

**COMMENTS ON A PRESENTATION DELIVERED BY  
STEFAN BRUNNHUBER ON THE TOPIC „MONEY AND  
SUSTAINABILITY. THE MISSING LINK”  
ON OCTOBER 17, 2013.**

On October 17, 2013, a meeting was held, devoted to the latest Club of Rome report on the topic „Money and Sustainability: The Missing Link”. These comments were made on the basis of the delivered lecture, the follow-up discussion, and generally available materials (e.g. book preface), which may mean that some doubts were cleared in the book without my knowing.

The authors of the report correctly note that the contemporary financial system is not neutral to the concept of sustainability, but it constitutes an important link in the chain of determinants of development preventing the emergence of growth limits. In particular, they emphasise the significance of financial systems in the creation of cash flow, the majority of which are speculative operations. It is confirmed by the mentioned observations illustrating that help given to financial institutions in the attempt to combat crisis has only marginally translated into credit operations for entities from the real economy sector, and was rather used for financial operations and rising compensations.

As the authors justly noted, the historical data and the extrapolation of the growth trends of the financial system are not optimistic. It should be assumed that further globalization of the financial sector will increase the frequency of occurrence of recessions, and expand the possibilities of goods and services consumption, resulting in the escalation of pressure on the natural environment and growth of social inequalities. For this reason, the opinion that the financial sector is a inhibitor of sustainability implementation is by all means right.

In their studies, the authors identified a relationship between the efficiency of a system and the number of crises it generates. They point out that the current system has long passed the optimum, and further regulations aimed at facilitating the flow of assets make it more susceptible to recessions.

In order to stabilise it, it is suggested that in parallel to the existing currency systems, alternative regional projects should be introduced, based on limited exchangeability. In particular, the author emphasises the advantages of such solution as a remedy for the problems of Greece. So far, two basic solutions were considered with respect to Greece: staying in the Eurozone, or leaving it. Each concept has its pros and cons, which makes it impossible to reach a compromise. The proposal of parallel operation of two systems goes beyond this

framework. It is a new quality, not only by providing a third solution, but also by offering its optimum version. Just the presentation of this solution in itself gives the report high cognitive value.

However, the authors were even more ambitious, i.e. they attempted a demonstration that the existing financial system is also a serious obstacle on the way to sustainable development, for the following reasons (Lietaer et al., 2012):

- it results in the periodicity of the economy,
- it promotes short-term thinking,
- it requires never-ending economic growth,
- it leads to the concentration of wealth,
- it destroys social capital.

This description raises no doubt, but it is hard not to think that the proposed tools cannot solve the problem. In some cases, one might hope that the introduction of different systems would slightly help reduce the scale of a specific process, e.g. the rate of social capital destruction. Nevertheless, it is hard to imagine that introducing a new currency would significantly affect the time horizon of decisions taken, thus limiting short-term thinking. Certainly, it will slow it down due to difficulties in currency exchangeability, but it will not automatically change the human attitude to speculative action and limit the drive to maximise profits over short periods.

Similar doubts appear in relation to the issue of wealth concentration. The introduction of different currencies will obstruct cash flow, resulting in reduced involvement of foreign capital and the liquidity of its flow. Therefore, one should expect that foreign direct investments will be made more carefully and on the basis of longer time perspectives. Nonetheless, the pursuit of wealth and increased income stratification will still occur.

The most disputable point is the issue of economic growth. As the speaker admitted, economic growth as an element of progress is inevitable, and even indispensable, regardless of the financial system. It is also hard to picture the implementation of the idea of sustainability without economic growth. This particularly concerns developing countries, but a number of arguments show that neither is it possible in highly-developed countries. The basic one is man's permanent drive towards improving his existence (also in material terms), which makes him increase his profits, thus generating growth. Furthermore, technical progress that in many cases serves to satisfy important human needs, also promotes growth. For this reason, it is hard to agree that any concept of civilisation development could disregard the notion of growth. There have been some theoretical considerations of non-growth development models (zero growth theory, de-growth, survivable development), but for many reasons, such as matters con-

nected with population volume, excluding the needs of developing countries and the related economic growth, they should be viewed as utopias.

Moreover, the authors' solutions proposing the co-existence of many monetary systems do not make material changes with regard to growth reduction – the only issue to be found is the direction of this growth. Creating separate financial systems covering selected sectors of the economy enables the promotion of socially- or environmentally-desired initiatives. The new system should enjoy the trust of citizens. Therefore, qualifying a selected area of business and incorporating it into the system evokes trust and belief about its usefulness for people. The exclusion of unwanted businesses should make local communities less inclined to use them. This might be a way to try and eliminate certain unsustainable forms of behaviour. However, expectations about the possibility of influencing the direction of economic growth are rather low, as in many cases trust in local solutions is poor, limiting their popularity. Besides, many consumer expectations are created by global brands and marketing operations instead of rational arguments. Therefore, one has to carefully assess the influence of the tools proposed for the implementation of sustainable development.

In conclusion, the presented report of the Club of Rome has important merits by providing a critical analysis of the current financial system. The proposed solutions are academically valuable in terms of increasing the global financial stability. One also needs to appreciate revealing the relationship between a financial system and the possibility of implementing sustainable development. Unfortunately, it seems that the suggested solutions can only change the situation to a small, or even negligible extent. Thus, an important question arises: Is it at all possible to construct such a system? The issue was best emphasised by D. Meadows in the preface to the book, who wrote that in the future, the world would undoubtedly be based on the idea of sustainability. It would require a financial system reform. The book gives the motivation and some basic hints on how this goal might be attained.

#### **Bibliography:**

Lietaer B., Arnsperger Ch., Goerner S., Brunnhuber S. (2012). *Money and Sustainability. The Missing Link*. Axminster: Triarchy Press Ltd.