



A Sustainable Fiscal Policy Against the Global Climate Crisis: Green Fiscal Policy - Comparison of Policy Indicators of Selected Countries

Küresel İklim Krizine Karşı Sürdürülebilir Bir Maliye Politikası: Yeşil Maliye Politikası- Seçilmiş Ülkelerin Politika Göstergelerinin Karşılaştırılması

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ABSTRACT

Green fiscal policies as a sustainable fiscal policy are the most important public policy tools available to governments due to the acceleration of the global climate crisis and the finalization of its effects. Because with green fiscal policy tools, governments know how to direct social, economic and fiscal impacts. However, there are some interdisciplinary situations regarding the implementation of green fiscal policies. These situations include problems and solutions. However, the solution to the problems may be difficult in practice. In this context, this study tries to reveal the obstacles to solving the global climate crisis with an interdisciplinary approach by presenting a comparison of the fiscal approach to solving the problems in the context of policy indicators with selected countries and making predictions and inferences regarding the implementation of fiscal policies.

ÖZ

Sürdürülebilir bir maliye politikası olarak yeşil maliye politikaları, küresel iklim krizinin hızlanması ve etkilerinin sona ermesi nedeniyle hükümetlerin kullanabileceği en önemli kamu politikası araçlarıdır. Çünkü yeşil maliye politikası araçlarıyla hükümetler sosyal, ekonomik ve mali etkileri nasıl yönlendireceklerini biliyorlar. Ancak yeşil maliye politikalarının uygulanmasına ilişkin bazı disiplinler arası durumlar söz konusudur. Bu durumlar sorunları ve çözümlerini içerir. Ancak sorunların çözümü pratikte zor olabilir. Bu bağlamda bu çalışma, küresel iklim krizinin çözümüne ilişkin, sorunların çözümüne yönelik mali yaklaşımın politika göstergeleri bağlamda seçilmiş ülkelerle karşılaştırılmasını sunarak ve maliye politikalarının uygulanmasına ilişkin öngörü ve çıkarımlarda bulunarak, disiplinler arası bir anlayışla sorunların çözülmesinin önündeki engelleri ortaya koymaya çalışmaktadır.

Introduction

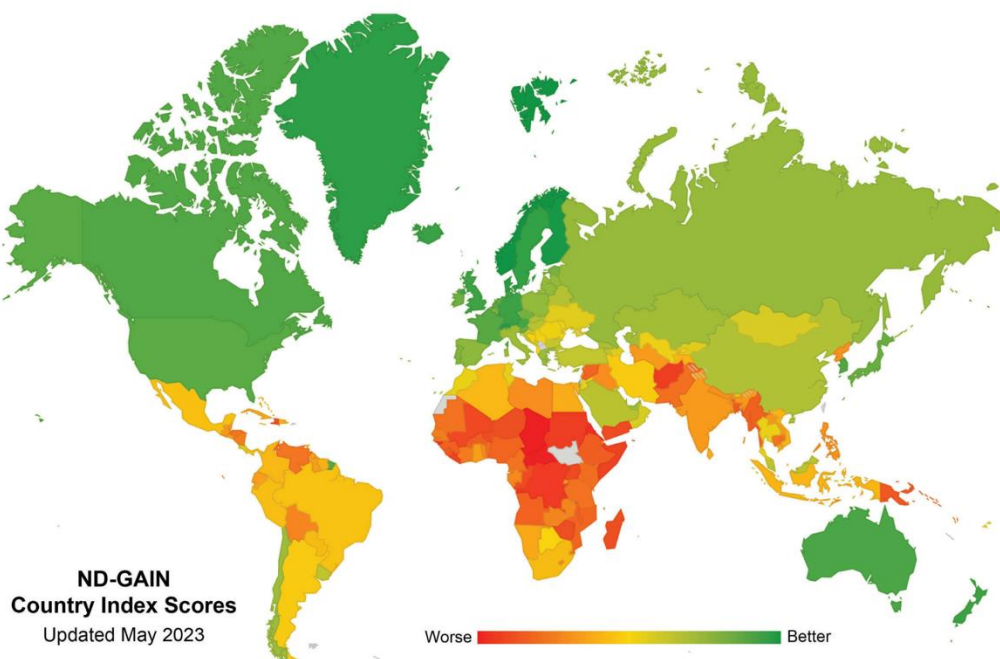
With the acceleration of the global climate crisis, green fiscal policies are important. Fiscal policies based on the sovereign power of the state can be used as an effective public policy tool in the fight against the global climate crisis, which creates negative consequences at the national, regional and global levels. With this use, externalities can be compensated, economic transformation can be developed in favor of green transformation, and socio-economic indicators can be positively regulated. However, in order to make a policy, some points need to be taken into consideration. It may be important that the implemented green fiscal policies are compatible with each other and implemented in the long term for a political solution.

Within the scope of the title of the study, explanations will be made under three main headings. In the first part of the study, the "Global Climate Crisis" will be discussed in general and briefly explained. In the second section, green fiscal policy will be discussed and its relationship with the Global Climate Crisis will be revealed. In the last section of the study, after the theoretical and practical discussion on the implementation of green fiscal policy, country outlooks will be briefly evaluated with a descriptive analysis accompanied by some indicators of green fiscal policies of selected countries. In this context, in the study, evaluations are made shortly in the context of the green fiscal policy indicators of some selected countries, in the light of the literature, on how to ensure the effective and sustainable use of green fiscal policies.

1. Global Climate Crisis

The global warming problem, also known as the global climate crisis, is a global problem explained by the emergence of greenhouse gas effects in the atmosphere as a result of high carbon emissions. In other words, it refers to the heat accumulation in the Earth's atmosphere as a result of high carbon emissions and an irregular process that ensures the carbon layer formed in the atmosphere constantly warms up by not allowing the sun's rays to reflect back. This change and disorder causes global environmental problems and makes global externalities insurmountably difficult. Therefore, global warming is not just a problem of an environmental nature. The problem of global warming is referred to as the global climate crisis because environmental effects cause economic, social and political problems. Climate change resulting from global warming not only causes serious damage or risk to world heritage (living creatures, landforms, habitats, etc.), but also has negative consequences on humanity. So, due to its global nature, the global climate crisis is being tried to be solved through international agreements such as the Paris climate agreement and the Kyoto Protocol (Aktaş, 2023; Paglia, 2017; Rezai et al., 2012a; UN, 2023).

Figure 1: Global Indication of the Impact Level of the Global Climate Crisis on Countries (2023)



Source: (ND-GAIN, 2023).

In figure 1 visualises that the impact of the global climate crisis will not be equal for countries. Therefore, it may not be possible to understand the global climate crisis specifically for a group of economies or regions. In this context, by triggering a socio-economic crisis, the global climate crisis harms the management and sustainability of public goods by causing a negative intergenerational impact on all global, national and common public goods, in the context of the public goods theory in the literature. In a study, the socio-economic consequences of the global climate crisis on all continents and in some regions are shown in the context of public goods. In this context, while there will be a relatively low impact on water and food in the European and North American continents, it is predicted that there will be serious losses in health and social welfare. In addition to the African and Asian continents, which are deeply affected by global warming, the Mediterranean region, islands and northern polar regions are also expected to be exposed to relatively more negative externalities. It can be predicted that with the global climate crisis, the tragedy of the partners has emerged at a serious level on a global scale and at the level of all global public goods. This may indicate that there is a need to establish protection through an organization based on international consensus, as in the protection of the Antarctic Continent, in the fight against the global climate crisis. While the Covid-19 Pandemic showed the inadequacy of the whole world in health as a global public good, it revealed that the weakest link strategy remained only theoretical in prevention, and that global policies that were comprehensive and based on global consensus were needed for global public goods (Açıkgöz & Kabayel, 2019; IPCC, 2022; Perkins et al., 2021).

2. Relation with Global Climate Crisis of Green Fiscal Policy

Fiscal policy is the set of policy instruments within public policies that aim to achieve fiscal and extra-fiscal goals by using public expenditure and revenue tools. On the other hand, it can be said that fiscal policy has supportive qualities to economic policy. The state can provide positive change on the non-financial objectives of fiscal policy and socioeconomic indicators such as income distribution and welfare, which are relevant to economic policy. Moreover, if we ignore the neutrality of fiscal policy, the key to the solution of economic policy to market failures is fiscal policy. Although this situation is described as the intervention of the public economy into the free market economy through fiscal policy, it may be inevitable and necessary. Of course, the state of the political exchange process is also important regarding its use. The willingness of voters and elected officials on this issue may lead to policy development. The situation regarding the Climate Crisis requires a similar process. In this context, fiscal policy can offer effective policy tools that governments can use to combat the Climate Crisis (Gaspar et al., 2019; Sakal & Karadeniz, 2019).

Green fiscal policy¹ ensures the transformation of taxes and public expenditures in a compensatory and harmonizing manner in the fight against the global climate crisis. In the history of fiscal policy, especially tax policy has been used for many years to combat environmental problems and purpose for green economic² transformation. However, since tax policy alone constitutes only one leg of fiscal policy, it may be insufficient in political terms as a result of the ignition of the global climate crisis. In fact, the problem is to ensure that taxes do not trigger the sectoral and bureaucratic harmonization process in their expenditures while using their compensatory feature (Kabayel & Kabayel, 2023b).

Table 1: Green Fiscal Policy Tools

Public Revenues	Public Expenditures	Public Debt	Budget
Carbon Tax Environmental taxes Carbon Pricing etc.	Green Subsidies Green Public Procurement Green infrastructure investments etc	Green Bonds Green Finance etc.	Green expenditure audit Climate budget labelling etc.

Source: (Kabayel & Kabayel, 2023b).

In table 1, presents the instruments of fiscal policy. One of the instruments of fiscal policy is public revenues. the most important of these are classically environmental taxes, carbon tax and carbon pricing. another fiscal policy instrument is public expenditures. The most important of these as a green fiscal policy tool can be shown as green procurement, green incentives, green investment (Yıldız Şeren, 2019). Public debt is used as another green fiscal policy tool. Green bonds can be shown as an example in this regard. finally, the budget is shown as an effective tool in the use of fiscal policy with a focus on green transformation. The green budget approach represents a political understanding developed in this regard (Kete, 2022). Classical environmental taxes, which have been

¹ Green fiscal policy aims to use fiscal policy instruments in a way that accelerates green economic transformation in favour of the global climate crisis. In this context, it seeks to achieve the political objective by harmonising other fiscal policy instruments, especially tax policy, in various ways.

² “A green economy is defined as low carbon, resource efficient and socially inclusive.” (UNEP, 2024).

used by many countries for many years, have become the most important financial tool of the fiscal policy. However, it can be said that environmental taxes have lost their political effectiveness on their own due to reasons such as the use of environmental taxes mainly for financial purposes and the tax burden remaining on the final consumer. For this reason, in recent years, alternative solutions such as carbon tax, carbon pricing, carbon exchanges, and carbon exchanges have come to the fore. Especially with the border carbon regulation of the European Union, the acceleration of the economic transformation of states and sectors is encouraged in the context of both tax policy and expenditure policy. It is also encouraged in the context of both tax policy and expenditure policy. It also increases the political effectiveness and the conversion coefficient. Green purchasing in the literature Expanded with concepts such as green budget, green borrowing, green financing (Kabayel, 2023).

In order to combat the climate crisis, fiscal policy needs to be shaped proactively, but many countries and policy makers can be said to be insufficient in this regard. Especially developing economies are responding with reactive Policies, which are the exact opposite of this policy understanding. The feature of reactive policies is that problems are developed within the scope of emergence and harm. Establishing a proactive understanding to ensure that the green policy is more efficient However, the fact that the climate crisis has become a big problem and the problems have already emerged also shows that the problem of delay, which is one of the shortcomings of the fiscal policy, has emerged after this point. The most correct political understanding to be made after this point is the green-oriented preparation of tax spending and ultimately the budget policy and the establishment of the appropriate legislative infrastructure (Avci, 2023).

“Green budgeting is a process whereby the environmental contributions of budgetary items and policies are identified and assessed with respect to specific performance indicators, with the objective of better aligning budgetary policies with environmental goals.” (European Commission, 2024). It will be much healthier to establish the green fiscal policy in depth, during the Budget Process, where the fiscal policy takes shape every year and receives permission to spend. Thus, the tax and spending policy will be strengthened based on the budget law, which is the biggest permit. In the process of preparing the budget, what kind of strategy should be developed regarding climate change and the solution to the problems it creates. Expert Commissions can be formed and made more qualified. Otherwise, the decisions taken by policy makers who are not experts on the climate crisis and its solution may lead to the ineffectiveness of the green fiscal policy (Kabayel & Kabayel, 2023a, 2023b).

Table 2: Harmonization Problem Samples About Green Fiscal Policy Tools

Increasing fossil fuel subsidies while environmental taxes are in place,
The use of fossil fuels by consumers is taxed, while the use of fossil fuels by industry for electricity generation benefits from tax relief,
Tax fossil fuelled vehicles at a higher rate than electric or hybrid vehicles,
While fossil fuels used by vehicles are taxed at a high rate, the fuel costs of high carbon emitting vehicles such as aircraft, ships, etc. are taxed at a low rate,
While tax incentives are applied to sectors with high carbon emissions, the agricultural sector is not given sufficient incentives.

Source: (Kabayel & Kabayel, 2023b).

Table 2 provides examples of harmonisation problems of green fiscal policy. While green fiscal policy is harmonizing and compensatory, the tools should not conflict with each other. In case of conflict, the problem of blending between policy tools arises and the effectiveness of the applied policies decreases or becomes neutral. The problem of harmonization is done by many countries during the use of fiscal policy for the purpose of environmental policy. In case the public expenditure and various subsidies are in conflict with the purpose of taxes, which is the reduction of pollution, at the point of applying the tax as a compensatory for environmental purposes, the problem of harmonization arises. Of course, it may not be only like this. In recent years, it has been seen that the number of hybrid or electric vehicles has increased, especially for the regulation of carbon emissions, but the tax policy should be shaped to support this transformation. A higher proportion of environmentally friendly vehicles and taxation from the base bracket. Again, it points to a blending problem. To give another example, fossil fuel. Regardless of the pollution among the vehicles, the problem of higher taxation of vehicles that produce less pollution may arise. Finally, the tax incentives given to the sectors conflict with environmental objectives. It may cause a sewage problem (Avci, 2023). For example, while much more incentives are given to the heavy industry, where carbon emissions are the highest, the agricultural sector receives sufficient benefits from this

incentive policy. Agricultural vulnerabilities in the process of climate change may trigger (Kabayel & Kabayel, 2023b).

3. Comparison of Selected Countries in Green Fiscal Policy Indicators

The global climate crisis has required governments to take measures for extra-fiscal purposes, such as public expenditures, subsidies, taxes, and fiscal instruments. In the fight against the global climate crisis, pro-government fiscal policies have been adopted. However, efforts made at the national level may lose their optimality due to the globality of the problem (Horton & El-Ganainy, 2024).

In recent years, in the fight against the global climate crisis, it is aimed to reduce global carbon emissions through carbon pricing method as well as environmental taxes. Because global warming is basically a result of the greenhouse effect caused by increasing carbon emissions (Avgousti et al., 2023). The reason why it is called the global climate crisis is that it reveals many problems and is a global public good (Rezai et al., 2012b). Tackling this problem requires global cooperation and political harmony. Although global cooperation has been seriously discussed within international organizations in recent years, cooperation without political harmony does not bring a solution. In other words, sharing ideas in cooperation within international organizations is not enough and causes insufficient solutions. In addition to sharing ideas, countries' application of the most appropriate political tools for the country and geography can bring about political harmony at the global level (Atalla et al., 2022; Coelho et al., 1991). However, there are reasons why this level of effectiveness cannot be achieved. First of all, the sovereign power of nations is the most important political wedge against global political harmony. Here, it is not a question of a nation ruling, but the current governments making the policies that are for the benefit of the nation and the country a subject of political exchange and developing a logic for not implementing these policies based on the power of sovereignty (Bernstein & Cashore, 2012). Especially in developing economies, the exchange gap that arises due to the indifference and ignorance of the electorate causes these decisions not to be questioned (Lohmann, 1998).

The most important reason that prevents political harmony is the political myopia of governments. Fighting the global climate crisis is not a short-term problem that will only cover one government term. However, governments may not see the fight against this problem as a whole. Reasons such as a change of government, prioritization of other policies to win the election, prioritization of socioeconomic problems, and the emergence of external costs brought about by natural disasters in the country may hinder stability in the fight against the global climate crisis (Ghosh, 2022). This situation can be seen as a political paradox. Governments may not want to bear the costs that may arise from Green Policies. These costs are generally political costs (Furceri et al., 2023, 2024). High political costs can lead governments to act inconsistently with policies. In addition, the problem of political paradox may cause other governments and organizations tackling the climate crisis at the global level to suffer from the "crab in a bucket" syndrome (crab mentality). Combating the global climate crisis requires global public goods theory and integrity at the global level (Benzie et al., 2019). If one or more of the countries that contribute the most to carbon emissions enter into a political paradox, it may reduce the political effectiveness and desire of other governments and organizations to combat the global climate crisis. For this reason, green fiscal policy is based on the sovereign power of governments, and its results at the global level are permeable at the international level. It can be said that the basis of the situations seen as green paradox and climate paradox in the literature is that governments and policy makers are caught in a political paradox (R. V. Der. Ploeg, 2024; F. (Rick) van der Ploeg & Withagen, 2015).

Because the political exchange of governments can damage the political harmony at the global level by disrupting the most effective set of policies and the related resource distribution (Udrea, 2023). Although this political paradox is sometimes necessary (disaster, war, etc.), it mostly occurs due to the political interests of governments (Neumayer & Barthel, 2012; Weston, 2014). Examples of this have emerged in recent years. The great earthquake that the Republic of Türkiye experienced in 2023 is a necessary example of this situation (GFPN, 2024a; O'callaghan & Murdock, 2021). On the other hand, Australia, United Kingdom, Canada and China are caught in the political paradox problem in their practices to combat the global climate crisis due to their political interests (Crerar et al., 2023; Shuo, 2023; The Economist, 2021). On the other hand, the political paradox after elections in the Australia and United States of America has been tried to be overcome by developing in favor of the global climate crisis with the change of government (Waldman, 2024; Westcott & Shankleman, 2022). However, if the government changes again in the next election period, the political paradox may repeat (Greve, 2023; Kessier, 2023).

Table 3: Comparison of Policy Indicators of Selected Countries ³⁴⁵

Countries	GRSR (%Total RS)	TRS (%GDP)	TRS (Billion Dollars)	Fossil Fuel Subsidies with externalities as % of GDP / Revenue from environmentally related taxes (% of GDP)	Carbon Pricing Gap (%) ⁶
Bangladesh	67	0.24	1	3,38	-
Belgium	57	1.79	10	0,64	71
Barbados	80	3.52	0	1,88	-
Canada	54	2.14	37	2,18	81
China	8	2,74	391	16,57	90
Denmark	63	3.43	12	0,63	60
Dominican Republic	54	5.17	0	2,95	-
France	38	3.94	107	0,60	52
Finland	58	1.66	4	0,41	62
Germany	46	2.39	92	1,33	67
Netherlands	2	2.95	27	0,45	54
Norway	55	1.71	7	0,90	38
India	3	0.93	27	7,48	89
United Kingdom	19	12.87	364	0,66	56
United States of America	43	5.22	1.119	4,90	88
South Africa	3	0.69	2	5,08	89
South Korea	26	11	182	1,45	64

³ The colouring in Table 3 refers to the relative comparison of the indicators of the countries. green and darker shades of green indicate a relatively successful position, while red and darker shades of red indicate a relatively unsuccessful indicator range. indicator ranges coloured in yellow indicate relatively average success.

⁴GRSR: Green Recovery Spending Rate, TRS: Total Recovery Spending.

⁵In the selection of the countries in the relevant figure, their performance in implementing green fiscal policy, their contribution to the climate crisis and their level of impact on the global climate crisis (IPCC, 2022) were taken into consideration. For example, countries such as Bangladesh, Barbados and India are more affected by the global climate crisis, especially due to their geographical location. On the other hand, especially China and the United States of America's contributions to the global climate crisis (carbon emissions, etc.) are relatively high. On the other hand, besides the examples of the most contributing countries and the most affected countries, what about the welfare economies (such as Finland, Norway, Germany, the United Kingdom) and their performances. The aim is to summarise the situation of selected countries on green fiscal policy performances by addressing the global warming problem, which is a global problem, in as broad a perspective as possible and to make evaluations about the theoretical and practical situation within the literature review.

⁶The carbon pricing gap "represents the percentage of energy-related emissions that are not subject to a carbon price of less than 60tCO₂." In other words, it shows the percentage of emissions that produce carbon emissions but cannot exceed 60 Euros per ton. Increasing the gap reduces political effectiveness. Subsidies, exemptions and exceptions also contribute negatively to the carbon pricing gap (UNDP, 2021).

Poland	58	1.39	8	2,70	76
Pakistan	64	0.75	2	6,66	-
Türkiye ⁷	100	0.40	73	3,26	78

Source: (GFPN, 2024b, 2024a; O'callaghan & Murdock, 2021).

The implementation of green fiscal policies is done differently by governments. This is because the country has different economic, political, social, and demographic characteristics. Despite these differences, it is possible to compare the levels of green fiscal policies relatively (Gramkow, 2020). In the Table 3, an attempt has been made to relatively predict the green impact level of fiscal policies by evaluating the financial equivalents of green fiscal policy instruments implemented by selected countries. Political harmonization is very important for green fiscal policy. Because the expense and income policy tools designed to combat the global climate crisis require that they do not conflict with each other (OECD, 2018). Otherwise, misleading and ineffective results may occur, just like the greenwashing policy of some companies in the private sector. For example, the main harmonization problems are the high taxation of final consumers under the name of environmental taxes, as well as the serious use of subsidies as policy tools for the production of fossil fuels. *When we look at the table 3*, we can emphasize whether the selected countries are in harmonization error or not. For example, the fact that Norway, Finland, Denmark, the Netherlands and France achieved relatively better scores shows that these countries are careful about political harmonization. In particular, the Fossil Fuel Subsidies with externalities as % of GDP / Revenue from environmentally related taxes (% of GDP) indicator shows the effectiveness of political harmonization. In this regard, countries that are colored in green tones are particularly successful. It cannot be said that China, Pakistan and India were successful in this regard. It can be said that the United States of America and the Republic of South Africa, and relatively Türkiye and Poland, should also carry out political harmonization efforts on this issue. On the other hand, apart from public expenditures and environmental taxes, the most important indicator by which we can predict the success of countries in global political harmony is the carbon pricing gap. The fact that this gap is large may indicate that the public expenditure and tax policies implemented do not include political harmony regarding the global climate crisis (Schubert et al., 2023). In this context, while Norway and France have the best outlook among the selected countries, it can be said that other European countries (such as the United Kingdom, the Netherlands) have a relatively similar performance. On the other hand, while there are countries in Europe that need to improve their performance (such as Türkiye, Poland, Belgium and relatively Germany), it can be said that the performance outlooks of Canada, China, India, South African Republic and the United States are relatively not good. Finally, the public expenditure planning and tax policy tools implemented by countries in the fight against the climate crisis are based on the budget document implemented by governments, and therefore on the budget right, which is based on sovereign power. However, the adequacy of the level of green public expenditure is a matter of debate. At the same time, the content of the applied environmental taxes can be discussed. All these points can show the financial and economic effectiveness of green fiscal policies to be implemented in combating the global climate crisis (Kabayel & Kabayel, 2023b).

Conclusion

Green fiscal policy, if implemented correctly, can bring about a truly sustainable fiscal policy. Fiscal policy, which is the most important policy tool that governments have to combat the global climate crisis, can bring political effectiveness together with the harmonization of public expenditures and public revenues. However, fiscal policy may fail because it is based on political exchange and policy makers act reactively and myopically. For this reason, not every policy can be expected to be successful; in some cases, even the non-implementation of implemented policies can be seen as successful by current governments. Therefore, it may become difficult to design and implement green fiscal policy. Green fiscal policy is important for combating the climate crisis, which is one of the sustainable development goals. As with many sustainable development goals, fiscal policy is a set of policy tools that have both public and economic outcomes. However, in this context, sustainability may not be sustainable in the literal sense. Because establishing and maintaining sustainability may not be possible due to the conflict of policies. Especially developing countries may have to choose between policies and turn to fiscal policies that will provide maximum public and political marginal benefit in the short term. In fact, although this situation seems economically rational, it contains a political paradox. Failure of public policies that will achieve sustainable development in the medium and long term to benefit from resource distribution at a sufficient level and other

⁷Türkiye classified all of its expenditures before the major earthquake as green. However, due to the negative economic externalities brought by the earthquake, this political outlook was suspended. the political outlook in the report prepared in 2021 has changed in current data (GFPN, 2024b; O'callaghan & Murdock, 2021).

policies consuming public resources in the short term may result in growth not being spread to the base and the increase in tax capacity and effort that the public sector will obtain as a result of development. In other words, policies preferred in the short term may not only hinder the fight against the global climate crisis but also the development of the country in the long term. Green fiscal policy to be implemented as a sustainable fiscal policy for the purpose of sustainable development may involve some problems. First of all, the borders that countries have due to their sovereign power prevent the implementation of policies as a whole in all countries. This problem arises from the fact that the global climate crisis contains global public goods characteristics. Secondly, countries approach the fight against the global climate crisis myopically. The problem of political myopia is one of the most important political obstacles in combating the global climate crisis. If political myopia does not disappear or deepens, it may be possible for a political paradox to arise and lead the problem to a dead end. The political paradox occurs because governments do not implement green fiscal policies sustainably, especially in line with their political interests. Finally, governments entering into political paradox and advocating unsuccessful policies may lead to the emergence of the 'crab in the basket' syndrome at the global level. Because the fight against the global climate crisis requires all chain links to be integrated as a whole. Governments' withdrawal from green fiscal policies may suppress or reduce the policies implemented by other governments. Namely, if a country with a significant economic power in combating the global climate crisis enters into a political paradox, it may reduce the will of other countries in the same basket (Crabs) to implement policies. Because fighting the global climate crisis requires integrity. The political paradox of developed economies, which contribute significantly to global carbon emissions, may also drag other countries down.

AUTHOR DECLARATION

Research and Publication Ethics Statement: This study was prepared in accordance with the rules of scientific research and publication ethics.

Ethics Committee Approval: This study does not require ethics committee approval since it does not include analyses that require ethics committee approval.

Author Contribution: The contribution of the author is 100%.

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