Research Journal of Economics

Editorial

A SCITECHNOL JOURNAL

# Green Fiscal Policy: Using Public Finance for Sustainable Development

**Dr. Ananya Verma***

Department of Public Policy, Delhi Global University, India

***Corresponding author:** Dr. Ananya Verma, Department of Public Policy, Delhi Global University, India, Email: ananya.verma@dgu.ac.in

**Citation:** Ananya V (2025) Green Fiscal Policy: Using Public Finance for Sustainable Development. Res J Econ 8: 193

**Received:** 01-May-2025, Manuscript No. rje-26-184061; **Editor assigned:** 4-May-2025, Pre-QC No. rje-26-184061 (PQ); **Reviewed:** 19-May-2025, QC No. rje-26-184061; **Revised:** 26-May-2025, Manuscript No. rje-26-184061 (R); **Published:** 31-May-2025, DOI: 10.4172/rje.1000193

## Introduction

As climate change and environmental degradation intensify, governments are increasingly turning to green fiscal policy as a tool to promote sustainable development. Green fiscal policy refers to the use of taxation, public spending, and budgetary instruments to encourage environmentally friendly behavior while supporting economic growth. By aligning fiscal systems with environmental objectives, governments can address climate challenges, reduce pollution, and foster a transition toward a low-carbon economy without sacrificing social welfare [1,2].

## Discussion

A central component of green fiscal policy is environmental taxation. Taxes on carbon emissions, fossil fuels, and other pollutants aim to internalize environmental externalities by reflecting the true social cost of harmful activities. Carbon taxes, in particular, incentivize firms and households to reduce emissions, invest in cleaner technologies, and shift consumption patterns. When designed effectively, these taxes can reduce emissions at a relatively low economic cost while generating public revenue [3,4].

Public spending also plays a crucial role in green fiscal policy. Governments can allocate resources toward renewable energy, energy-efficient infrastructure, public transportation, and climate-resilient agriculture. Such investments not only reduce environmental harm but also stimulate economic activity and job creation. Green public investment can crowd in private investment by lowering risks and supporting innovation in clean technologies [5].

Another important aspect is fiscal reform. Green fiscal reforms often involve restructuring existing tax and subsidy systems to remove incentives that harm the environment. For example, phasing out fossil fuel subsidies can reduce excessive energy consumption and free up fiscal space for social or environmental programs. However, these reforms may have distributional impacts, as higher energy prices can disproportionately affect low-income households. To address this, green fiscal policy often includes compensatory measures such as targeted transfers or reduced labor taxes.

Green fiscal policy also enhances long-term fiscal sustainability. Climate-related disasters and environmental degradation can impose large costs on public budgets through disaster relief, health expenditures, and infrastructure repair. By investing in prevention and mitigation, governments can reduce future fiscal risks and improve economic resilience.

## Conclusion

Green fiscal policy offers a powerful framework for integrating environmental goals into public finance. Through well-designed taxes, strategic public spending, and fiscal reforms, governments can support climate action while promoting inclusive economic growth. As environmental challenges grow more urgent, green fiscal policy will remain essential for achieving sustainable and resilient economies.

### References

1. Bilen O, Ballantyne CM (2016) Bempedoic Acid (ETC-1002) An Investigational Inhibitor of ATP Citrate Lyase. Curr Atheroscler Rep 18: 61.
2. Zagelbaum NK, Yandrapalli S, Nabors C, Frishman WH (2019) Bempedoic Acid (ETC-1002): ATP Citrate Lyase Inhibitor: Review of a First-in-Class Medication with Potential Benefit in Statin-Refractory Cases. Cardiol Rev 27: 49-56.
3. Benoit Viollet, Bruno Guigas, Nieves Sanz Garcia, Jocelyne Leclerc, Marc Foretz, et al. (2012) Cellular and molecular mechanisms of Bempedoic Acid. An overview, Clincal Science (London) 122: 253- 270.
4. Phan BA, Dayspring TD, Toth PP (2012) Ezetimibe therapy: mechanism of action and clinical update. Vasc Health Risk Manag 8:415-27.
5. Kosoglou T, Statkevich P, Johnson-Levonas AO, Paolini JF, Bergman AJ, et al. (2005) A review of its metabolism, pharmacokinetics and drug interactions. Clin Pharmacokinet 44: 467-94.