

Chandran Nair

# CONSUMPTIONOMICS

Asia's role in reshaping  
capitalism and saving  
the planet



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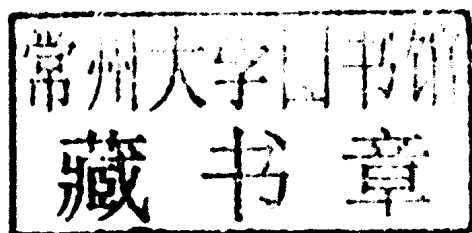
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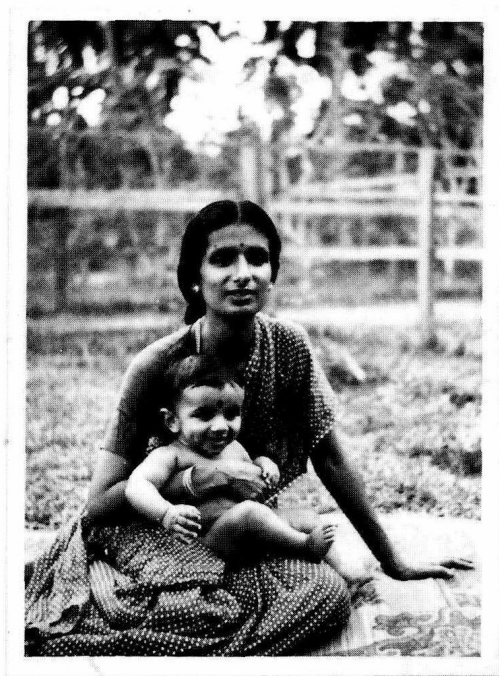
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To Sumathi Letchimy Narayanan and Kadangot Parameswaran Nair





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*'[World] population is projected to rise from 6.7 billion to 9 billion between now and 2050, and more and more of those people will want to live like Americans.'*<sup>1</sup>

Thomas L. Friedman

## PREFACE

Some twenty years ago, I found myself speaking more and more at a range of business and other forums on what I loosely called environmental issues. A recurring theme was the links between these issues and a range of social, economic and political challenges. Over time, I became increasingly preoccupied by what would happen if Asia continued to develop along Western lines – in particular, if countries across this huge and disparate region were to adopt consumption-driven capitalism as both their goal and their means of reaching that goal.

Often I found myself tempering my opinions, worried I would be accused of being unqualified or poorly informed on many of the issues I addressed. But as the speaking opportunities continued to arrive, I found myself testing more of my half-baked ideas to see how they were received.

I discovered that some parts of my audiences, notably business leaders and policy makers, often looked uncomfortable with my suggestion that the current trajectory was unsustainable. But there were others who were broadly receptive, even if the more supportive comments were often made privately after a meeting had ended.

I was curious. Who were the Brahmins deciding what topics were acceptable, which views could be expressed? Could I speak out more?

Certainly, the opportunities to do so increased, as more and more forums began including an obligatory session – sometimes an entire event – on topics familiar to me, the ones I had spent years working on as a

CEO and environmental consultant managing projects across Asia, from China and India to Indonesia, Thailand and Vietnam.

Despite sparing no effort to avoid offence by being as polite and courteous as possible, I often found myself accused of being unwarrantedly negative and pessimistic – the last a charge I found difficult to accept, having long regarded myself as an incorrigible optimist.

At one forum in Sweden, a senior United Nations official told me, albeit in a friendly manner, that I was a ‘demagogue’. I sensed that while he agreed with much of what I said, like many UN officials, he was worried that I had breached some unspoken protocol by throwing out a challenge to the business leaders, politicians, academics and others in the audience.

At another meeting, a regional economic summit in Hong Kong in the mid 1990s, I was clearly the token ‘environmentalist’. I spoke about the dramatic deterioration of air quality in the Greater Pearl River Delta region, and questioned the conventional view that investment and growth would lead to a prosperity that, in turn and more or less automatically, would create the conditions for the environment to improve. I was told that my concerns about the environment were laudable but my fears were overblown; I should not worry as it would never get that bad, and before it did, business would respond.

Fifteen years on, the pollution in Hong Kong and its neighbour, Guangdong, has worsened, and conference themes have expanded in scope – from how to be a better environmental citizen and green your operations to addressing global climate change and sustainability.

A talk in the United States in 2008 drew a different response. Even though the audience was a largely liberal crowd – more Oprah/Obama than Sarah Palin/Tea Party – my suggestion that if Americans were serious about global warming then they might think about taking some action at home was not well received. Clearly, even floating the idea that consumption could be tempered – perhaps by restricting car ownership to one vehicle per household, introducing a carbon tax or possibly even eating less – was tantamount to foreign interference in US internal affairs.

Nonetheless, as climate change moved up the political agenda and into the mainstream, I found myself encountering less direct rejection of what I had to say. The calls for corporate social responsibility increased, and more and more forums made room for inspirational speakers calling on their audiences to become more responsible eco-citizens and ‘be the change’ (watch the TED talks). Leadership remained in, but only if it took note of new social networks that were mobilizing citizens to take action. ‘Sustainable’ solutions replaced innovative ones, consumers became ethical, and companies were urged to reduce their environmental footprints because going green meant saving money – simultaneously benefiting the world, their customers, themselves and their shareholders.

At least, however, the issues were being raised. And slowly – far too slowly – attitudes began to alter. In June 2009, speaking in Bali to a group of clients of one of the world’s oldest private wealth banks, I outlined the conundrum that consumption-led growth posed for Asia. I was surprised at the level of interest I generated. Several even accepted my throwaway lines that ‘bling is out’, ‘less is more’ and that constraints had to be put on consumption. In the audience was the CEO of a leading global publisher. I had expected to be dining alone, but instead I ended up hearing him suggest that I should expand and write down what I was saying. What you are reading is the result of our conversation.

## Neither East nor West

The form of this book took a while to emerge. At its heart lies a discussion about the re-emergence of Asia as an economic power, and the dilemma this poses to itself and the world. But as I shared tentative outlines with a few friends, I was often told to make sure what I said could not be attacked or dismissed as an anti-West rant.

These warnings troubled me. Why was it that these people liked the idea of having me air my views, but believed they should warn me about the likely reaction from the elite inhabitants of the well of conventional wisdom? Would it really be so dangerous to draw attention to what was clearly visible not just to me but to any reasonable being? After all,

every day of the week it is possible to find articles and op-ed pieces in the international press critical of China and India, and it would not take long to find other articles criticizing the way in which every other country in the region is run.

Anyway, to clarify matters, this book is far from being an attack on the West. It is not about how the West has got things wrong. Nor is it about how Asia will get them right. It is certainly not about this being the time for Asian ascendancy and how the West will now have to understand the new rules. There is a growing band of commentators, including many Asians, subscribing to these kinds of arguments – ones which I believe are dangerous.

As far as it attacks anything, it is the path Asia is taking, and the unquestioning nature of the decision to go down this path taken by its leaders in the face of mounting evidence that doing so can only hurt their countries, not help them.

This book does, however, advocate new rules. And it is not saying that the West is without responsibilities. Many people in Europe and America have taken their governments to task for not matching their rhetoric with actions, be it over development aid, climate change or military action around the world. It is vital that pressure continues to be maintained on these and other issues – however unlikely it may appear that results will be forthcoming. But what the West should do is not my subject. Rather, this book addresses the question of what Asian societies must do – most importantly, what their governments must do.

As it became ever clearer to me that the direction Asia was taking had to change, I increasingly wondered why it was that so many Asian business leaders, many of whom had studied at what were commonly acknowledged to be the world's best universities and business schools, so rarely addressed these issues of resource depletion, environmental degradation and backward governance. Why the silence? Were they so busy they had no time to think about them? Or were they convinced that really there was no problem: the costs would be short term, and beyond that prosperity would eventually trickle down?

I began to wonder if they were just too scared to speak out, worried about what their companies or business partners might say. The more I got to know some of them and listened to their ever more frequent ‘green speeches’, the more I became convinced that, despite their power, they were too afraid to be more intellectually robust, except in private. For most of them, I suspect, the reason was simply not wanting to step out of line – after all, the system, whatever its contradictions, had rewarded them. Why question the Harvard Business School model of supply-chain management – a convenient way of shifting unwanted external factors, such as pollution, to developing countries – if they could rise to that ultimate point of professional recognition as the Asian representative on a multinational’s board?

Other factors were also at play. More and more I noticed the ways in which the elite business schools of the world, most of them American, were shaping the thinking of their Asian students. It seemed to me that these young minds – some of the brightest in the region – were going to these schools not to be taught practical skills that would make them better, more responsible citizens, able to help the problems of their home countries, but rather to be schooled in an ideology.

Learning how to manage and innovate within the limits and constraints imposed by our planet featured nowhere in their teaching. Instead they were told how, via its reliance on free markets, capitalism had emerged as the best means of creating prosperity. Governments had a role in all this, but principally to remove obstacles such as unnecessary regulations. Throw in democracy as the icing on the cake, and not only had the West succeeded in advancing civilisation to new heights of well-being and scientific achievement, but it had also, as Francis Fukuyama observed, arrived at the end of history.

Such hubris, of course, almost inevitably precedes a fall. But even now I am still startled at just how self-assured this view of this world was, and how much it remains intact. I teach a course at an MBA School, and continue to marvel at how little its students – many of them Asian, but also from America and Europe, and almost without exception Western-

educated – feel any need to question the assumptions on which they will base their careers and lives. Even today, despite the economic success of their home countries, most of them continue to play down their origins, preferring instead to aim for a high-flying career at an investment bank or multinational. They are smart, very smart, but intellectually neutered.

## Governance

In considering the disparate but interlocked issues of silence and denial, I began to wonder about their possible connection with one other issue that was troubling me: why it was that the need for us to organize ourselves to live sustainably – fairly, equitably, and within constraints – had not kept pace with our ability to innovate technologically.

Through the twentieth century, at an ever-accelerating rate, humanity proved able to increase its power over nature in the most extraordinary ways. Where we failed, however – and failed abysmally – was in our ability to govern our innovations. Our inventions sped ahead, but our ability to monitor and regulate their impact lagged dangerously behind. Typically action was taken only when something went badly wrong, as is happening in the wake of BP's disastrous Gulf of Mexico oil spill. We have not found the means to integrate our technological and financial innovations with the need for limits and rules, where necessary draconian, to impose restraint on how we live.

The evolving role of technology also provided the ingredients for yet another headache. Today, more than 2.2 billion people in Asia have access to mobile phones – far more than have access to potable water or sanitary toilets. I first noticed this gap between the availability of technology and that of basic necessities when I worked in Bangkok in the late 1980s. Friends who lived on the banks of the Chao Phraya River had televisions and video players, but they used the river as a sewer and its polluted waters for washing. Since then, even slum dwellers have migrated to mobile phones and iPods, but their refuse still pours untreated into the river. Similar sights can be seen across Asia, in Delhi, Jakarta and Manila.

But how is it that, while mobile phones and other electrical goods



have become ever cheaper, lavatories are still a luxury item? Why is it that the best minds are helping companies make more iPhones or banks rework their balance sheets, not shaping the governance that will determine our collective future? This book explores my answers to these questions – that we live in a world whose values are set by an economic system that incentivizes and rewards those who can generate growth for a select group of mostly Western institutions.

## New values

To pre-empt suggestions that I am trying to revive the Asian values debate of the 1990s, nowhere in this book do I suggest that Asia will get it right because it has governments or cultures more suited to coping with the challenges of the twenty-first century than other parts of the world. This book does, however, argue that because of its sheer weight of numbers Asia faces an imperative to get things right that is less intense in other parts of the world. Thus it is about Asia's responsibilities and obligations at this particular point in history.

It seeks to contribute to the narrative about these issues in the region and therefore in the world too. I take seriously the fact that global debates are – alas – dominated by Western commentators, politicians and business leaders. Asian perspectives are badly needed (as are those of Latin America, the Middle East and Africa).

It is both a challenge and an appeal to capitalism. One of capitalism's strengths is its ability to adapt to new realities. And Asia is perhaps now, given its stage of development and the harsh realities it faces, most suited to freeing capitalism from being the captive it has become of free market fundamentalists and ideologues.

This is not a book about climate change. Nor is it a doomsday book. But it is a book about the catastrophes – some of which are already upon us, and many more that lie ahead – if the world, and particularly Asia, continues on its current trajectory. Most of these will be of a creeping, insidious nature – those of people struggling to survive in depleted or disaster-struck environments, or being forced to give up farming and