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# Exploring the economic crisis from a transition management perspective

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### ABSTRACT

This article explores the current economic crisis from a transition management perspective. We argue that it is a symptom of underlying persistent unsustainability in socio-economic systems which may result in profound systemic changes, i.e. transitions. Dominant regime responses to the economic crisis so far seem to focus primarily on restoring the old equilibrium. Adopting a transition management perspective, we argue that we can see the economic crisis as an accelerator in a process of fundamental systemic change and need to identify options to increase the chance that it will lead to sustainability. We note that general patterns and mechanisms can be identified in distinct transition domains (currencies, resources and governance) that enable and help scale-up sustainability alternatives. Transition management research and practice should focus on identifying and providing the necessary generic – 'glocal governance' – conditions under which the unsustainable regimes are discouraged and emerging sustainability transitions accelerated.

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## 1. Introduction

Even though the economic crisis has dominated the news since 2008, it has hardly been dealt with in transitions research. In this paper we explore how the economic crisis might be conceptualized as part of broader socio-economic transitions and what this implies for transition governance. We argue

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that such a broader contextualized perspective on the economic crisis is relevant to identify possible strategies that might address the underlying persistent unsustainability in socio-economic systems. The dominant responses that seek to *restabilise* historical patterns of consumption and production fail to address the underlying persistent unsustainability and enhance the existing lock-in. A prominent response is ‘green growth’, the idea to help overcome the crisis through more investments in sustainability innovations and (structural) change in supply and demand to greener activities. This approach echoes the paradigm and approach of the old regime based on growth through (technological) innovation and increasing consumption driven by cheap and abundant resources (OECD, 2012). Our argument is that if the current economic crisis is a symptom of more fundamental unsustainability, such a response could be counterproductive as it will only prolong the systemic crisis in the long run. Therefore, a better understanding is needed of transitional dynamics related to the current economic crisis and how financial-economic systems reinforce persistent unsustainability in society.

So far political and public debates on the financial-economic crisis have been primarily concerned with issues such as stagnating growth, increasing unemployment, falling real estate prices, failing banks and virtually bankrupt nations. These debates fall short on perceiving the crisis as a symptom of a “broken system” that is too big to fail (Sorkin, 2009; Stiglitz, 2010). From a transition management perspective (Rotmans et al., 2001; Kemp and Loorbach, 2006; Kemp et al., 2007; Loorbach, 2010; Frantzeskaki and Loorbach, 2010), such a focus on symptoms rather than causes of current systemic unsustainability overshadows ecological and social issues (Hoffman, 2011). In this paper we use transition management (TM hereafter) to (re)contextualize the (nature and impact of the) financial-economic crisis. Applying the multi-level perspective (Geels, 2010) and a set of transition patterns (Suarez and Olivia, 2005; Geels and Schot, 2007; De Haan, 2010), we argue that the current financial-economic crisis is set against a background of a variety of fundamental changes at the landscape level that will inevitably lead to structural societal changes. TM suggests that actively anticipating and adapting to such transitions can increase the chance that they go in a desirable direction. The possibilities lie in identifying systemic interventions and conditions that (help to) reduce the dominance of unsustainable patterns and structures, while enabling and accelerating emerging sustainability transitions. In this paper, we will not fully explain what caused the economic crisis, nor offer easy solutions, but open up a new perspective for research and governance into how the economic crisis is interrelated with destabilizing societal regimes and how this could be a window of opportunity for accelerating sustainability transitions.

The remainder of this paper is organized as follows. In Section 2 we identify the dimensions of unsustainability in financial-economic systems. The main claim in this section is that the current crisis is rooted in a persistently unsustainable system whose internal structure makes it inherently instable. In Section 3, we expand the framing of the economic crisis as a symptom of a broader sustainability transition by identifying a number of transition pathways. In Section 4, we reflect upon emerging trends in three overlapping domains with which financial-economic transitions intersect, namely currencies, resource use, and governance. We argue that these trends offer better starting points for advancing sustainability transitions than green growth strategies do. But rather than only focusing on the bottom-up alternatives, we put forward the idea of ‘glocal’ sustainability governance as a way to provide the more generic conditions under which sustainability transitions can accelerate and scale-up in various different contexts. In a final section we synthesize our arguments and formulate suggestions for further research.

## 2. The economic crisis as symptom of persistent unsustainability

Social scientists have highlighted the existence and risk of what transition scholars refer to as “persistent problems”. Persistent problems are the superlative of wicked problems (Churchman, 1967), a term indicating problems that are extremely difficult to deal with because they are inherently linked to the design and working of the system in which they become manifest. This means that persistent problems are inherently complex and unmanageable. An important reason is that dominant actors are (partly) the cause of these problems. Persistent problems can thus be regarded as a systemic lock-in: historical investments and built-up routines and regulations make a fundamental shift towards a more benign systemic state on the long term undesirable for most of the involved actors on the short term. A

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