THE ECONOMIC CRISIS AND SUSTAINABILITY – A DISPUTED INTERACTION AND INFLUENCE

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Abstract

The reality of nowadays permit us to point the sustainability as an equilibrated evolution of economics, society and environment. The representatives of economic world discuss about the danger of economic crisis and of environment discuss about the crisis of natural resources, even both are interested to protect the society and to ensure the better living conditions. Between economic crisis and sustainability is a strong connection with reciprocal influence and although the environmental problems started since the '80, their effects are visible today: depletion of resources, human health quality, climate changes etc.

The aim of this paper is to identify the main implications of the economic crisis in the sustainable development process and to find a response to question: may be an economic crisis favourable and desirable for sustainability? So, is essential to know what is this and why the economic crisis appears; then, we can identify their relationship. Our research uses the qualitative analysis by incursion in the literature chronology and we complete it with a quantitative analysis based on indicators relevant for the sustainability and economic crisis, too. We found some explanation for the discrepancies between theory and practice of sustainable development and some explanations of the economic crisis benefits. The main results will demonstrate that not always the economic crisis is undesirable, especially in terms of Dow Jones Sustainability Index. Moreover, we will present the positive implication of the economic crisis on the sustainability and we will demonstrate that between these it exist a favourable connection.

Keywords: *economic crisis, benefits, green economy, sustainability*

JEL classification: *O1, O44, Q01*

Introduction

This approach has started from the main idea that between the goals of accelerated economic growth and theories of an equilibrated development - friendly with environment and resources, is a strong linkage. When this connection is disrupted by some controllable or uncontrollable influences, is almost normally to appear a specific phenomenon that can balance the situation and the economic crisis can be an appropriate example. This is not only very involved in the controversial relation economic growth - sustainable development, but it may be a "necessary bad". By this paper, we propose to observe and analyze another face of economic crisis, the positive one, namely from the perspective of necessity to adapt the rhythm of economic growth to an equilibrated overall development. This approach is connected with the notice that the accelerated rhythm of growth is not totally in accordance with the objectives of sustainable development. The sustainability concept, that until now has remained mainly a theoretical approach, analyzed together with the reality of economic crisis, it can be considered as an inadequate relation for research, but we try to demonstrate that between these, sustainability and economic crisis, it exist a strong connection with reciprocal influence. In the same time, by this paper, we take into consideration the sustainability in a post-crisis context and we make an inventory research in order to identify the opinion and ideas related to new thinking and approaches developed after the financial crisis manifestation, 10 years ago. We consider that is time to view the positive face of the crisis. Even some authors discuss about the economic crisis as a negative, disruptive or a menacing phenomenon, we discover some very useful and interesting opinions that coincide with our idea according to some crises can contribute to a deep practical approach of sustainability concept.

Related to main issues on the economic crisis, we appreciate that this phenomenon is a reality facing to almost all countries of the world and, really, is a symptom of a much deeper problem of

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the economic system functioning. In our opinion, the real cause of the economic crisis is the too much concentration on the economic growth, based on the unbalanced consumption and production, without consideration of the overall effects, mainly on long term. In addition, we consider that the economic crisis is a face of the unsustainable development and is directly connected with the hiper-consumerism phenomenon perceived as one result of the orientation to unhealthy economic growth. One of its consequences is the accumulation of debts in future and that produces the crisis in economic or financial area, together with social negative effects. In this context is not very difficult to observe that exist some substantiated reasons to study in the same subject the economic crisis and the sustainable development, by an analysis of reciprocal influences and interaction - for that is not accepted too easy the positive face. Moreover, nowadays, the world economy is almost devastated by sudden changes, determined by phenomenon as specific crisis viewed in economic, financial, political, social and demographic, environmental areas. In this context, the main reasons that determine the occurrence of new patterns of economic development consist in: resilience to various crisis, strong deterioration of environment, depletion of resources and the real need of all area of life to become sustainable. This is one of explanation that the Europe 2020 Strategy considers and promotes the sustainable development one of the most important engines for a future health development.

Description of the Problem

The main ideas that encourage a new direction of research on the economic crisis together with sustainability are follows:

- the actual economic world and the modern society, too, are faced to a strong and complex process of rediscovering or reconfiguration, because the needs of evolution requires the adaptation to these new situations

- the economic crisis it can be proven an opportunity in order to ensure the access to the reality of sustainable development compared to theoretical approach

- the steady state economy is another sense of sustainable development, that promote only the equilibrated development and can be compared to the limits of the economic crisis

- the controversial *de-growth* concept is perceived as the most appropriate solutions for blocking or slowing down the nowadays rhythm of economic growth that is too much accelerated

- the *hiper-consumerism* is another phenomenon proven to be unfavourable not only in economic area, given the depletion of resources risk, but for the social and human positive evolution, too

The economic growth - that is not the sustainable development - represent the main goal off all economies, but some undesirable effects of very fast progress upshot of economic growth, are:

- depletion or alteration of vital resources involved in the economic and social development

- altering the population health or social qualities together with massive socio-demographic changes

- environmental changes combined with excessive pollution, biodiversity degradation etc.

In this regard is very important to remember and understand that ”since we live on a finite planet, with a limited supply of natural resources and a limited capacity to absorb wastes, it is not possible for the economy to grow forever” (Meadows, 1972). Thus, 40 years later, was developed the idea that the global financial crisis in 2008-2009 became multidimensional economic, social and environmental. Bozena (2014) explain that ”on the economic level effects of the crisis were a reduction of world GDP and volume of international trade, reducing investment and jobs creation and side effect of the crisis was a reduction of the level of well-being.” In this regard, an immediately reaction was from the part of international organization that developed the new programs and strategies for improvement of the future and for the restoration of crisis effects. It was a good opportunity to develop the reorientation to an overall sustainable development that includes the circular economy, the green economy and all macroeconomic preoccupations to reconsidering the resources for entire their cycle of life. (OECD, 2011). All these are considered from the perspective of ”second wave” of global economic crisis, when: ”The European Union definitely remains in deep recession, in an attempt to save what can be saved - euro, confidence in the common monetary system and economic community in general.” (Đukić, 2012). In addition, Đukić discuss about the first wave of global crisis (2008 - 2010) which has required initiatives and efforts focused more to „green-economy“ or measures leading to sustainability.

Given that we find separately studies and researches about economic crisis and sustainable development, we propose by this paper to identify the connection between these two, but from the perspective that permit to demonstrate the positive effects and influences of crisis on the sustainable development. Even for the period immediately after crisis, in 2008-2009, it was presented only the negative face of the crisis, we consider that nowadays is possible to collect the favourable consequences. In addition, we propose to identify and to present the references on the both concepts, analyzed together, mainly bases on the relation causes-effects and future proposals in this regard.

Literature Review

According to Đukić (2012), ”the sustainable development means peace and co-operative conditions, but should not exclude the possibility of response to emergencies; moreover, the sustainable development is the characteristic of a social system that easily exceeds the emergency”. The same author consider that ”the global economic crisis has placed priority short-term goals such as output growth, investment and employment, and often the survival of entire national economies and regions, the monetary area and other communities”.

Recognized as a great promoter of the sustainability, both at theoretical and practical level, Lester Brown (1982) argues that “building an eco-economy represent the bigger historical investment opportunity. The companies with a new economic vision that included the environmental aspects in their plans of activities will be winners” while von Weizsacker, E., Lovins, A.B., Lovins, L.H. (1997) appreciate that the *4 Factor* is the theory according to the welfare it can double by halving the resources consumption, by 4 multiplying the resources productivity. This idea is continued and developed in other form in the opinion of Daniel W. O’Neill (2008) which argue with the idea of ”the abandon of economic goal for growth and begin the transition towards a steady state economy.” Some authors consider that the presence of economic crisis is a consequence of an irresponsible approach of economic growth: “it was an era of global prosperity. It was, also, en era of turbulences. But, where it was irresponsibility, now it must say: the era of irresponsibility it must end” said Brown, G. (2008). Other authors consider that is mandatory to pass toward a new approach of economic growth, because the overall economies and societies are in a full process of change. ”We live in non-linear times: the classic economic models and theories cannot be applied, and future development cannot be foreseen” (Trichet, J.C. 2009). About the favourable effects of the economic crisis, Mahler (2009) notes that “in the context of financial crisis observed in great damage of economic and business environment, the winners are green companies focusing on sustainable performance”.

This appropriate context permits us to highlight a new idea from the literature. According this, the transition to a new economy, named “economy after crisis” implied the development of green economy based mainly on recycling, clean technologies friendly with environment, using on a large scale the renewable energy sources, and, most important, changing the model of consumption in order to be efficient and sustainable. (Barbier, 2010). We are glad to find many similarities in the literature with our opinion and thinking related to strong requirement to adapt the rhythm of economic growth that now is too aggressive and with negative impacts on different areas (society, environment, resources conservation etc.). In this regard, Anbumozhi&Bauer (2010) discuss about the economic slowdown, stimulus packages, and green growth as solution to overcome the effects of economic crisis, but in the same time, they explain that the green recovery is not a panacea. As we supposed in our hypothesis, the economic crisis has actually opened a window on our future. (Homer Dixon, 2009) because ”the crisis is also an example of a more general and increasingly frequent phenomenon: a sudden shift in behaviour of a highly complex system critical to human well-being that is under extreme and steadily rising stress.” In the same line, we find that ”the economic crises never happen overnight and they are the results of years of global economic change, policy errors, and misjudgements” and ”the global financial crisis and the resulting economic slowdown may be assumed to have at least the benefit of also reducing environmental degradation in the individual countries (Anbumozhi and Bauer, 2010).

Methodology and Data Sources

The research approached by this paper, is prevalently empirical, based on qualitative analysis. By this, we propose to show another face of economic crisis and this is possible using the methods as content and exploratory-descriptive analysis. We focused on the documents analysis and interpretation, based on statistical data from the recognized and official database as Eurostat that permit us to proceed to the indicators analysis. The main indicators used are these specific for sustainable development and economic growth. Another basis of the research is represented by the bibliographical documentation and interpretation of specialized literature in relation with the continuous observation of the practical reality. The main work hypothesis is that the economic crisis is proven to have the positive effects given that it facilitates the achievement of sustainable development goals. Briefly, our methodological approach is focused on the exploratory research oriented to confirmation of the main hypothesis - that it exist the positive face of economic crisis in relation with the sustainable development goals - based on the other studies just conducted and on the indicators and statistical data. We admit a main limit of our research: the predominance of subjectivity that determines the difficulty to generalize the results of research. Mainly, our research is a systemic approach that follows a restricted diagnosis from the literature related to new opinion promoted: the sustainable development can be achieved if is taken into consideration the causes and effects of the financial crisis.

Results Obtained

Related to the practice of sustainable development, we consider that this consist in a set of economic, financial and social correlated systems that preserves and restores the ecosystems, the backbones of economic and social well-being. Essentially, the sustainable development is a branch of resources administration way. According to Wackernagel & Rees (2000) the poles of sustainability are supported by ecological stability and reduction of ecological footprint. Moreover, it must insist very much on the quality life assurance for all peoples, as mean of long term sustainability facilitation. Without health and responsible peoples will be not possible to guarantee the reality of sustainable development and is being create the context of economic and financial crisis appearance and manifestation. Giovanetti (2010) explain us that the Bruntland Report definition is wrong from the start, because *we don't know today the needs and desires of future generations*. So, the sustainable development is a possible solution of the nowadays similar with *steady-state* or *zero growth* concepts. At political and instrumental levels, the sustainable development is concentrated in many strategies and measures, and we observed the efforts and investments in different directions dedicated to sustainability achievement. This implies decoupling the economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernize the transport sector and promote energy efficiency and the crisis made us aware that "business as usual" is not possible anymore. (Bozena, 2014)

In this manner, we have created a specific context to express the linkage existence between economic crisis and sustainable development. The experts consider that to solve the economic crisis is need to make some actions and reorientations as:

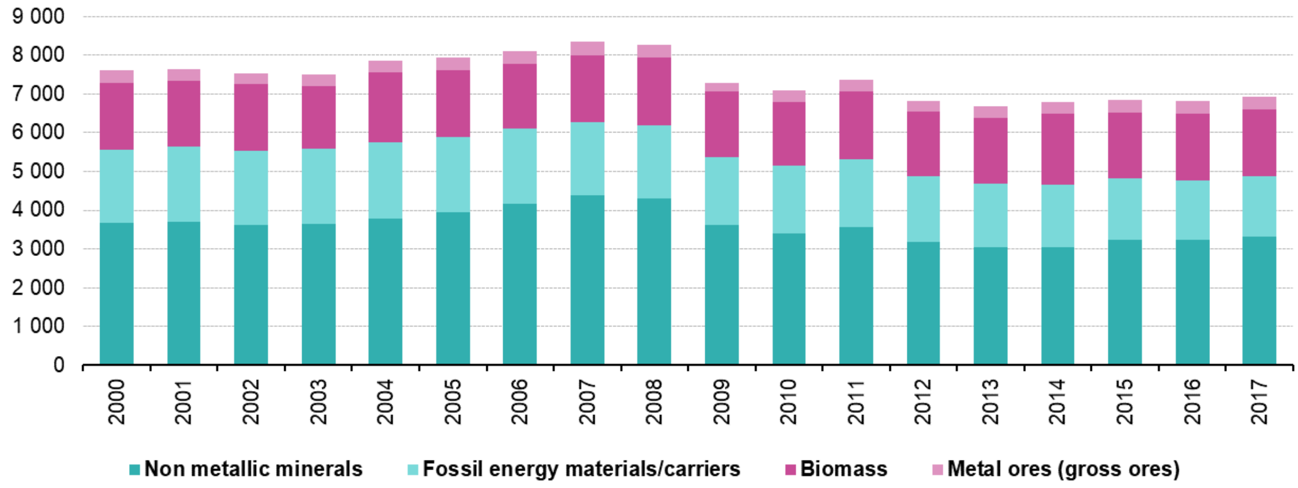
- creation of the new ways of thinking about the real sustainable development, such as the actions and activities of circular economy based on reconsidering and recycling the wastes

- a green energy revolution expressed in new ideas and actions of small business

- re-evaluation of financial approach meaning that when it is appreciate the progress of economy and society is not enough to consider only the financial indicators; in this regard it was a reality that the GDP growth does not absolve the presence of economic crisis

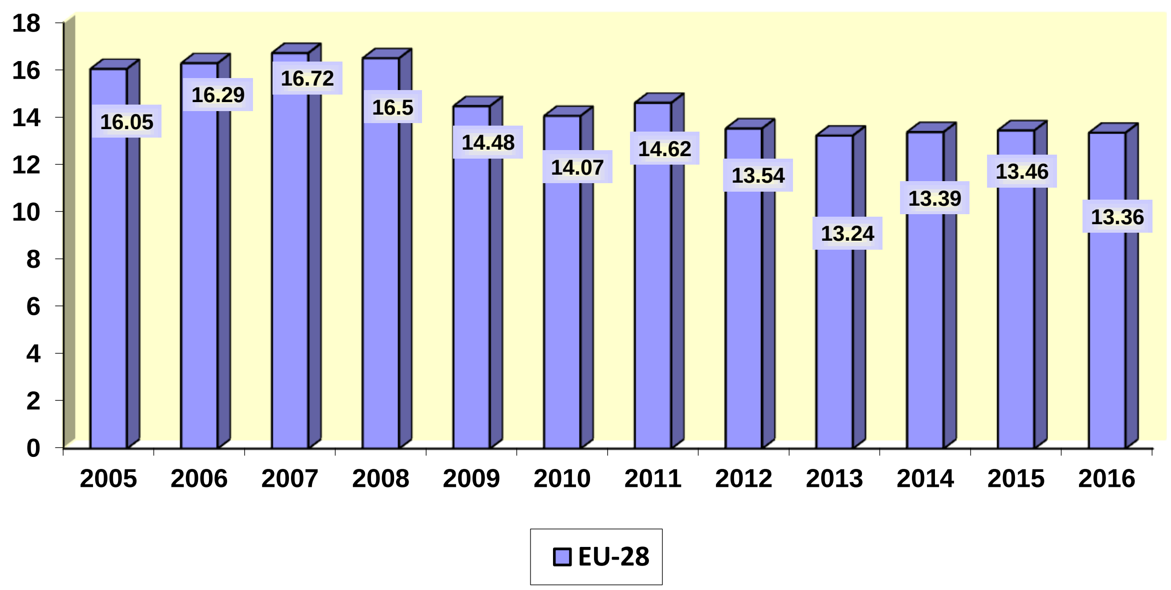
After the crisis from 2007-2008 period, Anbumozhi, V. & Bauer, A. (2010) said: "the global financial crisis and the resulting economic slowdown may be assumed to have at least the benefit of also reducing environmental degradation in the individual countries". In this regard, is not very difficult to conclude that, a positive part of economic crisis, really exist. Although seemingly rough, we consider the economic and financial crisis is a good lesson or an adequate manner designed to educate the population and economies as a whole related to position and action toward consumption. In other words, we consider that the limitations deduced from the financial crisis determine a high level of attention for the manner of consumption, so is possible to increase the efficiency. The Figure no.1 and Figure no.2 support this opinion, by data according to Eurostat (2016 and 2017 are provisional data).

Figure 1. Domestic material consumption by material (DMC), EU-28 for 2000-2017 (million tonnes)



Source: Eurostat. Statistic explained - online data from page https://ec.europa.eu/eurostat/statistics- 2017

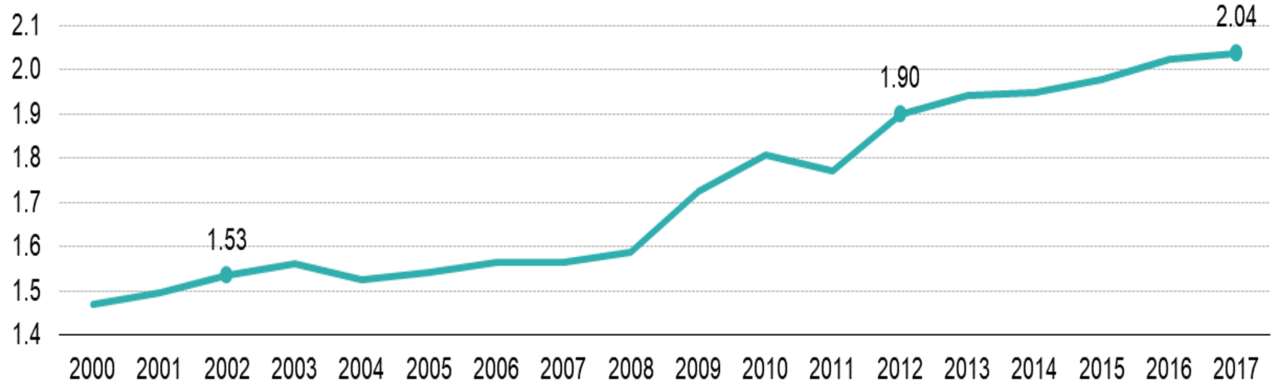
Figure 2. Domestic material consumption per capita, EU-28 for 2005-2016 (tonnes per capita)



Source: Eurostat. Statistic explained - online data from page https://ec.europa.eu/eurostat/statistics- 2017

The Figure no. 1 and Figure no. 2 show as that just in the period when the effects of crisis were deeply felt, the level of domestic material consumption has decreased and it rest at the times of crisis level until now. This is perceived as a transition from the undesirable effects of crisis to the steps toward sustainability. We mention that these two indicators were selected because include a common subject for sustainable development and economic crisis, too. After 2005 year, DMC in the EU fell by 0.5 % on average per year and after 2012, DMC has increased by 0.3 % per year on average, following the economic recovery. To complete the image of connection between sustainable development and economic crisis, in the Figure no. 3, based on the consumption values, is represented the evolution of resources productivity indicator for the last 17 years in EU-28.

Figure 3. Resource productivity, EU-28, 200-2017 (Euro/kg.)



Source: Eurostat. Statistic explained - online data from page https://ec.europa.eu/eurostat/statistics- 2017

According to evolution of data presented and of the Eurostat explanation, the resource productivity (GDP divided by DMC) EU has become more productive in its material use since 2000. For 2002 - 2017 period, the EU's resource productivity rose by an average of 1.9 % per year and for 2012 - 2017, the productivity gains slowed down slightly, with an average growth of 1.4 % per year. More important is that the EU material demand has declined since the onset of the economic crisis in 2008.

In this context, is fundamental to refer at The Europe 2020 Strategy (2010) that has set the follows mains priorities:

1. *Smart growth*: developing an economy based on knowledge and innovation
2. *Sustainable growth*: promoting a more resource efficient, greener and more competitive economy
3. *Inclusive growth*: fostering a high-employment economy delivering social and territorial cohesion

As the perspectives perceived for the favourable connection between sustainable development desire and the economic crisis reality, we estimate that in the near future, the business oriented to wastes capitalization will benefit by a real opportunity because 75% of resources required in industry and production, aren't find in soil, but at surface, on waste form. The companies more focused on sustainable development will exit from the crisis stronger than those unfocused on sustainability; in terms of the Dow Jones Sustainability Index, in the period of financial crisis, the green enterprises registered better results. With this, we develop the idea of the existence of some advantages deduced from the financial and economic crisis, such as:

- reduction of the resources consumption
- higher attention to the environmental protection and resources conservation
- development of economic spirit on the population level, not only of companies

Moreover, according to Lerner (2014) cited in Campelo (2017), there are some fundamental issues that bring good quality of life as part of sustainability achievement and overcoming the negative impact of economic crisis: effectiveness and good productivity of resources, optimal and less consumption at macroeconomic and individual level, using energy efficient materials, recycling, prioritizing public transportation, ensuring social cohesion etc.

Conclusions

Based on the information and data according to between economic crisis and sustainable development is a directly linkage, that can be exploited in positive manner, we consider that is need to stop the criticism opposite of the crisis idea. After 10 years after last crisis manifestation, we can see the new orientation to the sustainability goals, to the new forms of economies, friendlier with the environment and more careful with the resources and consumption. In addition, a very new and modern form of economy, circular economy, is prepared to be received at the large level of European countries. The reorganization of economy world supposes the cooperation between economists, ecologists and other specialists, in order to identify the directions to follow for provide a sustainable development. In the new economic culture, the growth and development have different meanings, and to reconsider the zero growth theory, can be proven practical solutions to get out of financial crisis. Very important is that not always the economic crisis determines only the negative effects. In fact, the real problem of nowadays, is not the economic or financial crisis, but is the unbalanced consumption of resources and the hiper-consumerism phenomenon. We invoke the principle according to too much is not always too good. The key words in the crisis time are: maximum prudence and speculation of opportunities. The recession can arouse damage or even bankruptcy, but can open news domains of investment, unexploited until now. The sectors with minimum risk in the time of economic crisis: food industry, tourism, services, pharmaceuticals, commerce with second-hand products and reconditioned furniture, too. Moreover, the current socio-economic world attends to a complex process of major reorientation in terms of image of future development and is not difficult to observe some effects of these changes on the environment with all its factors. In the same time, we assist to a new state of relation between production and consumption of goods. This circular process implies the using of natural resources, as a basis for the economic production processes. In this case, appears some strong signals about how many sustainable is the actual way of development. On the hand, the representatives of economic world discuss about the danger of economic crisis and, on the other hand, the representatives of environment discuss about the crisis of natural resources. Both are interested to protect the society, to improve the life quality and to ensure the better living conditions. So, between economic crisis and sustainable development is a strong connection with reciprocal influence. Because the economy is a subsystem of the environment, in the circle of production and consumption process, the economic inputs comes from environment and, finally, all resulted wastes return on the environment. Since we live on a finite planet, with a limited supply of natural resources and a limited capacity to absorb wastes, is not possible for the economy to grow forever. A consequence of the irrational insistence is the economic crisis. Nevertheless, is a deep distance between theory and practice of sustainable development.

The identification of sustainable development approaches in the literature has involved numerous and detailed research, but in an uncertain field, and a very high volume of work. The limits of the paper: utilization only the recognized databases, the reference to the authors only from some developed countries, the generalized grouping of the sub-domains of this concept etc. For these reasons, we propose to extend the future research to a deeper level, and we will focus more on the causes of discrepancies between theory and practice.

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