

Sustainable Development Between Myth and Reality: European Perspectives

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Abstract

In reaction to the consequences of the global capitalism development in the years after 1990s, the challenges of sustainable development became one of the top subjects among scientists. In the UN resolution: "Transformation of our World: 2030 Sustainable Development Agenda" the responsibility of the global community and the necessity of each nation state to participate and contribute to resolving the key cumulated problems of the economic, social and environmental development is emphasized. The analysis will elaborate related controversies, dilemmas and identified crisis of the sustainable development concept, demonstrated through demystification of the neoclassical paradigms and extreme neoliberal monism, being unsustainable as such. The global scene is witnessing processes that are leading towards changes in the development paradigm. They are reflected in the shift from the domination of the unipolar neoliberal model to polycentric structures of the capitalist order, giving room to competitiveness of different models of capitalism. The need for the European Union to act proactively and affirm the EU model of social-market capitalism will be underlined. It incorporates a vast spectrum of different sustainable development concept dimensions, but nevertheless, needs redefining for better positioning within the new global order.

Keywords: Sustainable development, neoliberalism, global economy, European Union, social-market capitalism

1. Sustainability of the Global Economy: Myths

The notion of sustainable development has been encountered since the eighties of the last century as an intellectual response to the globalization forces that provoked the largest revision of the political, economic and social processes after the industrial revolution. The transformation directions included roots of economic, social and ecological disaster that endangers the concept of sustainable development of the human civilization. The global capitalism development brutally misused the classic economy paradigms and put it to the service of the corporative interest. As a result, monistic-utopian and quasi-institutional visions that proved to be contra productive and destructive appeared. They demonstrated antidevelopment tendencies because despite the economic reductionism (redesigning the world in accordance with the corporative interest), they abstracted the elementary constraints that derive from the natural and societal laws.

The global political leadership (IMF, WB, WTO, ECB) with the TNC in the framework of the policies and strategies were promising economic expansion that would result in convergence, welfare, democracy. In reality, the project established new global rules in each democratic country and put the countries in a position to legally subordinate the national economic interest to the centralized global economy. Those rule obtained fundamental powers and the policies built on their basis were interweaved with

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mystification of the real economic processes. The policies that put the sustainable development logics in a state of disorder were grounded on several mystified paradigms of the neoclassical economy:

- The myth of unlimited economic growth through cost cutting and income growth. This principle of the “old” micro economy of the classics (A.Smith, D.Ricardo) states: the marginal profit rate decreases when costs rise. The principle derives from the scientific deduction, but in the framework of national economies. The indefinite production growth possibilities at global level were accompanied with capital movement (sectoral and spatial) in pursuit of productive and cheaper resources. The production expansion in the framework of the capital concentration and centralization and in accordance with the “economy of scale law “obtained exponential development trend dictated by the scientific and technological progress (ICT). In such a constellation, the possibilities for indefinite costs cutting and income growth seemed to be a “timeless” principle. TNC appeared as a fundamental subject of the changes, the global market became a field for imperfect competition with oligopolistic morphology. In such circumstances, TNC become “price makers” and “rule makers”. In substance, “the big ones” create the market and share it. TNC disperse their production facilities in order to decrease the costs simultaneously using the global “curve” of demand as a source of their income and financial corporative instruments to support the growth of demand that does not follow the realistic growth of the economy (most of the national economies encounter decrease in production capacities). Consequently, we come to the absurd situation: the more economic growth, the less sustainability for the national economies (less employees, decreased national production, and increased indebtedness) and a huge gap between the production potential of the nation states and their “consumption possibilities” reflected in the systematically rising debts.

- The myth of “stabilization and structural adjustment” was “the holy grail” of the new world order. The basics of the concept are fight for stable prices and currencies as a sine qua non of the global survival. The interest for the operation of securing of capital from price risks in global terms is not under question mark, even though any scientific treatment of the issue may offer answers such as “the patient dies when temperature is stabilized”. The policy that uses the currency rate as an instrument of the foreign trade competitiveness that is supposed to be essential in the era of globalization is sterilized. It is put in function of maintaining a stable price level (inflation). As a consequence, the weaker national economies are totally disarmed and ex ante eliminated from the competition race, as such.

The famous structural adjustment in the new century provoked big anxiety (from the US to India). It appears as a process of mass deindustrialization and de-agrarization due to the competition of the monopolistic and oligopolistic brands. The world networked into the development coordinates via several power centres and their respective affiliations, structurally adjusting their members using the principle of low costs (cheap resources) and high profits. Paradoxically, the global economy driving forces are the Silicon Valley in the US and Germany in the EU. More paradoxically, such dynamism cannot be followed by the demand from the most developed to the least developed countries, even if all the machinery of the financial industry would invest itself in pushing the speculative capital buttons.

- The last mystified paradigm of the processes is fetishizing the role of the free market in balancing the movement of goods, capital and people. Actually, the global chaos starts here—goods travel thousands of kilometres which substitutes the possibilities of the production potential of the national economies to create goods for which they have comparative advantages. In addition, these processes lead to enormous transport costs and pollution of the planet.

On the other hand, the liberal flow of capital has always included the financial crisis hazard. The greatest uncertainty for the future of the global economy is built exactly on the foundation of expansive proliferation of differentiated financial products as a virtual reflection of speculative value. Bhaqwati, one of the most renowned international economy experts concludes “all forms of globalization are not equally desirable considered from the economic efficiency perspective...the logs trade does not entails the same consequences as the finance free trade” (Bhaqwati, 2008). The Nobel Prize winner Tobin referred to the capitalism financial instability as to “Achilles heel” (J. Tobin, 1982). Consequently, the conclusion of Stiglitz that the old Bretton Woods institutions need to be redefined as they appear to be a reflection of economic paradigms that “failed” not only in the developing countries, but also in the heart of capitalism suggests that we should expect great shifts in the future structure of the international monetary order (Stiglitz, 2008).

The most grotesque expression of the crisis is visible into the forms of liberal movement of people (migrations). The liberal dogma in this case is confronted by the EU with very dark scenarios related to its sustainability, heralded in the Hanington vision of “clash of civilizations”. Within the coordinates of such paradigms sustainable development cannot take place, not even as a side effect. They direct towards morbid intensification of the profit logics and the monopolistic control of the ever limiting resource base. The aspects of mythology are used to hide the real driving forces that maintain a collapsing financial structure by exploitation and control.

2. Controversies and Dilemmas Around the 2030 Agenda for Sustainable Development

The destructive consequences of the global trends are not undoubted. The social injustice got epic dimensions and statistically it is visible in the facts: 8 per cent of the population possesses 50 per cent of the wealth; around billion people die of hunger, the income differences between rich and poor countries grow with an exponential trend (in 1973 the ratio is 44:1 and in 2010 equals to 73:1). The ecological catastrophes supplement the social polarization picture, so that instead of trickle-down effect (that is supposed to bring welfare to the impoverished) the effect of “race to the bottom” becomes more transparent and it fundamentally derogates the sustainability of the global order and causes damage to the multidimensional aspects of development.

In the contours of these processes we are surprised by the concerns of the UN and the mobilization of the political agenda, demonstrating determination “like never before” in the implementation of the “Transformation of our World - 2030 Agenda for Sustainable

Development” highlighting 17 goals¹ affirming the view that nation states need to undertake responsibility for the implementation of the process using their own “creative powers” and “total sovereignty for putting in use their wealth, resources and economic activities” in that direction. The problem that appears to be the cause of the failure of all resolutions is the geo-economic rivalry between the rich and the poor countries, or more explicitly, the race between USA and China. Most of the resolutions and protocols are not implemented because they were never ratified by the USA Congress (USA conditions the ratification with accepting imposed conditions to and by China).² The last sequence refers to non-signing the Paris Agreement on Climate Change which represents a direct diversion to the efforts for implementation of the Agenda 2030.

The controversies and dilemmas deriving from the Agenda 2030 refer to the following aspects:

- It is very surprising that the inspirational goals are not accompanied with **correct diagnosis of the state of affairs** as a platform for setting realistic and achievable goals that would mobilize realistic action. In the framework of the existing negative trend of the processes, the timeline for their implementation is arbitrarily determined (2030).

- There are not identified **defined measures of progress verification** in terms of implementation of the goals. The discrepancy between the economic indicators and the real life experience is so big that it cannot be ignored any longer, especially nowadays when well-grounded critics to the “statistical facade” of the global progress demonstrated by the GDP exist. When performing such progress evaluations, alternative measures to GDP should be applied, the Index of Social Progress³ in particular, being very compatible to the sustainable development concept. This index demystifies the fact that mainstream economic growth concept is not in accordance with achieving the Agenda 2030 goals.

- **The reasons for the circumstances are not realistically addressed** in the political sustainable development agenda. Agenda 2030 does not involve any effort to demystify the wrong paradigms on which the global economic development is based. It is “Sisyphus job” for the nation states to invest themselves into implementation of the Agenda within the current system of international economic relations, which, based on the previous analysis clearly demonstrate that the sustainability preconditions are in collision with the global economic order rules. The real and sincere dedication to the civilization goals entails unequivocal indication of the source of the degradation processes. The current financial architecture is “set in a direction of impracticality and intolerance...in such circumstances it does not function to the interest of the poor”.

¹ The goals of the Agenda are focused on elimination of poverty, hunger, providing of health care and equal opportunities for education, gender equality, equal access to water, energy, production resources, infrastructure, income equality among states, human living conditions in the cities, balanced consumption and production; ecological sustainability (climate change, protection of waters, oceans, soil and biodiversity); promotion of peace and security and consolidation of partnerships for achieving sustainable development.

² Important historical moments and initiatives that mostly took place as a result of the good will of the international community refer to: Rio Summit - Conference for Ecology and Development (1992); Millennium Development Goals of UN, Millennium Summit (2000); UNEP – Green Economy Initiative (2008); Conference on Sustainable Development – Rio plus (2002).

³ Published by the non-profit organization Social Progress Imperative and is based on the inputs by Amartya Sen, Douglass North and Joseph Stiglitz.

(Social Watch Report, 2006). If Goldsmith stated in an article in London Times on 5 March 1994 that “ it is striking to watch the civilization destroying itself due to incompetence to reconsider the justifiability of the liberal economic ideology within the new circumstances”, it is also justifiable to question “Why such subjects were not treated at the UN Summit in 2016?!

- The Agenda standardizes global processes for which **no adequate instruments and policies exist**. Consequently, main actors of the processes cannot be national economies when they are subordinated to the policies of the global financial and trade institutions. The Agenda 2030 is caught in the trap of a virtual reality, the desired type of a world that is supposed to be achieved with the religious faith that “the good will win over the evil”.

- Finally, the Agenda **does not anticipate the processes and forces** that could push the world in the direction of global shifts and changes. Those anticipations are supposed to be a logical action in a situation of a global crisis accompanied by the political structures changes, as a platform for the new development paradigm, new alliances as well as contours of a new global order. Those processes will undoubtedly provoke coarse economic, social and political consequences and as such, will have an impact on the achievement of the sustainable development goals.

3. Global Shifts – Plea for Change of the Development Paradigm

The global capitalism as seen by Fukuyama is dead. “The end of history” began in 2008 when the dogma of the laissez-faire ideology as a cornerstone of democracy, peace and stability in the world collapsed. The mortgage crisis in the USA not anticipated by the “new economy” and the Nobel Prize winners (Summers, Lukas) came as an intellectual enlightening.

The end of 2016 marks the beginning of the political awakening and ultimate confrontation with the diagnosis: **the world is in deep civilization crisis** happening in a time when neither theoreticians nor practitioners offer ready to go answers on how to tackle it. Finding ourselves in the historic replica that “we have already been here” (H.Minsky), we need to come up with the deduction that this is about a process within the business cycle that is most difficult and needs to be survived in the constellation of the regularities of all speculative balloons being repeated with the logics of Kondratieff, Marx, Minsky, Schumpeter. Actually, it is not unexpected that the new development paradigm anticipating radical shift of the “discourse” and landing of the indebted economies comes from the USA, the country that held monopoly in the global proliferation of the liberal dogma. The structural adjustment actually took place within the coordinates of the information communications technology (ICT wave) being almost entirely monopolized by the USA, financially supported by well dispersed financial markets that offered products faster than the growth of the productive economy. The intellectual establishment poses the question: Is there macro economy in terms of total disorder of the fundamentals of the macroeconomic equilibrium of the nation states and at global level? How, in fact, we got here?

Globalization as a process of “animal fight” for acquisitions, spreading and survival on the market morbidly intensifies the first principle of capitalism, the profit interest that became the main arbitrator of the entire global process. Logically, the next question is:

How far this process can go and can the direction of movement change? If the car starts to tumble in the abyss the first thing we need to do is to stop it. We find ourselves at the edge of the abyss and must stop the freefall of economy. If globalization does not function, re-localization is inevitable. Globalization created a chaos so that returning back on the sustainability path involves certain degree of re-localization as a precondition for returning back the power to the people for creative use of its own resource base. Transition is a process that will not take place easily without good and bad (nationalism, fascism) consequences. Yet, it is important to note that the process has been commenced in the frames of the articulated need for change highlighted by the science community, underlining the negative implications of the hyperglobalist trends. The announced radical change of the development paradigm of the USA is a process that comes as a consequence to the depletion of the positive effects of the fifth technological Kondratieff⁴ wave and entering into the cyclic and structural debt crisis.

The globalization trend involves increased costs for maintaining the global economic and security infrastructure with American leadership and it becomes too expensive investment for the American citizens. In such a constellation, American president Donald Trump highlights the radical change of development paradigm, the policy discourse of which would be grounded on the principle of protecting the interest of the American capital. As a consequence, the political agenda enters into radical transformation from liberal globalist to local protectionist policy discourse, alluding to serious changes in the redistribution of wealth in the USA and globally. China, the country that reaped the biggest benefits from globalization positioned itself on the bumper of the global freedom. In response to the announced protectionism from the USA, the Chinese president Zhōnghuá Rénmín Gònghéguó Zhǔxí, stated:” If you close yourself in a dark room, you will be able to protect from wind and rain, but you will be missing light and air” (Davos, 2017). The balance of payments issues between China and USA open the Pandora box that would cause huge consequences to the global economy.⁵

Will the new development paradigm establish itself in the framework of the sustainable development concept greatly depends on the role of the European Union in the global shifts. Transformation is an issue of new development paradigm, redistribution of markets, but also evolution of capitalism (neoliberal versus social-market model) hiding in its armpits the alternative for realization of the “vision” of Hilferding expressed in the

⁴ The narrow connection between technological and economic systems is best explained by the undoubtedly one of the most eminent economists, Nikolai Kondratieff. This cyclic phenomenon is supported among academic community around the globe, and Professor Thompson from Indiana University placed the thesis that K waves mark the development of technology ever since 930. According to the calculations of Thompson, we encounter ourselves somewhere in the middle of the second half of the phase deep winter, which started in the beginning of 2000. We are moving from the phase of recession towards the phase of depression that is foreseen to end by 2020.

⁵ American TNCs produce in China with exported capital from the USA and then import goods from China to the USA. From the perspective of the standard balance of payments statistics, the transactions are clear. Nevertheless, from the perspective of the issue of capital ownership it is very ambiguous and vague how to treat those transactions. Is USA importing their own goods produced with their own capital and know-how or, do they import Chinese goods? FDI and TNC provoke series of confusions within the relation national versus market state in the global economy.

book “Economic Possibilities for our Grandchildren” as a path paved with “expropriation of the expropriators”.

4. EU in Front of the Challenge: How to Keep the Social Market Model?

EU is a representative of the sustainable development concept in its most developed form due to established integration within the processes of balanced, harmonized, economic, social and ecological development of the regional communities. In the last decades the EU turns into a functional integration of the big capital instead of integration of people. EU is confronted with the challenge to “test its own capability to enter the network economy under conditions that guarantee keeping of the social model on which the capitalist order of EU is based” (M. Castells, 2003, p.83). This is even more applicable as the EU is a constitutive part of the mega capitalistic processes while being deeply involved into the fifth Kondratieff wave, the pedestal of the info growth. The final goal of EU is a common currency (EMU), the basis of the strategy for creating integrated market space that using economy of scale and increased competitiveness, should have improved the position of EU compared to the rivals USA and Japan. The neoliberal model is about to finish its final transformation for total domination exactly on the EU space where the social market model is a barrier for increasing the capital marginal efficiency. The contradictory perspectives of EU are taking place within the fundamental trend (globalization) and the threats of reaction to this trend. EU economic policies reflect the process of concentration and centralization of capital in global terms (D.Smihula; 2009). This process will lead to sharpening the competitive fight between USA and EU region using new forms of open and hidden economic and political pressures. In this case, supranational EU structures are expected to strengthen, simultaneously eroding the national (territorial) state, putting the centre of gravity on the networking v. survival of the local self-government (A. Schmidt, 2002). From economic perspective, the consolidation of EU will continue through enlarging the monetary union for decreasing capital costs with the economy of scale (decreasing of transaction costs, stabilization of aggregate money demand, decrease of the currency risk, etc.). The profitability issue of corporations within the neoliberal market imperative will lead to increased pressure for further market liberalization, enlarging of corporations and financial capital using all forms of friendly and less friendly acquisitions, but also flexibility of prices-costs. These processes would lead to decrease of salaries and the value of labour, increasing the danger of social, ethnic, racial, religious conflicts and destructions. The reaction to this trend is the possibility for the process to take retrograde course of reaffirmation of the territorial state that if „wins” over market state, various forms of protectionism would activate. „We deem that in terms of contemporary technological and information development, not only the economy, but the civilization would not be able to survive this process without global, economic, social and political earthquake, stronger than the one from 1929” (D. Stojanov, 2014, p.287). Therefore, of utmost urgency is the question: Quo vadis EU in the XXI century? The EU needs to find the strength to confront the entrance of the „satanistic mill” of the neoliberal model and the reform discourses to incorporate developmental ideological paradigm on the grounds of the strategic determinations of the sustainable development concept.

5. Replacement of Conclusion: European Perspectives for Sustainable Development

The contradictory processes faced by the EU cause complicated and unpredictable contours to the European future. There is an urgent need for the EU to overcome the status of „sleeping state” (M.Porter) and to gain more active role in the leadership, for which it possesses economic and social potential, but not enough political will. The accumulated problems and contradictions need to be addressed as follows:

- Policies and strategies for revitalization of the production potential;
- Policy for redistribution of the weight of debt crisis;
- Common strategy in relation to the migration issues, Brexit and its implications;
- Strategy related to Western Balkans;
- Strategy for cooperation based on partnerships with a wider regional range (Eurasian cooperation bridges).

For resolving the problems, EU needs to establish a principled platform based on which:

- Will reaffirm the need for reproduction of a human society within the framework of the economic development theories, but also within the operational policies and strategies in order to consolidate the position of the social market capitalism;
- Will affirm the attractiveness of the EU model while grounding it on the principles of wide fluency and accessibility for participation accompanied with financial and know how support to the European values;
- Further promote the regional policy, the differentia specifica of the European developmental model which has been successful for the fact that it represents a cohesive “cement” of the European architecture and artery for transportation of the European model values;
- Undertake to treat Western Balkans as a crucial part of the EU space in order to generate positive externalities of its geo-economics as a natural bridge for spreading European values further and stronger. The last turbulences in Western Balkans demonstrated that it involves explosive and disintegrational forces that include great tectonic power to stir the European ground.

The contradictory processes confronted, put the EU in front of the giant challenge – in a world changing towards a direction of multipolarity, the EU needs to be reaffirmed as a promoter of European values. Maybe this is the reason why today, the following words of F.D. Roosevelt sound stronger than ever:

“Change is the order of the day... economic problems, long in the making, have brought crises of many kinds for which the masters of old practice and theory were unprepared ... Social justice, no longer a distant ideal, has become a definite goal”.

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