself, while undermining our foundations.

## 2.3 Fighting Greenwashing

It may seem as though an increasing number of businesses are reconsidering and taking action on sustainability and social responsibility. Almost all businesses and big banks in Europe bring out sustainability reports or engage with sustainability officers. Corporate Social Responsibility (CSR) is a buzzword everywhere you go. Of course some individual managers do take it seriously, but we should not allow ourselves to be fooled. Shortly before he passed away, Nobel Economics Laureate Milton Friedman stated clearly in an interview:[5] Social responsibility is only image management for businesses. Good intentions, just like pretty young women, help sales. That's all there is to it. That might sound cynical, but I think it is true – most CSR activities are image promotion, an exercise in marketing. Business get cleaner to sell better, and show engagement with sustainability to make customers and buyers feel good.

Ongoing debate about corporate greenwashing, as it is known (meaning that businesses cover themselves in a superficial green layer) shows what a sorry state of affairs this is, and there is a litany of examples of this practice, and indeed the environmental organisation Greenpeace has published a greenwashing report containing some prominent examples.[6] The UK oil company Shell has been trying to project a green image for over 20 years "with persistence in attending every sustainability forum, (…) and publishing some of the best greenwash advertising ever produced". Greenpeace's conclusion is not a happy one: "Despite all the years of rhetoric, Shell is increasing its carbon intensity, its investments in risky and high carbon fuels, and reducing its investment in renewable energy."[7] The European Commission has finally, unequivocally criticised these practices. At the European Consumer Summit 2013 the Commission complained that an increasing number of electrical home appliances in Europe, such as irons, vacuum cleaners and coffee machines – carry an "eco" or "environmentally friendly" label, but when tested they do not perform any better – and sometimes even perform worse – than comparable products that are not labelled.[8] But big players have the means and the financing to create a green image for themselves. The corporatist economy is seeking to turn the sustainability debate to its own advantage, and ecological and social aims are often a fig leaf used to better legitimise their true aim of maximising profit.

Sustainability reports from large corporations should be read with this in mind. Generally, they used as are more of a marketing tool, or an exercise in meeting internal CSR obligations. As there is still *no standard for reporting*, the reporting corporation itself decides the contents and emphasises the most favourable aspects. Reports are therefore inconsistent and vary in the depth of detail they give.

4 Bulow, Jeremy (1986): An Economic Theory of Planned Obsolescence. The Quarterly Journal of Economics. (No 1986), pp. 729-750.
5 Interview with Joel Bakan. In Bakan (2005): Das Ende der Konzerne. S.45-47.
6 Greenpeace (2012): Greenwash +20. How some powerful corporations are standing in the way of stustainable development.
7 Greenpeace (2012), S.6. Further examples can be found on the organisation's website: www.stopgreenwash.org
8 http://ec.europa.eu/justice/events/european-consumer-summit/2015/index_en.htm

Investors are often “sold” on an asset’s environmental, social and ethical standards, but neither analysts nor citizens can really compare the sustainability of businesses or investment products. Therefore, key indicators of corporate sustainability for all players urgently need to be standardised. In practice, that means that corporate reporting methods and information for investors must be expanded to include comparable, verifiable and binding environmental and social indicators.

In France, the United Kingdom and Sweden these indicators have been in place for a long time. At a European level, too, at the end of 2014 new CSR reporting obligation standards were approved. The new EU directive covers all groups and large corporations in the EU with upwards of 500 employees, affecting some 6,000 firms across Europe. In the future, their activity reports will have to show in greater detail what strategies, risks and results exist in the interests of the environment, society and employees, along with respect for human rights and tackling corruption within companies.[9] The difference between this and current voluntary initiatives – including at the international level, such as the Global Reporting Initiative – is one of data quality and comparability.

I am aiming for an economy in which the ecological and social aspects of trade are just as important as hard economic figures. Only then will we be able to see whether a business is truly creating value, or destroying it. This may sound Utopian, but if these considerations are taken seriously, in the future a manager could be made to leave for consistently failing to reach agreed environmental targets, as currently happens with financial targets.

## 2.4 Strengthening the Solidarity Economy

Alongside this, we must also significantly strengthen the sectors of our economy that are not exclusively interested in profit such as social services, non-profit organisations and co-operatives. In Europe the community economy is far stronger than most people think: according to a recent UN study, there are some two million organisations operating across the EU in what they term the Social and Solidarity Economy (SSE), comprising approximately 10 percent of all businesses in the EU. They employ more than 11 million people, making up 6 percent of all employees across Europe.[10] In France the SSE sector employs 2.3 million people, making up 14 per cent of all private sector jobs.[11] In Italy the solidarity economy grew by 28 per cent between 2001 and 2011,[12] and in Germany over 2,000 housing co-operatives with over three million members have characterised the housing market for several decades. Co-operative banks, welfare centers and charity unions have for decades been an important part of Europe’s economic and social system. The SSE sector carries weight in other parts of the world too. In Brazil there has been something of a boom in this sector, with 20,000 businesses in the solidarity economy currently employing around 1.8 million people.[13]

The concept of the Social and Solidarity Economy includes economic organisations that do not seek only to maximise profit, choosing to focus too on co-operation, self-organisation and the common good. These include businesses like Wikipedia and Mozilla, who make knowledge or open source software available. Trends which are now mainstream in Europe, such as organic food and car-sharing, can be traced back to the solidarity economy.

As a Green politician, I want to strengthen the idea of the solidarity economy as an alternative to the corporatist economy. In practical terms this means cutting back on the red tape of taxes and bureaucracy for co-operatives and other SSE actors. At the same time, solidarity economy structures which have become “commercialised” should go back to their roots and offer an alternative to the mainstream economy. France set the legal benchmark for the SSE sector in 2014: there, to gain SSE status businesses must commit to “controlled profitability” and in return are given easier access to financing.[14]

9 Comprehensive information at http://ec.europa.eu/finance/accounting/non-financial_reporting/index_en.htm and http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095

10 See Utting et al. (2014): Social and Solidarity Economy. UNRISD Paper 2014. S. 11. http://www.unrisd.org/utting-et-al, and the UN Inter-Agency Task Force report on Social and Solidarity Economy (TFSSE) (2014): La Economía Social y Solidaria y el Reto del Desarrollo Sostenible. http://www.unrisd.org/ssetaskforce-positionpaper-spn. More information at http://www.unrisd.org/tfsse

11 Utting et al. (2014), S. 11

12 TFSSE (2014), http://www.unrisd.org/ssetaskforce-positionpaper-spn

13 www.theguardian.com/global-development-professionals-network/2013/oct/09/brazil-solidarity-economy-labour Utting et al. (2014), S. 11

14 http://ripess.eu/a-new-national-law-on-social-solidarity-economy-is-now-approved-in-france/

One thing is clear – for our economy to become ecologically and socially centred, we need innovative businesses that can act as examples: Triodos and GLS banks instead of Unicredit or Deutsche Bank, Linux or Ubuntu instead of Microsoft. These are the examples we need if we want to move away from an economy that optimises its profits but in many ways disregards Green aims and threatens our wellbeing as a result.

### 2.5 Reforming the Public Economy

Alongside the solidarity economy and the private sector there is a third main group, that of state-owned economic operators. This sector has often strayed too far from its original purpose to now be able to act as a counterweight to the negative developments in the private sector.

Most European countries have large portfolios of government businesses, including transport firms, construction companies, and even breweries. It's not always clear that the state should own these companies, but if it wants to remain the owner it should act consistently; wherever the government plays a significant role in a business, the business should pursue ambitious sustainability strategies. It makes no sense for the state to pass sustainability strategies and environmental protection laws, while failing to demand the same basic standards as a business operator.

With its own businesses, involvement in other businesses and state institutions (statutory pension providers, unemployment and health insurers and public credit institutions), the state should set the standard for sustainable investments. The government needs a clear, transparent investment strategy for all public assets, but in many European countries, including Germany, almost nothing has been done to this end. Sustainable investment on the part of the state can become a benchmark for private investors, as exemplified by the Norwegian pension fund which invests and manages the country's oil revenues in the long term. It excludes certain businesses and sectors of the economy completely. This state initiative can have a multiplier effect too: a World Economic Forum study showed that state investment in sustainability often mobilises upwards of a fivefold increase in private investments.[15]

We must be clear that no type of economic activity – private, co-operative or state – will automatically have the effects we desire. Power, unsustainable business and unethical trade exist everywhere, though the risk is higher in purely self-interested businesses. There is an undeniable need for strong competition policy that breaks down concentrations of power in the market, alongside a clear state framework that steers the economy in a sustainable direction and demands good corporate governance from private, state and co-operative businesses alike.

## 3 Environmental and Social Transformation Cannot Succeed without Shrinking and Reforming the Financial Markets

A monetary and credit economy, together with markets for other types of financing can be a key driver of Green transformation. The financial markets act as a lever with a strong multiplier function for the entire economic system. Without financing there is no investment; without investment there is no Green transformation; and so the financial markets have a key role in making it happen. For instance, the fossil industries are still highly overvalued: oil, gas and coal companies have a combined stock market value of almost five billion US dollars and are among the most popular for investment, as they promise high liquidity, growth and dividends.[16]

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15 World Economic Forum (2013): The Green Investment Report. The ways and means to unlock private finance for green growth. Geneva.

16 Discussions on the carbon bubble show the high risk in oil, gas and coal investments: If, as the global environmental council IPPC says, two thirds of known fossil fuel reserves cannot be allowed to be used or global warming will become uncontrollable, then companies like ExxonMobile, Shell, RWE & Co are already highly overvalued on the financial market. If the markets recognise this overvaluation, they will pull their money out and there will be a huge skimp in oil and coal shares, and so many citizens who have made, for instance, pension investments in coal and oil shares, will lose assets. See also: Green European Foundation (2014): The Price of Doing too little too late: The impact of the carbon bubble on the EU financial system. The Intergovernmental Panel on Climate Change (IPCC): Fifth Assessment Report 2014. http://www.ipcc.ch. Latest data and developments on: www.carbontracker.org.

Similarly, there is a lot of money in investments that can only be attractive through miserable working conditions in other parts of the world. Here, regulating the financial markets cannot be used as a panacea: prices are often influenced by policy areas that have nothing to do with financial market policy. Energy policy, in particular, influences the price of shares in the energy sector. But by targeting finance to future oriented sectors, technologies and businesses, well-regulated financial markets can accelerate the process of transformation.

Financial markets in their current form are dysfunctional, and they impede Green transformation. Their core practices of facilitating savings and trade, sensibly managing risks and handling transaction payments efficiently in the interests of actors in the real economy, are not being done fairly.

Why is this? The financial sector is meant to make services available to other sectors of the economy. In reality, because of its strong growth relative to other sectors of the real economy, it is living a life of luxury. The sheer size of the sector, and the incredible speed and complexity with which financial markets operate, means their intrinsic instability has become a problem for other sectors of the economy. Actors on the financial market use this system to make money from money and to skim a profit from the real economy, making less funding available for sensible societal projects. Players in the financial market gain and taxpayers, businesses, consumers, renters and private retail investors foot the bill. The current market setup enriches the few, while risks increase significantly for the financial system as a whole. Profit is privatised, losses are socialised, and retail investors, builders and taxpayers are the victims. Financial markets will be able to play a constructive role in environmental and social transformation only if and when these fundamental problems are solved.

These problems are manifested in various ways: many banks are too big; so big that they cannot shoulder their own risks. Banks continue to be able to extort states, and the general public, into assuming joint liability, and the general public often ends up paying. Similarly, in the commercial sector, a large part of the stock exchange is made up of "high frequency trading" which skims returns on investment based on the advantages of milliseconds; this is of no use in the real economy. On the contrary, "normal" market participants are deprived of returns on their investments and, furthermore, resources are stuck in pointless infrastructure and no longer available for meaningful projects. Property speculation is another example of how self-referential the system has become. Prices are increasingly dependent on the financial situation of players in Frankfurt, London or New York looking for a return on investment and allowing property market prices to go up almost independently of the actual situation on the ground. This behaviour makes sustainable urban planning impossible and creates instability and risk. For years the insurance industry has put the money it receives in investments into advertising, instead of effectively ensuring investment in pension provisions for their clients. Investors often believe that they are investing their money in meaningful, sustainable projects only for it to disappear into the pockets of fly-by-night operators. All of this shows how misguided the regulation of the financial market is, which must be corrected if environmental and social transformation is to succeed.

The financial sector as a whole must be made smaller and less complex in relation to the real economy, and must move away from focusing on short-term returns on investment. The financial sector must go back to its purpose of providing services to society. Green transformation requires this to happen, otherwise money will not be able to be efficiently and steadily directed into sensible social investments. This change alone is not enough though– targeted rules for systematic evaluation of ecological and social considerations are needed to ensure money flows from the financial markets into the right kind of investments.

In summary, the financial sector as it currently works does not allow for changes to be made towards Green transformation, and this is why it must be reformed from the ground up.

## 3.1 Boring Banking, Not Too Big To Fail

There's something Greens have known since we first took to the streets to protest against nuclear power plants: if risks are so big that they can not be borne solely by private organisations, the state needs to intervene. The reaction to that: in Germany, nuclear power has been phased out. Our attitude to the financial markets must now be to accept we do not need European or German banking giants. The Greens will not have a location policy for banks. Meaning that we need a clear separate banking system, and we need mechanisms to close down banks without causing losses in the real economy. We also need strong merger controls to actively ensure banks do not become too big. We cannot talk about banks being "too big to fail" while allowing big banks to buy up other banks. And when it comes to banks that are already too big, we need a demerger strategy to allow us to intervene when risks become uncontrollable. Last but not least, we need strong but simple rules that force banks to back up their deals with their own equity, and we need a debt brake for banks in the form of a simple yet robust equity ratio.

In line with the proposals of the Scientific Advisory Board of the Federal Ministry of Economics, we seek a gradual 10 percent reduction in the non-risk-weighted balance sheet total in the long term. Our aim is boring banking: we want banks that act as service providers to the real economy. In the medium term, we also need a supervisory regime for small banks with a simple business model, which should be regulated to strict but simple and attainable standards, not judged by rules that were created for big banks. In the future not only will individual institutions need to be monitored in order to shrink the finance sector; we have to intervene when the entire system grows too big (macro-prudential instruments).

## 3.2 Promoting Long-Term Sustainability, Preventing Short-Term Returns

Socially relevant investments are long-term investments. We seek to prevent the short-term profit-seeking which make up a large part of transactions today. To do this, we need to finally introduce a comprehensive financial transaction tax which includes currency and derivatives trading. As a cautious estimate, Germany could raise 18 million Euro annually by doing this. At the same time, we want to curb high frequency trading and food speculation, for example by introducing intervals during which orders can be carried out (known as frequent batch auctions). Reducing transactions to "just" once a second would help, though we would aim for one transaction per minute. Further steps required to curb short-term returns on investment are a penalty tax on short-term refinancing (except for customer deposits), and extending shareholder rights to holding times. Despite all of these measures, products will continue to exist which are so non-transparent that it's almost impossible to assess their risk externally. Many of these products are so complex as to fool potential buyers; we would ban such non-transparent products outright.

## 3.3 Creating Fair Financial Markets

Making financial markets fair primarily means acting against illegal and semi-legal activities, with no exceptions. Fighting money laundering and illegal tax practices is a Green issue: where money is being used illegally, Green aims are almost always being damaged. We also want to strengthen the position of consumers. The wider public has become aware of the need to intervene more strongly thanks also to the huge problems with Riester pensions in Germany. In this context we need, at the very least, significant restraints on fee-based consultations. Financial supervisors must take their responsibility for collective consumer protection seriously: consumers' legal position must be strengthened so that bad advice and fraud on the financial markets are no longer lucrative.

## 3.4 Shining a Light on the Shadow Banks

Regulation of the financial market must focus on the action, not the institution carrying it out - the same types of business must always be regulated in the same way. Anyone accepting any kind of deposits and granting loans must be regulated like a bank. Clear equity rules and liquidity requirements, along with transparent accounting, will help us to shine a light on the shadow banks. Regulation imposes costs on the finance industry – politically, that's the price we have to pay. It would be inconsistent for the shadow banking sector to be supported with the argument that it allows for cheaper financing. We cannot yield to industry greed and relax regulation at the cost of financial stability.

## 3.5 Aligning the Financial Markets and the Environment

Environmental risks have never been systematically reported in the financial markets - not in the field of financing for fossil fuels (the Carbon Bubble), nor in other sectors. In the future, securities prospectuses should provide investors with important investment information in an easy-to-understand format, including information on social and environmental targets. To understand whether a business truly creates value, the financial figures alone are not enough. Social and environmental considerations should be taken just as seriously as turnover and return on investment, in both business reporting and investor information.

This should also be the basis for financial consultations. Generally nowadays, consultants discuss finances only, though most people care about more than just money. I believe that in every investment or pension fund consultation, clients should be asked whether they only want the cold numbers or whether other, non-financial aspects matter to them.

Public actors such as savings banks and development banks could play a decisive role in making the finance sector ecologically and socially responsible. This already happens in some areas, but there is as yet no sectoral leader pushing to make the financial market sustainable. To give a few examples: the European Investment Bank (EIB) invests only 5 per cent of its energy funding in programmes to increase energy efficiency, while granting billions in credit for fossil fuel projects.[17] In Germany only 30 out of over 400 savings banks offer environmentally-friendly savings accounts. Of the 15 biggest institutes financing the carbon industry, eight are in the savings bank sector. This cannot be allowed to continue, as public development banks on both national and European levels should be sending the right signals and setting a good example. We need political and public pressure to steer actors onto a new path.

## 4 Green Aims Can Only Be Reached in a State That Works in its Citizens' Interests

For many citizens, the state is no longer their state. It has become the "state of others", a state of powerful groups pushing their own interests and influencing the rules in their favour and to the detriment of the general public. The bottom line is that all too often the state lets itself be led by the corporatist economy; it is not unusual for state institutions to act in the interests of financial markets and large corporations. The interests of the broad majority of people in Europe are pushed aside; Green aims are betrayed and sold off.

Studies show that most political lobbying is done by large corporations who gain a lot of money as a result.[18] The corporatist economy is a driving force in this. This has tangible economic effects: interest groups lobby for rent-seeking, i.e. distributing existing wealth in their favour, to the detriment of society as a whole. The same is true when powerful lobbying groups use their de facto veto to stop structural reforms that would benefit the general public. In both cases, growth falls and the inflation rate in the economy increases.[19]

The combination of politics and special interests happens on a scale which can be shocking: in Brussels some 20,000 lobbyists influence the EU institutions, some 70 percent of which work for corporations and trade associations, enjoying privileged access to EU Commissioners and overwhelming Members of the European Parliament with their own amendments to draft legislation. Expert consulting groups on legislative proposals at the European Commission are often dominated by representatives of the industry or industries affected. Energy policy provides us with a salient example of this: on the subject of fracking, a consultation network known as the "European Science and Technology Network on Unconventional Hydrocarbon Extraction" was recently founded, tasked with advising the European Commission on matters related to shale gas extraction and fracking, and to evaluate ongoing projects. But, according to the Corporate Europe Observatory, 70 percent of the network's members have financial ties to, or are part of, the fracking industry.[20] "This conflict of interest is not only jeopardising public safety and the climate, but also citizens' faith in the European Commission being able to put their interests before industry profit", this NGO criticises. "Given the public opposition to fracking in Europe and the well-documented associated environmental problems, the European Commission should not listen to a lobby that wants to move the goalposts from asking not "if" Europe wants fracking, but "how"".

British political scientist Colin Crouch warns that democratic processes are increasingly being followed for

17 CEE Bankwatch Network (2011): Carbon Rising. European Investment Bank Energy Lending 2007-2010. S. 4ff.
18 Kerr et al. (2011): The Dynamics of Firm Lobbying. NBER Working Paper Series.
19 Zimmermann / Hogros (2008): Interest Groups and Economic Performance. Some new evidence. S. 9ff.
20 Corporate Europe Observatory (2015): How the European Commission's new advisory group is letting the shale gas industry set the agenda. April 2015. http://corporateeurope.org/climate-and-energy/2015/04/carte-blanche-fracking

show, while the real politics is done behind closed doors in Brussels, Paris, London, Berlin, Rome and Madrid. He calls this phenomenon "Post-Democracy".[21] True democracy, Crouch says, can only flourish if citizens are widely involved in the political process. In other words, politics in the interests of the citizens is only possible if the state distances itself from the corporatist economy. To that end I suggest a two-pronged approach: we must correct the balance of power between society and over-powerful economic actors, while better controlling the state.

## 4.1 Correcting the Balance of Power

We need a stronger state to act as a real counterweight to the corporatist economy and better articulate the interests of citizens. It is therefore essential that our own experts are anchored in our states and the EU Institutions. Draft legislation on promoting renewable energy, for instance, should no longer be written by large law firms which may also work with power companies like Alstom, Vattenfall or RWE and are therefore a part of the corporatist economy. Only qualified Ministry workers, independent of businesses and law firms, should be able to write laws.

The same is true for bank and financial supervision. When travelling in the US I had the opportunity to ask the then head of deposit insurance firm FDIC who really keeps the banks in check. The answer was clear: "in-house experts". This means they have the means to continually build expertise about banking and can therefore negotiate better if need be. Over here, though, external auditors are often brought in meaning that staff who take decisions are given second-hand information and gain fewer skills. This needs to change, particularly in the field of financial supervision, because in this field expertise and knowledge advantage play very important roles.

Furthermore we must ensure no single company grows too big. A decentralised economy limits the power of individual players and creates scope for ecologically sustainable goals. A de-centrally planned economy keeps competition between businesses in check and therefore ensures better products, stronger consumer rights, greater environmental protection and improved sustainability.

In reality, businesses tend to concentrate their power. In Europe, what we need is a clear, strong competition policy, and as a Green I have been campaigning for a European competition authority to act as a counterweight to large corporations in the single market. We need a "demerger law" to empower the state to actively break up corporations where they have built up too much market power, and we need to be able to fine businesses to call them to account if they cause damage to society and the economy. These requirements are set out in more detail in my paper "Overcoming the Corporatist Economy, Restoring the Market Economy." The fundamental point is that, as corporations always tend to concentrate power and squeeze competition from their markets, they cannot be left to self-regulate. The corporatist economy must face sensible regulation so it can become a citizen-friendly, Green market economy.

In this context we have to be clear that this is not a choice of bigger market or bigger state. Given that the corporatist economy has both the state and society in its pocket, the answer is: bigger market *through* bigger state. Saying yes to a bigger state and saying yes to more competition is by no means a contradiction: the opposite of a market economy is not a planned economy, it is the corporatist economy in which a few large corporations, particularly in the finance sector, are able to use the state in their own interests.

## 4.2 A Stronger State Needs More Control and Transparency

In strengthening the state we must also ensure our control of it does not slip. The sorry state governments are in is highlighted by recent surveys across Europe: according to Transparency International, six out of ten EU citizens believe their governments are strongly influenced by special interest groups.[22]

There are many ways to ensure greater transparency. One step would be to create expert groups to advise governments in ways that are transparent and balanced. In the case of the European Commission, the EU Ombudswoman recently called for this and also complained of how partial advisory bodies are, being dominated by representatives from industry and the economic sectors.[23] Officials in Brussels reject this criticism: their motto is "What's the

21 Crouch, Colin: Post-Democracy, Oxford 2004.
22 Transparency International (2015): Lobbying in Europe. Hidden Influence, privilged access.
23 http://www.ombudsman.europa.eu/en/cases/correspondence.faces/en/60019/html.bookmark

problem? We have no problem". With this attitude, they really should not be surprised at the results of opinion polls.

We must bring in mechanisms to keep the state in check and keep it committed to the common weal. A cornerstone here would be to strengthen both the European Parliament and the national parliaments *vis à vis* the Governments, by means of greater checks and balances.

## 4.3 The State as a Pioneer for a New Concept of Wellbeing

In recent decades, financial markets were unleashed and corporations were given free reign as it was believed cutting red tape in the economy would increase growth, which in turn would lead to increased wealth in society. But the paradigm of "wealth through growth" has utterly failed: it has brought about the financial crisis and increased inequality. If we continue to exploit our resources as we have to date, to boost our economic performance, we will soon destroy the natural basis of our existence. In terms of the environment, biodiversity and the input of nitrogen into the environment, we have already far surpassed sustainable limits.[24]

I am convinced that an economy that destroys humanity's basis of existence can be neither economically nor morally just, which is why I am active in the area of economic policy. The corporatist economy, though, cannot disentangle itself from the pressure for growth – it is too caught up in the structures of obsessing about returns on investment and the pressure of global competition. Instead of financing much needed environmental and societal structural changes, the financial markets dance around each other. It is therefore down to us to campaign for a new understanding of wellbeing and to use solid economic policy to make this concept a reality.

In Europe, many countries and governments are concerned about sustainability. In 2009, France set up a commission headed by Nobel Laureate economists Joseph Stiglitz and Amartya Sen, with the aim of measuring prosperity more broadly than in terms of just GDP. They produced a long report with recommendations of indicators – but this was never widely publicised. In Germany, too, the federal government has developed a national sustainability strategy with 38 indicators, but hardly any notice of it has been taken.

Our Green proposals look different. They are based around eight core indicators that seek to cover and effectively communicate the environmental, social, economic and societal dimensions of prosperity. Four of them are given here:

- Consumption of nature and resources should be measured by means of an ecological footprint based on biocapacity.
- Income distribution should be measured in terms of the income of the top 20 percent and the bottom 80 percent of the population.
- Life satisfaction should be determined through surveys.
- Economic prosperity should be measured by both the National Prosperity Index (NPI) and Gross Domestic Product (GDP) per capita, evaluated in relation to one another.

These indicators would be periodically published in a kind of "prosperity compass" or annual prosperity report, alongside GDP figures, environmental footprint, income distribution and a life satisfaction barometer.[25] This is the only way to bring political concepts and strategies into line with the different dimensions of human needs and we would all have to accept that some types of economic growth can only result from environmental or societal changes that we may not actually want.

Sensibly calibrating the prosperity compass can only work if we live in an economic system that is not fundamentally tied to growth, or else we will always be made to prioritise the economic dimension over all others – as has happened in recent years. In the coming years it is crucial to develop ideas across Europe about how an economy that does not grow at all, or grows very little, could look. Of course countries such as Greece and Portugal, following years of austerity and a dramatic collapse in economic performance, need growth to catch up and, accordingly, need further state and private investment. On the whole though, because of demographic changes and particularly in the light

24 Rockström et al. (2009): A safe operating space for humanity. Nature 461 (7263).S. 472-475. In 2009 a team of 27 scientists joined forces to establish a "safe operating space" for humanity. Alarmingly, they found that in three of the nine subsystems safe limits for sustainable development have already been breached: the environment, biodiversity and input of nitrogen into the environment.

25 For details see the new concept of the German Greens on an "Annual Wealth Report" (July 2015): https://www.gruene-bundestag.de/fileadmin/media/gruenebundestag_de/themen_az/wirtschaft/Jahreswohlstandsbericht-2015.pdf

of our already high level of prosperity, we will no longer need high growth rates in the future. The time of the growth paradigm is over, and not just for environmental reasons. With this in mind, alternatives must be concretely spelled out: what exactly does zero growth mean for competitiveness, global trade, the future of work, tax, consumer behaviours, and so on? This should now be our main focus in Europe: to highlight realistic alternatives and oppose the idea that "there is no alternative". Greens have a central role to play here.

What we need, therefore, is a paradigm shift in European economic policy. We need a Green New Deal that seeks to fundamentally transform Europe's economy, renouncing the pressure for growth and committed to ecological and social aims. It will offer a response to the economic crisis beyond short-term coping strategies, and will clear a path to a future where we look beyond budget figures and the volume of investments, using them as part of a root-and-branch structural reform moving towards a circular economy which fully meets its energy needs through renewables.

Within the current economic structure, this big transformation is impossible – it can happen only when the economy returns to serving society, when large corporations and trade associations do not exploit state policy, and when politics and economics do not solely consider financial figures. I am therefore convinced that Green politics cannot be limited to "greening" the current economy à la "Green Growth" or "Green Capitalism." A Green-tinged capitalist or social democratic economic policy will not do the job. We can only reach our environmental and social goals with an independent Green economy that corrects the balance of power between civil society and big business, that overcomes the corporatist economy, forces the financial markets to shrink and breaks down the dominant paradigm under which the only thing that matters is economic growth.