

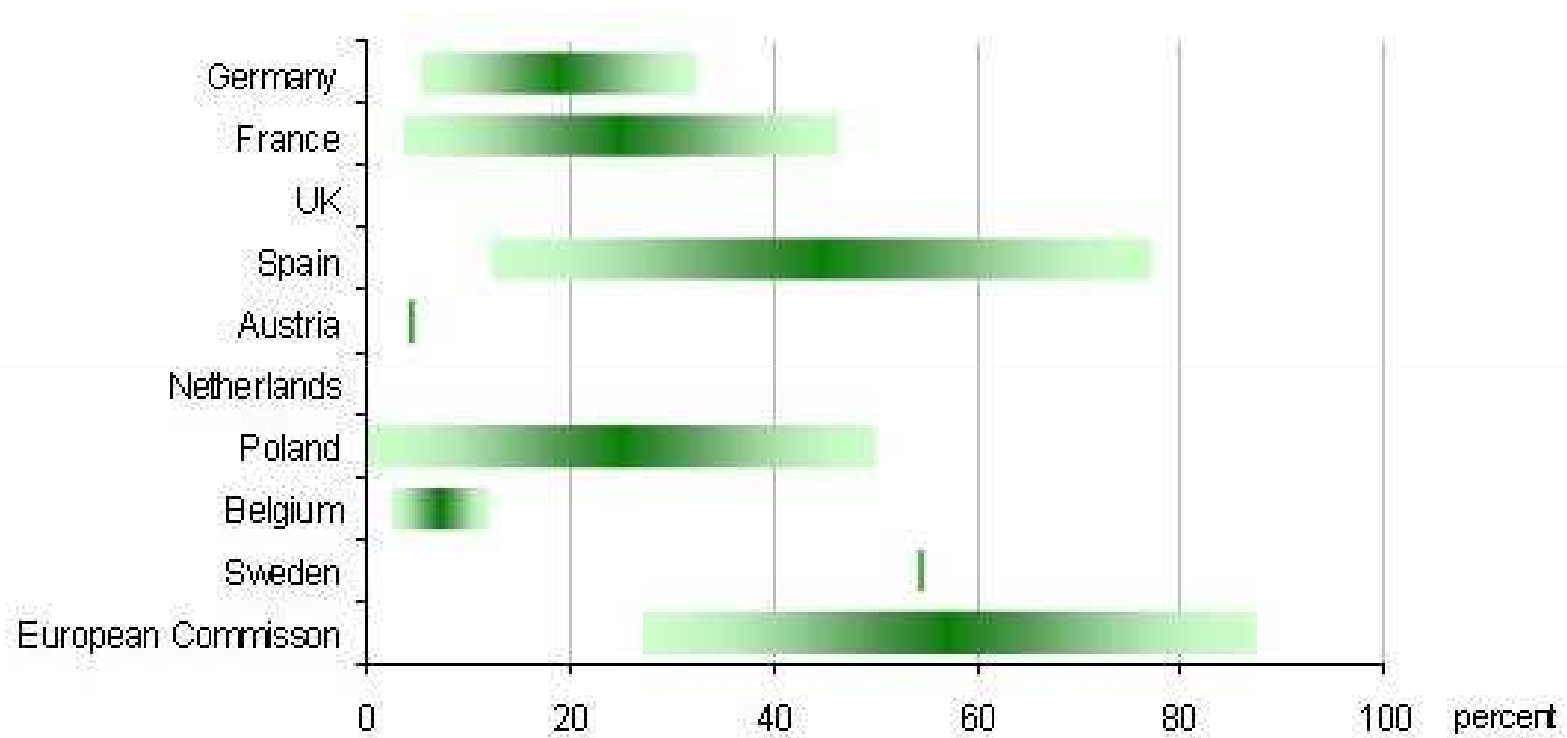


Greening the crisis debt

Brussels, 13th January 2009
Jakob von Weizsäcker



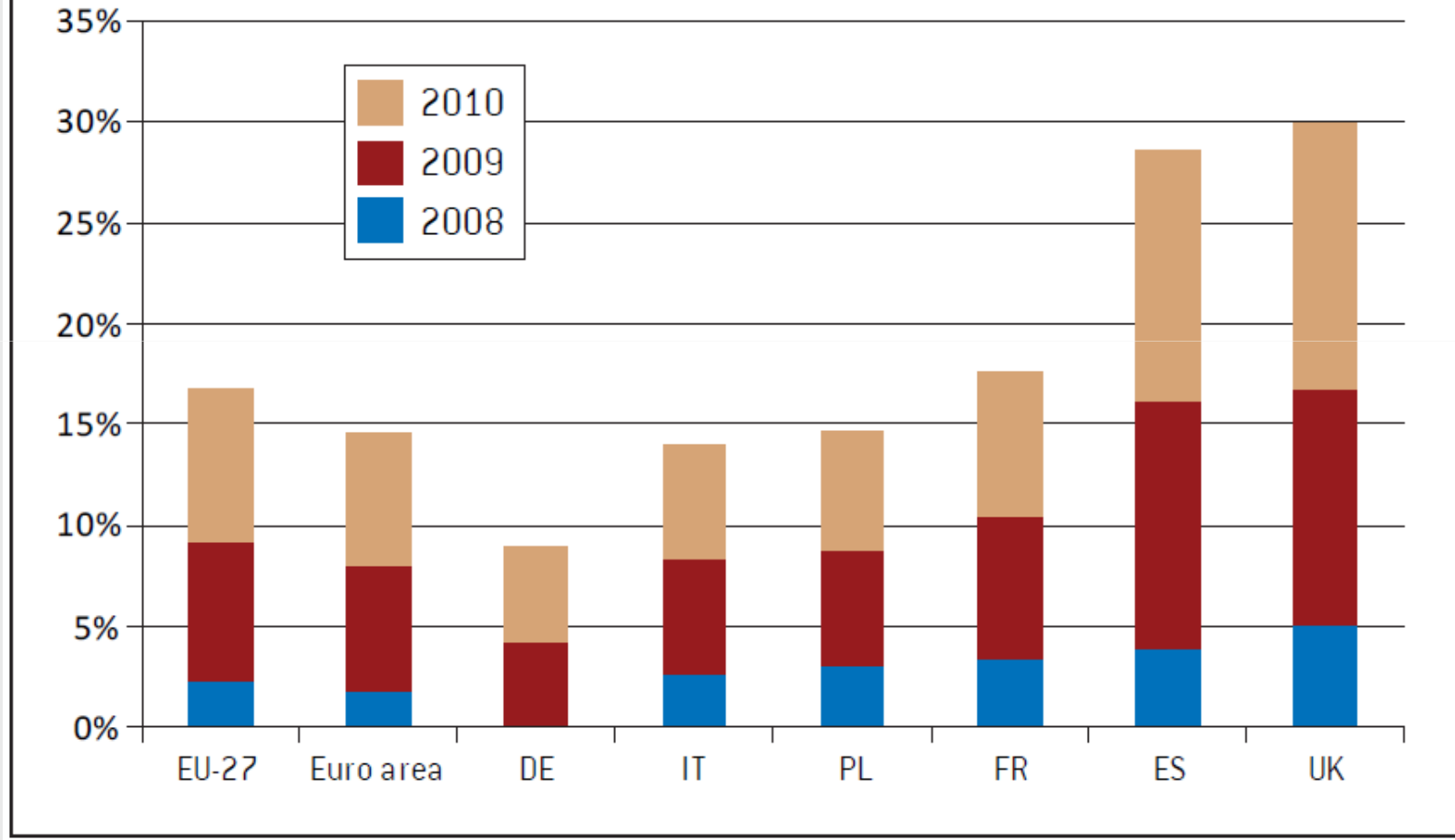
Figure 2 Estimated range of the "green" share in the stimulus packages in percent



Source: Klepper et al. (2009)



Figure 1: Surging deficits in response to the crisis
Cumulative budget deficits 2008-2010 as a percentage of GDP in 2010

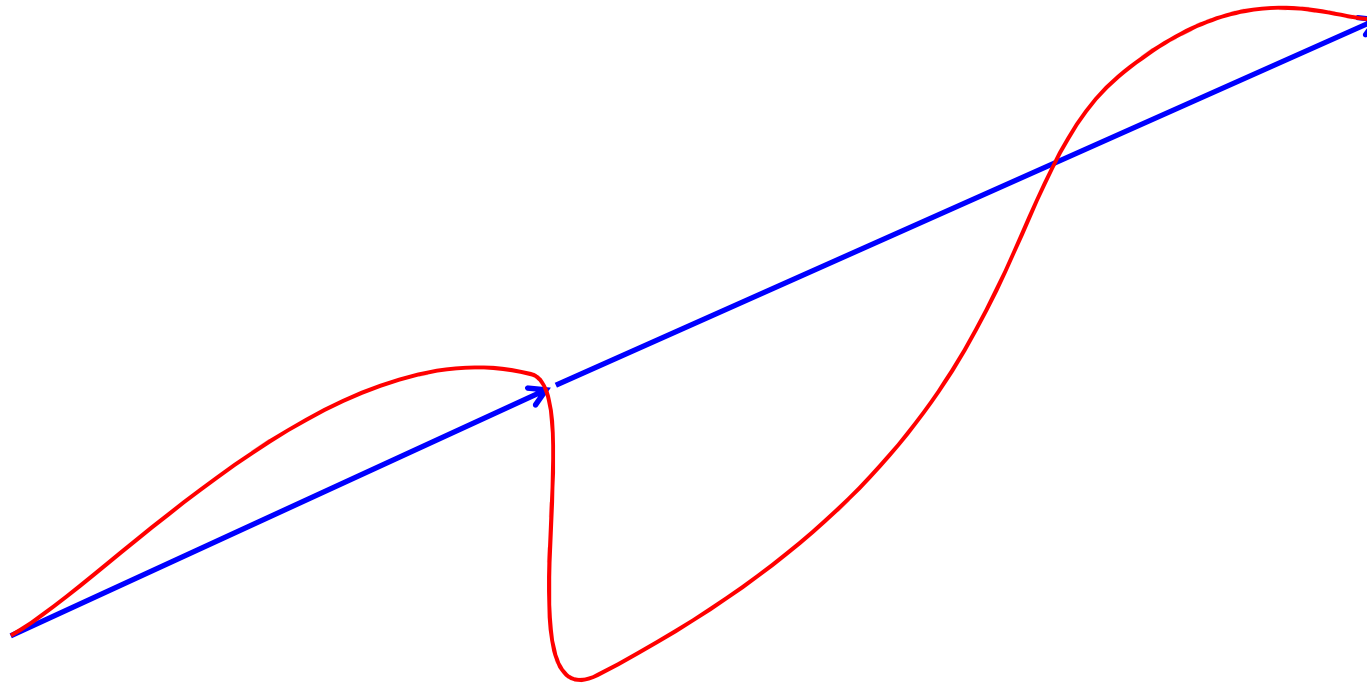


Source: IMF



Post-crisis growth

positive exception (Sweden)

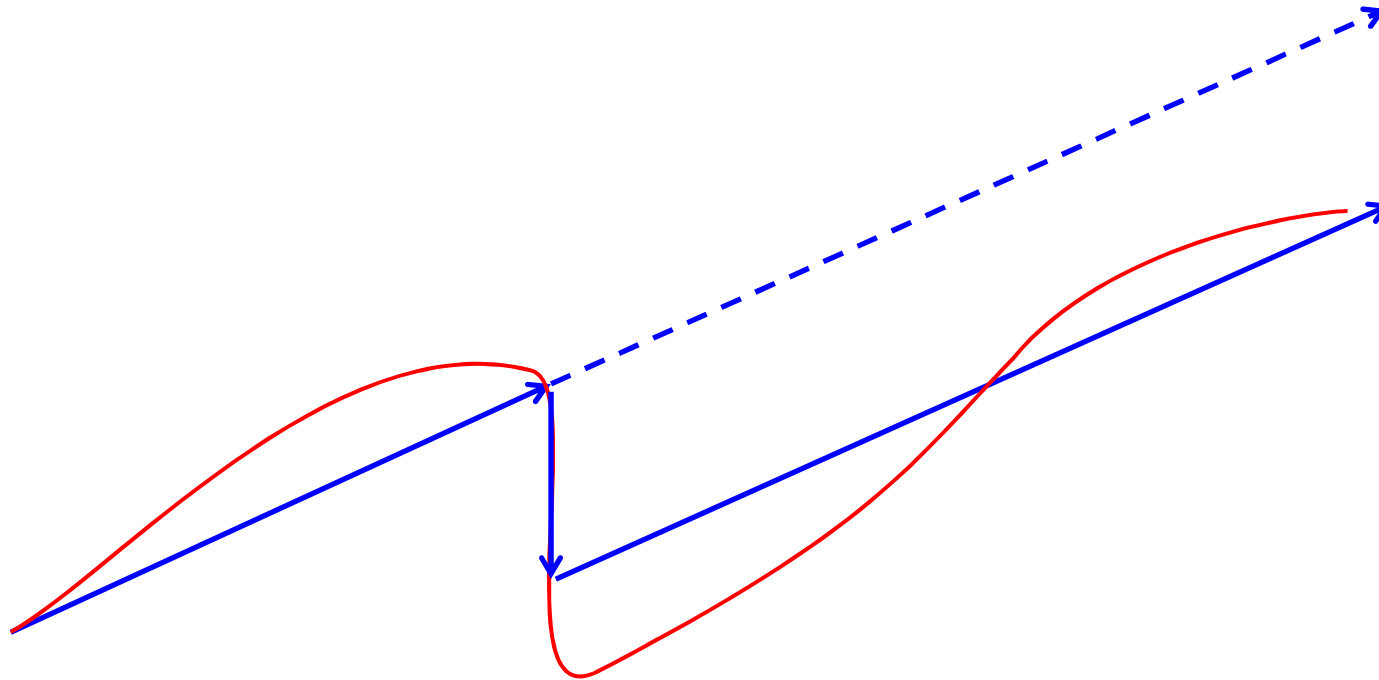


— potential output

— actual output



the norm (Finland/Indonesia/Hong Kong etc.)

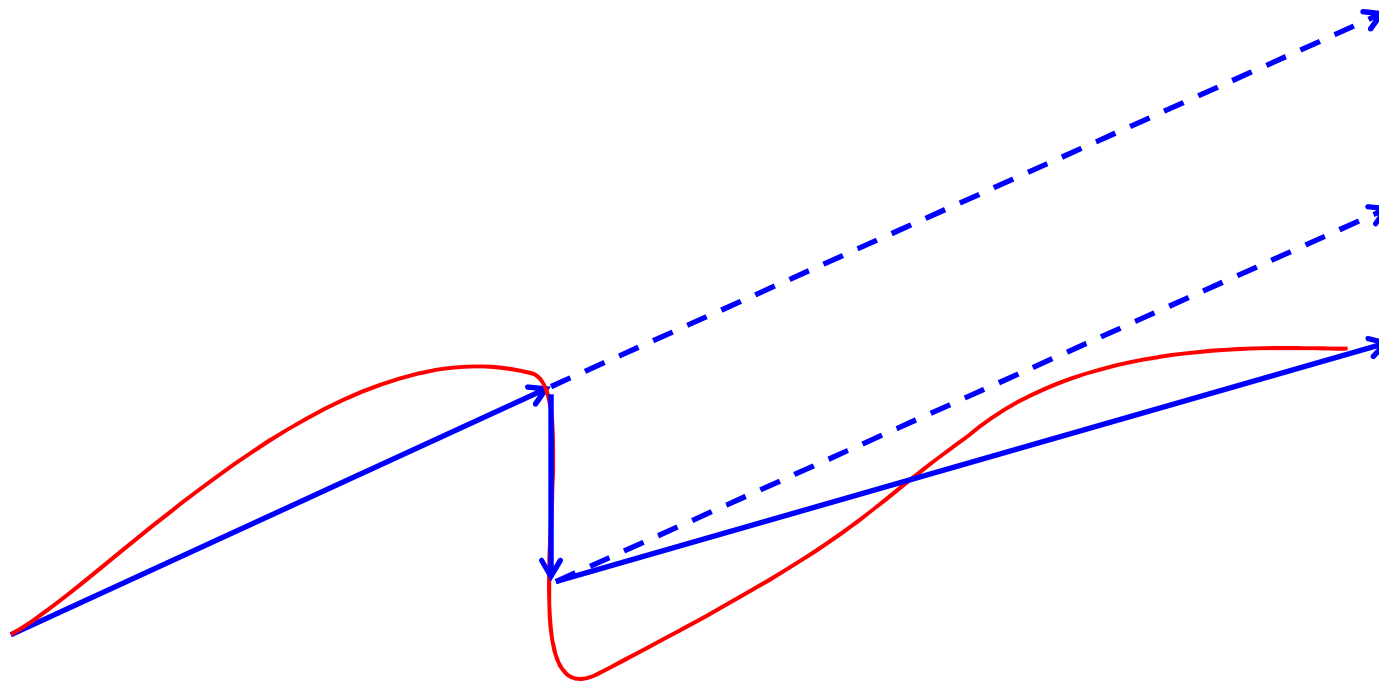


— potential output

— actual output



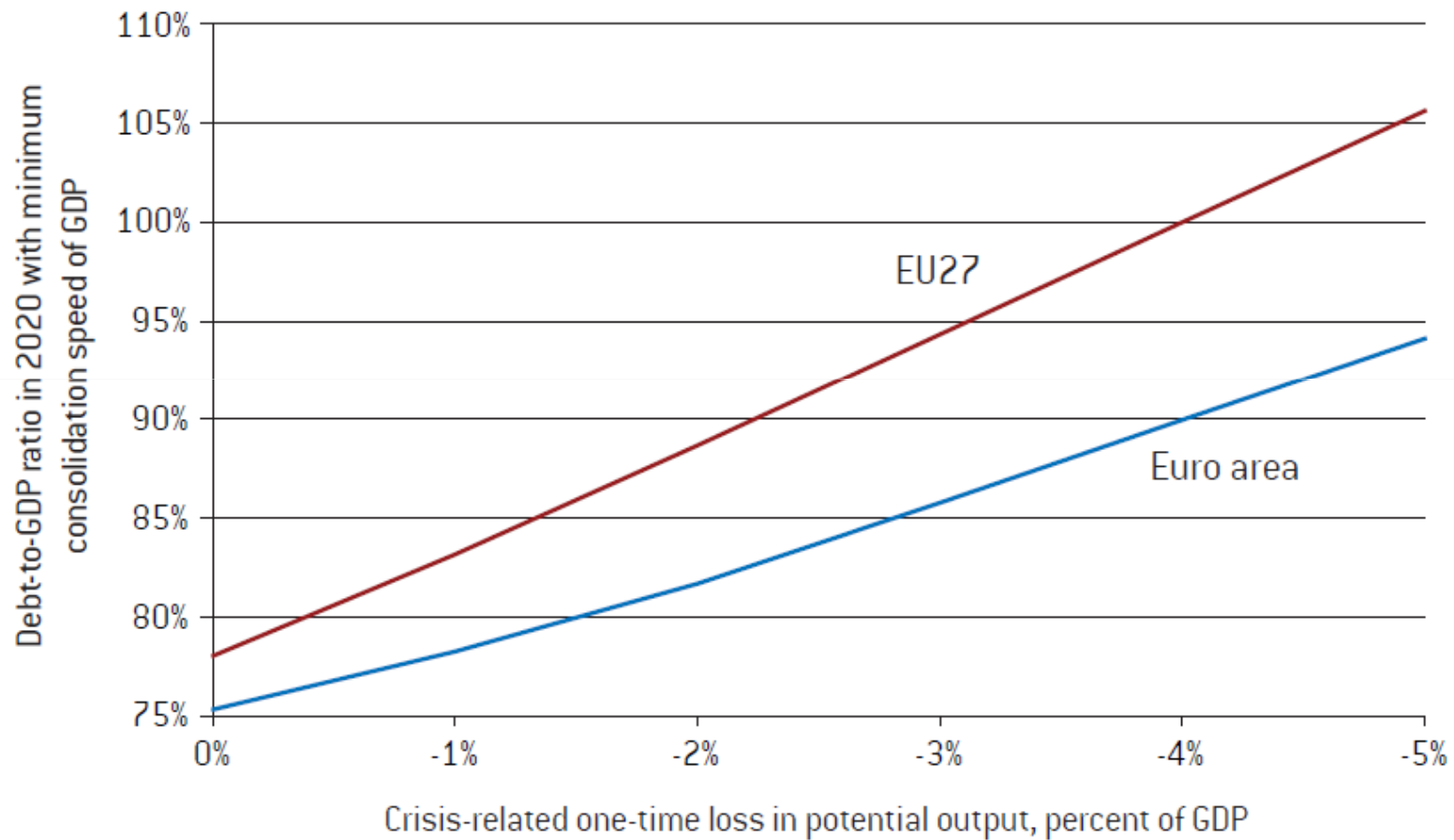
long term stagnation(Japan)



— potential output — actual output



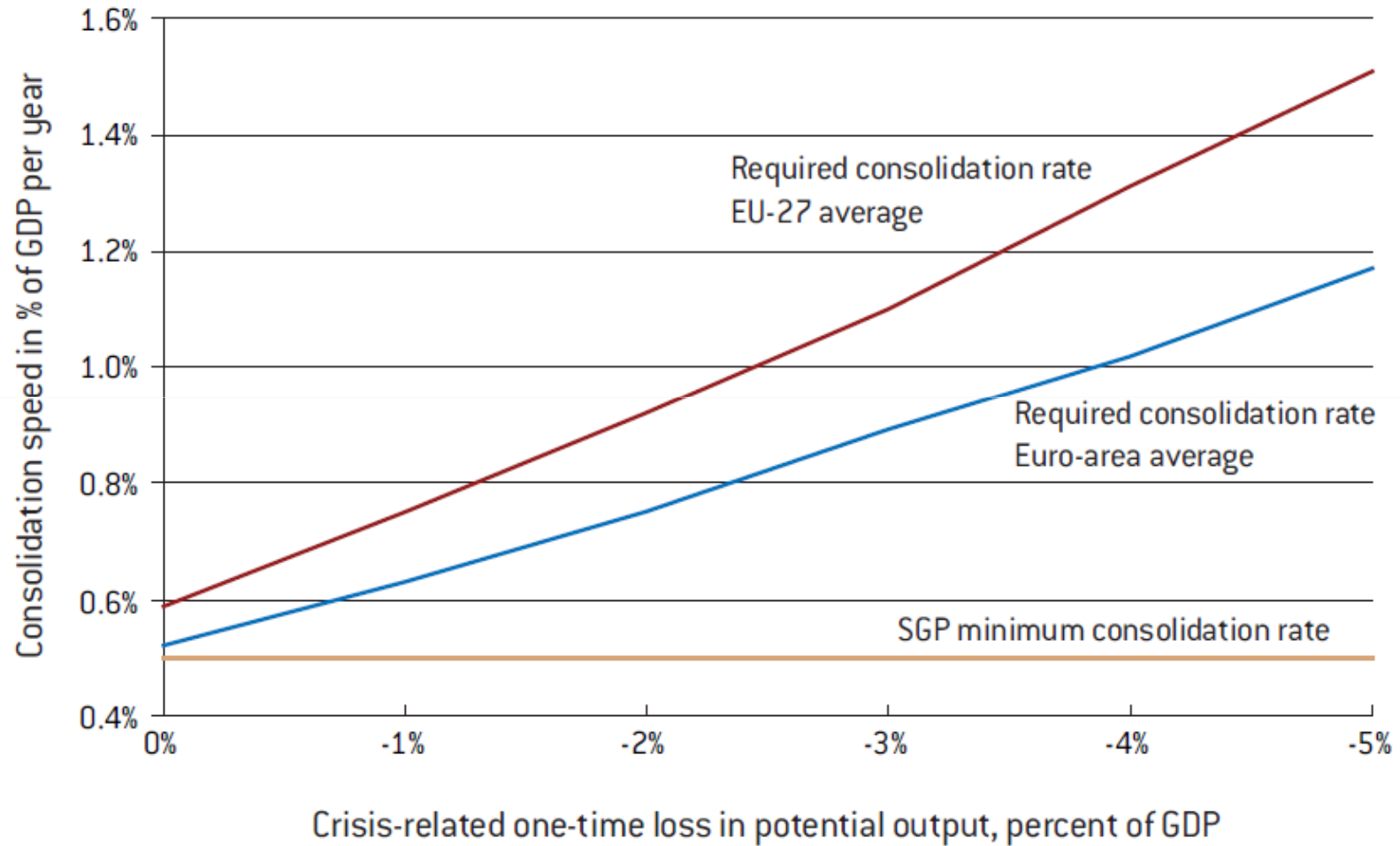
Figure 3: Projected debt to GDP ratio in 2020 assuming annual consolidation of 0.5% GDP*



Source: Bruegel simulation



Figure 4: Consolidation rate required to reach a 75 percent debt-to-GDP ratio in 2020*



Source: Bruegel simulation



Ingredients of green growth after the crisis

- **Growth**

- Fix the financial sector
- Preserve or increase investment into a green future
- Manage trade-off between roll-out and R&D

- **Expenditure cuts**

- Get out the lawnmower
- But carefully delineate the flower beds (see above)
- Increase the retirement age

- **Tax increases**

- Internationally coordinate „greening of the debt“
- Eliminate environmentally harmful subsidies
- Introduce minimum CO2 price