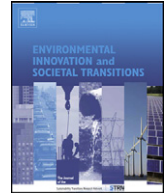




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The impact of the financial–economic crisis on sustainability transitions: Financial investment, governance and public discourse

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ABSTRACT

The paper distinguishes four views on the impact of the financial–economic crisis on sustainability transitions (operationalized as diffusion of green niche-innovations). The first three views highlight the possibility of *positive* impacts of the financial–economic crisis on sustainability transitions and joint solutions: (a) a comprehensive transformation of the capitalist system, (b) a green Industrial Revolution, linked to a sixth green Kondratieff wave, and (c) green growth. The fourth view perceives the impact as mainly *negative*, because the financial–economic crisis weakens public, political and business attention for environmental problems. The paper confronts these views with secondary data on three analytical categories: (1) financial investment, (2) policy and governance, and (3) public opinion and civil society. Data focus on renewable energy and climate policy in the UK, Europe and the world. The paper concludes that the early crisis years (2008–2010) created a window of opportunity for positive solutions. But since 2010–2011 this window appears to be shrinking, with the financial–economic crisis having negative influences on sustainability transitions that may cause some slow-down.

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1. Introduction

Many (Western) countries face difficult times. Firstly, there is the immediate financial crisis, related to deflation of the housing bubble, the collapse of the banking system, and (private and

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sovereign) debt. Secondly, there are medium-term (5–10 years) socio-economic problems related to high unemployment, growing inequality, austerity programmes, welfare cutbacks, and weak industrial competitiveness in a globalized world. And thirdly, there are long-term (10–50 years) environmental problems (climate change, biodiversity loss, ocean acidification, chemical pollution, freshwater water and land use problems), which are transgressing planetary boundaries (Rockström et al., 2009).

With regard to these environmental problems, a new scientific research stream has emerged, which argues that addressing them requires large-scale sustainability transitions in socio-technical systems related to transport, energy and agri-food (Smith et al., 2010; Van den Bergh et al., 2011; Markard et al., 2012). A particular perspective in this research stream is the multi-level perspective (Geels, 2002; Van Bree et al., 2010), which conceptualizes sustainability transitions as green niche-innovations struggling against existing (unsustainable) systems, and potentially replacing or reconfiguring these systems (Geels and Schot, 2007). Some green niche-innovations (e.g. organic food, hybrid-electric vehicles, wind turbines, bio-energy) may be entering a take-off phase in some countries (see Section 2).

In relation to existing transition research, this paper aims to make two contributions. The first contribution is to widen the analytical focus to include the current financial and economic crisis. In the current socio-economic context, it seems somewhat narrow to focus only on the *environmental* problems, as many papers in the transitions literature do. As a first step towards this wider agenda, this paper investigates the impacts of the financial-economic crisis on sustainability transitions, in particular on the emergence and diffusion of green niche-innovations. The second contribution is to (gradually) shift the analytical focus from the *emergence* of niche-innovations to their *diffusion* and *take-off*. Much of the transition literature implicitly assumes that green niche-innovations are small and need protection. While this is still true for many niche-innovations, it no longer applies across the board, as some green niche-innovations are entering mainstream markets in some countries. This take-off phase brings with it new challenges, which are discussed in Section 2.2.

The paper's main emphasis is on the first contribution, i.e. investigating the impact of the financial-economic crisis on sustainability transitions. This is not an easy topic, because crises are by definition confusing and contested phenomena, which challenge existing ways of doing and understanding. Crises can disrupt existing institutions and cause uncertainty about future directions, which offers opportunities for substantial change that deviates from locked-in trajectories. Whether or not these opportunities are taken depends on how (causes and solutions) of crises are interpreted. Crises are not self-apparent phenomena, but need to be narrated and explained. During periods of uncertainty, multiple interpretations compete with each other, and the likelihood of institutional change depends on which narrative becomes dominant. Blyth (2002) articulated this view, and illustrated it with two case studies of economic crises in the 1930s and 1970s, which both ushered in major institutional changes. He argues that ideas, discourses and narratives are important in crises: "At these junctures, it is ideas that tell agents what to do and what future to construct" (p. 11).

With regard to the contemporary crisis, I distinguish four different narratives and interpretations. These four views, which do not necessarily contradict each other and partly overlap, offer somewhat different appreciations of relations between the financial-economic crisis and environmental problems. The first two views interpret both causes and (possible) solutions, whereas the last two mainly focus on the way forward.

The first view perceives the financial-economic crisis *and* environmental problems as symptoms of deeper cultural problem in modern capitalist societies, e.g. obsession with growth (Jackson and Victor, 2011), exploitation of nature, dominance of financial capitalism (Wray, 2009) and debt-fuelled consumption. In this interpretation, modern societies have entered a special historical era in which financial, socio-economic and environmental problems converge into a 'triple crisis'. The triple crisis, which signals the possibility of planetary breaking points, can have positive effects on sustainability transitions if we recognize its deeper cultural and structural roots. This recognition may then pave the ground for fundamental solutions such as a zero-growth economy (or even de-growth), redistribution of work and time, redistribution of income and wealth, and a focus on happiness rather than GDP (Gough, 2010). Addressing the triple crisis may also require a shift to more services (e.g. mobility services, energy services, recycling, re-using, leasing) and radical niches. "The seeds for such an economy may already exist in thriving local or community-based social enterprises: community energy

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