

## Does weakness in demand imply a structural change in th...

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Martin Wolf [writes in the FT this morning with reference to the Japanese economy](#):

*The real problem is the weakness of private demand. The indicator of that is the enormous private sector financial surpluses - the excess of private savings over private investment. This surplus has oscillated between 5 per cent and 14 per cent of GDP since the mid-1990s.*

Japan may be a little extreme but in the world's developed economies as a whole there is a shortage of demand from those with the ability to spend. That is why we have a recessionary environment.

I stress, that does not mean that everyone has everything they want. There are far too many people in all such economies without the ability to spend on what they need. But that is not to deny the apparently consistent phenomenon that many with the means to spend are not doing so. And it makes me wonder if the reality is that this is because there is nothing they now want.

I explored ideas on excess demand for purchased gratification in my book [The Courageous State](#). I will be honest, many have said that the ideas I wrote about in the middle third of that book were tough going and they opted to skip that bit: the first and last thirds could be read without it, but the explanation as to why I reached some conclusions was missed as a result.

In essence my argument was then, and is now, that it is possible to over consume material goods, or services demanding the consumption of material goods in the course of their supply. Over consumption happens whenever we consume a greater share of the world's natural resources than appears appropriate, given the current state of knowledge, if the generations to come are to have the opportunity to live sustainably on this planet.

I argued that over consumption of this sort was driven by advertising, in turn fuelled by a drive to create growing debt levels to increase interest income. And I argued that once we over consumed then our capacity to achieve our potential in our intellectual,

emotional and spiritual lives was, inevitably, constrained with real risk to our well-being resulting.

I stress, this is a condition that can afflict some in a society whilst others are constrained by inability to secure enough income, including as a result of the burden of interest or rent payments, both representing transfers and not productive gain.

Now you can accept my theory, or not. But what it suggests is that there may come a point where those able to make the choice to reduce their demand might do so because they perceive that reducing their material well being is actually good for their overall well being. And in the process of doing this they might also reduce their debt. This is, of course, done by saving since debt repayment is exactly the same in economic terms as saving.

I cannot prove that this is the choice being made by an important and influential group of consumers the world over right now, but it appears it may be. What is happening is that people are refusing to consume more. They are saying they have had enough. For thus group advertising is not working. They realise that they will not be better off with more stuff. And they will be better off with less debt. And they are taking the steps to achieve that result.

If that change is not temporary but is instead systemic and permanent then we face a much bigger economic change than most imagine. It implies all the logic of conventional economics might cease to work. And that the logic of more is forever better is wrong. And it might even say there is more to life than consumption. Behaviour since 1945 has not challenged the core assumption of growth being forever good. I think that may be happening.

If so the new economic narrative that we need is much bigger than anyone in any government of a G20 country is willing to think about.

But it is also a lot more exciting.

And the prospect for real change for the majority of people might improve as a result, because one of the arguments I put forward is that those who realise that consumption cannot solve all needs also realise that more equality can address existential needs in a way that consumption cannot. But, and I stress it, that is just my theory, albeit one that I think based on a reality that might be developing.