The EU's Green Deal Proposal and Finance in a Global Perspective: Conclusions for progressive policies

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Abstract

In 2019, the European Commission proposed a Green Deal for Europe. The proposal includes ambitious targets to reduce emissions in order to combat climate change. However, it is rather silent on the international insertion of the EU and its contribution to global environmental problems via multiple mechanisms. The goal of this paper is to analyse Europe's global role regarding environmental issues. On the theoretical level, the paper is based on a critical political economy perspective. Empirically, we focus on the asymmetric interaction between the EU and the Global South. Specific emphasise is put on the role of international financial structures and financial flows and their environmental implications. Thereby, the importance of adopting a global perspective regarding a socio-ecological transformation becomes obvious. Finally, based on our analysis, we derive implications for progressive polices. An important conclusion is that European policies should not restrict but increase the policy autonomy in peripheral countries. This would facilitate sustainable development processes in the global periphery, hinder or reduce the transfer of financial and natural resources (and the shifting of environmental costs) from the Global South and potentially contribute to a global socio-ecological transformation.

1. Introduction/overview of EU's GD

The European Commission's (2019) Green Deal for Europe proposal includes ambitious targets to reduce emissions in order to combat climate change. However, it is rather quiet about the international insertion of the EU and its contribution to global environmental problems. The goal of this paper is to analyse Europe's global role regarding environmental issues. On the theoretical level, the paper is based on a critical political economy perspective. Empirically, we focus on the asymmetric interaction between the EU and the Global South, and in particular on the role of finance. The rise of so-called green finance since the 2008 financial crises and the widespread optimism related the expected benefits is mirrored in the European Commission's proposal. However, the emergence of green finance can be seen not just as an attempt to search for more attractive investment and new profit opportunities but also as a strategy to bring back legitimacy to finance. In this vain Lagoarde-Segot/Paranque (2018) conclude that today's dominant discourses on green finance represent an ideology that supports power structures in finance and its position in economy and society. Hence, there is need to analyse the role of finance against the background of a sound understanding of the societal and environmental implications of capitalism. In this paper, we adopt a global perspective focussing in particular on the implications of the relationship between the EU and the global periphery and the role of finance. We start with a brief overview of the unequal global over-use off natural resources and the EU's role. A chapter that provides a political economy perspective on capitalism, finance and nature in a global perspective follows this. Against this background, we discuss the role of green finance globally. In order to assess the implications of

finance, we propose to distinguish between neoliberal, reformist and progressive forms of finance. Finally, we present conclusions for progressive strategies and polices. [1]

2. The EU and the global unequal use of natural resources

Global capitalism leads to an overuse of natural resources (Fischer-Kowalski/Pallua 2016). This overuse carries with it significant environmental damage, and is not sustainable. Global warming is one of the most dramatic consequences. To keep global warming to +1.5 degrees by 2030, it is necessary to reduce global CO2 emissions by 7.6% per year from 2020-2030 (UNEP 2019a: 26). This is extremely unlikely to happen under current capitalist structures and the prevailing capitalist modes of production. Moreover, the access and use of environmental resources is highly unequal: the poorest 50% of the global population account for only about 10% of global emissions, while the richest 10% account for about 50%. It is mainly rich people in the global North (Kleinhückelkoten/Neitzke 2016), but also rich people in the global South who cause these emissions. Oxfam (2015) estimates that the richest 1% is responsible for about 30 times more emissions than the poorest 50% of the world population. Industrialised countries use much more natural resources per capita compared to developing countries (Ritchie/Roser 2020). One characteristic of this uneven consumption of raw resources is that the global South is a net exporter of natural resources to the global North (Fischer-Kowalski/Pallua 2016). However, economic development goes hand-in-hand with higher use of resources and increased emissions as shown very clearly in the case of China. Its global share of raw resource consumption increased from 7% to 34% between 1950 and 2010 (Fischer-Kowalski/Pallua 2016: 72). In the 2000s China became the biggest emitter of greenhouse gases after the USA. Outsourcing "dirty" production allowed the USA and the EU to reduce their own carbon footprints in domestic production. However, if the carbon incorporated into trade with China is considered, the footprint of the USA and the EU is substantially higher (UNEP 2019b, see figure 1, Bergmann 2013). Hence, the role of China in the reduction of global CO2 emissions is crucial (Pan et al. 2017). Compared to China, India's emissions per capita are less than one third (see figure 1). However, if India and other countries from the global South develop economically further, they would require more natural resources. Given the limits of the planet, expanding the current mode of production and consumption prevailing in rich countries to the rest of the world would simply be not possible. Today`s highly unequal use of global natural resources globally, but also within the EU (Ivanova/Wood 2020) and the use of developing countries as a global sink for waste (Laser/Schlitz 2019) are not a coincidence but an outcome of the specific configuration of contemporary asymmetrically structured global capitalism. In addition, the effects of climate change are unequally distributed among various socio-economic groups. For example, women in rural parts of developing countries are very vulnerable, as they typically rely heavily on climate-sensitive processes for their livelihoods (Oxfam 2015). Poor people are more exposed to natural disasters and less protected against the consequences of these catastrophes than the wealthier part of society (Hallegatte et al. 2016).

[1] The findings are based on the contributions of the forthcoming special issue 4/2020 on "Global finance and socio-ecological transformation" of the Austrian Journal of Development Studies (JEP).

Figure ES.3. CO_2 emissions allocated to the point of emissions (territorial) and the point of consumption, for absolute emissions (left) and per capita (right)

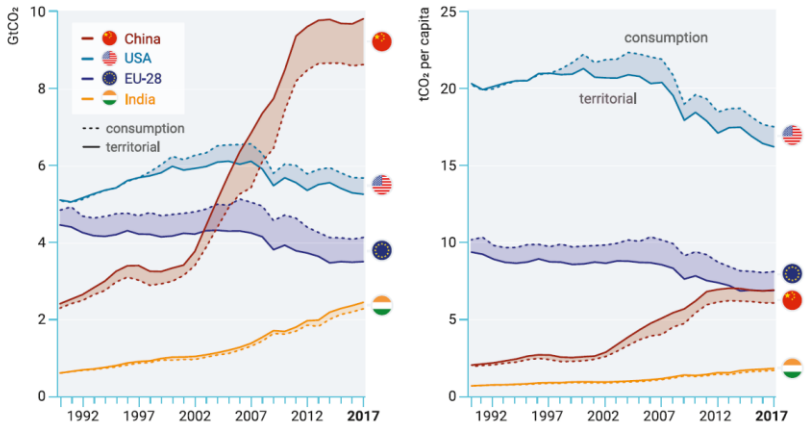

Figure 1: C02 emissions (source: UNEP 2019b)

This European (and US) over-use of global natural resources and its contribution to global environmental problems is disproportionally high. This is neither sustainable nor desirable from the point of view of the large majority of the world population.

3. A critical political economy perspective on Europe's global environmental impact

Sustainability and the relation between capital and nature are conceptualised in very different ways. While dominant mainstream perspectives tend to be optimistic about the role of markets and assume a compatibility between capitalism and nature, critical political economy perspectives are much more sceptical about this (Castro 2004). Whilst traditional mainstream views analyse the economy as a system separated from society, critical political economy (CPE) approaches provide an integrative analysis of economy, society and nature (Jäger 2020). As problems of economy-society-nature interaction are at the centre of environmental issues and questions of sustainability, we consider critical political economy to be an adequate basis for the analysis of (green) finance and its potential for a socio-ecological transformation. On a very abstract level, the pivotal point of CPE approaches is the transformation of nature by human labour. Nature, however, is not just there but produced (Harvey 2014). Historically changing forms of domination of nature (technology, material resources) went hand in hand with changing ways of organising production in society. Today's prevailing capitalist mode of production is characterised by a unique rapid development of productive forces, i.e. technologies to use and transform nature. The dynamic development is explained by the accumulation of capital under competitive conditions. However, capitalism is contradictory in multiple ways. An important reason for this is that capitalism is about the accumulation of capital and the production of exchange value in order to make profit, while the production of use values is a by-product. Nature is a mere condition of production for use values. As a consequence, the expansionary search for profits and accumulation in a capitalist mode of production enters into contradiction with nature. This is referred to as a metabolic rift and called the second contradiction of capitalism (Clark/Longo 2017), the first being the contradiction between capital and labour, i.e. societal production and the private appropriation of surplus value. Capitalism's expansionary drive and the commodification of nature by primitive accumulation (Marx 2012) and accumulation by disposition (Harvey 2009; Zeller 2008) are central mechanisms that push

this process. Commodifying nature means that commons are expropriated and private property rights are established. These private property rights allow for an exclusive access to nature. The income generated from the ownership of nature such as land, patents on genetic codes, raw materials, water, carbon sinks, etc. can be considered to be a rent that allows the extraction of part of the surplus value created. In the process of commodification nature becomes an element of the capital circuit and provides financial asset holders with financial flows that give them access to surplus value. Depending on the specific conditions, these financial rents may lead to declining profits for productive capital (Harvey 2014) but also to increasing surplus value and respectively decreasing wages. This implies negative distributional consequences for the rural and urban working class, which has no relevant financial wealth and represents an important reason for why a progressive socio-ecological transformation should not be based on further commodification but oppose it.

The use of nature, measured, for example, in the global carbon footprint, is highly unequal within and between countries. Environmental damage and climate change have contributed to the increase of global inequality. The western way of living of a majority of people in the core countries and a small privileged sector in peripheral countries is not sustainable globally (Hubacek et al. 2017). An imperial mode of living (Brand/Wissen 2016), oligarchic well-being (Ehrlich Reifer 2011), and (un-)sustainable welfare (Koch/Buch-Hansen 2020) are concepts used to refer to the fact the natural resources are over-used by a global minority of people in an unsustainable way. In a CPE perspective, specific core-periphery relationships enable and link such unequal modes of living and producing. On an abstract level, the tendency of capitalism to externalise costs and contradictions onto the periphery can be considered an important reason for why the global North has been able to extract resources from the Global South and externalised pollution and environmentally damaging production to these countries (Brand/Wissen 2016). Conceptualizing this as unequal ecological exchange, Foster/Holleman (2014) show that the current global capitalist system implies a huge transfer of material sources and energy, what they refer to as eMergy, from the periphery to the core.

However, in the methodological tradition of CPE (Jäger et al. 2016) we argue that it is important to analyse the specific configuration of global capitalism by conceptualising the mechanisms and relations that produce the globally highly unequal over-use of nature at a lower level of abstraction. In our perspective, this can be achieved by focussing on the dialectical relation between national modes of production and global capitalism, or the world market, which represents an important driver for this. Expanding national production and consumption are important to legitimise capitalist modes of production and domination in the core as well as in the periphery. Developing the domestic economy and being competitive internationally (by means of markets, coercion, etc.) allows obtaining access to natural resources from abroad. This provides economies with use values from other countries ensuring an unsustainable mode of welfare. The competition between national/regional modes of production operates within a specific mode of foreign relations (van der Pijl 2007) that fuels constant and increasing exploitation of nature. The current capitalist mode of foreign relations provides an advantage to the more developed economy. Within this context, it seems unlikely that national and/or regional strategies, which reduce the use of natural resources (from abroad) will be implemented. The reasons are that these resources are important for joining and/or remaining in the global core and the appropriation of use-values contributes to legitimise class dominance. However, strategies that reduce (external) resource dependency based on technological innovation, possibly in form of a specific variant of green capitalism, may represent a politically viable partial alternative. The problem remains that hitherto, increasing resource efficiency has not led to a reduction in the use of resources but on the contrary, resource consumption has

continued to increase (Fischer-Kowalski/Pallua 2016, Schandl et al. 2018), a problem traditionally referred to as Jevons Paradox or rebound effect.

In the tradition of CPE but on a more concrete level of abstraction, regulation theory can be used to analyse how specific national modes of production are related to other modes of production, and hence, the world market. Regulation theory was developed to explain how in capitalism temporary institutional solutions contain contradictions in order to stabilise capitalist accumulation. Although there is the drive for commodification and a constantly increasing use of nature, potentially this could be at least regulated temporarily. Originally, the focus in regulation theory was on the contradiction between capital and labour and the contradictions in the area of money and finance. Capitalism tends constantly to undermine its conditions of existence because it destroys labour power through over-exploitation and faces problems because of over-accumulation. Labour legislation, collective bargaining and welfare policies have contributed to dealing with these contradictions in particular during the period of Fordism (Aglietta 2000). Becker/Raza (2000) provided a concept within the regulation theory approach to deal with the contradiction between capitalist accumulation and the use of nature - what they called ecological constraint - and consider an essential structural form being part of a mode of regulation. Against the background of previous experiences, in particular in the case of Fordism in the core countries and peripheral-Fordism in the semi-periphery, it can be asked how within a capitalist mode of production it is possible to change the ecological constraint in a way that the contradictions are offset at least temporarily and in part. However, this depends on social struggles (Brand/Wissen 2016). It is, moreover, an open question whether a specific mode of regulation will contribute to stabilising capitalism and transform it into a green capitalism or whether a radical transformation towards a post-capitalist mode of production will be the outcome. We consider the regulation of green finance as an important element of the ecological constraint. The question, hence is, how financial regulation contributes to specific patterns of accumulation, so-called regimes of accumulation, and forms of accessing and transforming nature. For obvious reasons, extractive industries hand-in-hand with green financial capital in search for long-term income streams constantly push for changing the environmental constraint in a way that gives them access to these income streams. The expansion and appropriation of the use of nature making it part of accumulation causes resistance by those who are expropriated or negatively affected, and results in numerous so-called (local) environmental conflicts (Dietz/Engels 2016, Lust 2014) but may also be resisted at the national and international level fighting respective arrangements.

4. The global financial system and green finance

Building on the above theoretical conceptualization in the following, we analyse global finance in today's global capitalism, and show how different national modes of production relate to it. It is against this background that we discuss green finance. The global financial system and the national financial systems are essential parts of the asymmetrically structured capitalist international political economy. The contemporary financial system benefiting the core countries over peripheral countries is crucial for transferring surplus and use values. Moreover, it leads to (financially) dependent forms of development in the periphery, and has implications in form of (over-)use of nature. A central feature of the current global financial system, the so-called Dollar-Wall Street regime, is unrestricted cross-border capital flows. The system provides a huge privilege to capitalist core countries, in particular to the USA, as the US-Dollar is at the top of the global currency hierarchy (Gowan 1999) but also to other countries that have a high position within the global currency hierarchy. Within the Dollar-Wall Street regime, private and public capital flows have often contributed to a high and increasing level of external indebtedness in peripheral countries (UNCTAD 2019). External debt and

financial dependency are central entry points for imposing conditionality on countries. Frequently, conditionality demands countries to be more open to foreign capital and trade flows and privatise public infrastructure and natural resources, thereby diminishing the policy space for development (Soederberg 2014). In addition, debt and portfolio investment flows tend to increase volatility and vulnerability to financial crises (Bortz/Kaltenbrunner 2018). Liberalised capital accounts put monetary policy under pressure and facilitate capital flight and even passive FDI may turn out to be problematic and lead to long-term net capital outflows. As in the case of any investment, the goal of financial capital is to have access to cash flows and to make profit by taking out more money than originally invested. Not surprisingly, according to Akyüz (2018) and UNCTAD (2019: 107), the functioning of liberalised private capital markets has led to a net financial resource transfer from developing countries to developed countries of around 440 billion USD annually. This however, does not include the likely much higher impact of unequal ecological exchange that is whenever not easily quantifiable (Foster/Holleman 2014).

In principal, cross-border green financial flows add to the negative consequences of common capital flows to peripheral countries as they follow a similar logic. However, green finance has become a new label that pretends to legitimise and therefore facilitate the access of traditional financial capital in form of banking capital but also in the form of new and increasingly important forms of financial capital like mutual funds and private investors to peripheral countries. These investors push for access to peripheral countries, trying to reshape discourses and international and national regulations and thereby the ecological constraints in their favour. In a similar way, international trade and investment agreements such as the EU-Mercosur agreement may deepen environmental problems (Matković 2019). Financial investors, despite of presenting themselves as environmental protectors and doing green washing, cause dramatic ecological problems as shown for example in the case of the world's largest investment company BlackRock and its activities in the Brazilian Amazon region (Amazon Watch 2020). With this new type of financial investment agents, the share of the so-called shadow financial sector in external finance of peripheral countries has increased considerably over the past years (UNCTAD 2019). Public financial means and international financial institutions such as the European Bank for Reconstruction and Development[2] often support the expansion of green external financial capital, originating in general from core countries. Hence, green finance follows a similar investment logic as traditional finance. Against the background of a developmentalist perspective, cross-border capital flows to peripheral countries including green finance are, therefore, highly problematic, leading to instability, and a net outflow of resources from the periphery to the core countries. In addition, they may facilitate the access to domestic natural resources and increase their transfer to the global core countries. Instead of building on external financial sources, UNCTAD (2019) suggests that we trust in domestic finance and a planned approach to development finance including lending targets for banks and public investment based on taxation of (financial) capital. This decreases external vulnerability and possibly encourages productive (green) accumulation strategies. The assumption that a strong state, domestic finance and increasing the degree of monetary policy autonomy can support catching-up green development relies on the tradition of a developmentalist perspective on finance. However, these insights are not just relevant for the periphery but also for core countries, which pretend to move towards green capitalist modes of production or towards sustainable welfare.

We consider the observed rise of green cross-border finance as being part of a larger process of financialization. This term refers to the increasing importance of the financial sector in contemporary capitalist modes of production (Christophers 2015). The commodification of nature often goes along with financialization and has become an essential trend in capitalist accumulation strategies (Smith

[2] (see Soederberg/Tawakkol in JEP 4/2020 [forthcoming])

2007, Brand/Wissen 2014, Ouma et al. 2018). However, financialization is a process that does not spread evenly, but may be limited and even reversed. Moreover, it has specific features in the global periphery (Becker et al. 2010). Although finance has become more important, the distinction between financialized and productive/extractive regimes of accumulation is still valid, in particular for the case of peripheral economies (Jäger et al. 2014). Productive regimes of accumulation may either be intensive, what means that productivity increases, respectively wage goods become cheaper, or extensive what means that growth is mainly based on increasing inputs. Extractive regimes of accumulation represent a specific form of extensive productive regimes of accumulation based on the increasing use or extraction of natural resources. The dynamics of financialized regimes of accumulation are based either on increasing prices for fictitious capital such as financial assets or on increasing debt levels. It is against this background that a more detailed analysis of the specific regulation and role of green finance and its contribution to different and related regimes of accumulation in the core countries and in peripheral countries and their ecological impact can be analysed.

Core countries, typically today, tend to have either rather productive or rather financialized regimes of accumulation. Within a liberalized global capitalist framework and facilitated by a liberal global financial system, they extract natural resources from peripheral countries in exchange for industrial goods and/or via financial means. Moreover, as CPE suggest, it is not just about the transfer of financial values and natural resources (use values) but also exploitation in form of over-exploitation of labour and the transfer of labour value that are crucial. There are different mechanisms at work. Super-exploitation because of weaker labour organisation as well as centralised power structures in global value chains (GVC) (Marini 1991, Smith 2016) play an important role. In addition, the (financial) ownership of companies, natural resources and financial resources are crucial. These mechanisms, respectively the specific regulation of this dimension of the ecological constraint, altogether allow for an extraction of natural resources form the periphery (respectively the use of the periphery as a sink or for environmentally damaging production) and their transfer to the core. Hence, a liberal configuration of global finance facilitating the access to the periphery via green financial discourses and instruments is functional for core countries because it allows for an increasing extraction of (financial) values and natural resources from the periphery supporting modes of production in the core.

In the periphery in many cases national modes of production are characterized by regimes of accumulation that tend to be rather extractivist, depending on the increasing extraction of natural resources and stable or increasing prices, or financialized, leading to frequent bubbles and crises (Jäger et al. 2014). These both types of accumulation tend to be supported by a liberal regulation of finance. Besides extractivist and/or financialized modes of production, there are also (dependent) productivist development models that allow for catching-up such as in the case of China. These productivist models are characterised by restricting the access of global finance in order to avoid capital outflows and financial instability. In so doing, they are able to use their domestic financial resources for development goals. However, successful catching-up implies today expanding a mode of production (and consumption) that is, even if it pretends to be green capitalist growth, not sustainable globally. Correspondingly, emerging powers such as China have started to behave like core-countries and try to assure access to global natural resources. In order to do that, specific financial arrangements and strategies such as debt for resources contracts play an important role[3].

Moreover, besides these general effects at the macro-level, green financial investment may have an additional negative impact at the micro-level. In the past years, green grabbing as a form of green

[3] (see Tröster/Küblböck et al. in JEP 4/2020 [forthcoming])

finance has raised attention as a way to cover and/or legitimise land grabbing in countries of the global periphery (Fairhead et al.2012, Franco/Borras Jr. 2019). Land appropriations have taken place for the means of forest conservation and/or plantation i.e. as part of emission trading (Heuwieser 2015, Scheidel/Work 2018) or for the production of biofuels (Bracco 2016, Maconachie 2019). The land deals often have a direct negative impact on the most vulnerable groups: traditional small-scale farmland is acquired for export business, which causes people living in rural areas to lose the access to the land and/or their workspace, which provides their income basis (Oliveira et al. 2017). Hence, these green financial investments may contribute negatively to (global) food security (Clapp/Isakson 2018). Green microfinance has become another important form of green financial investment. Since many years, these micro credits have been heavily criticised for being a debt trap, especially when provided by private lenders (Gosh 2013). The interconnectedness of microfinance and land grabbing and the negative ecological effects were for example recently shown by a study that analysed how the dispossession of rural people's land titles is used to keep non-performing loan indicators low in the Cambodian microfinance sector (LICADHO 2020). On a more general level, Hybrechs et al. (2019) point to the problem of the often individualistic framing of these green microfinance programs which may not just lead to further social exclusion but also to environmental degradation.

5. Neoliberal, reformist and progressive forms of green finance

Based on the analysis above, three different forms of green finance can be derived. Firstly, business-as-usual supported by neoliberal green finance; secondly, reformist green finance that contributes to green productive capitalism; thirdly, democratically planned green finance that implies a drastic change in the role of finance and supports a transformation towards de-commodification and leads to a socio-ecological transformation.

Neoliberal green finance at the national/regional level goes along with further commodification and private finance as the driving force within the framework of a liberal ecological constraint. Thereby, the asymmetric relationship between core and periphery and the transfer of use values and labour values from the periphery to the core is deepened as well as the over-exploitation of nature. Moreover, neoliberal finance increases inequality and a very unequal access to natural resources by privileging capitalists and a labour aristocracy mainly in the core of the world economy. This will lead to financial bubbles and economic crises whereby fragility will be higher in case of dependent financialization in the periphery. Politically, the driving force of such a strategy is finance capital. While this scenario is based on further commodification of nature and financialization it does not require a reversal but the continuity of the current processes that promote and guarantee the expansion of liberal economic and financial regulations and market making institutions under the label of green finance. The proposal by the European Commission (2019: 21) on the Green Deal clearly defends such a neoliberal global financial regulation that assures private European financial capital's access to the rest of the world in order to facilitate the inflow of natural resources. This will continue to favour the interests of financial capitalists in the core countries over those of workers in the periphery and the environment. Such a neoliberal international regulation of finance envisaged by the European Commission seems to be in accordance with still existing but declining US hegemonic interests (Cafruny/Ryner 2017).

In case of *reformist green finance*, finance is regulated nationally (or on a regional level) in a way that it contributes to a productive transformation by increasing productivity (relative surplus value). For such a scenario, it is necessary to avoid the common neoliberal discourses on green finance. Financial means for productive investment should be raised domestically via taxes and/or green public bonds and via central bank money and specific lending targets for banks on green finance (for an overview

see Lagoarde-Segot 2020, Dikau/Ryan-Collins 2017). Disturbing international financial flows are restricted. This may contribute to productive growth models that are more inclusive in the core as well as in the periphery. However, such strategies will lead to a further exploitation of natural resources and not alter significantly the globally unequal use of nature, although the specific distributional patterns will change due to catching-up industrialisation of some peripheral countries. Given the limited amount of global resources, the strategy that cannot be employed by all countries globally (Fischer-Kowalski/Pallua 2016). Therefore, the global struggle for relatively more scarce resources will increase. Pre-conditions for such a national strategy are growth-oriented coalitions between productive capital and labour. At the international level, this option can be supported by containing the most destructive tendencies of global finance with adequate regulations. This means that it is necessary to ensure a productive use of finance by allowing countries to regulate financial flows and by implementing productivist policies. Multinational and bilateral trade and investment agreements should therefore assure national policy spaces and not undermine them. A central element of this could be the reduction of foreign debt and financial dependency. At the global level peripheral countries could potentially constitute an important group of protagonists for such a change of financial regulations, however the G20 Sustainable Finance Group (2018) proposes a rather neoliberal approach. The position of China, by far the most important global challenger for a core position, seems not to be very progressive. Although China heavily protects its own developmentalist strategy and cooperates on the reduction of C02 emissions internationally, it has turned out to be eager for liberalised international financial markets[4]. While the proposal by the European Commission (2019) has a completely neoliberal perspective on global financial structures, it is more ambiguous regarding financial regulations and strategies within the EU. A partial productive orientation of green finance could potentially contribute to green capitalism and corresponding investment in technology and infrastructure (EuroMemo Group 2020). Notwithstanding, the European Commission's approach turns also out to be highly problematic in how a transformation of the energy regime is envisaged[5]. In addition, against the background of Europe's deep internal core-periphery structure and the related contradictions (Becker et al. 2015) it remains an open question how substantial and coherent a strategy of green growth can be. Green capitalism in Europe and a certain alignment of finance with that do not imply a rupture with neo-mercantilist policies and neoliberal finance, and therefore, tend to continue to push the periphery into a subordinated position. Moreover, under reformist green financial strategies, the problem remains that green capitalism and many projects labelled green indeed contribute to more resource efficiency but ultimately lead to a deepening of non-sustainable overuse of nature (Schandl et al. 2018). Moreover, subsidising private investment instead of public investment means that eventually resources are drained from the public sector into the hands of (finance) capital, and therefore, contribute to increasing exploitation and inequality.

In the case of a *democratically planned green finance*, de-commodification of the economy and social planning instead of capitalist accumulation strategies become the guiding principles[6]. Such a socio-ecological transformation should reduce the amount of surplus value extracted and assure a sustainable way of production that does not undermine the working and living conditions of others (people in other parts of the world, future generations). This, however, implies a different form of national and international regulation and a radically different role of finance herein. Cross-border financial flows have to be strictly regulated and national and domestic financial services are provided as a public good and guided by democratic decision making. Decreasing the use of nature and assuring an equal access to (globally) sustainable welfare as an attractive form of production and

[4] (see Tröster/Küblböck et al. in JEP 4/2020 [forthcoming])
[5] (see Yurchenko in JEP 4/2020 [forthcoming])
[6] (see Decker in JEP 4/2020 [forthcoming])

living are at the centre of this strategy. While in the core countries this will imply de-growth in certain aspects (but growth in others), in peripheral countries, the preservation of pre-capitalist subsistence-based modes of production and the development of new less invasive and less resource-intensive modes of production can be important cornerstones of such a strategy. The driving forces for such a socio-ecological transformation can only be subaltern and wage-dependent classes and an orientation towards international solidarity. Productive and financial capitalists, together with labour aristocracy, are likely to oppose such an approach. An international mode of foreign relations that supports a transformation towards sustainable welfare must be based on institutions that allow for a globally rational and equal use of resources and that introduce maximum caps for the individual use of resources (Koch/Buch-Hansen 2020). The social and political basis of this would be ecologically and internationally oriented working class and solidarity movements. Undoubtedly, it is important what happens in large globally relevant societies such as China but also in Europe. Different national hegemonies in these countries (regions) could support a different international mode of foreign relations and an alternative global hegemony and reinforce progressive domestic movements and developments. This third scenario although necessary to achieve a socio-ecological transformation and climate justice, however, is currently not very likely but desirable.

6. Conclusions for progressive strategies and policies in the EU

Contrary to dominant discourses, we have identified various reasons for why neoliberal green finance and to a lesser degree reformist green finance turn out to be problematic. Firstly, they imply further commodification and the overuse of natural resources. Secondly, international financial flows make the periphery more dependent and contribute to deepen dependency and underdevelopment. Thirdly, in particular the expansion of neoliberal green finance fuels financialisation, tends to increase exploitation and puts workers all over the globe under additional pressure. Based on the CPE perspective outlined in this article, three scenarios with corresponding specific configurations of finance and the regulation of the ecological constraint at the national and international level were sketched out. Currently prevailing regulation supports neoliberal green finance, tends to deepen core-periphery dependencies and contributes to an unequal and rising use of nature. Reformist green finance and strategies to introduce a sustainable welfare based on democratically planned finance go along with an increasing national/regional monetary and financial autonomy, stricter regulation of finance, cutting back cross-border capital flows and increasing financial resources domestically using public financial instruments and taxing capital and wealth. Against the background of a declining US hegemony, the rise of China and the G20 within the context of the current mode of foreign relations, and given the Green Deal strategies at the level of the EU, green capitalism and a corresponding reformist regulation of finance seem a possible outcome. However, green capitalism will not stop the expansionary logic of capitalism and will lead to increasing international conflicts about natural resources becoming scarcer and global environmental damages e.g. in the form of climate change becoming more drastic and harming poorer countries and the rural and urban working classes in particular. The option of sustainable welfare with a democratically planned finance would definitely break with expansionary capitalism, lead to de-commodification and a socio-ecological transformation. However, although today this scenario seems very unlikely given the current global asymmetric interrelation in global capitalism and the specific class relations that go along with it, it is necessary to struggle for it.

An important conclusion is that European policies should not restrict but increase the policy autonomy in peripheral countries. This would facilitate sustainable development processes in the global periphery, hinder or reduce the transfer of financial and natural resources (and the shifting of environmental costs) from the Global South and potentially contribute to a global socio-ecological transformation.

What to do?

From a progressive perspective, representing the interests of the majority of the working class, and the disposed and marginalised groups in the global South as well as in the global North a combination of strategies is important.

Firstly, a central strategy should be a defensive one, *combating further financialisation coming through the backdoor of neoliberal green finance*. This is necessary in order to prevent not only financialisation in the core countries but also a deepening exploitation of peripheral countries via financial means. Specific measures at a national level range from ending tax privileges for private finance and avoiding any kind of subsidies for finance to strict regulation, closing of environmental markets and resisting further commodification and finanzialisation of nature. Instead, de-commodification and a public democratic management of the commons should be introduced. At the international level, international agreements of any form should increase, not reduce, the financial autonomy of peripheral countries and avoid all types of dependencies. Internationally active public institutions in the global North such as development banks should not support the expansion of private financial capital to the global South, as this is expected to cause financial instability, encourage further extraction of financial and natural resources and deepen environmental problems.

Secondly, reformist *green finance can be a first step towards radical reformism*. This strategy does not include only measures against financialisation but should also support finance as a means for productive and more egalitarian forms of organising the economy. Within Europe, this would require opposing all strategies of a Green Deal that do not lead to a productive transformation of the economy and the reduction of the use of resources. Reformist green finance should, therefore, rely mainly on public finance based on taxing financial and capital income, wealth taxes and a monetary policy that accommodates and directly finances desired forms of public investment. This is to ensure that public logic reigns over capitalist interests regarding how the environment is used, and that public financial resources are not appropriated by private financial capital but belong to the public. At the EU level, expanding the public sector and using European institutions such as the ECB and structures to finance a socio-ecological transformation are essential. In addition, it is important to deal with the inequalities within Europe. Reformist green financial strategies may also be adopted by the global South. Therefore, it is important that the policy autonomy of countries is not restricted by international trade and investment agreements or similar treaties. Regarding finance, Europe should support progressive strategies raised by UNCTAD (2019) that gain at raising autonomy and repress international (financial) capital and make the periphery less dependent and less vulnerable to international (European) capital flows. This also includes avoiding tax by the wealthy from the global South within the EU and its (related) tax havens. In addition, it is necessary to put limits on EU multinationals in the South and on Southern multinationals in the EU that extract (financial) and natural wealth and destroy the environment. This includes that public (green) finance should be grants but not (soft) loans, nor neoliberal conditionality should be imposed. Instead of supporting green capitalism in the periphery, the EU should contribute to sustainable welfare and respective productive developments. The downside of reformist green finance remains, however, the strategy of green productive growth is likely to lead to further over-use of nature because of international capitalist competition and the resulting competition for scarce natural resources. However, reducing dependence on foreign resources (or on externalising environmental damages to others) might be a potentially progressive strategy towards more radically reformist processes.

Thirdly, only a socio-ecological transformation based *on democratically planned public finance* is expected to achieve a sustainable and egalitarian use of global natural resources. Potentially, this helps to effectively combat dramatic environmental crises such as global warming. This strategy goes beyond a Polanyian critique demanding a re-embedding of finance in order to be able to address

ecological needs (Lagoarde-Segot/Paranque 2018); it also aims to replace the capitalist mode of production. Democratically planned public finance seeks to break with the power of capital and supports a transformation towards post-capitalist societies. It is based on international solidarity and democratic well-being including maximum individual caps for the use of the environment (Koch/Buch-Hansen 2020), allowing for everybody today and for future generations to achieve decent living and working conditions. Based on solidarity, international cooperation should ensure the natural resources are used in a rational way.

How to get there?

To begin with, it is important not to fall into the trap of the dominant discourses on green finance promoted by financial capital's organic intellectuals and its institutional allies. These discourses are, rather, merely a strategy to further support and legitimise finance at the cost of workers (and even productive capital). Today`s environmental problems are a consequence of capitalist modes of production in global capitalism and the class relations they are based on. Strategies to combat environmental problems must, therefore, be based on working class solidarity (in particular with marginalised and less privileged groups and at an international level) and aim at changing the class relations, and hence, the mode of production. The disfavoured and exploited groups in have a vital interest in preserving the environment. However, it are these groups that less natural resources use and that tend to be most negatively affected by environmental problems. Hence, it is necessary to break with the power of finance (and capital) in general, to support workers and democratic autonomy at the national level, and to ensure solidarity at the international level.

Alongside building international solidarity coalitions it is necessary to take action and politically influence national, European and international institutions and agreements, thereby opposing a further deepening of neoliberal regulations and practices at the cost of peripheral countries and workers. In so doing, it is necessary to strengthen international progressive forces, not to buying into dominant discourses promoted by (financial) capital but relying on proper theoretical concepts and assessments to promote solutions that represent a socio-ecological transformation towards global sustainable welfare.

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