Chapter 8
Fiscal Trade-Offs of Green Public Expenditure: Crowding-Out, Healthcare Financing, and Welfare Effects

P. Praveen Kumar
http://orcid.org/0000-0002-0707-039X
SRM Institute of Science and Technology, Vadapalani, India

K. C. Raja Shree
http://orcid.org/0009-0009-1029-910X
Saveetha School of Management, Saveetha Institute of Medical and Technical Sciences, India

ABSTRACT

The examination of green public expenditure is highly important and this cannot be studied as an individual factor where in healthcare financing and welfare measures also should be embedded to understand this interdependent concept which will provide details about current budgetary pressures and also futuristic fiscal capacity. By exploring about the fiscal transmission channels through short, medium and long-term aspects, this chapter would study the static budgetary analysis by capturing the dynamic interactions throughout the environmental spending and reduced health care costs. This chapter also integrates the welfare economics towards the fiscal analysis by examining the green public expenditure and its contribution towards resilience, equity and well-being through generations globally. The linkage between the green spending and population health will help in supporting the fiscal sustainability. Therefore, this chapter purely studies about the sustainable healthcare financing in long-term welfare outcomes and the green expenditure can be considered as a strategic tool.

DOI: 10.4018/979-8-3373-8998-1.ch008

1. INTRODUCTION

The fastened pace of climatic change along with increase the president challenge and pressure on governments across the globe, reaching about the developmental strategies towards public expenditures (Fonjong et al., 2024). The rising temperatures, over water and air quality along with loss of biodiversity has increased the climatic events in an unexpected way which is creating a need for standard national as well as international policies (Izah et al., 2023; Shivanna, 2022). The government has to invest in renewable energy and mitigate the climate deterioration factors and adopt sustainable infrastructure and environmental protection mechanisms for enhanced living standards (Batra, 2023). In the larger scale, renewable energy is utilized in urban sustainability initiatives and climate resilient infrastructure where public budgets are provided to mobilize the environmental transitions (Yatzkan et al., 2025; Saleh & Hassan, 2024). However, the extension of the green public expenditure occurs and elevates the financial stress aspects (Peng et al., 2023).

The governments face fiscal constraints and also increased public debt, demographic pressures and economic consequences through global shocks, especially during COVID-19 pandemic (Reznikova et al., 2022). Health systems have experienced budgetary pressure compelled by aging population and increased likelihood of non-communicable diseases and also elevated demand towards public health preparedness (Goswami, 2024). The policymakers are usually confronted with challenging fiscal choices with respect to allocation of scarce public resources (Wenjuan & Zhao, 2023). Therefore, green public expenditure is usually framed as a competitor to healthcare and also social spending in increasing the concerns about fiscal crowding-out along with welfare trade-offs. On considering all these, the current chapter would focus on examining the fiscal trade-offs that are associated with the green public expenditure by providing emphasis on the interactions with financing towards healthcare and social welfare measures. By combining the insights from the economics of environment, health, and public finance, this chapter would develop a holistic financial sustainability framework, which will be useful in the green transition.

The global extension in the green public expenditure shows the growing concern towards environmental sustainability and also economic development (Liu et al., 2022). Governments based on income levels have implemented policies and employed public resources to the climatic change along with environmental degradation by creating sustainable development goals (Mpofu, 2022). Public spending towards renewable energy infrastructures. energy efficient systems. reduced carbon transportation, climatic adaptation measures and restoration of ecosystems have enhanced the commitments of governments towards environmental protection activities (Batra, 2023). This transformation has recognized the substantial economic as social costs.