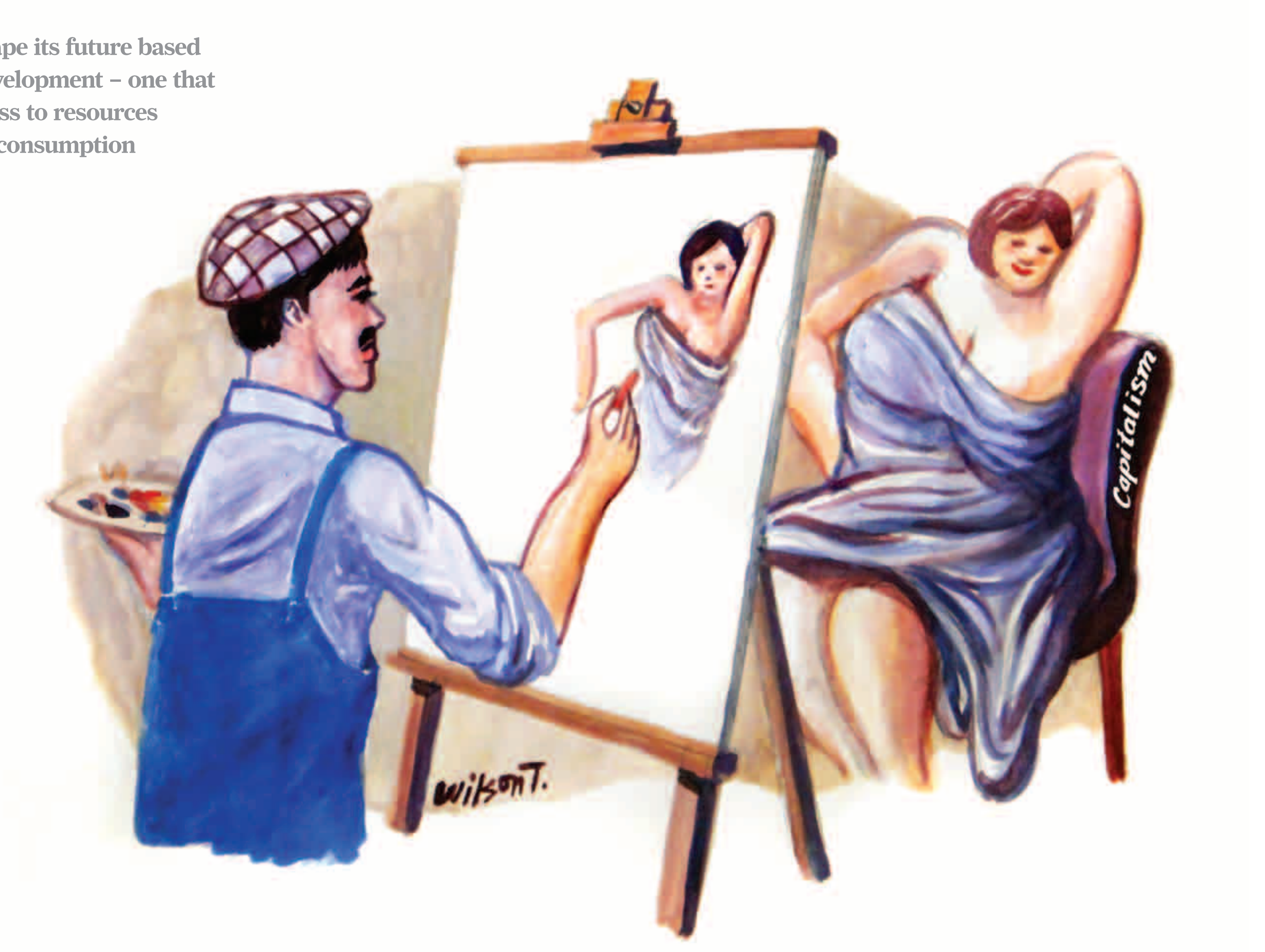
INSIGHT

Leaner, fitter

Chandran Nair says Asia must shape its future based on a new vision of growth and development – one that prizes austerity and a shared access to resources over the excesses of Western overconsumption



If, given the imminent rise of Asia, the world wants to avoid a bleak future, austerity has to be the new global norm. While that suggestion may provoke consternation in many of the world's leading economists, it is still the only way to address global inequalities – which these prominent economists at least profess to care about deeply.

But one should not expect any miracles – or much support, for that matter – from the West, given its politics, ideological biases and sense of entitlement. The West's inability to come to terms with required changes should not put off Asian leaders from understanding the harsh realities ahead.

Asia needs to build its future on austerity because it can – and because it has no choice. That is a simple but inescapable function of the population and resource pressures that shape the fate of this vast continent – and hence the world as a whole.

Asia must reject the largely academic discussion taking place in the West about how to stimulate growth through debt (through the printing of money like there's no tomorrow). Denial of underlying economic realities in the West, and in particular the United States, must not be mistaken in Asia as an apparent search for clever solutions, the finding of which, according to the script, is supposedly only a matter of time.

That is largely a rhetorical device, as the will to reorient the entire economy towards a more resource-preserving economic model (and therefore one in which people live within their means) is unlikely to be accepted in the US in the near future. The truth is that many Americans are indeed too poor but still too resource-demanding for the country to make that turn.

That is why Asia needs to look at building human progress by reshaping capitalism around "austerity for all". It is not so much a matter of economic models but of coexisting with resource constraints – and thus global responsibility built around discipline, which is the cornerstone of austerity.

Only this made-in-Asia drive towards austerity can address the needs of a majority of the world's population that at present live beneath any fair definition of "austerity" in the West. In other words, what is perceived in the West as creating the conditions for social stability pales by comparison to how most people around the world live.

For governments, achieving this transformation is the key to legitimacy, irrespective of the type of political system they represent. Accordingly, Asian governments should stop pandering to Western pressure to do it their (Western) way – read: depending on free markets, capitalism and "democratic" institutions that allow private enterprise a free hand.

The clear lack of understanding in the Western world with respect to how Asia will have to deal with the challenges of population growth, climate change, technological changes, and the discrediting of the Western economic model, should give Asian leaders incentive enough to search for relevant answers among themselves.

How China and India, with their very different political systems, address these unique challenges, how they take steps to move away from the firm grip of the predominant Western consensus on growth (along with its dominance of global institutions and its emphasis on resource consumption) will be the most critical factor in how the world manages the challenges posed by the unique nature of the 21st century.

Asia must reject the discussion in the West about how to stimulate growth through debt

At the core of the austerity-minded capitalism for Asia will be a need to redefine human rights around the "right to live". This will entail starting with equal access to resources and making collective welfare a priority over individual rights.

In this definition of growth, conventional wisdom gets challenged and ideas get transformed. For example, car ownership – essentially a free ride on underpriced fuel, roads, air pollution – cannot be viewed as an individual's human right as it has been in the West. Mobility should be more appropriately priced.

Science will also need to be put at the forefront of decision-making. That is the only approach that can provide a path to more equitable societies. Only then can economics continue to play a vital role, for it means abandoning the effort to deny that markets are social constructs and thus manipulated by vested interests. These are structures that can be – and urgently must be – changed.

Science working in tandem with an economics discipline reinvented in that manner will also allow us to measure progress not only in narrow terms such as gross domestic product, but in terms that realistically account for the economic value of the ecosystem. This is the only way to end the systematic underpricing of resources. And it will allow for prosperity to occur globally without also stripping people of one of their most basic rights – the shared access to resources.

Lastly, because this will be a sharp departure from the Western ideological premise, it will be wise of Western leaders to come to the realisation that it is in their interest, too, for Asian countries to reshape capitalism and create different models to suit their own needs.

For the West, that will mean a profound change in attitude – less preaching, more listening, and not using its "soft" power to derail new ideas because they don't fit the Western mould.

Chandran Nair is the founder and CEO of the Global Institute for Tomorrow and author of Consumptionomics: Asia's Role in Reshaping Capitalism and Saving the Planet. This article first appeared in the online global affairs magazine, The Globalist. www.theglobalist.com

Come clean

Michael Chugani says the only thing that can rescue the new administration is for C. Y. Leung to put politics aside and tell the truth

Today is judgment day for Leung Chun-ying. It could make or break him. Today he faces a hostile grilling by legislators about the explosive scandals that are rocking his administration.

There is the bombshell resignation and the Independent Commission Against Corruption's arrest of development minister Mak Chai-kwong after just 12 days on the job. He allegedly scammed the system to get a government rent allowance. And there is the unsavoury business of food and health minister Dr Ko Wing-man, who turned two flats into one without proper permission and claimed property rate rebates for both.

But, today, legislators will mostly go after the chief executive himself. They want to wring from him the whole truth about the illegal structures at his Peak home. Will he finally come clean, or will we end up still wondering?

TV cameras can be cruel. They magnify things – the facial expressions, the body language, the avoiding of eye contact and the evasive answers. This lets viewers judge if a person is a truth-teller or a liar. Leung's speciality is the double negative. Listen for that, too.

But Leung has a trump card – his poker face. Friends and foes alike agree he can look you in the eye and say one thing but mean another. If he plays that card, it could flummox the cameras. Will he choose to be that smart, or, should I say, stupid? Hopefully not. As the saying goes, you can never fool all of the people all of the time.

In any case, now is not the time to even try. Just two weeks in office, Leung is already sinking into quicksand. I cannot remember a more nightmarish start to a new administration. Isn't Leung supposed to be politically savvy?

How, then, do you explain the messy way he handled his illegal structures scandal? Surely he would have known that making Equal Opportunities Commission chief Lam Woon-kwong the Executive Council convenor would spark public fury over a conflict of roles. And who conducted the background checks on Mak and Ko before they were given such high positions?

Leung won the small-circle election with the promise to make society fairer as he watched rival Henry Tang Ying-yen being swallowed whole by his luxurious but illegal basement. Forget about his moral attack against Tang when he himself had six illegal structures. The question is how Leung can deliver his promise of change when his own integrity and that of his administration are in the meat grinder.

Chief Secretary Carrie Lam Cheng Yuet-ngor had said she trusted Mak 100 per cent. Days later, the ICAC arrests him. What does that say about Lam's own credibility? Mak was to have played a key role in fulfilling Leung's promise to make housing more affordable for the grass roots.

What are the grass roots supposed to think now that Leung is so rocked by scandals that he can't possibly focus on the livelihood issues he had promised to tackle? The man they put their hope in has lost their trust. Maybe today Leung can pull a rabbit out of the hat to win them back. That won't happen if he wears his poker face. It may if he reaches out with genuine sincerity.

Michael Chugani is a columnist and TV show host. mickchug@gmail.com

Upbeat mood in emerging nations reflect global shift in prosperity

Bruce Stokes says not only is the number of super-rich rising in these countries, so is their confidence

In his 1926 short story, "The Rich Boy", American novelist F. Scott Fitzgerald wrote: "Let me tell you about the very rich. They are different from you and me."

And so they are. Although today's very rich are not necessarily Americans or Europeans. They are quite often the citizens of emerging markets. Today, Brazil, China, India, Mexico, Russia and Turkey are home to 320 billionaires, according to the 2012 *Forbes* magazine list of the world's richest people – many more than the 203 billionaires who carry European passports and just trailing the 425 billionaires residing in the United States.

Tallying the number of super-rich is only one way to measure the growing economic and political clout of the emerging markets. A far more telling and representative comparison of both relative and prospective influence and well-being involves simply asking people in emerging markets how they feel about their national economies and personal finances, their financial future and job prospects for their children.

As a recent Pew Research Centre survey shows, the citizens of emerging markets are more optimistic than those from most developed countries in views about their future and that of their children. And this difference is likely to shape the world economy in the years ahead.

The response is unequivocal. People living in emerging economies are generally more likely than Americans or Europeans to say that they're doing better than their parents, according to the 21-nation survey. They are twice as likely as Americans and more than three times as likely as Europeans to think economic conditions in their countries are good. Nevertheless, emerging markets are divided over whether their economies are going to improve in the near future, and most are pessimistic about their kids' future.

Nine in 10 Chinese say they're better off than their parents, and seven in 10 feel richer than five years ago

The Chinese, in particular, are positive about their economic situation, with nine in 10 saying they're better off than the previous generation, eight in 10 satisfied with current national economic conditions, seven in 10 feeling financially more prosperous than they were five years ago and more than two-thirds happy with their own personal economic circumstances.

The Brazilians are also upbeat when it comes to their personal finances and financial situation compared with a half decade ago. In contrast, the Turks and the Indians, while generally positive, are less optimistic than are their emerging market counterparts.

When thinking about the future, people in emerging markets are less uniform in their feelings. Overwhelming majorities of Brazilians and Chinese think their economy will improve over the next year. Only a plurality of Indians and Turks agree.

Regarding their children's future, only in China do a majority think the next generation will have an easy time exceeding the well-being of their parents. And the median for Brazil, China, India and Turkey is a more pessimistic 35 per cent. Nevertheless, taken together, the four emerging market countries are much more optimistic than Americans, where 14 per cent think their kids will have an easy time climbing the economic ladder, or Europeans, with a median of 9 per cent.

Economic success is linked to hard work, say the Brazilians and Indians. The Turks and the Chinese are more sceptical.

Among those with the greatest faith in capitalism in the survey are the Brazilians, 75 per cent; the Chinese, 74 per cent; and the Indians, 61 per cent. The Turks, at 55 per cent, are less committed to the free market.

As might be expected, people in Brazil, China, India and Turkey who have higher incomes are generally more positive in their economic outlooks, with some notable exceptions. Upper-income Brazilians and Indians are much more likely to say that their economy is doing well than are their low-income compatriots. But there is no effective difference in assessment of the economy between low-income and high-income Chinese or Turks. And, given the recent relative success of their economies, it may not be surprising that Indians and Turks who are well off are particularly supportive of the current free-market system.

If F. Scott Fitzgerald were writing today, he would amend his comment. It is the emerging rich who are different. Their mood reflects their recent economic good fortune. But it also presages better days to come. Optimistic, upbeat people invest in the future in a self-reinforcing dynamic that bodes well for their economies. The gloom and despair so pervasive in much of Europe threatens the opposite effect. And the world may never be the same again.

Bruce Stokes is director of Global Economic Attitudes at the Pew Research Centre in Washington. The full results of the latest Pew Research Centre survey Pervasive Gloom About World Economy is available at http://pewglobal.org/. Reprinted with permission from YaleGlobal Online. http://yaleglobal.yale.edu

> CONTACT US

Agree or disagree with the opinions on this page? Write to us at **letters@scmp.com.** If you have an idea for an opinion article, email it to **oped@scmp.com**

Investment tips for the good of Hong Kong society

Ming Wong calls on our leader to build an ecosystem for impact investing

The Rio+20 conference witnessed the official launch of the Impact Investing Policy Collaborative, a network of researchers and practitioners working to shape public policies that create more effective capital markets for impact investing.

The co-conveners invited 35 of us from 15 countries to share the different paths we have taken to help direct private capital for the public good. Not surprisingly, the presentations from the US and Britain reinforced their leadership roles through the innovative use of public and private resources to build an ecosystem that supports impact investing, social enterprises and entrepreneurship.

A US-Brazil partnership fosters public-private sector collaboration to create sustainable and equitable urban communities, using Rio de Janeiro and Philadelphia as pilot cities. The project showcased the use of public policy to promote impact investing at the highest level.

Britain's Big Society Capital, capitalised with £600 million (HK$7.2 billion) over a five-year period, is acting as a cornerstone investor to develop ways to provide working capital to the social investment sector.

More unexpected was the presentation from Ghana, detailing its government's decision in 2004 to seed the creation of the Ghana Venture Capital Trust Fund. Since then, the trust has raised more than US$50 million in private funding, invested US$23 million in 46 small and medium-sized enterprises and created more than 1,000 formal sector jobs.

These bold examples of public-private partnerships contrast with our government's efforts to date.

At Rio, I shared how a Hong Kong "we know best" government, the largest provider of grants for vulnerable communities, is largely excluding private intermediaries instead of using its vast resources to create an ecosystem to promote impact investing and social innovation.

A trust in Ghana has raised more than US$50 million in private funding and created 1,000 jobs

The two funds our government created – the Community Investment and Inclusion Fund, and the Enhancing Self-Reliance Through District Partnership programme – have had mixed results at best, partly because they focused on directing grants to support specific projects instead of building an ecosystem. That's analogous to providing cars to villagers before building roads or teaching them how to drive.

If our government were more willing to learn from the experience of others, it would have noticed the tremendous strides achieved by Australia and Canada. In the past year alone, these two countries have made rapid advances in developing dedicated funds, financial innovations including social impact bonds, enterprise capacity building and research institutes.

Other governments in developing markets, including Brazil, Chile, Turkey, India, Senegal and South Africa, are also using various policy tools and working with the private sector to address social and environmental issues.

It's time for our chief executive and his new administration to try a bolder approach to solve Hong Kong's social and environmental problems.

The current practice of assigning the Home Affairs Bureau the sole responsibility of developing the social enterprise sector must end. Instead, Leung Chun-ying should create a new office of social finance and innovation under the Chief Secretary's Office to bring the latest social innovation ideas, including impact investing, to Hong Kong.

Such an office would stand a much better chance of obtaining the co-operation of the other departments to craft and deliver co-ordinated market solutions to address such issues as poverty, ageing and housing.

Ming Wong is co-founder of Social Investors Club in Hong Kong and an advisory council member of Impact Investing Policy Collaborative. pmingwong@gmail.com