


Chapter 77

Impact of Green Taxes on the Public Financial System: An Example of European Union Countries

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ABSTRACT

The EU has become a promoter of the idea of sustainable development and a defender of the global climate, which in many sectors results in ever higher and more ambitious ecological and efficiency requirements. State wants to protect the environment use various intervention instruments, including environmental taxes: “green taxes.” In addition to the fiscal function, they are to stimulate various types of entities to undertake specific actions conducive to reducing pressure on the environment. The aim of the considerations (discussion) is to present changes in the approach to the use of “green taxes,” as an important instrument of the public sector environmental policy in the impact on reducing pollution on the environment conducive to sustainable development. The research aims to verify the hypothesis and assumes the impact of environmental taxes on the public system of financing expenditure on environmental protection. The authors will also look for an answer to the question whether the policy of “green taxes” can contribute to the sustainable public financial system.

INTRODUCTION¹

Historically the financial system has responded to the needs of the time and violent changes in the social and economic environment. A global consensus has arisen that sustainable growth will be one of the greatest challenges of the 21st century — as demonstrated by the United Nations (UN) Sustainable Development Goals (SDGs) adopted as part of its 2030 Agenda for Sustainable Development. As

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in previous changes caused by crises and structural transformations, the financial system will play a major role in this process: the full potential of the financial system needs to be harnessed to serve as an engine in the global economy's transition toward sustainable development. (A. Adam, 2015; N. Robins, & S. Zadek, 2017). The present problems, both environmental (such as climatic changes, the loss of bio-diversity and depletion of natural resources) and social (mostly associated with steep inequalities in income distribution), present an enormous challenge to social and economic development. When assessing the role of the financial system in the economy, it can be stated that this system plays a key role in the implementation of the sustainable development goals (M. Jeucken, 2001). Effectively operating financial system ensure efficient capital transfer in the economy, reducing financial risk (P. Arestis, 2006). The public pillar of the financial system through appropriate tools and instruments (especially financial) affects market decisions of enterprises and communities, but also shapes consumer awareness and behaviors. The financial instruments and tools evolving towards sustainable finance allows for the inclusion of social and environmental aspects in the general theory of finance, correlating with the pillars of sustainable development (S.T. Fullwiler, 2015). The sustainable development as a very specific economic category requires an effecting funding mechanism that should take into account the three-dimensional (economic, social, environmental), sustainability perspective.

They also influence the stability of the financial system and force the use of appropriate tools and make the right decisions. Changes of this scale and in these three pillars of sustainable development (i.e the environmental pillar, the social pillar and the economic pillar) can only be effected through concerted effort of various economic actors: companies, industry sectors, decision-makers, political powers, consumer groups, socially responsible civil societies, engineers, inventors and scientists. (P.M. Boulanger 2008; R.W. Kates, T.M. Parris, & A.A. Leiserowitz, 2005; T. Kuhlman, J. Farrington, 2010) In effect, the postulated transition should be interpreted as a complex and prolonged process involving a multitude of areas and actors (F. Geels, 2011).

While the relationship between the market financial system and sustainability have a wider context and are examined (especially in the context of the crisis), the relations between the public system and sustainability require a broader contextual discussion.

Earlier theoretical discussions and research were based on a selected aspects of sustainable finance. The research conducted by S. Abu-Bader & A.S. Abu-Qarn (2003) indicated both positive and negative effects of the active role of the public sector in the economy. The relationship between the public finance sector's expenditure and GDP growth has been considered in numerous studies. The impact of government spending on GDP in the context of development factors was examined by M.Q. Dao (2017), M.M. Dandan (2011) and T. Garba & Abdullahi, S.Y. (2013). Additionally, W.D. Nordhaus & J. Tobin's (1973) studies and the subsequent H.E. Daly & J. B. Cobb (2001) studies provided a basis for determining the positive impact of consumer expenditure (N.A. Ashford & R.P. Hall, 2011) on the financial system (public financial system).

It should be stressed that the classic approach indicates that it is necessary to balance consumer expenditure by such factors as revenue distribution, costs related to environmental pollution, and other undetectable, intangible costs (A. Alińska, B.Z. Filipiak & A. Kosztowniak, 2018). For the modern citizen, the issues related to environmental protection, actions for sustainable development, and respect of the principles of social responsibility are of particular importance and have often become a priority, as demonstrated by C. Cobb, M. Glickman, & C. Cheslog (1989). Therefore, the public sector, in pursuing its public policy, refers to the protection of the natural environment through the prism of measures for sustainable development (B.Z. Filipiak, 2016, European Commission, 2017).

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