



Editorial



Current Global Financial Crisis – Serious Examination of Sustainability Ideas. Are We Ready to Pass It?

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Until recently a western model of economy was completely based on continuous growth of both production and consumption with unquestionable belief in market ability of self-regulation. At the same time the market was being rapidly saturated, while consumption instead of production has become the main driving force of economy in developed countries. Actually, success of the whole western economic system is exclusively dependent on the rate of consumption growth and a basic question to be solved in such a strange situation is how to stimulate consumption.

Coming closer to the roots of the current financial crisis it should be noted that in developed countries, including the country of crisis origin – the USA, due to the above mentioned market saturation it is almost impossible to sell larger quantities of food, home appliances or cars, with an only free niche left for exclusively fast growth of consumption – houses. Here, too, for hyper-stimulation of their selling, additional financial sources are absolutely necessary alongside with massive promotion campaigns. Main reason of the current financial crisis, which is rapidly transforming into the total economic, social and environmental one, is excessive lending of mortgages to households with subsequent selling of these risky loans to financial institutions of the USA and also all over the world. The most frightening fact is that, currently, no financial, political or legal regulations exist to be able to stop such financial gambles

Consequences of this global crisis are absolutely destructive from the point of sustainability. It is already clear that, for example, the Millennium Development Goals or the goals foreseen in the most national and international strategies for sustainable development will be delayed for an uncertain period. We already cannot allocate sufficient financial resources to solve urgent social and environmental problems, to implement the requirements of the Kyoto protocol, etc.

A splitting headache is given by a response of our politicians and economists to the crisis. It is obvious that mentally we have already retreated several decades when economic problems were exclusively on the schedule and the ideas of sustainability were on the verge of birth. If you look over the agendas of current and forthcoming international visits, meetings, workshops or summits, the exclusive concerns on possible ways to manage economic consequences of the global financial crisis will be found with almost nothing about heavy social and environmental consequences and how to manage them.

The main stream of most proposals made by politicians and economists how to manage financial and economic crisis could be generalized as follows – we must find ways to come back to “business as usual” with more strict regulations of financial institutions, rating agencies, etc. Even the last year Nobel Prize laureate in economics was not able to suggest anything more efficient and up-to-date for moving economy forward and

stopping economic recession than the stimulation of consumption growth. It seems that principal ideas of sustainability, limits of growth and accelerated growth of consumption which is the main reason of current crisis are completely forgotten.

Another, a completely opposite opinion expressed in massive and noisy demonstrations with red flags and broken windows sounds like “capitalism does not work” and market economy can not solve current problems. Regenerative ideas on necessity of social revolutions and a new world order are evident witnesses how dangerous the current crisis is.

The most optimistic view about this crisis would say that it is not only a big problem but a big opportunity as well. It is not only an opportunity to reconsider and to change the present global economic system but to move the globalization process in a more sustainable way. To manage this complicated task, realization is imperative that the crisis of our days is not only the coincidence of some unfortunate circumstances and actions but it has a systemic character and implementation of more strict regulations is not sufficient to avoid similar catastrophic accidents in the future.

Hereby, are we ready to pass an examination of sustainability? The answer is – not yet. The present situation clearly illustrates that despite the fact that most politicians and even economists formally accept sustainability ideas and understand such sustainability fundamentals as impossibility of unlimited growth, our economy is still based on the debt driven stimulation of consumption growth and once again the stimulation of consumption growth is proposed as a primary means for managing the crisis.

Actually, if we want not only to solve a short term task and to manage the current crisis, but to look for more distant perspectives and to create some guaranties against similar crises in the nearest future, not the cosmetic upgrading (more strict regulations), but systemic changes in driving the western economy model to proper sustainability are absolutely necessary. First of all, an old fashioned style of thinking is to be changed, and a new theoretical background is to be created, new practical measures to ensure vitality of market economy, to increase welfare in developed countries without permanent increase in consumption, are to be taken. This task has become even more urgent taking into account a real necessity of the faster growth of both consumption and production in developing countries.

Various ideas and considerations on application of sustainability ideas not only to decoration of political agendas and documents, but to their implementation into the real life, with a view of avoiding similar accidents in the future are welcome to our journal.