

# Preface

The *Special Issue of Contemporary Economic Policy* (CEP) that I coedited with Professor Michael Intriligator had been over 2 years in the making. CEP is one of two major economic publications from the Western Economic Association International (WEAI). These journals are well known for examining contemporary economic issues and exploring new approaches to them. Mike and I worked hard on the *Special Issue*. With 11 peer-reviewed articles that were also reviewed by the CEP editor, Wade Martin, we were proud of the results: five of the eleven articles were published in 2013. Now, all 11 of the *Special Issue* articles are in this book.

The book takes all these papers and includes a few that provides the framework for discussion of economics which is seen a “field of study,” according to a special issue of the Economist (2009) with a picture of the Bible melting stating that modern economic theory is failing, about 9 months after the global recession in the fall of 2008. The basic conclusion from this special issue and a series of other articles that turned into a debate among economists is that “economics is not a science”, but needs to become one.

Economics must move “toward a science” was the subtitle of my book with Professor Michael Fast on Qualitative Economics (2008) earlier that same year. This book provides new and creative thinking about the field of economics. A special thanks goes to Wade for his encouragement and very diligent oversight of the entire CEP issue and to Mike for his solid and consistent support of looking into new ways to consider economics scientific in order to solve societal problems.

The background for this book and the CEP *Special Issue* are important. Originally, we all wanted to do the special issue along the lines of a reflection of new thinking within the field of economics. We saw this as a point of departure from the western-developed world today that has energy security issues about its future, especially with the impact on climate change. Defining and exploring the depths of economics is at the core of this book and reflected in every chapter.

I spearheaded the *Special Issue* of CEP because I saw economics as being in serious trouble, even before the economic collapse American economic collapse in the fall of 2008 and the global economic crisis that continues today. A year before

global economic collapse, I organized a panel for the annual WEAI conference in Seattle in 2007. The presenters, some of whom contributed to the *Special Issue*, and others that are now in this book were concerned with the “field of economics” in general. They were concerned that it was covering broader societal issues from an economic perspective.

For example, how can communities and nations develop with no political and economic plans and little concern for the environment, people, health, and the climate. Today, America still has no national energy or even mass transportation plans. Yet, every family and business has a plan if not month by month, then certainly an annual one. I have taught business plans and entrepreneurship in graduate business and MBA programs. Every person, group, community, and nation needs a plan. The fact that America today is divided is both a major cause for the nation not to progress and lead what I call in another book with Grant Cooke on Global Energy Innovation (2011) the “Green Industrial Revolution” is destructive to everyone and detrimental to future generations. The problem is today’s ideological politicians in every region, state, and country. I had experienced this enormous divide over a decade ago when I was very involved with the UN Intergovernmental Panel on Climate Change (UN IPCC). Nations around the world need to agree upon a plan to mitigate climate change. I personally had to try to get 129 nations to agree upon the executive summary for the third report by the UN IPCC in 1999. While we finally agreed on a report, it took almost another decade to proclaim that climate change was the result of people and that the world needed a plan to stop and reverse climate change. That plan has yet to be done and implemented.

When Al Gore won the Nobel Peace Prize in December 2007, hundreds of us with the UN IPCC shared it with him. However, what was never, even now, really discussed was that Gore identified and dramatically presented in his film, *An Inconvenient Truth* (2007), was that the climate is changing dramatically today. But the UN IPCC did the same with scientific evidence by not providing a plan. The problem of climate change was discussed and proven scientifically. What was not recognized then was that Gore and many members of the UN IPCC, work on the “solutions” to climate change, ranging from sustainable communities, renewable energy, commercialized technologies, and finance.

In my case, I have two books, *Sustainable Communities* (Springer, 2009) and *Sustainable Communities Design Handbook* (Elsevier, 2010) with cases about sustainable communities and how they can be created, financed, implemented, and maintained. In the next year, I am completing a new book on *Global Sustainable Communities Design Handbook* (Elsevier, 2013) with cases of sustainable communities and how they were designed, developed, and planned with resources, finances, and educated workers. The book sets a standard from which a series of books on this topic can be published annually in book, journal, and online formats.

Basically, the problem with the “field of economics” is that for over four decades, it has taken conventional or “neoclassical economic theories” from Adam Smith and tried to apply them. The Smith model for western capitalism, however, was and is today simply a “theory”. There have never been actual cases of neoclassical capitalism. For example, these theories depend on “market forces” that are a balance

between supply and demand, but never work (*ibid.*, 2008). They never account for key issues facing society, such as social revolutions, economic recessions, and climate change. I experienced this in the role as Renewable Energy Advisor to Governor Gray Davis of California (1999–2003) where there was a need to change economics away from the “market forces” that was created in prior state government administrations with their deregulation of the energy sector.

Governor Davis came into office and was immediately confronted with an energy crisis caused (starting in 2000–2003, but that continues today) by the prior two governors before him, because they argued that “deregulation” of the energy sector in 1996 from public utilities should go to private companies to generate power and supply the state with energy. New companies would be competitive and therefore lower prices for energy to consumers. Just the opposite happened. And without very much oversight in the laws for deregulation, the problem had to be taken on by Governor Davis, after he was elected in 1999.

By spring 2000, California had an energy crisis with rolling blackouts and brown-outs even though there was plenty of energy supply. I had warned Governor Davis’ senior staff that this would happen 6 months or more before the brownouts started in San Diego. California deregulation was copied in other states and nations which called it “liberalization or privatization.” The national utility-controlled energy systems converted from being public-controlled companies to private businesses. The market forces economic model would create competition and hence reduced energy costs, but did just the opposite of that.

The California energy crisis came without warning as the new private energy companies controlled and manipulated prices, with services through their control of energy. The economic model failed in California and other nations as well. There was something wrong. Private companies manipulated the “energy market” and caused severe problems throughout the state. The California energy crisis was just the beginning, because supply and demand did not work when the state was immersed in brownouts and blackouts that threatened businesses and individual health that all needed power for commerce and medical care.

The economists’ explanation, issued at one point in a public memo to Governor Davis (Spring 2001), argued that “market forces” would prevail and get the state energy needs back on course. In reality, those market forces were “gaming the energy sectors” with illegal and deceptive accounting. These companies were responsible for conducting fraudulent actions. The firms (Enron and many others) and their accounting firms “verified” the economic energy data as valid, when it was not. The state investigated and took those people and their companies to court, where individuals were convicted and sent to jail (Clark, 2003; Clark and Demirag, 2002 and 2006). Several chapters review and discuss economic models and where or why they have failed. But this book also sets out in a number of chapters to create and inspire new economic models. In particular, it strives to turn economics into a science with examples in the different chapters.

The book was first inspired by other work with economists seeking changes in their field. At another WEAI conference in Honolulu in July 2008, the issue about how precise and accurate economics was raised in a different way by a panel that

I chaired and also presented a paper. The topic was modern economic theory and what was wrong with it. I coauthored with Professor Michael Fast from Aalborg University in Denmark the book *Qualitative Economics* (ibid., 2008) that came out just in time for the conference and was a key part of one session there. By that fall, the global economic crisis hit the USA and went around the world, in which much of modern economic theory came to be questioned by economists themselves. If economics was a science, why was it not able to predict the global economic crisis in 2008?

The time was perfect then for the CEP Special Issue. We felt that the “field of economics” was so vast there needed to be a focus on only a few topics for the *Special Issue: Global Cases in Energy, Environment, and Climate Change*. We decided that these areas were a challenge for economists but needed to be studied.

Finally, there is need to be cross-disciplinary areas in order for a fresh look to be given to economics. These areas and how they interacted are a starter. Based on past economic models, these areas have been lost or not fitted into modern economic theory. Clearly, economics needs to research and probe these areas, as they are major determinants in the economics of the future. The challenge is to explore and look deeply into economics, in order to turn “the field” into a science.

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