



THE SUSTAINABLE STATE

The Future of Government, Economy, and Society

CHANDRAN NAIR

Founder and CEO, Global Institute For Tomorrow

Praise for *The Sustainable State*

“Chandran Nair asks difficult questions and offers bold, provocative answers. One may disagree with his answers but has to admire his willingness to tackle thorny problems. These pages open our eyes to some of the most urgent problems facing humanity. A must-read.”

—**Moisés Naím, Distinguished Fellow, Carnegie Endowment for International Peace, and author of *The End of Power***

“Nair shows that more than ever, state capacity matters for sustainable prosperity, and this is precisely the Achilles’ heel of most of the developing world.”

—**Gurcharan Das, author of *India Unbound*, *The Difficulty of Being Good*, and *India Grows at Night***

“Chandran Nair is an incisive and visionary thinker with a properly sober take on our ‘crowded and resource-constrained’ future. He is totally right in *The Sustainable State* that the emerging economies’ adoption of the consumption-driven model of growth that has characterized the wealthy West would exhaust our planet’s capacity. As he also rightly argues, what is needed is both a cultural shift from an aspiration of well-having to one of well-being and a shift from the free rein of the market’s invisible hand to intelligent governance through the guiding hand of the state.”

—**Nathan Gardels, cofounder of the Berggruen Institute and Editor-in-Chief, *The WorldPost***

“Most development models, including those concerning sustainability, are based on Western experiences and ideology. Problems have arisen therefrom and they have proven inadequate or inappropriate for current challenges and socio-economic realities of the developing world. In *The Sustainable State*, Chandran Nair draws upon the Asian experience—including China and its successes—to suggest a more fitting approach for the ‘global majority.’ His arguments are persuasive but extremely ‘disruptive.’”

—**Ronnie C. Chan, Chairman, Hang Lung Properties, and Chairman Emeritus, Asia Society**

“Much of our current understanding of the nature of the state and its role comes from Western experience, e.g., Westphalia, the Industrial Revolution, the Cold War, the internet. But this is not what government and good governance means to most people outside of the West. Chandran Nair’s groundbreaking book tries to explain from a non-Western perspective what governments can and must do for the global majority in an era of resource constraints.”

—**Professor Kiyoshi Kurokawa, Chairman, Fukushima Nuclear Accident Investigation Commission, and Science Advisor to the Cabinet of Japan**

“In this brilliant new book, Chandran Nair takes on the elephant in the room: how could a genetically and culturally small-group animal reorganize itself to live in groups of millions and billions without finishing the job of destroying its life-support systems? Can huge poor nations create governance systems that will allow all their people to enjoy decent lives, and how can huge rich states modify theirs to make this possible? Everyone with an interest in the human predicament will want to read *The Sustainable State*.”

—**Paul R. Ehrlich, author of *The Population Bomb* and coauthor of *The Annihilation of Nature***

“First with *Consumptionomics*, now with *The Sustainable State*, Chandran Nair describes an alternative path and meaning of progress: governance, when good, is an essential antidote to irresponsible, injurious capitalism and individual license. This is a book for our times.”

—**Zoher Abdoolcarim, former Asia Editor, *Time***

“The role of the state has withered. Chandran Nair is one of the few people to understand that the pendulum has swung too far and that more and better government will be needed to address our global challenges successfully. His arguments are persuasive and powerful.”

—**Graeme Maxton, Secretary-General, Club of Rome, and coauthor of *Reinventing Prosperity***

“Nair is saying it when others are shying away. Liberal democracies and capitalist markets have not helped mankind achieve sustainable development. These are the rich countries of the world—the biggest of which don’t believe in too much regulation. In developing economies, competing thoughts have emerged that argue for the necessity of comprehensive state intervention. Nair gives us a fulsome narrative to consider this crucial debate that has finally dawned.”

—**Christine Loh, Chief Development Strategist, Institute for the Environment, Hong Kong University of Science and Technology, and former Undersecretary for the Environment, Hong Kong**

“Chandran Nair’s commendable new book, *The Sustainable State*, provides an inspirational new way of thinking about developing the type of state that can do the most good for the largest number of people. His propositions are especially useful for the governance of crowded, resource-constrained countries such as mine, Nigeria. He offers great insights on how developing a strong pro-people state can steer people and resources along the path of genuine sustainable development that serves the interest of the masses.”

—**Jibrin Ibrahim, Professor of Political Science and Senior Fellow, Centre for Democracy and Development**



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Chandran Nair



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This book is dedicated to my late brother Venu Nair.

It is also dedicated to the global majority, who are subject to the harsh realities of an unsustainable path to growth and prosperity, the fruits of which are enjoyed by a minority.

All proceeds from direct sales of the book by the Global Institute for Tomorrow and from worldwide royalties will be directed toward furthering the debate on the nature of the sustainable state. This will be done by organizing workshops, conferences, and debates across the world.

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The seeds of this book were planted soon after my first book, *Consumptionomics: Asia's Role in Reshaping Capitalism and Saving the Planet*, was published. One idea I outlined in the book was the need for the state to take a more active role in resource allocation to avoid a catastrophe in the developing world. Another was for their societies to be organized such that collective welfare took precedence over individual rights. As one might expect, I was often attacked as a Communist, an anticapitalist, or, most annoyingly, a poor misguided Asian environmentalist.

This led me to connect the dots among everything I had read, seen, heard, and experienced in thirty years of traveling and working around the world on development, environmental, and sustainability issues. I wanted to explore the role of the state in a constrained and overcrowded planet. This drew on project work in almost all the major countries in Asia and five years in Africa, and professional engagements and visits to the Middle East, Europe, Australia, and the US. I used every opportunity to immerse myself in local knowledge and conditions, which continues through my work with the Global Institute for Tomorrow.

I used international forums on sustainability to test the waters on an idea that was becoming clearer to me each day: that only a strong state can help the world's large developing nations navigate the twenty-first century's sustainability challenge.

More often than not, I was labeled as an extremist and a pessimist who did not believe in human ingenuity and progress. Nothing could be further from the truth. But after listening carefully to the arguments of

many who spoke to me and what was presented as fact at global events, I increasingly believed that the arguments at the core of most current approaches were weak. I concluded that most of the approaches widely accepted as received wisdom—based on free markets, technological advances, and the spread of democracy—were simply wrong. In fact, the working title for this book was *The Indispensable State*.

Interestingly, I did not get much pushback from Asians, Africans, and others in the developing world. It was the growing support I received from many in Asia that convinced me of the need to write this book.

This book is an attempt to contribute to a new narrative of sustainable development. This narrative must come from parts of the world that are confronted with the real sustainability challenge at a scale and level of impact the West has never experienced and never will. Yet leadership on this issue has only been provided by the West.

This book will attempt to broaden the discussion in the hope that leaders in the developing world will rethink their approaches and expectations regarding development, growth, and sustainability. It will ask more fundamental questions about the reach of our rights and freedoms in the face of an existential threat. It is also my hope that Western economic, development, and academic institutions, as well as thought leaders, will consider these arguments and pause before they provide advice to the developing world on the challenges of sustainability.

The book hopes to get the world's non-Western elites, who are comfortable with Western ideas, to think again regarding the future of their countries, for which much is at stake in the face of the global sustainability challenge. They have usually attended Western colleges and graduate schools, and likely spent part of their lives in Western cities. They may even have worked for Western multinationals. They may have close connections with important and prominent people in the West. Thus, when it comes to sustainability challenges, they rely on Western ideas rather than radical new ones, even though they live at the front line. Rather than go to Yangon, Dacca, or Chennai, they would rather go to the comfortable surroundings of Harvard, MIT, or Cambridge. This book is for them.

This book is also for the next generation of young leaders who have ambitions to make a difference and “be the change.” There are many examples of how these young elites deemed to be leaders of the future can be stuck in groupthink on key global issues. To belong to such prestigious groups requires some acquiescence to the feel-good approaches as defined by “the great and the good.” Thus, on cue, they march to the same drum-

beat. They say they want to make the world a better place, but don't ask the hard questions. They are young, but seeking legitimacy means avoiding radicalism. They align themselves to "do-good" causes, often the usual-suspect topics and linked to philanthropy. They seek business solutions and try to build a social enterprise; if it involves technology and venture capital, all the better.

I have spoken to such groups on many occasions and am surprised at how difficult and discomfoting it is for them—mainly those from the developing world—to open their minds to a new conversation and particularly to a new historical perspective. What they find most difficult is the challenge posed to them about how they are the victim of Westernization yet perpetuate it without trying to take the best from both worlds. It is often emotionally difficult for them to process. Yet they are meant to be the next generation of leaders, where so much hope is placed. They openly express support for sustainability and other such causes, and say they seek change. But the change they seek is skin deep, as they are unwilling to accept the core challenge in the sustainability crisis: that Asia (and the rest of the developing world) will need to take a very different path than the West and must reject the West's unsustainable economic and political systems. This is book for them too.

Finally, this book is for those who are working on these issues but feel that current approaches are weak and do not relate to the conditions and realities they experience. They have been searching for something new, a different narrative that speaks to their appreciation of the issues and realities. In the absence of this, they have succumbed to the tired narratives, lost their radicalism, become cynical, or given up. I hope this book captures some of "their narrative" and that they will help mainstream it for those who will come after them. This book is for them too.

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INTRODUCTION

The Indispensable State, Sustaining Our Future

In 2012, I traveled to Youyu County, nestled in the northwestern corner of China's Shanxi Province. It can be easy to assume and expect that Youyu County, like large parts of central China, is a dusty, arid semidesert—especially after you learn that almost 90 percent of the local economy is driven by coal mining. But Youyu County isn't brown; it's green. Forests and grasslands blanket the landscape, holding back the nearby deserts.

This wasn't always the case. The county is close to the Ordos Desert, which had steadily expanded into the region due to soil erosion and drought. In 1949, over three-quarters of the region's land had been affected by desertification. This was clearly bad on its own terms, but the desertification also had serious effects on the county's development. Agriculture was difficult, which kept incomes low and kept people in poverty. Those who could leave often did.

An old rhyme from Youyu puts the issue more plainly:

It was so dark that people needed lamps during the day,
At night the sand will bury your door which won't open in the morning
Once windy there was a sandstorm,
Once rainy there was a flood
The hills were bare like the head of a monk,
Nine out of ten years there was no harvest
Most men left in search of better lives,
The ladies left behind dug wild herbs to feed themselves.

Nowadays, desertification is one of China's major national environmental priorities. The country's expanding deserts are blamed both for swallowing up large tracts of arable land and for worsening the air pollution crisis in Beijing and other major cities. China has launched many programs to combat desertification, from tree-planting campaigns to moving communities away from overgrazed and overfarmed regions. The Chinese government is now starting to plant forests—a “Green Necklace”—along the Hebei-Beijing border to help combat creeping desertification and large-scale pollution from the manufacturing-driven Hebei Province.

But, in Youyu, the fight against desertification started much earlier. The county's first party chief, upon taking office in 1949, reportedly stated that the county's development guideline should be: “To be rich, stop the sandstorm. To stop the sandstorm, plant more trees.” Over the decades, this approach made the county a national leader in reforestation. Government officials took pride in their work, even as China's opening to the rest of the world and subsequent rapid growth highlighted flashier symbols of development. When I was there, I was told that when the county mayor was promoted to a new position elsewhere in the country, the only souvenir he took from his office was the beat-up shovel he used during his twelve years in Youyu.

Today Youyu is called a “Green Pearl”—far from the barren desert landscape of decades past. The numbers are truly staggering. At the founding of the People's Republic of China in October 1949, only about 0.3 percent of Youyu County was covered in forest. By 2016, this number had risen to 54 percent, higher than both the national average (21.36 percent) and the world average (32 percent). Water and soil erosion during the rainy season have been reduced by as much as 60 percent. The number of sandstorm days has been halved. Desertification has been effectively halted in its tracks, and the planting of trees has become a revered activity for all age groups in this rural population.¹

Controlling the sandstorms unlocked Youyu's economic potential. The county has replaced traditional subsistence farming with “high-quality, high efficiency ecological agriculture.”² The forests have also encouraged tourism, with over seven hundred thousand visitors to the county in 2010.

Youyu is a shining example of not just environmental protection but also environmental regeneration and achieving long-term sustainability objectives. But it took heavy government intervention and unusual

leadership over a period of decades to hold back the desert. The government devised a strict blueprint for reforestation that was followed for over half a century, spanning two generations. Party cadres became “Forest Directors,” responsible for tree planting. Finally, the government organized the people into a mass reforestation movement, which supported the efforts of the state, thereby also gaining legitimacy at the same time.

It is hard to think of another country that has actively reforested its countryside in this way over two generations in such extreme conditions, and certainly none can be found in the developing world. Youyu’s officials had a great deal of authority, but they were passionate about governance and improving the lives of society as a whole. And, in turn, the people trusted their leaders’ judgment and worked over several decades to support their objectives.

It is worth asking a potentially bold question: Could the Indian government reforest one of its states in this way? Would Indonesia’s government be able to reforest vast parts of Kalimantan (Borneo), where, very fortunately, the climate would easily support such an effort? Or could the US launch such a large-scale program of reforestation? To ask an even more bold question about the role of the state in attaining sustainability goals: Would the US be able to build a network of high-speed trains across the country and thus reduce the carbon footprint of the transportation sector as China has done? Are these countries capable of turning the tools of the state toward sustainability, resource protection, environmental regeneration, and survival?



Throughout my career, both as the former chairman of Asia’s largest environmental management consultancy and currently as the founder of a pan-Asian think tank focused on economic development and sustainability, I’ve come away from countless conferences and meetings about sustainable development with business leaders, government officials, and NGOs with the same nagging thought.

Very few people seem—from what they say and write—to have truly grappled with the multidimensional and global scale of the sustainability challenge and confronted the realities and the brutally honest nature of the solutions needed, apart from actions (untested in policy to date) against global climate change—an important part of the sustainability challenge, but only a part.

This is not to say that people do not grasp the severity of the problem, nor that they are not passionate in trying to find solutions. Instead, it would appear that the current conversation about sustainable development is based on several flawed premises that distract us from coming up with real solutions that will require painful adjustments, especially by the global “haves,” and redefining our ideas about prosperity.

The idea of sustainable development has become confused with pollution reduction, being environmentally friendly, or even just being environmentally conscious. This has allowed many organizations across the world, especially businesses, to paint their actions as improving their sustainability and tackling the global challenge. Actions as small as an office lowering the temperature setting of its air conditioning and as indirect as Coca-Cola’s sponsorship of a water-use reduction conference are placed under the umbrella of “sustainability”—in spite of the fact that both entities either engage in massively unsustainable practices themselves or encourage them in others. Organizations such as the UN have, in my view, muddied the waters by not taking a clear position and instead creating platforms such as the Global Compact, where multinational corporations can showcase their all-too-often superficial attempts at sustainability while allowing the UN to promote its engagement business, and thus claim it is being fair and inclusive to all stakeholders. Even worse, these platforms have become respected institutions, thus not even allowing well-informed UN officials to be intellectually honest, for fear of upsetting corporate members of the Global Compact and the numerous other Business Advisory Councils it has created.

Here is why environmental awareness is not the same as being “sustainable”: “being green” is about reducing the environmental costs of economic activity and other human impacts, such as proper disposal of human waste. In this day and age, one could even say that taking action about the environmental impacts associated with economic activity is simply doing the “decent” thing, which should be no badge of honor. Sustainability goes deeper than harm reduction. It concerns the management of common and public resources to ensure they are not overused or abused, so that all people have fair and equal access to them.

Perhaps it would be best to start from first principles. *Sustainability* is the ability of a system to survive indefinitely, by not using or abusing resources faster than its ability to replenish itself. A more sustainable economy, therefore, is one with a smaller gap between its use/abuse of resources and the Earth’s ability to renew them. Some green techniques,

though good on their own merits, do not reduce this gap. In other words: all sustainable systems are green, but not all green systems are sustainable.

Development, by contrast, refers to the provision of basic needs and standards of living to a population that constitutes an improved quality of life. A developed economy is one that largely provides basic needs universally among its entire population; by contrast, a developing country has yet to achieve this. The basic needs include, but are certainly not limited to, safe and secure food supply systems, clean water, safe and sturdy shelter, basic energy systems, sanitation, and high-quality health care and education.

Like sustainability, development has become a broad term. Some use it to refer to high economic growth, even if fundamental living standards have not improved for a large part of the population. Some tie it to modernization, especially along Western lines. This often links development with flashy symbols of modernity: skyscrapers in Shanghai, Kuala Lumpur, or Manila are seen as proof of development, even as poverty continues to exist not far from the city center and targets the majority. The newest development fad is the internet, with exaggerated claims that connectivity is a must to address issues of poverty alleviation and will also help the cause of sustainable development. The new development paradigm seems to have more to do with fiber optics and satellites to connect everyone than with toilets, sewers, water supply networks, and proper roofs.

There is also a bad habit of deeming unfamiliar systems as “undeveloped” even if they get better results. The West can be particularly guilty of this, calling countries that follow Western models of economics and politics to be more developed, even if the results are growing inequality, and even if non-Western models have had better results.

This return to first principles leads us to the idea of *sustainable development*: the improvement of living standards and provision of basic needs in a manner that does not consume or abuse resources at a faster rate than they are replenished and that also preserves the right of future generations.

My first book, *Consumptionomics*, was a critique of the increasingly common economic approach in Asia to ape the Western model of consumption-led growth. I argued that by focusing on consumption, high rates of economic growth, and Western-style development, Asia was putting itself on the road to ruin. Massive overconsumption would greatly strain the region’s already fragile environment and worsen the

consequences for the very poor suffering from the effects of scarcity, pollution, and climate change. It would ultimately have catastrophic global impacts due to the fact the region is home to 60 percent of the world's population.

Consumptionomics highlighted a problem in how we understand economics and economic development. But that leads us to the next question: If the world should not use relentless consumption based on the underpricing of externalities as its engine for further development, what should governments use instead? In a world of hard resource constraints, what would “Constrainomics” look like? That in turn raises more difficult questions about rights and freedom in a resource-constrained planet. Is car ownership a human right?

If the world, and especially Asia, are to get through a hot and crowded twenty-first century, they need a new model for economic development and new definitions of *prosperity* and *freedoms*. They need a new political philosophy and uplifting vocabulary about human progress in an era of constraints, beyond simplified slogans that conflate rights and freedom of choice. There is little in past economic history that matches the scale of the coming challenge; in fact, past models have likely served to make the problem worse. There is no template for this challenge, and for the global majority in Asia, Africa, and South America to look to the West and its institutions for solutions is the height of folly.

Something new is needed, and this book is an attempt to figure out what that might be. The book aims to ask some highly inconvenient questions, expose some of the fallacies at the heart of the sustainability discourse from the viewpoint of a developing world “reality check,” and postulate some solutions. But it is not going to arrogantly suggest that these solutions are the blueprint for addressing all the challenges we face.

This will not be an attempt to devise a solution for the world as a whole. Developed economies cannot run away from the fact that they have a disproportionately large footprint per capita, without the added challenge of achieving basic living standards for their people. But the world's majority, with a much smaller footprint per capita, lives in China, India, Indonesia, Nigeria, Brazil, and the rest of the developing world. Their footprints will—and must—increase. These countries still need to achieve a basic standard of living for all their people, as the majority continue to be mired in poverty, yet the only development models available to them are unsustainable and borrowed from the West.

There is, as of now, no answer to what I will call the “India question”: How can India, a country of 1.2 billion (peaking at 1.5 billion in 2050), lift hundreds of millions, and perhaps as much as half a billion, out of poverty in the next thirty years, yet also curtail its emissions and resource use at the same time? All the economic development models available to India would release huge amounts of emissions, produce mountains of waste, overuse resources and create even more pollution, and would thus worsen the global sustainability challenge. However, India, with some justification, argues that it would be unfair to deny better living standards to its hundreds of millions of people and so should strive to standards attained by Europeans and Americans by employing the same approach to development. In a perfect world, India would be absolutely right. But as the book will argue, this will not be possible, and this problem encapsulates the sustainable development challenge for the developing world.

India is not alone in needing to pursue sustainability and development at the same time. Despite huge progress in alleviating poverty globally (mainly in China), many in the global majority are still not provided with basic needs. According to the World Bank, 700 million people still live on less than US\$2 a day. One in ten people lack access to clean water. One in three does not have a proper toilet despite having a mobile phone. Then you have the hundreds of millions who, although not living in abject poverty, still do not have a reasonably comfortable living standard, with access to good education, a safe home, and health care for themselves and their families.

However, the current attempts by developing countries to improve the livelihood of their people, while successful in alleviating abject poverty, have also had huge repercussions in terms of environmental degradation and resource depletion, not to mention social costs. Cramped cities with inadequate housing are choked by smog and poor waste disposal, which create huge public health risks for residents. Ancient forests, reservoirs of biodiversity, are cut down to make room for plantations. Groundwater and waterways are contaminated by trash, industrial and agricultural chemicals, and human waste. Then add the carbon emissions that are likely to be added by the construction of new power plants, the massive growth in car ownership levels, and the expansion of agriculture (among other activities), and one can see how this quickly becomes a global issue even if impacts are most felt at the local level.

Developing countries like India are thus currently stuck in a dilemma. Do they develop using the models available to them, and risk damaging,