

Juan Eugenio Corradi



# Energy y Politics in the XXI Century



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**SUR NORTE INVERSIÓN Y DESARROLLO**

Juan Eugenio Corradi

**Energy and Politics  
in the 21st Century**

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## **Chapter 1**

# **The Global Energy Panorama**

## **Summary**

*After the transition to a market economy and the democratic transition, the world is facing an energy transition. The search for alternatives to hydrocarbon is gaining impetus. The Northern countries are heading towards a future with hydrogen; the Latin American countries, towards a future with natural gas. The transition is full of paradoxes and has given origin to a new field of study: petro-politics.*

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## **Dirty energy and its limits**

The first industrial revolution was based on coal-fed steam engines. The images of 19th century England we have are those of steam boiler-powered iron ships, running locomotives, factories and blast furnaces, as well as soot-coated industrial and mining workers breathing in anthracite gases. In those times the poet William Blake spoke about "dark satanic mills".

If the 19th century was the century of coal, the 20th century was the century of petroleum, which was later accompanied by natural gas. Developing countries, particularly the Latin American ones, skipped the coal era. In those nations, the 19th century had been rural and urban, but not industrial. As from 1900, they made a direct transition from the use of wood

and other vegetable or animal-based fuels to hydrocarbons and their by-products.

Since then, oil and automobiles have defined the “developed” humanity’s lifestyle. The pervasive use of the internal combustion engine finally consolidated the use of petroleum by-products as the main energy source. For more than a century human society has been a society of hydrocarbons. Today, its energy consumption is supplied with petroleum (37%), natural gas (23%), coal (28%), hydroelectricity (6%) and thermonuclear energy (also 6%). [1]

Each year, new reserve discoveries abundantly replenished the volume used the previous year. This gave security and confidence, first to industrial society and, later on, to post-industrial society. But the geometric growth in petroleum consumption could not go on indefinitely. The inevitable moment in the life cycle of every non-renewable resource finally came. From a given point onwards, petroleum reserves could no longer replace the prior year's consumption. The shortage reoccurred consistently, and increased dramatically when China and India, the two until then sleeping giants, burst into the petroleum and gas consumption markets.

In addition to the concern over the slow-down in today’s oil field discoveries there is a generalized concern over environmental pollution. As a result of this situation, gas is increasingly substituting for petroleum. Gas represents a cleaner source of energy, one that is less aggressive towards the environment. Contrarily to what happens with petroleum, new gas deposits exceeding the volumes consumed continue to be discovered.

Anyway, the large oil companies estimate that we have reached the hydrocarbon production peak, and that they will have to be replaced, during the present century, by other sources of energy. In the experts' opinion, oil reserves will be exhausted in 40 years from now, and gas reserves, in 60 more

### **A geopolitical dilemma**

The first paradox arises here. On the one hand, the feeling that reserves will be exhausted in a not too distant future is one of the main reasons why the price of oil tends to increase, and to increase a lot. On the other hand, high hydrocarbon prices spur the grandeur ambitions of the producing countries, which today feel they can "buy" development, modernity, and an independent foreign policy. In a future article I will analyze the social and institutional changes that can and cannot be "bought" with oil revenues. Here I will only point out the following paradox: the prosperity and strength that oil-producing countries enjoy today cannot be sustained in the long run and, if they do not make good use of that prosperity, it may abruptly push them into a vacuum. It all depends on the institutional and cultural structure in which the "injection" of oil prosperity is embedded. In sum, it is a new edition of the old tale of the ant and cricket.

Besides, worldwide concern over the "greenhouse effect", i.e., the global warming resulting from the use of hydrocarbons and coal, is forcing countries to set acceptable pollution levels and enforce such obligation. Even the most reluctant nations are being forced to debate the issue and

make a commitment in that respect in a short time. Therefore, both the developed and the developing world, both the North and the South, are seeking to obtain oil substitutes and savings.

### **The third transition**

We have entered a transition period. In addition to the two great transitions we have already witnessed—the transition towards a global market economy and the democratic transition—we are now in the presence of the energy transition. Today, the focus is placed on bio-fuels in the form of ethanol, as a gasoline substitute, and on bio-diesel, as a major additive used to reduce traditional diesel consumption. In some developing countries, the use of the so-called "non-traditional" energy sources is already de rigueur. In Germany, law that, by the year 2020, such sources must account for 20% of the total energy consumption has established it.

Within this panorama, the first decade of the 21st century finds us divided in two large fields of opinion: one made up of individuals, institutions, firms and governments for whom global hydrocarbon shortage is serious and imminent, and another sector that does not share that feeling of urgency. In consonance with the emphasis of their positions, governments and non-governmental organizations adopt conservation and innovation measures. Thus, for instance, Europe is determined to improve the diesel engine combustion system and obtain substantial energy savings, while in the United States there is renewed enthusiasm for hybrid cars (running on fuel and electricity). Since this country is the largest automobile market, and considering that the auto transport sector accounts for 40% of petroleum



consumption, public sensitivity about these issues is of paramount importance.

As to electric power, developed countries have covered their demand in different ways. Hydroelectric as well as thermonuclear plants have easily met such demand. The Three Mile Island and Chernobyl reactor accidents, in addition to the issue of finding acceptable ways to dispose of the waste generated by those types of plants have resulted in a voluntary quarantine for nuclear power generation, which still remains effective. Thermal generators, preferably running on gas, are now meeting the growing demand for electric power. This trend has been stimulated by the innovation in combined-cycle power plants, which has produced a significant increase in such plants' capacity. Nevertheless, the uncertainty about having indefinite gas supplies, in addition to Western Europe's gas provision problems, has again triggered a trend favoring a return to thermonuclear power stations.

Programs aimed to find substitutes for petroleum by-products for transport purposes are increasingly reinforcing the notion that the successor of hydrocarbon by-products will be hydrogen, and that the best source of hydrogen would be natural gas.

The sense that we are at start of the end of the hydrocarbon supply era is not only resulting in high prices but also in the adoption of policies oriented towards ensuring power supply for long periods. In this time perspective, the balance of power in the global chessboard will depend on the substitution and innovation capacity of the large consumer countries on the one hand, and the prudential and rational use—instead of irrational

exuberance—of oil revenues in producing countries, on the other hand. It is not a matter of engineering calculation, but a peace and prosperity formula, both in the North and in the South.

### **The Southern paths**

In Latin America, the concern for the supply of hydrocarbons is less dire than in other regions. This is due in part to the fact that the Latin American reserves have not yet developed their full potential, and in part to the fact that, with few exceptions, the countries in the region are hydrocarbon producers. In addition, state-owned or partially state-owned companies are in general more optimistic than privately held companies as to their reserve estimations.

Such optimism is primarily founded on Venezuela's large conventional reserves, and huge non-conventional reserves (heavy oil belt). The risk for Latin America is not the shortage of power supply but falling into easy shortcuts, expensive habits, the illusion of a donated rather than an earned wealth. In other words, the danger is in believing in the myth of Eldorado, an excellent example of magic realism in literature but hardly conducive to inclusive sustained development.

Notwithstanding the above comment, the region tends to make increasing use of natural gas. The main reason for that is the concern for the protection of the environment. The use of natural gas seeks to reduce atmospheric pollution in large cities. In addition, regular gas prices are lower than fuel prices.

The use of gas for electricity generation is favored by the fact its initial investments are lower than hydroelectric investments; they are easier to install and have a lesser environmental impact. The demand is too big and the social pressure cannot stand the long maturation terms of a hydroelectric dam. Today, gas supply is the most fertile field for Latin American energy integration.

In recapping this panoramic view of the third transition, it is increasingly evident that the developed world is heading towards hydrogen and the South American countries, towards natural gas.

### **Looking at the future**

In the field of bio-fuels, Brazil has attained a substantial lead due to the fact that forty years ago it began growing cane for automobile-use ethanol production. This field has been little explored by the countries in the region, but it might attain greater development in the future.

The use of non-conventional (solar, wind, sea, etc.) energies is very modest. Yet, it is a field worth exploring, one I am very enthusiastic about, as it will improve the standard of living of the inhabitants of the areas that are more distant from the large urban concentrations.

Energy and the reliability of its supply (i.e. security) are present in the governmental and non-governmental decision-making agendas. These concerns generate geopolitical actions of all sorts, from peaceful influence to

armed intervention. Its treatment will give way to the emergence of a new discipline: “petro-politics”. In my next article I will try to explore the promises and dangers existing in the area of petro-politics, both in terms of economic and social development, as well as regional and world peace.

[1] According to *BP Statistical Review of World Energy*, 2006, data.

## **Chapter 2**

### **Is Oil a Blessing or a Curse?**

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## **Summary**

*With very few exceptions –all of them in the first world—oil export dependency has led to democratic backsliding in the rest of the globe. The prior configuration and stability of the state are the key variables that determine (a) whether or not there will be democratic backsliding, and (b) the path that such backsliding will take. In considering (a), this article presents Norway as the exceptional “happy” case. In considering (b) my next article will present three distinct types of democratic backsliding: (1) authoritative reintegration, (2) populist arbitration, and (3) chaotic fragmentation. Russia, Venezuela, and Nigeria will be shown as examples of these paths, with recommendations on how to avoid their pitfalls.*

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The great novel *Anna Karenina* begins with the oft-quoted passage: “Happy families are all alike; every unhappy family is unhappy in its own way”.<sup>i</sup> In talking about the equally well-known case, among countries, of the “oil curse” (a subset of what is known to economists as the “Dutch disease”<sup>ii</sup>), we would need to stand Tolstoy’s passage on its head, to read as follows: “All oil-boom countries are alike: they are doomed to unhappiness. They are subject to fitful cycles of unsustainable growth followed by deep crises. Democracy does not prosper in such lands. Only very few energy-rich countries have escaped the curse. Each of them has a unique way of being happy, which cannot be replicated by the less fortunate ones.” In short, here unhappiness is the rule and happiness the exception.

At Harvard, my great teacher Barrington Moore, Jr. saw the development of democracy as a long and certainly incomplete struggle to do three closely related things: 1) to check arbitrary rulers, 2) to replace

arbitrary rules with just and rational ones, and 3) to obtain a share for the underlying population in the making of rules. The deposition of absolute kings and tyrants has been the most dramatic and by no means the least important aspect of the first feature. Efforts to establish the rule of law, the power of the legislature, and later to use the state as an engine for social welfare are famous aspects of the other two. The improvement of any and all of these features I call “democratic progress.” The degradation of any or all of them I call “democratic backsliding.”

With very few exceptions—all of them in the first world—oil export dependency has led to democratic backsliding. Whereas there is agreement among experts on the recognition of the overall pattern, the explanations of the occurrence fail to fit all cases. I’d like to offer an alternative view. I wish to argue that the prior configuration and stability of the state are the key variables that determine (a) whether or not there will be democratic backsliding, and (b) the path that such backsliding will take. In considering (a), I will use Norway as the exemplary and unusual “happy” case. It is the subject of this note. In what regards (b) there are three distinct types of democratic backsliding, which I will present in a following article.

### **Norway’s Unique Saga**

Like Barrington Moore, I am a sailor. This summer I sailed along the Norwegian Coast all the way past the Arctic Circle: one thousand sea miles; 28 ports of call. I was fascinated by what I saw and by the interviews I conducted with people from all walks of life. I visited oilrigs, talked to those who work—directly or indirectly—for the oil industry, to fishermen, public employees, businessmen, and the proverbial men and women of the

street. I went to the several “oil museums” in different towns and read official and unofficial papers and reports. What follows is the picture I managed to draw of this beautiful and extraordinary country.

Since the heyday of the Vikings (around the year 900 of our common era) and for most of its history, Norway was a proud and rough backwater in the affairs of the world. As a modern country, it gained independence only at the beginning of the twentieth century.

In the late 1950s, very few people believed that the Norwegian continental shelf might conceal rich oil and gas deposits. However, the discovery of gas at Groningen in the Netherlands in 1959 caused geologists to revise their thinking on the petroleum potential of the North Sea.

The Norwegian oil adventure really began with the Ekofisk discovery in 1969. Production from that field began in June 1971, and in the following years a number of other major discoveries were made. Today, there are 52 fields in production on the Norwegian continental shelf. In 2006, these fields produced 2.8 million barrels of oil per day and 88 billion standard cubic meters of gas, for a total production of saleable petroleum of 249 standard cubic meters oil equivalents. Norway ranks as the world’s fifth largest oil exporter and the tenth largest oil producer. In 2005, Norway was the third largest gas exporter and the seventh largest gas producer in the world.

### **The Impact on Society**

Petroleum activities have contributed significantly to economic growth in Norway and to the financing of the Norwegian welfare state. Through nearly 40 years of operations, the industry has created values in



excess of NOK 5000 billion in current terms; it is today Norway's largest industry. In 2006, the petroleum sector accounted for 25% of value creation in the country. This equals one-third the value creation of the manufacturing industry and around 18 times the total value creation of the primary industries.

Through direct and indirect taxes and direct ownership, the state is ensured a high proportion of the values created from the petroleum activities. In 2006, the state's net cash flow from the oil sector amounted to approximately 36% of total revenues. After more than 30 years of production, the sector has generated net revenues to the state in the order of NOK 3000 billion in current terms. Beyond the resources used to cover the non-oil budget deficit, the state's revenues from petroleum activities are allocated to a separate fund, the Government Pension Fund – Global (formerly the Government Petroleum Fund). By the end of 2006, the value of this fund was NOK 1780 billion.

In 2006, crude oil, natural gas and pipeline services accounted for 51% of the value of Norway's exports. Measured in NOK, the value of petroleum exports was 509 billion, 15 times higher than the export value of fish –the traditional pre-oil export staple of the country.

Since the petroleum industry started its activities on the Norwegian continental shelf, enormous sums have been invested in exploration, field development, and transport infrastructure and land facilities. At the end of 2006 this amounted to approximately NOK 2000 billion in current terms. Investments in 2006 amounted to NOK 95.7 billion, or 24% of the country's total real investments.

## **Future Prospects**

In spite of more than 30 years of production, only approximately 35% of the expected total resources on the Norwegian continental shelf have been produced. There is thus potential for further value creation. Oil production is expected to remain steady over the next few years, and to fall gradually thereafter. Gas production is expected to increase from the current level of nearly 90 billion scm, to 125-140 billion by 2013. From representing approximately 35% of the total Norwegian petroleum production in 2006, the share attributed to gas production will increase considerably in the future. In the longer term, the number and size of new discoveries will be a critical factor for the production level.

The level of activity on the Norwegian continental shelf remains high. In 2007, an investment level of NOK 82 billion is expected and approximately 30 exploration wells are drilling. There is investment both in measures to increase oil recovery and in developing new fields. Investments are expected to increase until 2010, before falling to a somewhat lower level than today. Nevertheless, forecasts indicate that activity in the industry will remain high over the long term. In the years ahead, investments will relate primarily to modification and drilling activities. In addition to the investments, the forecasts also reveal a market for operations and maintenance of some NOK 45 billion annually for many years to come.

The oil price is a very important factor as regards the level of activity and the revenues for the state. The price of oil has increased substantially in recent years, averaging approximately USD 65 per barrel in 2006, and dropping slightly in 2007. There are several reasons for the high level of prices. The world economy has experienced strong growth and though a slower pace is expected in the future, the demand for oil will remain high. Available production capacity worldwide is low, with increased

vulnerability to interruptions in production. If the world economy continues to grow, there is reason to believe that oil prices will remain high in the years to come.

So far, the facts. They give us a picture of windfalls not unlike those falling upon other energy-rich countries, except for one, which already suggests a profound difference: the oil boom has been more sustained, and much less fitful in Norway than elsewhere. There are no detectable signs of oil windfalls being squandered on white elephant projects or extravagant military outlays, on quixotic foreign policies, on outrageous income inequality, on authoritarianism, on demagoguery, or on corruption. The Norwegian picture is tilted positively: it shows the many things that the oil bounty has done *for* the country against the very few that that it has done *to* it—a position and posture very different from the position and posture of the majority of OPEC members. Why?

### **A Utopia of Best Practice**

In a lucid book, Terry Karl has provided the basic elements of an explanation<sup>iii</sup>. The oil bonanza arrived in a country characterized by a cohesive social structure, a homogeneous culture of the “Protestant ethic” type, an extended but efficient state (also with a strong Weberian hue), and a consolidated democracy with functional popular participation and a system of checks and balances. These four elements: social structure, culture, state and political system successfully resisted the potential disarticulation and rentier effects of the oil boom. They filtered, managed, and steered the windfalls through a series of long-range, consensual public policies that put the national interest above sectorial and sectarian ambitions. As a result,

instead of squandering it's newly found wealth, Norway distributed part of it prudently and equitably, but also saved, invested, and whenever possible, postponed the blandishments of gratification. The oil bonanza in Norway (starting in the 1960s) reached an exceptionally favorable environment, characterized by an consolidated democracy with high participation, an established civil-service state that met almost all of Max Weber's ideal-typical features of a rational bureaucracy, a culture that was homogeneous and based on the Lutheran values of "calling" and hard work, a diversified economy, and a population profile that displayed low demographic pressure, de-centralized settlement patterns, and a healthy balance between town and country. In addition, the social welfare state fostered an egalitarian ethos and a low Gini coefficient of inequality. All of these features were well established *prior* to the discovery and exploitation of energy sources (oil and gas) and thereby fostered a policy style that, in Terry Karl's words "emphasized caution in the face of change, respect for standard operating procedures, segmentation according to issue area, consensus building, and egalitarianism." (Karl, 217) Unfortunately, these conditions were historically unique and could not be exported, transplanted, or easily mimicked in countries where the discovery of oil took place amidst widespread poverty, a weak state, undeveloped social forces, or predatory, dictatorial rulers. Pretty much like the "civicness" that Robert Putnan discovered in central Italy<sup>iv</sup>, Norwegian democratic "stateness" is so path-dependent that it prompts us to state: "if you don't have it, you can't buy it." In my next chapter I will describe these different paths of democratic backsliding, and suggest ways of turning the "oil curse" into a modicum of "happiness."



<sup>i</sup> Anna Karenina (Анна Каренина) is a novel by the Russian writer Leo Tolstoy, published in serial installments from 1873 to 1877 in the periodical Русский Вестник, "Russian Messenger").

<sup>ii</sup> The deindustrialization of a nation's economy that occurs when the discovery of a natural resource raises the value of that nation's currency, making manufactured goods less competitive with other nations, increasing imports and decreasing exports. The term originated in Holland after the discovery of North Sea gas.

<sup>iii</sup> Terry Lynn Karl, *The Paradox of Plenty. Oil Booms and Petro-States*, Berkeley: University of California Press, 1997.

<sup>iv</sup> Robert Putnam et al., *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton: Princeton University Press, 1994.

## **Chapter 3**

### **North of the North: A Philosophy of Energy Use**

#### **Summary**

*The countries of the global South are searching for new modes of development in which profit, entrepreneurship, and market-orientation generate wealth not just for a few but the many. The aim is to achieve inclusive development based on social solidarity. The*

*countries of the extreme North, on the antipodes of well-being, are for their part also experimenting with a new formula for economic growth in which the state is neither meddlesome nor absent, but solidary and catalytic. It is worth taking a look at this experiment and learning from its general principles.*

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Who knows these names: Jens Stoltenberg, Anders Borg, and Tobias Billstrom? Outside their own countries and narrow international circles, they do not ring a bell. These are people who do not have what Americans call “name recognition.” In general they are shy, not at all prepossessing, but holding nonetheless a considerable amount of power. They wield this power in silence and with an austere brand of probity. To them the world is a theater of assistance to the development of others, whom they seek to include in a process of vigorous economic growth that leaves no one behind. Theirs is not the world of celebrity, ego inflation, and glowing media coverage. It is the quieter world of systematic improvement. The only exaltation they seek and practice is—in the unforgettable expression of Argentine writer Eduardo Mallea—the “severe exaltation of life.” I will introduce them, their ideas, and the outlook that they represent.

Norway is a country with 4.7 million inhabitants, almost ten times smaller than Argentina. It is very rich in energy. It is also a serious country, with a seriousness that often seems unattainable to us Latins. Norwegians deem it normal to contribute 4 billion dollars each year in aid to poor countries. As if this were not enough, a month ago, in a conference in New York City, the prime minister of this Nordic country pledged a supplementary contribution of another billion dollars for the prevention of death of mothers and infants due to infectious diseases at birth. The basic weapon against this scourge is of course vaccination. The Norwegian funds will be distributed to poor mothers and their children over a lapse of ten years. Norway will channel this aid through the World Bank—an ageing institution which sorely needs revamping but which has no substitute for the moment. The money will be used to provide incentives



to health workers in poor countries —e.g. the state of Rajasthan in India—to facilitate the travel of mothers on the verge of delivery to specialized clinics, so that they may give birth in a context of proper hygiene and immunization. In this way, the chances of survival of mother and child after birth are much greater. Back in the year 2000 Norway had already contributed one billion dollars to the Global Alliance on Vaccination and Immunization. It is estimated that in that year alone, that sum saved the lives of millions of infants.

As he remembered this previous success, the Norwegian prime minister declared that he was well aware of the importance of vaccination because he was a father; and because he was an economist, he considered the Norwegian expenditure in this type of aid “reasonably cheap.” In fewer words: many dollars to save many lives. The gentleman’s name is Jens Stoltenberg, and he heads the list of the “illustrious unknown” with which I opened this article. The Norwegian proposal amounts, in short, to the following: one billion dollars can save 2 million children in the poor suburbs of the planet. But this aid is only a piece of a larger puzzle. Without a vigorous and inclusive development plan, the infants saved today could easily die of hunger or war-related violence tomorrow. This puzzle is well understood by the Norwegians and their neighbors in the far North: Swedes, Fins, and Danes.

The Nordic proposal on development is very far from other narrower and higher-sounding ideologies of growth that were once diffused from North America and which today are discredited with the tag of “neo-liberalism.” Those recipes were adopted uncritically by countries of the South and led, in due course, to the well-known development “crashes” of the recent turn of the century. The Nordic view, on the other hand, is based on the particular development experience of the Nordic countries themselves. Nevertheless, there is much to learn from this perspective, if we make allowance for the vast differences in history, culture, and geopolitical position.

Let us now consider the second name in the list of “unknowns” (unknown, that is, in the vanity fair of our media of mass communication). It belongs to a man of 39, long

hair, tied in the back in the shape of a ponytail. His name is Anders Borg and he is the leader of the “new moderates,” a political party to the center-right of the traditional social democrats, which it has displaced from power. Borg recently said to an American journalist, in somewhat disarming sincerity, “This is Northern Europe, a modern society. Your public deficit or surplus is more important than your hairstyle.” Borg is the prime minister of Sweden. Sweden has a healthy surplus to brag about, one which would be the envy of countries like the United States, which is mired in a gigantic deficit. Moreover, given its geopolitical situation, Sweden has the uncanny ability to stay out of armed conflicts. It is the country the achievements and standard of living of which are diminished by the envious when they draw a caricature of cold winters, long shadows, sky-high taxes, boring marriages, Bergman movies, and boxy Volvos driven at 50 MPH. The caricaturists often top this negative list with a high consumption of alcohol and a high rate of suicide, as if this supposedly grey land would compare poorly to the colorful statistics on violence, abject poverty, and malnutrition of the South, or to the more vivacious, trigger-happy capitalism of the cowboys in a different North.

Let us leave the caricature aside and look more closely. Not a colorful country? The government of Sweden counts in its cabinet a black minister, another who is a declared homosexual, and another who is openly bisexual. The same government has embarked upon an intelligent and ambitious program of reforms of the welfare state — known in Sweden for taxes that are too high, an elaborate public-service bureaucracy, and little incentives for private initiatives. It seeks to make this welfare state leaner, trimmer, more sustainable, and compatible with the entrepreneurial spirit. In fewer words: the reforms seek to combine stateness with market openness. Who said these two were enemies? The very country, which awards each year the Nobel Prize in economics, seems to have left the dicta of the Chicago school behind.

The Swedish government has adopted a few guiding principles to understand and steer both the economy and society. First, it should be more profitable to work than not to work. Social assistance should help only those who cannot help themselves.

Unemployment insurance should be variable and adjusted –not an acquired right that lasts a lifetime. Those who offer employment should get tax credits. The principles are simple but enough to launch a wave of reforms and a wave of enthusiasm, which the Swedes call *systemskifte*, or system shift, which is now being followed in many Northern European countries. It is something like changing gears in driving a car, without changing the car. This shift is a far cry from a policy of dismantling of the state, which was adopted with desperate gusto by a series of Latin American governments in the 1990s. The Nordic principles embody instead the philosophy of measured, thought-out reform.

In the United States –my country of residence—this has passed largely unnoticed, except when, occasionally and in a fitful manner, politicians and pundits realize that the Social Security and the health systems are essentially broke, more costly and less efficient than their European counterparts. American politicians tend to think of Europe as an old continent that has little to offer to a more youthful America. They are mistaken. There is more sclerosis in Washington these days than in many Northern European capitals. In Scandinavia, in the UK, in the Netherlands, and even in Germany, the delivery of social services is in full transition between a welfare state and a state that promotes business and work, and which stresses the productive insertion of the disadvantaged. They are moving from welfare to work-fair.

This philosophical and policy shift has slimmed the state, has created a more flexible labor market, and has changed the notion of equity and social justice in the following manner: instead of loading with ever higher taxes those who make more in order to transfer resources those who have less, the state is bent on capacity building, training, and education, with ample health coverage for all. “From each according to his/her ability; to each according to his/her needs” must be based on incentives, not handouts. The idea is to promote entrepreneurship, private initiative, and creativity, as per the old dictum that it is better to teach someone how to fish than to donate seafood.

To draw some general conclusions from this practice, I would say that it mixes the

value of solidarity with the value of free enterprise, without lapsing into populism. The Nordic response to the social, economic, and environmental challenges of the present is of course “path dependent.” It is based on the specific condition of those advanced societies, but its inspiration and theoretical reach go well beyond their specific latitude and longitude. In the words of the Swedish minister of immigration Tobias Billstrom (a young man of 33 and informal demeanor): “Our principle is you should show solidarity with people who have problems for a space in their lives, but they should not be supported permanently by the welfare state.” He speaks like that because he does not want Sweden to become the immigration destiny of those who seek more or less permanent subsidies while working in the informal sector, or black market. Such a situation is nefarious, and Billstrom knows it. As an example *a contrario* we can point to the “reluctant populism” of countries like France, which support an idle mass of immigrants without incorporating them productively into the mainstream of society, and thus generate exclusion, resentment, urban violence, and a xenophobic counter-populism of the extreme right. These ills are the direct result of a rigid and protected labor market --an archipelago of sinecures parading as progressive social “conquests.” Above all, it is a terrible waste of human potential.

The Scandinavian problem and its creative solution are typical of advanced countries of the North: an ageing population needs the input of a foreign work force. But this need dictates for them a skillful combination of solidarity with productive engagement. I will give a telling example. As is well known, the destruction of Iraqi society after the invasion and occupation has provoked the exodus of millions of people. Many are internal refugees; others have left the country altogether. Many of them must start life anew at the age of 45. The loss of human capital is immense --vastly greater than the billions spent in a ruinous occupation. Thanks to the policy of development with immigration, many of these refugees will enter Sweden. Between January and August of 2007, 12,259 have settled in that country. Sweden expects to receive another 20,000 before the end of the year. During the same period, in contrast, the United States

admitted only 685 Iraqi refugees. Given the population difference between Sweden and the United States, the Swedish quota is the equivalent of 500,000 refugees in the United States. The answer to this puzzling disparity is as clear as it is sad: the proportionate number of Iraqi refugees will not arrive in the U.S. because such event would be tantamount to officially admitting the complete failure of intervention. I mention this example to argue that development, plain human decency, and solidarity at the national and international levels should and can go together.

In sum, the countries situated to the North of the North, economically and socially advanced but demographically declining, need new talent from abroad so that the newcomers may produce wealth and help sustain the social services for the entire population. This challenge entails the design of policies that are solidary without being populist, in this manner: reduce unemployment benefits, make the job offer flexible and abundant, make it cheaper for employers to provide jobs to those who have been unemployed for a long period of time, give tax credits to those working in the informal sector so that they may join the mainstream of the economy. Such policies aim at augmenting the rate of growth and at fostering greater social integration at the same time. The growth rate of Sweden is now 3.2%, the highest in Europe and certainly higher than that of the United States. Sweden produces a surplus, and all Swedes (9 million inhabitants) are adequately covered by health insurance, whereas in the United States 47 million people (seven times the population of Sweden) are without coverage. Moreover, Swedish schools turn out a competent labor force, technically and culturally prepared to face the global challenges of a technical and informational new world.

The Nordic experiment consists of combining the American enthusiasm for enterprise with an ideology of social justice and solidary development. The success of the model has led some far-seeing Americans to consider adopting the general philosophy. Besides the particular conditions of applicability of these recipes, we should evaluate the relevance of the general principle—or philosophy—of development for countries of the global South. In the South too we search for ways to combine

market tools with social inclusion. There is no known sustainable growth that can eschew the entrepreneurial spirit, but no sustainable growth can dispense, on the other hand, with the role of the state in promoting and sometimes providing, health and education. Above all, in a period of general positive outward growth (based on commodities and natural resources), the opportunity cannot be missed and resources cannot be wasted in mere redistributive policies and programs. The latter can and do produce attractive political dividends to governments, but may well jeopardize the social and institutional resources that will be needed when the favorable winds of export growth cease to blow.

## **Chapter 4**

### **Oil and Democratic Backsliding: The Dangers of Abundance in Weak Institutional Contexts**

#### ***Summary***

*In countries where oil riches fall upon weak institutions, fragmented societies,*

*and cultures of immediate gratification, the battle for democracy and sustainable development (as opposed to temporary economic growth) has to be fought on three fronts: (1) to prevent governments from using patronage instead of accountability, (2) to pressure governments to use riches for infrastructure and human capital development instead of internal security, and (3) to dampen expectations of an easy life in which consumption is more important than merit and effort. Russia, Venezuela, and Nigeria are presented as countries at risk of serious backsliding on these three fronts.*

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In my previous chapter on oil and politics, I introduced Norway as a best-practice case: a country in which energy wealth was not misused. On the contrary, well aware that oil will one day run out, Norwegians have saved a good part of their earnings for the future, and are spending another large portion of those revenues in technical education, infrastructure, and economic diversification—including such global operations as foreign investment, exporting know-how, technical assistance, and high value-added goods. Institutionally, they have managed to stay sober in the giddy days of oil wealth, and have not sacrificed political or economic correctness to the great lure of rent. The downside of this good experience is that it cannot be transplanted to other countries where the cultural tradition, the social cohesion, the nature of the state, and the political trajectory are fundamentally different.

In many of these other oil-rich countries, the windfall profits have been directed towards parasitic state endeavors, have fostered a culture of immediate gratification, have spawned delusions of grandeur and dreams of geopolitical hegemony, have reinforced authoritarianism, and have paradoxically sown the seeds of future penury by over-reliance on non-renewable natural resources. Because their history and social structure have not allowed, as in Norway, the intelligent *mitigation* of oil dependency, in a not too distant future they will have to face a painful *adaptation* to the inevitable depletion of their current wealth base.



In the notes that follow, I will examine the different trajectories of three countries, in the hope of extracting lessons for them and for others, just as I did with the (positive) experience of Norway. In two of them, the discovery of oil took place amidst widespread poverty, a weak state, undeveloped social forces, or predatory rulers. In the third, oil wealth has propped up the ambition to resurrect a strong state with *dirigiste* and repressive tendencies that failed once before.

From these cases one can draw conclusions *a contrario* –lessons on what *not* to do if one is interested in both sustainable and democratic development. Holding up to them the example of Norway is not enough. As I suggested before, the good example of Norwegian-style democratic “stateness” is so path-dependent that it prompts one to state: “if you don’t have it, you can’t borrow it.”

The following three cases “don’t have it,” but they “don’t have it” in very different ways. Each will have to find *its own correction* to the backsliding course on which they seem to have embarked. Democracy and development can happen and then go hand in hand only when the people of a country want the institutional pillars on which they rest, and build those pillars themselves.

### **Russia: Forceful Reintegration**

Russia is a powerful country in which the collapse of state socialism and the subsequent transition to a market economy was experienced less as liberation than as a humiliation. The Russian transition represents not just the collapse of a failed model of society but also the defeat of a super-power. This world-historical condition shaped both the economic recovery and the political transformations that followed the end of the Cold War. Here, imperial aspirations, coupled with the autonomous and strongly military aspect of the former Soviet economy, move Russian society, in the recovery phase, away from liberal-democratic economic and political reform and towards an authoritarian reintegration, underwritten by the exploitation of vast energy and mineral

reserves.

It is useful to compare Russian development after the collapse of communism with similar transitions in Eastern Europe (Hungary, Poland, the Czech Republic, and the Baltic countries). They can be called “post-Soviet” societies, and they have important features in common. In a first phase of their post-communist life, all of these countries experienced a sharp fall in production, in occupation, in productivity, and in the quality of life in general. Then the fall stopped and these societies entered a second phase of transition, and ascending phase in which a dynamic private sector lifted all economic indicators. At the same time, post-Soviet societies started to experience Western-style democracy. In sum, a double transition took place, a co-evolution of economy and politics that brought them closer to the developed democracies of the West. Here the commonality with post-Soviet Russia ends.

Eastern European countries continued along the path to institutional reform. They sought to resolve their pending national, ethnic, and economic conflicts in a way compatible with the institutions of the European Union, and in the hope of joining the EU –which they eventually did. This goal largely conditioned their choice of reform policies. Thus, theirs can be called a “conditioned transition,” away from their old statist model. The EU helped by instituting a series of objectives, incentives, and sanctions in the process of transition. The so-called “Copenhagen criteria of access” insisted on the respect of minority rights, border controls, gender equality, anti-corruption measures, quality control of exports, and protection of the environment. They all rested on two fundamental pillars: stable democracy and competitive markets. European pressure led to the rapid resolution of border disputes among Eastern countries, to legislation that protected minorities, and to improvements in the standard of living and further democratization.

The Eastern European, Ukrainian, and Baltic elites were pleased to free themselves from USSR imposition, and never bought the Soviet myth of a homeland threatened by the West. As a result, the Soviet-type structures of defense and

mobilization were never resuscitated when these countries recovered economically. The small size of these countries, and their previous “satellite” status acted as a break on the temptation to return to old Soviet habits.

Russia was different. Here, civil society had been effectively destroyed by the Soviet system. The regime collapsed in “slow motion” and the political elites of the Soviet period survived. The younger members of the post-Soviet elite in general did not favor a break with the old state-run structures. They themselves came from those structures and sought their re-constitution. The chances for a generation of resolute democrats to come to power were never great. In fact, the two presidents of the new Russian Federation --Yeltsin and Putin--were products of the *Nomenklatura* --the larger elite circle of central Soviet institutions, especially the military-industrial complex, the Party, and the secret police. Today, Russia is characterized by a strong presidency, with marked authoritarian tendencies, that favors intervention in the economy and seeks to limit and even eliminate political competition.

The emerging authoritarian system seems to consolidate itself, select new cadres, and sustain its power. In this project, which includes the restoration of Russian hegemony over much of the former Soviet sphere of influence, the revenues produced by energy exports play an important role. Russia’s democratic backsliding is not just one more case of the “Dutch disease” (rent income that distorts sectorial balance and policy priorities). It is something else in addition: the petro-fueled neo-imperial revival of a nation that is, after all, the largest country in the world and the holder of the largest planetary mineral reserves.

In Russia, democratic backsliding is the product of four factors: (1) prior geopolitical status as a non-democratic powerhouse, (2) the improvised and incomplete nature of reforms by default after a sudden collapse, (3) the resistance of an entrenched military-industrial complex, and, last but not least (4) a natural resource base (centered on the energy sector) which makes backsliding in both economic and political reforms sustainable in the short and medium terms. It will probably take another generation for a

more open society to emerge and a new Russian leadership to pursue further democratic reforms and a more diversified economy.

### **Venezuela: Plebiscitary Payoff Democracy**

Oil did not undo democracy in Venezuela; it constituted and sustained it *ab initio*—and corrupted it as it went along. Oil was present at the birth of a redistributive state and shaped the formation of a two-party system that shared the spoils. It fostered not a work ethos but a culture of rent entitlements that seeped deeply into all levels of society. The cultural dependency on natural bonanza with its own sense of “just” and “unjust” returns produced a paradox: widespread corruption and inefficiencies in public institutions were tolerated as long as the boom continued, but provoked popular indignation at those same institutions when the oil spigot was closed or its flow slowed down to a trickle. Oil both helped the installation of democracy and undermined its legitimacy. Under such circumstances, the cyclical nature of oil dependency resulted in a political scenario not unlike that of *The Eighteenth Brumaire of Louis Bonaparte*. A corrupt democratic system that depended on multiple payoffs could not weather well a serious economic downturn and ultimately succumbed to a new form of Caesaristic arbitration with popular support. It opened the gates to what Max Weber called *Plebizitaeren Fueher Demokratie* (plebiscitary leader democracy), which, paradoxically, is underpinned by the same oil revenues as the system that it replaced, with one caveat: it can easily turn into a repressive dictatorship when faced with serious adversity.

In Venezuela’s case, democratic backsliding has this peculiar form: oil democracy is inherently corruptible and fragile. It has few resources to weather crises. Its successor (populist) regime is also corruptible but capable of repressive countermeasures that are absent in a democratic system. Oil has given Venezuelans the means to engage in two historical projects that seem doomed to failure: the first was the attempt to “buy” a liberal democracy; the second is the current attempt to “buy” a

revolution.

After many years of running seemingly well—but increasingly corrupted—on oil money, the Venezuelan two-party system collapsed when the money ran out, and was replaced by a single leader that has concentrated power and who remains popular thanks to a bond with many Venezuelans reinforced by quantities of new oil money for social programs. The change has been baptized a “Bolivarian revolution,” and the new society “21<sup>st</sup> century socialism.” Venezuelans may soon enthrone a president for life, with a life expectancy as long as that of high oil revenues. Meanwhile, they may indulge in such proposals as reducing the maximum working day to six hours. But once the oil money runs out, what will be the fate of Venezuela?

A democracy that is not buttressed by independent institutions—such as an efficient civil service, a proper judiciary, a legislature that is not bypassed by the executive, and a market economy where people learn the values of initiative, compromise, and trust—is only a democracy by half. Ritual elections—no matter how clean and certified by observers-- without this institutional “software” neither advance democracy nor sustain development. What then is the recipe to avoid democratic backsliding in this context? It is a hard recipe but not an impossible one: construct *both pillars* of democracy at the same time – (1) popular participation with social justice, on the one hand, and (2) independent political and economic institutions on the other. Only then will oil revenues be put to good use and saved to build a sustainable future.

### **Nigeria: A Weak State and Ethnic Fragmentation**

The process of state building or nation building involves developing strong state-institutions that foster political stability within its borders and economic growth for its residents. State building involves the creation of new government institutions and the enhancing of present ones. It is easy to know about the formation and operation of a successful state institution in one setting, for example, the way they are operated in an

advanced developed Western European or North American nations. However, it is very difficult if not near impossible to successfully transfer these same successful state institutions from their place of origin to developing countries for a number of reasons. One must be responsive to which institutions are better suited to modeling and those that need to be country specific. The institution that is the linchpin of the problem in one country may not be the same one in another country.

The history of independent Nigeria is one of extreme political instability. It took 47 years for the country to begin a process of democratic transition. Nigeria gained independence in 1960, and the first coup was in 1966. In 1967 there was a 30-month Civil War that ended in 1970. There was a change in government in 1975 with the military usurping power once again and changing leaders among themselves within six months of taking power. In 1979 Nigeria began the Second Republic, which was a civilian government but this lasted only until 1983. On 31<sup>st</sup> December 1983, the Shagari Government was ousted by the military. In 1985 there was again another coup in which one military chieftain succeeded another. In 1987, the government embarked on a Transition Program (this was supposed to be a transition to civilian rule) that had a target date of 1993. In 1990 a group of young military officers staged a coup. This was foiled and one hundred officers were executed.

The president held on to power by limiting the political activities with the nation. This time he moved Nigeria from prebendalism or patrimonial rule to predator state with an avaricious dictatorship (Lewis, 1996). He restricted the number of parties in the 1991 elections to two -- the Social Democratic Party (SDP) and the National Republican Convention (NRC) -- re-wrote party manifestos, and banned all others. In 1992 there were calls for elections and on June 12<sup>th</sup> 1993 Chief Abiola was elected. Abiola, never got a chance to lead because Babangida annulled the elections. This resulted in the nation demanding that Babangida step down. Under pressure, he set up the Interim National Government (ING) as a transition. Chief Shonekan who was subsequently ousted by General Abacha in 1994 headed this. The latter's heavy-handed,

brutal and corrupt rule was brought to a violent end in 1998 when he was killed and replaced by General Abusalam. Abusalam set in motion a new transition to civilian government and in 1999 elections were held. Retired military officer General Olusegun Obasanjo became President until this year when there was the peaceful handover of one elected civilian government to another. Obasanjo handed over power to Alhaji Umaru Musa Yar'Adua.

All this political turmoil took place against a background of fluctuating oil prices.

With the coups and countercoups there was no time for the development of institutions independent of political affiliation, in short, that could function regardless of which party was in power. When the coffers overflowed, there was no effort to implement changes or set up institutions that were not left by the former colonial rule, or that were weakened after the colonial period ended. In sum, Nigeria engaged in a process of democratic transition that was weak politically and weak in institutional/ state capacity. In that context, the uneven geographic location of large oil resources has given rise to a distribution struggle in which ethnicity acquires a new and powerful status.

What oil has specifically done to Nigeria (in addition to the long litany of maladies characteristic of the “Dutch disease”) is to accelerate a process of regional and ethnic fragmentation as groups based on ethnicity (real or claimed) vie with each other and with the state for a share of energy revenues. The process reminds one of the periods of anarchy that followed independence in a number of South American countries in the 19<sup>th</sup> century.

The Nigerian case is one of extreme social and productive disarticulation in which a democratic transition was beset by three important factors:

1. The fact that the British did not leave a productive developmental model in place,
2. The fact that the political system fell apart soon after independence and devolved upon a predatory/spigot state, and
3. The emergence of a system of regional derivation linked to “oil minorities” that

impact upon the international price of oil.

It is hard to conceive of a sustained process of economic development and democratic consolidation given the traditions and current geopolitical configuration of Nigeria. National unity, a strong state, and a common culture are very much “works in progress”. It would require nothing less than a Nigerian Bismarck to pull the country out of its anarchic predicament and steer it to a more viable future. But even then, authoritarianism, and not democracy, would be the likely result.

### **Looking to the Future**

What lessons can we extract from these three cases of democratic backsliding? I suggest the following: (1) Until power is divided between a civil-service state and the government, and within the government, separated into three distinct, independent, and professional spheres of legislation, execution, and adjudication, you can’t establish stable democratic politics. Only then elections can take place in regular fashion, arbitrary rulers can be checked, and people can have a genuine share in the making of rules. (2) When people have a sense of coherent nationhood above and beyond particularistic (local, ethnic, and class) interests, and want to move down a progressive path, there is no stopping them. On the other hand, if they turn their backs on public affairs, opportunistic and predatory rulers will manipulate them. (3) Culture matters: future orientation, postponed gratification, respect for the rules of the game, and solidarity are very important features in a society that wants to achieve political and economic development. If these three conditions are met, the existence of oil in its territory can be a (temporary) blessing. If they are absent, oil becomes a curse; or rather—together with a legacy of colonialism, military dictatorship, or sectarian intolerance—oil becomes one more malady that prevents democracy and sustainable development from taking roots. As many students of the oil malady agree, without proper institution building, without a popular demand for freedom, and without a culture of work and restraint, oil riches produce three negative outcomes: *A rentier effect*, which means that



resource rich governments use low tax rates and patronage to relieve pressure for greater accountability; a *repression effect*, which means that resource wealth retards democratization by allowing governments to use their funding for internal security; and a *pseudo-modernizing effect*, which means that growth based on the export of oil and minerals fails to bring about the social and cultural changes that tend to produce democratic government. These are the three fronts on which the battle for democracy in the South has to be fought.

## **Chapter 5**

# **The Consequences of Unfettered Consumption**

## **Summary**

*While representatives of the world's nations talk and reproach each other, the atmosphere continues to deteriorate at an alarming rate. Consumption in developed countries and the swift development of emerging countries has led to unsustainable levels of carbon emissions. Fortunately, we have the science and the technology to stop the deterioration and plan for a cleaner future. The obstacles standing in the way are political and cultural. Governments prefer to talk rather than act. But nature and time wait for no one, as shown by the history of the Mayas: a civilization that disappeared while its high priests argued in summit meetings but did nothing as all around "the earth grew tired."*

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As is public knowledge, the international meeting on the environment in Bali,

Indonesia, closed in December. After much hemming and hawing, and despite stiff resistance from the U.S. – whose representative was jeered at and gave in at the last minute – a weak agreement was reached. All countries committed themselves to “continuing the dialogue” for two more years. *Verba non res*, the Romans would say with irony.

Nonetheless, the emission of carbon dioxide into the atmosphere is growing at an accelerated pace. We have reached the culmination of a process of atmospheric pollution – and global warming – that began 250 years ago with the first round of industrialization. The West pioneered this industrialization – based on the consumption of fossil fuels. Today the East is following suit, with the rise of two industrial superpowers: India and China. East and West, industrialized and industrializing, are currently emitting carbon gases. The pace, as illustrated by the following figures, is alarming: In 1899, after more than one century of sustained industrialization, humanity added some 500 million metric tons of carbon to the atmosphere. In 1959, 2.5 billion metric tons were emitted. In 2004, the sum climbed to 8 billion. At this pace, it is predicted that the total emission of carbon gases from today to the year 2036 will be 270 billion metric tons, with another 12 billion metric tons added by the middle of the century. These figures map a revealing curve of what is still considered “progress.”

Suppose that after the next two years of dialogue and debate the leaders of the planet decide to do something. Just what might this something be?

Because of the strength of their economies and the brutally earnest way they pursue their respective national interests, the U.S. and China must take the initiative if any plan is going to materialize. Without their participation, efforts by other countries will amount to little.

The U.S. based its development on cheap and plentiful fossil fuels, with limited international competition. China today has based its astronomical growth on its coal reserves and on whatever energy supplies it can hoard – sometimes unscrupulously – from here and there, without worrying too much about the “how,” “where,” or “why.” Not far behind, India is following suit. Next comes Brazil. Others will follow. The problem is a mutual one, but the strategies are individual. This brings us to the paradox of collective action: In the “rational” pursuit of self-interest, group interests fall by the wayside. The common path is better but harder because players involved prefer selfish action and mutual recrimination to joint effort. As shown in logical models, players tend to get stuck in a vicious circle of reproaches and *tu quoque* (you-too) arguments.

Given this situation, certain experts have identified the following dilemma. If China and India continue along the current path of industrialization, it is possible that within a few decades they will achieve a level of development comparable to that in the U.S. today. China and India could then concern themselves with preserving what remains of the unpolluted environment and try to rationalize and improve the quality of their supplies and consumption, as has already happened in “post-industrial” countries, particularly in Europe. For many economists, implicit in the development cycle are successive phases of resource extraction, industrial growth with environmental destruction, and finally an advanced state of post-industrial development with recovery, protection, and conservation of resources. This is essentially a modern, “neo-liberal” version of the old free trade ideology, whose initial formulation we owe to a French physiocrat: “*Laissez faire, laissez passer, le monde va de lui meme.*”<sup>1</sup> [“Let do and let pass, the world goes on by itself”]. From Washington and Beijing the message is the same: “Get rich first, and take care of everything later.” But what if, by the time you’ve struck it rich, it’s already too late to fix the damage done?<sup>2</sup>

Should we choose this path, humanity runs the risk of losing – definitively and permanently – precious natural resources: virgin forests, biological diversity, potable

water, and clean air. Billions of people will have been lifted out of poverty only to live in luxury tenements, toxic and teeming, browsing digitally archived images of a used-up and withered planet – much like children today enjoy dinosaur movies. The zoos of the future will not have cages or gardens but screens. Water will be expensive. On the streets, in place of parking meters will be booths with disposable masks where people can buy a gulp of purified, oxygenated air. It is not a promising future.

The other option is to help and to stimulate China to adopt public policies to reduce emissions. Only the U.S. can offer this stimulus and this help, with two things: money and a good example. Implementing clean technologies is simply not possible without reducing their cost relative to dirtier technologies. The U.S. has the luxury of being able to invest public funds on the research and development of alternative energies, and for a fraction of the cost of military pursuits of dubious utility or public bids granted to “friends of power” and the so-called “cronie contract companies.” Since both cash and waste are in abundance in the U.S., a rational investment for the future is economically feasible. The obstacles are more ideological and political in nature than economic.

It is interesting to note how large multinational companies (that do make long-term plans) have moved well ahead of the politicians and their contractor friends in the search for alternative energy and in environmental conservation.<sup>3</sup> If the approaching transition of power in the U.S. translates into a true transformation in political will, the solution will be much nearer than it is today. From a global point of view, the real obstacle has not been U.S. “unilateralism”<sup>4</sup> but rather the lack of leadership over the past decade. In brief but resonant comments in Bali, the representative from Papua New Guinea noted with frustration: “For a long time we have been asking for your leadership and you haven’t given any. If for some reason you are not willing to lead, leave it to the rest of us. Please get out of the way.” But “getting out of the way” is a purely passive

policy, while what is needed is a pro-active approach. The advanced countries, particularly the U.S., need to make substantial investments in alternative energy technologies and later pass these technologies on to the rest of us, as has been the case with information technology. To forfeit leadership in this area is to forfeit the future.

The meeting in Bali, like so many before it, reminds me of the sad fate of the Mayan civilization. Archaeologists have shown that, after centuries of magnificent social, economic, political, and cultural performance, the classical Mayas, organized into integrated theocracies, fell into ruin. With an economic base built around the cultivation of corn (the life-grain), the Mayas reached and exceeded the permissible level of demographic-economic saturation, probably around the end of the seventh century.

By the time production of the life-grain began to decline, it was no longer possible to “let the land rest” and recuperate naturally as had been done in the past. Instead the great ruling priests, including politicians, intellectuals, and religious officials who oversaw everything, tried to solve the problem in the same way they had sought and found solutions for centuries: They appealed to the gods. If the land were no longer fertile, if it was “tired,” then the gods would fix it. And so the Mayas redoubled their commitment, building temple after temple, monument after monument . . . all with the aim of better honoring their gods and securing their help. Among the many religious-political activities undertaken were the summit meetings, beside the famous Copan altar. Their purpose was to discuss the most precise method to compute the duration of the solar year and, in turn, boost crop production. But the crops did not improve, and the land grew ever more tired. In spite of the impressive monuments and meetings, the gods did not solve the problem. They land did not recover – quite the contrary.

The difficulties stemming from reduced production quickly assumed a social character. Thus, in spite of having been peaceful for centuries, the Mayas resorted to war to solve their problems. It may have been a struggle between city-states or between groups of deities. Each one deemed the other responsible for not having solved the

problems. But war did not provide a solution either. The result was the end of the Mayan era, decadence and civil war.<sup>5</sup> Later, the Spanish would arrive. We may only hope that our high priests do not waste time as fruitlessly as the Mayas.

Faced with our current dilemma, there is a third way, from the bottom up, from East to West and from South to North. It involves creating in emerging countries *a distinct infrastructure for a different kind of culture*: less consumption, more solidarity, more public and collective life, more mass transit and housing, fewer unnecessary trips, less merchandise and more nonmaterial consumption, more creativity, different ways of interacting. I do not understand why, for example, China's numerous emerging cities need to choke themselves with millions of private cars just to move people, in a highly inefficient way, from one place to another. We have reached the point when – like it or not – the *American way of life*, based on suburbs, highways, private cars, mortgage loans, and the wasteful consumption of disposable goods, is neither desirable nor sustainable. A future world comprised of 10 billion people imitating the American citizen of 2001 seems less an earthly paradise than a staggering nightmare. Necessity is the mother of invention. We have the imagination and the desire to do something different. We have the technology to achieve another type of culture. Let's move toward that goal.

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