

# Running on Empty in Cloud Cuckoo Land

*Of Asia and the West*

By JOHN HOWARD WILHELM

- Chandran Nair's position (Comment, March 7) that "If Asia copies the western model of consumption capitalism, the twenty-first century will turn out to be nobody's" applies to the West as well....The need for our opinion and political leaders to recognize this and explain it to our public has never been more critical.

—From my March 7, 2012 unpublished letter to the Financial Times

- Much of what is currently being discussed in terms of Asia's future, capitalism and the resource and environmental challenge we face is steeped in an inability to move beyond a very tired form of conventional wisdom. This is nowhere more visible than in the widespread refusal to accept the limits nature places on what people can do.

—Chandran Nair

- Prosperity consists of our ability to flourish as human beings — within the ecological limits of a finite planet.

—Tim Jackson of the Sustainable Development Commission

When Chandran Nair's article "We should stop talking of our Asian century" appeared in the *Financial Times*, I wrote a letter to the newspaper, which it did not publish, pointing out that the western model of consumption capitalism is no longer relevant to the West either. As a result of Nair's *FT*'s piece, I bought and read his book *Consumptiononomics*. As a result of reading his book, I learned about Tim Jackson's report "Prosperity without growth?" for the U.K.'s Sustainable Development Commission and downloaded and read it as well.

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Nair's book takes more the form of a 200-page pamphlet of advocacy rather than an analytical text. As such, I think it succeeds admirably. Although not an analytic text, it is clear from all the things I have learned, especially from people like the late John Attarian, a frequent past contributor to the *Social Contract*, that Nair's thinking is analytically quite astute and even-handed.

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## Consumptiononomics

**Asia's role in reshaping capitalism and saving the planet**

**By Chandran Nair**

**Wiley and Sons Asia, 2011, 256pp., \$34.95**

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In this note I want to convey a sense of the book and then discuss some issues in the sense of praxis, which I believe need more clarification and discussion for those who share the concerns of a John Attarian, a Chandran Nair, or a Tim Jackson.

The following excerpts from the Foreword to Jackson's report do a good job of outlining the nub of the argument he and Nair make concerning the issues we face going forward in the twenty-first century:

Every society clings to a myth by which it lives. Ours is the myth of economic growth. For the last five decades the pursuit of growth has been the single most important policy goal across the world.

This extraordinary ramping up of global economic activity has no historical precedent. It's totally at odds with our scientific knowledge of the finite resource base and the fragile ecology on which we depend for survival.

The reasons for this collective blindness are easy enough to find. The modern economy is structurally reliant on economic growth for its stability.

Today we find ourselves faced with the imminent end of the era of cheap oil, the prospect (beyond the recent bubble) of steadily rising commodity prices, the degradation of

forests, lakes and soils, conflicts over land use, water quality, fishing rights and the momentous challenge of stabilizing concentrations of carbon in the global atmosphere. And we face these tasks with an economy that is fundamentally broken, in desperate need of renewal.

Prosperity for the few founded on ecological destruction and persistent social injustice is no foundation for a civilized society.

The concept of governance itself stands in urgent need for renewal. For in the end of the day, prosperity goes beyond material pleasure. It transcends material concerns.

In writing his book Chandran Nair wanted to open the door to debate as to whether 6 billion Asians can or should aspire to live like Westerners and to “challenge the notion that technology, free markets and finance (all led by the West) will solve our [Asian] problems.” In much of the discourse in the West about responding to peak oil (the maximum production of conventional crude, which even the International Energy Agency (IEA) acknowledged in its 2010 report, to the exhaustion of other resources, declining fish stocks, and the like) technology is often evoked as a magic wand which has made Malthusian concerns moot. Nair does a good job of deflating this when he observes that:

In the short term, many possible arrangements can be made to make people better off — inventing machines that can pump water from ever deeper within aquifers, for example. However if these ignore longer-term issues, such as where the water will be found to raise crops for the next generation, Malthusian concerns have only been deferred, not solved.

Nair is troubled, as I am, by what he labels as market fundamentalism as embodied in the “Washington Consensus” and other economic prescriptions. He is also troubled by what one might label as democratic fundamentalism — the notion that “democracy is now seen as an end to itself and apparently the more the better.” His policy prescriptions focus on the need for a stronger government involvement in economic affairs along certain lines.



These include taxes to offset the externalities in society's use of mineral and ecological resources, and, where needed, in areas of fish depletion, strong controls. He advocates focusing on resource management with an eye not only to sustainability but also to ensuring a basic minimum for the poorer members of society.

As he succinctly puts it:

In Asia, because of the size of the population concerned, development will have to be both environmentally sustainable *and* equitable — markets cannot be allowed to determine the distribution of wealth because of the inequities they create and the waste they produce.

In discussing international efforts to deal with the issue of global warming and the like, Nair advocates an approach that merits serious consideration. As he states it:

Introducing emissions and resource taxes at a national level could prove a far better way to reach international environmental agreements than trying to bring countries together and reach agreements first at huge conferences, such as that in Copenhagen.

Once countries take action within their own borders, Nair argues that they would be in a strong position to persuade other countries to make agreements with them to promote the desired ecological changes on an international basis — a point that could also profitably inform the U.S. approach to issues in these areas.

In approaching these and other related issues, Nair, and Tim Jackson as well, fails to grapple with an important issue in this area: the question of whether even our current population levels are sustainable. In an interesting article in a journal published by the British Royal Statistical Society, Martin Desvaux argues that the sustainable population level for Great Britain is between 17 million and 27 million (The sustainability of human population: How many people can live on Earth? *Significance*, Vol. 4, No. 3, pp. 102-107). The current U.K. population is over 61 million! In the case of the U.S., Desvaux suggests that our current population is on the order of twice its sustainable size. How much worse the problem is in Asia is an interesting question Nair might have dealt with to make his arguments stronger. In addition, he could have perhaps strengthened his case had he used more concrete examples to illustrate the absurdities by which too many people speak of our future prospects, as Graeme Maxton did in his book *The End of Progress*.

Nair's book contains implicit criticisms of U.S. policies, which I do not consider to be as balanced as they should be in assessing contemporary U.S. economic policies. When I was a first-year graduate student at the

University of Michigan, I had a discussion with another graduate student from a prominent Korean family about U.S. policy concerning his country's industrialization, which he perceived as blocked by U.S. self-interest in preserving its role as a major industrial power. Today, South Korea is a major industrial power, due in no small measure to U.S. post-war policies of promoting international trade liberalization. The objective of Nixon's opening to China was, as Nixon pointed out, in part motivated by a belief that over a billion Chinese ought to be an integral part of the rest of the world and its economy. After Mao, Deng took advantage of the possibility of the international economic climate the U.S. had helped to create to open China up economically to active participation in the international economy, with dramatic results. In doing so, I doubt that China was much influenced by any "Washington Consensus" rather than by its own self-interest. The Chinese in this process basically did their own thing, and it worked well in many senses, as we all know.

The Indian break with the license raj and opening to the world economy led to a situation where, as Nair acknowledged, its "growth rate rose sharply once it began freeing its markets." Although both of these changes engendered some dramatic improvements in human economic welfare, they have also led to some pressing problems, which concern Nair and others.

In the case of the U.S. and China, it led to unsustainable financial arrangements in trade and in the domestic U.S. economy, which greatly contributed to the international economic crisis that began in 2008. And it has also led to an economic situation in both the U.S. and Asia that is ecologically unstable. While the "Washington Consensus" and the hubris of conventional thinking following the fall of communism certainly played a role here, a more basic factor that Nair and others of his persuasion overlook is what I would label linearist thinking, along the lines of a delightful short piece Kenneth Boulding wrote in 1975 on his "curmudgeon stick" (*Challenge*, Sept./Oct 1975, Vol. 18, No. 4). There is a disturbing tendency to take a perceptive idea, such as Adam Smith's "invisible hand," to such extreme lengths that we wind up with such things as market fundamentalism or a dysfunctional "Washington Consensus." Although such situations may well appeal to such things as corporate and individual self-interest, they frequently are engendered by the type of linearist thinking that Boulding raged against.

Our contemporary economic thinking is an example of this. In my adult lifetime economics as a discipline has become mathematically more rigorous while at the same time becoming intellectually less rigorous. The rational expectations and efficient market hypotheses which led to a macroeconomics which in essence denied

the type of reality we encountered in 2008 is a case in point. The mathematical malpractice that infested the "rational expectations revolution" has led to a process of adverse selection in economics, which has screened out those who might have taken more of an interest in the intersection of economics and sustainability considerations. As Tim Jackson has pointed out, "there is no macro-economics for sustainability, and there is an urgent need for one." He goes on to ask, "Is it possible to configure the conventional macro-economic variables in such a way as to reduce the imperative for growth and yet maintain economic stability?" In answering his question, he points out that "Astonishingly there is almost no attempt at this task in the literature at all."



**Chandran Nair, author and founder of independent think tank Global Institute for Tomorrow.**

In writing about the Western-educated MBA students who have come to prominence in corporate and policy positions in Asia, Nair notes, "They are smart, very smart, but intellectually neutered." He rightly points out, "For too long, schools and universities have been regarded as the training ground for economic growth... Instead they should be directed towards giving people



an understanding of the human impact on the world and the consequences that flow from this.” There are issues here of pedagogy, methodology, and accountability in academia that sorely need to be discussed if we are to have any hope of correcting the unsatisfactory situations in our schools and universities that trouble a Chandran Nair or a Tim Johnson. But we also need to be concerned about the public discourse as well.

At this writing the American media have been giving a lot of attention to the 2012 International Energy Agency (IEA) report in which it was suggested that the U.S. in a few years would surpass Saudi oil production because of the “shale oil revolution” in the country. Unfortunately, the American media have failed to critically assess that claim, especially in light of the fact that after the report, according to a *Financial Times* article, the chief economist of the IEA admitted that the geology and reserve performance underlying the report were “poorly known”! With the exception of a Gail Tverberg putting a piece on the Internet pointing out that the 2012 IEA’s forecast was unreasonably high, there appears to be little critical examination of this. This does not help promote the discussions that are needed in the public forum on our energy situation and policies. Had I not read Nair’s book, I would not have known about the U.K.’s Sustainable Development Commission, despite having frequent access to the British media. It is a real tribute to Gordon Brown, the former British PM, that the commission was established. It is a disturbing sign that its work and conclusions have gotten so little attention, once again a clear sign of our failures both East and West to have much needed discussions of the vital issues affecting our future.

Our response to The Club of Rome’s *Limits to Growth* is another troubling example here. In his book Nair points out that:

It is worth noting that the trends forecast by *Limits to Growth* have remained largely unchanged and a recent analysis of its predictions found them broadly in line with events over the nearly forty years since the report was published.

To understand issues like this we need debate and we need an effective mechanism to get these issues onto the national agenda. That is we, both East and West, need better and more effective political structures than we now have.

The traditional approach to the area of industrial organization in the discipline of economics was to look

at structure, behavior, and performance in individual sectors or markets of the economy. In the case of our political systems, surely a similar approach is appropriate. In the case of the United States, it has long been my contention, with those of a concern of a John Attarian or a Chandran Nair, that pamphleteering on ecology and sustainability is not enough. In the U.S. case, I have argued that attention needs to be given to opening up our political system to third parties less reliant on special interests than our two major parties and more willing to discuss the issues we face, even on important issues such as immigration that may require discussing matters generally regarded as politically incorrect to speak about. In the U.S. context, such a change is simply not possible without voting reform which moves away from our system of plurality voting, which is responsible for our two-party duopoly, to a better voting system.

In the case of Asia my impression is that structural political reforms are also much needed. In his book Nair states that:

Indeed governments should tap into the growing feeling in many parts of Asia that there is a fundamental difference between democracy and good governance.

It is not so clear to me after the Bo Xilai scandal and resulting revelations in China, or after the Arab Spring, especially in Syria, how valid this growing feeling is. Nair in writing about governance in his book places emphasis on transparency and accountability, which to my mind reinforces the case for democratic structures. When he cites a case such as that of Indonesia, where a process of democratization has led to worse ecological degradation at the expense of the poor, he may have a point, but it is certainly a one-sided one. There surely are cases where a process of democratization has led to better results. One needs to ask the question of what are the factors that can affect the results of a process of democratization more or less favorably.

Indeed while I see a lot of merit in the kind of pamphleteering done in a book like Nair’s, there is a need to tie it in to a process of praxis that would turn its attention to what we can, must, do to reform an important discipline like economics and reform our political systems so that they better serve the achievement of sustainability for humankind. One would hope that a Nair, who clearly has a first-rate mind as shown by his valuable book, and others of his persuasion, would deal with these issues in the future. Without that, there is no real hope. ■