Reimagining Production-Organizing Institutions for Ecological Integrity

Caleb Gingrich Regehr

Economics for the Anthropocene Research Partnership, McGill University

First North-South Conference on Degrowth

Caleb Gingrich Regehr
cgingrichregehr@cansee.ca

How could the production-organizing institution(s) of the economy be reimagined so that maintaining ecological integrity becomes an integral goal and outcome of their operations?

This is crucial given that:

- Non-technical institutional innovation can accelerate the transition
- The existing structure of the economy defaults to growth and ecological damage
- Existing technological opportunities for reducing ecological impact are under-deployed by businesses
- The liberal democratic nation-state alone cannot be relied on to address ecological integrity
- Many advantageous technologies require long supply chains, capturing large economies of scale, and access to significant capital

Outline

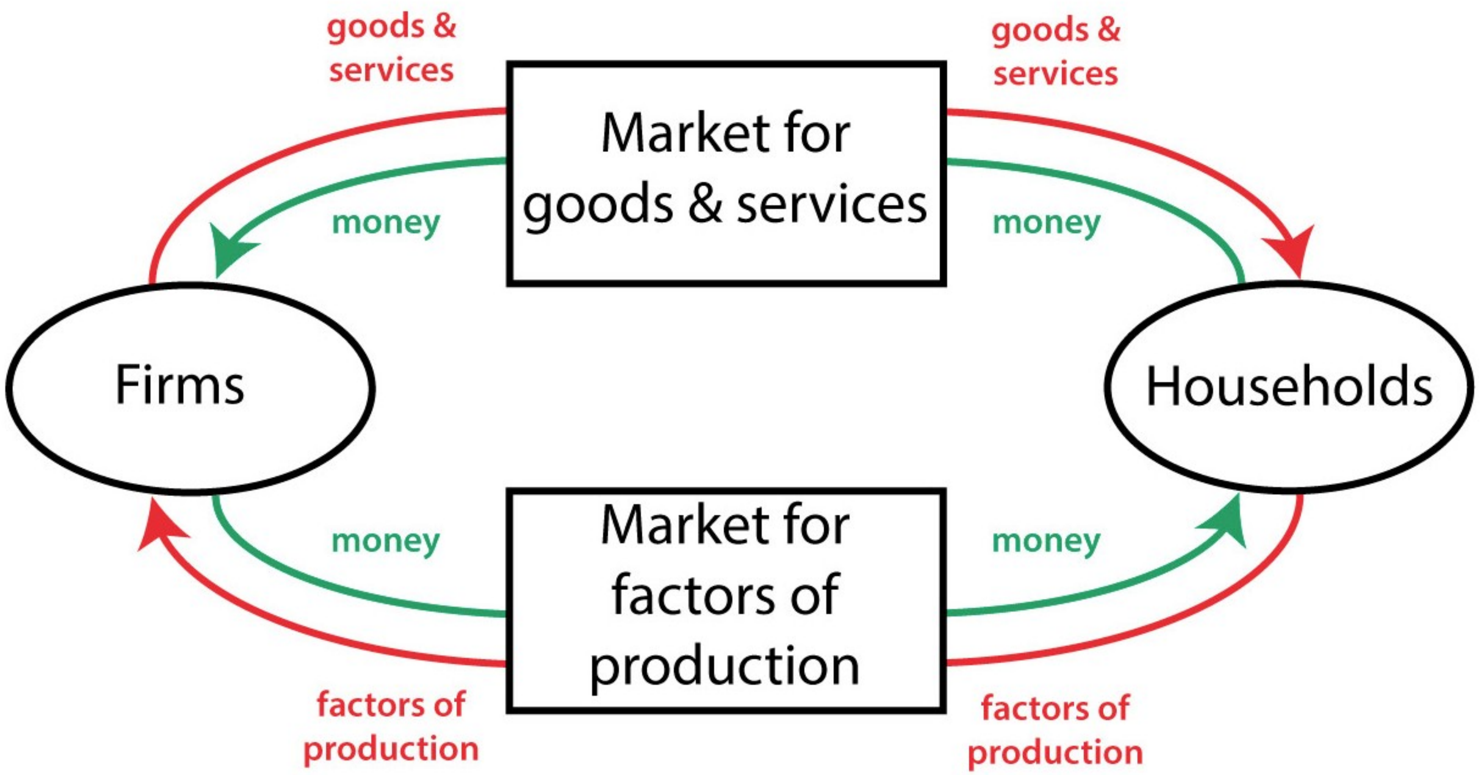
1. Elaborate the Question: *Overview of core ideas*
2. Possible Direction: *Key components of a reimagined firm*
3. Making the Case: *Demonstrate the givens*

Institutions

"Institutions are the conventions, norms and formally sanctioned rules of a society. They provide expectations, stability and meaning essential to human existence and coordination. Institutions support certain values, and produce and protect interests."

- Vatn, "Critical Institutional Economics," in *Routledge Handbook of Ecological Economics*, 2017

Current production-organizing institutions



http://policonomics.com/circular-flow-diagram/

An increasing focus on the firm

- Markets do not behave as expected, which means firms do not either
- Firms suffice instead of optimize (Earl 2017, Gowdy 2010)
- Firms engage in lobbying (Blauwof 2012)

Key components of a new institutional structure

1. Theory of production
2. Purpose
3. Ownership structure
4. Investment
5. Decision making criteria and method
6. Motivation of stakeholders
7. Regulation
8. Multiple theories

How could the production-organizing institution(s) of the economy be reimagined so that maintaining ecological integrity becomes an integral goal and outcome of their operations?

This is crucial given that:

- Non-technical institutional innovation can accelerate the transition
- The existing structure of the economy defaults to growth and ecological damage
- Existing technological opportunities for reducing ecological impact are under-deployed by businesses
- The liberal democratic nation-state alone cannot be relied on to address ecological integrity
- Many advantageous technologies require long supply chains, capturing large economies of scale, and access to significant capital

Technological solutions are under-deployed

- Think renewable energy, electric vehicles, efficiency opportunities
- Globally, 80% increase in resource productivity is possible (Weizsäcker et al. 2009)
- Energy efficiency gains of 30% still feasible in US (Nadel et al, 2004)

Why:

- Opportunity cost of capital
- High upfront cost of efficiency gains, renewable energy
- Risk of long payback periods

Liberal democratic nation-state cannot limit ecological decline alone

- Pigouvian tax could go a long way to solving these problems

But:

- Lobbying: reform tends to be unstable; state is dependent on taxable income (Blauwhof 2012)
- Command and control regulation is expensive and limited

High technology requires extensive coordination of capital

- Degrowth advocates for decommodification, deprofessionalization, production for use rather than sale, localization (D’Alisa et al 2014)
- High tech (e.g. electronics) provide valuable services that are desirable post-transition
- Long supply chains and high number of components requires huge economies of scale
- Institutional structure that can provide both access to necessary capital and ecological integrity is necessary

How could the production-organizing institution(s) of the economy be reimagined so that maintaining ecological integrity becomes an integral goal and outcome of their operations?

This is crucial given that:

- Non-technical institutional innovation can accelerate the transition
- The existing structure of the economy defaults to growth and ecological damage
- Existing technological opportunities for reducing ecological impact are under-deployed by businesses
- The liberal democratic nation-state alone cannot be relied on to address ecological integrity
- Many advantageous technologies require long supply chains, capturing large economies of scale, and access to significant capital

Caleb Gingrich Regehr
cgingrichregehr@cansee.ca

Bidmon, Christina M., and Sebastian F. Knab. “The Three Roles of Business Models in Societal Transitions: New Linkages between Business Model and Transition Research.” *Journal of Cleaner Production* 178 (2018): 903–16. https://doi.org/10.1016/j.jclepro.2017.12.198.

Blauwhof, Frederik Berend. “Overcoming Accumulation: Is a Capitalist Steady-State Economy Possible?” *Ecological Economics*, The Economics of Degrowth, 84 (2012): 254–61.

D’Alisa, Giacomo, Giorgos Kallis, and Federico Demaria. “Epilogue: From Austerity to Dépense.” In *Degrowth: A Vocabulary for a New Era*, edited by Giacomo D’Alisa, Federico Demaria, and Giorgos Kallis, 1st ed. New York: Routledge, 2014.

Earl, Peter E. “Theory of the Firm.” In *Routledge Handbook of Ecological Economics: Nature and Society*, edited by Clive L. Spash, 1 edition. London New York: Routledge, 2017.

Gowdy, John. *Microeconomics Old and New: A Student’s Guide*. Stanford, California: Stanford University Press, 2010.

Hiller, Janine S. “The Benefit Corporation and Corporate Social Responsibility.” *Journal of Business Ethics* 118, no. 2 (2013): 287–301. https://doi.org/10.1007/s10551-012-1580-3.

Himmelweit, Susan. “Feminist Economics.” In *Rethinking Economics: An Introduction to Pluralist Economics*, edited by Liliann Fischer, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach Ward Perkins, and Catriona Watson, 1st ed. London ; New York: Routledge, 2017.

Hodgson, Geoffrey M. “A Definition of Capitalism.” In *Conceptualizing Capitalism: Institutions, Evolution, Future*. University of Chicago Press, 2015. https://doi.org/10.7208/chicago/9780226168142.001.0001.

Jackson, Tim. *Prosperity Without Growth: Foundations for the Economy of Tomorrow*. London, UNITED KINGDOM: Routledge, 2016.

Johanisova, Nadia, Tim Crabtree, and Eva Fraňková. “Social Enterprises and Non-Market Capitals: A Path to Degrowth?” *Journal of Cleaner Production* 38 (2013): 7–16. https://doi.org/10.1016/j.jclepro.2012.01.004.

Kapp, K. William. *The Social Costs of Private Enterprise*. New York: Schocken Books, 1971.

Michie, Jonathan. “The Importance of Ownership.” In *The Oxford Handbook of Mutual, Co-Operative, and Co-Owned Business*, edited by Jonathan Michie, Joseph R Blasi, and Carlo Borzaga. Oxford University Press, 2017.

Nadel, Steven, Anna Shipley, and R. Neal Elliott. “The Technical, Economic and Achievable Potential for Energy-Efficiency in the U.S. – A Meta-Analysis of Recent Studies,” 2004.

Upward, Antony, and Peter Jones. “An Ontology for Strongly Sustainable Business Models: Defining an Enterprise Framework Compatible With Natural and Social Science.” *Organization & Environment* 29, no. 1 (2016): 97–123.

Vatn, Arild. “Critical Institutional Economics.” In *Routledge Handbook of Ecological Economics: Nature and Society*, edited by Clive L. Spash, 1 edition. London New York: Routledge, 2017.

Weizsäcker, Ernst U. von, Karlson Hargroves, Smith Michael, Cheryl Desha, and Peter Stasinopoulos. *Factor Five: Transforming the Global Economy through 80% Improvements in Resource Productivity*. Report to the Club of Rome. London; Sterling, VA: Earthscan/The Natural Edge Project, 2009.