

The First on-line Conference on  
*World's Economies In and After Crisis: Challenges,  
Threats and Opportunities*



## IS THE CRISIS BAD OR GOOD FOR THE ENVIRONMENT?

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### **Abstract:**

Over the last twenty years Romania's economy has grown. Many zones have reduced poverty and improved education. During the last two years, industrial production has been affected by the crisis.

There are both immediate and long-term positive and negative environmental implications of the crisis. Some of researchers think that the decline in production will automatically lead to a lower level of pollution. On the contrary, other researchers think that the problem of pollution may become worse during the crisis period. In our country, environmental protection seems to have a lower priority but the sustainable development is no longer a "choice."

**Key-words:** environmental protection, sustainable development, crisis.

**JEL Classification:** O13, P28, Q25, Q53, Q56.

## 1. Aims and scope of the paper.

The global financial crisis, brewing for a while, really started to show its effects in the middle of 2007 and into 2008. A part of the world's scientists think that the crisis will move people to use less energy and help limit carbon emissions. The global slowdown means people will have less money to buy. This translates into fewer products and goods being manufactured which means fewer natural resources used. In the short-term, as well as a reduction in consumption of resources and technologies that emit or discharge pollution can provide immediate relief to the environment. Additionally, the drop in exports provides an opportunity to use new energy technologies domestically rather than send them overseas. That way, local environmental conditions can be improved.

Other part of the world's scientists scientists argue that with the financial crisis, there will be less economic activity around the globe within the next few years. This could mean people putting the economy ahead of the environment, although until very recently, the environment got center stage in world attention.

This paper tries to find out if the economic crisis is good or bad for Romania's environment.

## 2. Review of the Literature

Prof Hardisty examines the parallels between the causes of the current global financial crisis and the emerging global environmental crisis, and the differences in the ways that the world has responded to each (Hardisty P.E. 2008). He discusses the possible consequences to the planet's environment from the effects of the crisis, particularly in the energy sector, and suggests that a real opportunity exists in the current climate to make profound changes to our institutions and decision-making processes, which will re-establish long-term environmentally, socially and economically sustainable improvements in the human condition.

Lord Stern of Brentford, author of the [government's influential report on climate change](#), has warned against the "danger" of letting the world economic turmoil block action to build a low-carbon economy (Stern, N. 2006). Stern's report for the Treasury in 2006 famously described climate change as the world's greatest "market failure". But he dismissed suggestions the current economic crisis would prompt wholesale economic reform: "We're talking about fixing a market failure and achieving growth of a different kind: low carbon growth."

Mr. Barroso also said the troubles affecting the world economy should not be allowed to distract from more serious risks posed by climate change: "One thing we have learned from the financial crisis is that, if we ignore risk building up in the system, it is much harder to manage that risk. We must recognize it early and tackle it."

Amado de Jesus, (2006) said: with less money to spend on research for dealing with environmental concerns, important programs may be suspended indefinitely as donations are reduced or driven away from environmentally oriented institutions.

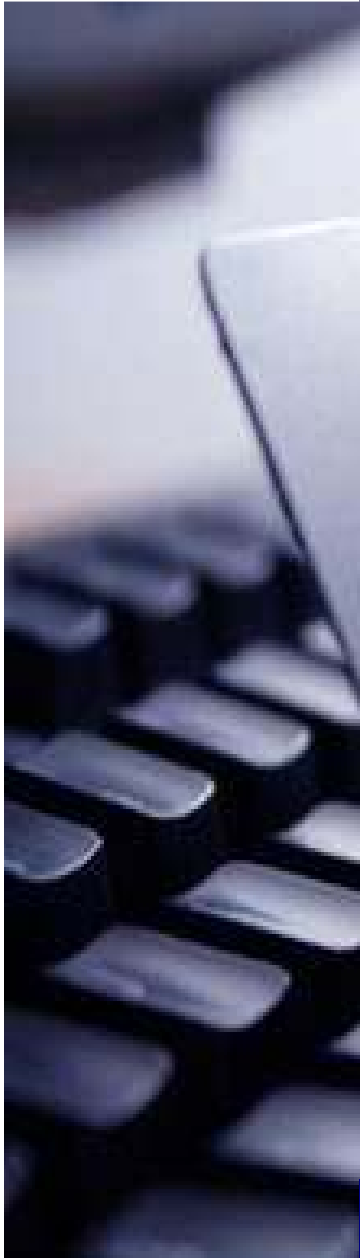
Ambitious plans that could be stopped or reduced in scope include investment in wind, solar and renewable energy, carbon trading, biodiesel refining and burying carbon dioxide from coal-fired power plants.

### 3. The crisis in the world

The current financial crisis is the result of an improperly-regulated banking and financial sector where the drive for corporate profits and personal wealth created a culture of risk-taking on an unprecedented scale. Industrial production will be adversely affected by the crisis through both price effects that increase the cost of production and income effects that decrease the demand for products in the markets (Magdoff, F. 2002). However it is unclear how large and widespread the impact is. It is also possible that some enterprises may benefit from the crisis; for instance, sectors that utilize domestic raw material and export all their products. The financial crisis and climate change share some fundamental characteristics. Both are a consequence of speculative and narrow interests superseding the common interest, both evolved dramatically over the current decade and both have global implications. Both are also about risk and how it is priced and managed— and the consequences when risk management goes wrong.

There are also some fundamental differences. First, while the worst impacts of the financial crisis are likely to pass within a few years the impacts of climate change could be felt for centuries. Second, the risks posed by climate change are much larger than those posed by the current global financial crisis.

In the event of a financial or economic crisis, environmental concerns are put on the back burner. One factor driving this behavior is the perception that the decline in production will automatically lead to a lower level of pollution (Garnaut, R. 2008). We show, on the contrary, that the pollution problem may become worse during the crisis period. The net effect on pollution is determined by the interactions of three factors: decline in production, increase in the abatement cost due to the higher input prices, and decrease in the expected cost of non-compliance due to the lower inspection and enforcement rate caused by budget cuts. As a result, the reduction in pollution due to lower production is cancelled out by the increase in pollution resulting from higher pollution abatement cost and lower inspection and enforcement rates.



The struggle over environmental problems - the land, air, and water degraded with poisons and other harmful chemicals, the destruction of large areas of forests, the depletion of nonrenewable resources, and the loss of many species - goes through an ebb and flow similar to the class struggle. When enough people, sometimes even including representatives of capital, are concerned and mobilized over threats to their own health or the long-term well-being of the planet, real progress can occur in cleaning up the environmental mess that is one of the twin crises of capitalist production. Of course, every effort is made by capital to socialize the costs of such cleanups, by using general tax revenues whenever possible (Magdoff, F. 2002).

Before the crisis, people using public transportation increased, they left their cars at home and car pooling gained popularity, all for the sake of fuel conservation.

With the reduced price of oil today, due to the financial crisis, people may just decide to go back to using their cars. It could even dampen their initial enthusiasm to buy hybrid cars.

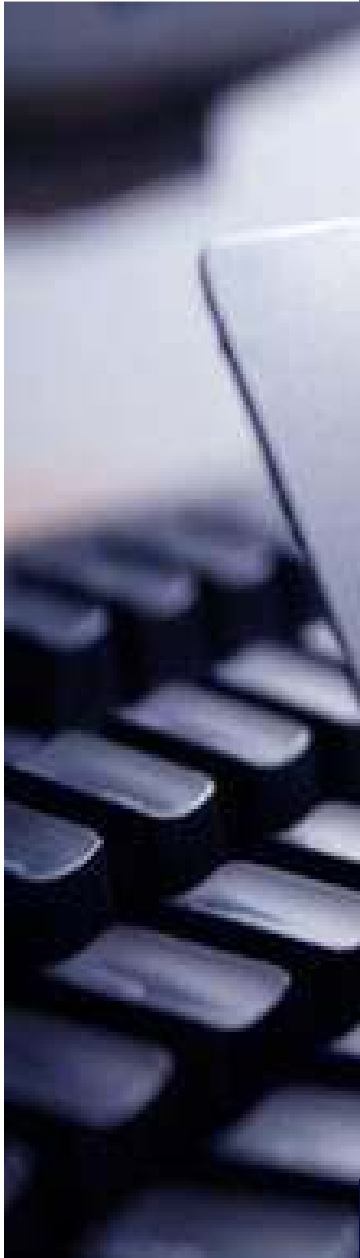
According to a European Union-Commissioned Study, the global economy is losing more money from the disappearance of forests than through the current banking crisis. It estimates the annual cost of forest loss at between \$2 and \$5 trillion. The report explains that as forests decline, nature stops providing services which it used to provide essentially for free. Consequently, we have to resort to building water reservoirs and facilities to sequester carbon dioxide, or farming foods that were once naturally available.

## 4. The crisis in Romania

In the current macroeconomic context, Romania is exposed to the effects of economic and financial crisis, which may materialize in the plan of real economy, by slowing down the economical growth and reducing the number of work places.

The actors involved in the green sector see themselves forced to adapt their strategies, taking into account new global conditions, the difficulties of accessing credits, the more expensive loans and even closure of some companies. The green economy is going down. And the economic environment of Romania is not exempt from the global effects of the financial crisis. Over the green businesses heavy clouds gathered. In the latter half of 2008 the overall amount spent to fund clean energy related projects dropped 25% and reached 18 billion dollars. This amount will continue to fall at the beginning 2009 (Deleanu, C. 2008). In recent months, global green market has lost money, and companies have cut ruthlessly from investments in alternative energy.

At the category "potential effects", it is considered that the authorities - especially mayors and local councils - will be taken off their environmental responsibilities, again suffering from financial deprivation. Moreover, the European funds intended for Romania will reach their beneficiaries in our country harder. Fund raising phenomenon, as well as environmental funds will be reduced; pressure on nature and natural resources will reduce due to the lack of liquidity, demand for products, precious metal mining and quarrying with obvious impact on the environment, which is already stimulated due to the increasing value of these metals in relation to liquidity, are other effects of the crisis. In the same category, other conclusions can be taken. Poor members of society, already exposed to environmental risks, are even more vulnerable, the more public funds, including European ones, are more difficult to reach, the more working contracts and environmental job contracts awarded by Procurement will be increasingly allocated preferentially. Some analysts believe that the signs of crisis are not very visible in environmental protection, provided that this is not a priority in Romania. "Not when actual constraints had appeared, nor when budgets had not been adapted to the current weak economic situation, the environment was not of age.



They believe that once the crisis installed in Romania, the green will be even more left aside (Deleanu, C. 2008).

The global crisis will curb economic growth of Romania in 2009 after our country was the leader of Europe in 2008 - an increase of 8.9%. The economy could record more than 1.2 million unemployed; say the darkest statistics and announced salary increases could be postponed (Grosereanu, B. 2009)

## 5. Concluding Remarks

Economic development means working very hard to create something in one place and to destroy something in another place. Climate change is already being observed through rising temperatures, melting glaciers, shifting rain patterns, increased storm intensity and rising sea levels. Greenhouse gas (GHG) emissions from human activities – mainly fossil fuel use, deforestation and agriculture – cause climate change. During the crisis the emissions of CO<sub>2</sub> are diminished and this is good for the environment.

As a general conclusion, short-term crisis had a beneficial effect on the environment by reducing emissions of pollutants into the atmosphere, by reducing discharges into the main rivers of Romania, following cut down mining operations, tourism, economic, generally. But long term, the economic crisis could have a negative impact on the environment, due to the reduction of funds and investments in the green industry.

The good conclusions:

- Compared to other European country Romania has high levels of biodiversity and a relatively low level of greenhouse-gas emissions per person. Our country's environmental legislation is slowly coming in line with that of the European.

The bad conclusions:

- Romania's environmental infrastructure is insufficient;
- There is still a lot of pollution from agriculture, energy, and transportation, some of which is encouraged by subsidies in those sectors;
- Road traffic (and thus, air pollution) has increased;
- Half of industrial wastewater, containing mercury, lead, chromium, zinc, and other toxins, is still being discharged untreated into rivers and coastal waters;
- Patterns of production and consumption are unsustainable.

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