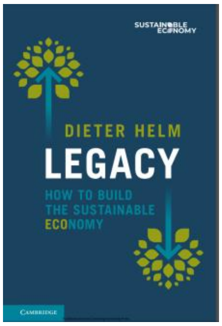
BOOK REVIEW



Dieter Helm:

Legacy: How to Build the Sustainable Economy

October 2023

ISBN 978-1-0094-4921-2
ISBN 978-1-0094-4921-2 (pb)

Sri Lanka Journal of Economic Research
Volume 12(2) June 2025
SLJER 12.02.B: pp. 101-106
Sri Lanka Forum of University Economists
DOI: https://doi.org/10.4038/sljer.v12i2.242

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INTRODUCTION

Sir Dieter Helm, a professor in economic policy at the University of Oxford and Fellow in Economics at New College, Oxford, , wrote this book. He served as the UK Natural Capital Committee's independent chair from 2012 to 2020, offering guidance to the government on the sustainable use of natural capital. In the areas of energy and climate regulation, utility infrastructure, natural capital, and the environment, he provides government regulators and businesses with a wealth of expert advice. Dieter is an Honorary Fellow of Brasenose College in Oxford, a Vice President of the Berkshire, Buckinghamshire and Oxfordshire Wildlife Trust, and a Vice President of the Exmoor Society.

This book lays out the fundamental components of a sustainable economy, or what the economy would entail if we lived within the limits of the environment. It addresses the question of how we could get onto a sustainable path because most people are more concerned with getting by today, paying for what are now considered necessities, and engaging in as much consumption as they can, rather than facing the financial burden of COVID-19 and its lockdowns and furlough programs The book offers a critical examination of the existing economic structure, emphasising how urgently a sustainable economy must be established. It contends that a thorough reevaluation of economic practices is necessary, citing the primary flaw in the current systems' disregard for the effects on the environment. The main issue is not capitalism or markets per se, but rather how they are functioning in the twenty-first century, especially in light of unsustainable consumption patterns and environmental degradation.

The author argues that the current strategy of making minor adjustments is insufficient to address the environmental catastrophe and instead advocates for drastic reforms. The author contends that the preservation of resources for future generations ought to take precedence over GDP growth that never stops in a sustainable economy. The three fundamental ideas—capital maintenance, the polluter-pays principle, and the precautionary principle—that guarantee responsibility for environmental effects and the need to forbid shifting the cost to future generations are driving this change. The author points to growing public debt, careless consumption, environmental damage, and a lack of investments that would have to be paid off in the long run to blame the current generation for failing to uphold its responsibilities. These problems are exacerbated by an ageing population, which raises the need for public services while generating opposition to tax increases.

Also, the author argues that the current attempts to address the environmental crisis are insufficient and superficial and that drastic change is urgently needed. To ensure a sustainable future, fundamental reforms are required as opposed to little incremental fixes. A sustainable economy that prioritises protecting resources for future generations over pursuing unending GDP growth is a crucial component of this transition. The intention is to leave behind a planet and resources that are at least as good as, if not better than, those that we have today for future generations to inherit. Principles such as capital maintenance, polluter-pays, and precautionary should serve as guiding tenets for this sustainable economy. These values forbid the shifting of costs to future generations and demand responsibility for environmental harm.

As demonstrated by patterns of careless consumption, environmental damage, and the growth of public debt without commensurate investments in long-term assets, the author makes the case that the current generation is failing to fulfil its obligations. These problems are further complicated by an ageing population, which raises the demand for public services but decreases support for tax increases to fund them. In that respect, the text is a forceful plea for more ethical, ecologically friendly, forward-thinking economic methods that put environmental conservation and the welfare of future generations ahead of quick surface-level financial profits.

VISION FOR A SUSTAINABLE ECONOMY

A critical analysis of economic policies that put short-term consumption ahead of long-term sustainability is provided in the book, with particular attention to the negative effects on the next generation. It highlights how the current generation's emphasis on short-term gains has left a legacy of deteriorating infrastructure, environmental degradation, and growing public debt that must now be borne by future generations. Economic policies that support the interests of the older current majority are to blame for this predicament rather than being coincidental. Important systems constructed in the 20th century, like the energy and water infrastructure, are now antiquated and badly maintained, unable to satisfy the needs of the 21st century. The issue is made worse by the patchwork approach to repairs that is prevalent rather than investing in long-term upgrades. In addition, the text criticises the Keynesian focus on consumption and aggregate demand, which, despite being intended to spur growth, has instead resulted in negative real interest rates, budget deficits, and a deeply ingrained consumerist culture. The urgent need to protect resources for future generations has been overshadowed by this focus on consumption, which has increased the risk to the environment and to the economy from resultant effects such as climate change and biodiversity loss. Furthermore, contemporary media has contributed to the popularisation of consumerism by fostering a culture that prioritises disposable items and fads. Though Keynes envisioned an increasingly consumptive world, the reality is far more dire, with his policies fueling environmental threats that imperil the health and welfare of coming generations. This concludes by advocating a reassessment of contemporary economic theories and a turn away from consumerism in favour of long-term sustainability and the safeguarding of future generations.

The book makes a strong argument for the urgent need to switch to a sustainable economy, stressing that the current system, which is based on unsustainable practices, will eventually collapse in the absence of quick action. We have a decision to make at this crucial juncture: either make significant changes right away or run the risk of going past the point of no return. The idea that people should not be viewed as mere consumers who are only concerned with growth and consumption, but rather as citizens with inherent rights and responsibilities toward the environment and society, is at the heart of this vision. To achieve these, economic priorities must be redefined. This change advocates emphasising on preserving and improving natural assets for future generations, challenging the long-held belief that consumerism is the key to both economic success and happiness.

The ethical and compassionate aspect of Buddhist economics is strongly echoed in Helm's main point, which is that economic systems must prioritise moral duty toward future generations and environmental stewardship. Helm criticises "careless consumption" and "short-termism," just as Buddhist Economics cautions against “tanha” (craving) and promotes moderation (the middle way). Both condemn excessive consumption and material greed as detrimental to human and ecological well-being. Helm's demand for a sustainable economy that gauges actual welfare rather than just output is in line with the notion that economic activity should lessen suffering and improve well-being rather than just maximise GDP.

To ensure that future generations inherit a world that is at least as robust as the one we inherited, the sustainable economy demands responsible management of natural, social, and financial resources. The book also advocates for the precautionary principle, which calls for giving decisions careful thought before acting and embraces the inherent uncertainties of life while being risk-averse. It also introduces sustainable accounting, a method of measuring long-term well-being that goes beyond traditional GDP or consumption metrics to track the preservation and enhancement of assets over time. The author essentially argues for a fundamental reevaluation of economic priorities, placing more emphasis on responsible asset management and long-term well-being than on short-term gains. For the future sustainability of the planet and the economy, this transformation is not only desirable but also essential.

CAPITAL MAINTENANCE AND BORROWING

Specifically, regarding borrowing and investment, this book criticises current economic management practices that frequently ignore the principle of capital maintenance and emphasise its critical importance in building a sustainable economy. The basis of sustainability is capital maintenance, which states that before any spending or consumption takes place, assets (natural, social, or financial) must be enhanced and preserved for future generations. By preventing resource depletion and safeguarding ecosystems, this guarantees responsible growth and spending. Except for severe economic downturns, the text strongly advises against borrowing money for consumption and stipulates that all borrowing must have a feasible repayment plan. The COVID-19 pandemic in 2020-2021 and the financial crisis of 2007–2008 serve as historical examples of the risks associated with excessive borrowing without appropriate accountability.

The text also criticises the use of accounting methods and judgements to portray financial data in a way that improves a company's perceived performance or position—often without formally violating accounting regulations. This application of accounting techniques and judgments to present financial data in a way that enhances a company's perceived performance or position—often without legally breaking accounting regulations—is known as creative accounting. It entails taking advantage of the latitude in accounting rules and the flexibility in accounting regulations to achieve specific objectives, including boosting earnings to increase profits or hiding liabilities. Common elements include the reclassification of items in financial statements, the use of optimistic valuation estimations, the selective disclosure of information, and timing alterations in the recognition of income or expenses. It also undermines fiscal responsibility by mistakenly classifying routine expenses as investments.

Following stringent budgetary guidelines is crucial to the economy's long-term viability. With the justification that revealing the real state of public finances is essential to holding governments responsible for their economic decisions, the demand for increased transparency in national accounting is highlighted. In the end, the author makes the case that preserving capital, restricting borrowing to real investments, and fostering transparency are essential components of long-term economic sustainability and stability.

POLITICAL RHETORIC AND ECONOMIC CHALLENGES

Examining political rhetoric around government spending and economic growth, the author critically examines it, arguing that overly optimistic promises of tax cuts and spending increases frequently fall short of addressing the deeper systemic problems, like growing inequality and deteriorating infrastructure. It issues a dire warning about the stark differences between these political pledges and the practicalities of attaining sustainability. The polluter-pays principle, which advocates holding polluters financially accountable for environmental damage and contrasts sharply with current practices where polluters are frequently subsidised, is central to this critique. According to the text, the shift to sustainable energy and economic practices will be far more difficult, painful, and expensive than many politicians are prepared to acknowledge. Real decarbonization will necessitate significant sacrifices from industries and consumers alike. The drastic changes that are needed include changing the way people consume, holding polluters financially accountable for their actions, and protecting capital assets for future generations. Crucially, the text emphasises how social justice must lead these reforms to prevent the shift from making already-existing disparities worse. Even though the shift to a sustainable economy might not be easy, the essay highlights how important it is for long-term survival, with social justice serving as a crucial pillar to ensure justice and equity along the way.

FUNDING AND SOCIAL REFORMS

The author criticises current economic policies, claiming that welfare and funding systems are not up to the task of addressing the magnitude of challenges that environmental and social issues will present in the future. The study proposes a drastic reevaluation of funding methods to establish a sustainable economy that provides universal services and a modified universal income supported by a mix of national dividends and taxes, all while maintaining controllable fiscal deficits. The text questions voters' willingness to support leaders who put sustainable policies ahead of short-term gains, acknowledging the political challenges in putting these creative ideas into practice. It also draws attention to the silence of the major international powers regarding environmental issues, arguing that environmental deterioration needs to be taken as seriously as military threats. The passage ends with a call to action that provides two possible directions to pursue; one that highlights the advantages of sustainable policies, and the other that lays out the repercussions of doing nothing. Overall, it recognises the political obstacles to implementing these essential changes but calls for a daring reevaluation of the economic and environmental challenges, pushing for straightforward reforms and the establishment of universal services.

By stressing the many advantages of this change and cautioning against the perils of inaction, the author persuasively concludes the book by arguing in favour of the shift to a sustainable economy. One important benefit is that sustainable projects have the potential to significantly improve urban areas and ecosystems, which benefits public health by improving air quality and improving the mental and physical well-being of community members. These programs are referred to as “no-regrets solutions” because they minimise carbon leakage, protecting the environment while simultaneously making financial sense. Adopting sustainable practices also promotes a healthier society that values the well-being of all its members, reflecting our moral duty to future generations. Additionally, the text makes the case that sustainable economies can continue to grow based on technological ideas and innovation, guaranteeing promising future economic growth. But it presents the shift as an urgent decision, highlighting the need to take action right away to prevent irreparable harm to the environment and society. Prioritising sustainability is essential because the costs of inaction are already apparent and will increase in the absence of swift action.

SYNTHESIS

In summary, Helm claims in his book that short-termism, excessive consumption, and disdain for environmental constraints make the current global economic system unsustainable. In the Sri Lankan context, this is evinced through the financial crisis of 2007–2008 and the COVID-19 pandemic of 2020–2021, providing real-life illustrations of the dangers of excessive borrowing without proper accountability. The use of inventive accounting methods, which misclassify regular expenses as investments and compromise fiscal responsibility, is also criticised in the text. Therefore, Helm’s advocacy for a drastic reorganisation of economic objectives based on precautionary responsibility, capital upkeep, and the polluter-pays norm deserved emphasis through public policies. For this, honest governance, responsible borrowing, and social justice-driven sustainability, while doing away with political rhetoric, inventive accounting, and flimsy reforms, become imperatives.

Overall, the book promotes a compelling, fact-based and thoughtful argument for immediate systemic transition towards sustainability, stressing its advantages and the necessity of a morally sound economic model that puts future generations' welfare ahead of short-term financial gains.