

Building Back Better: 10 most effective ways in which to make markets work for the common good.

The Task

While the vested interests in mostly destructive economic and financial systems are large, influential and well organized, the millions of groups (policy makers, lobbyists, activists, business, entrepreneurs, etc.) that are dedicated to regenerative and inclusive economies are splintered and not aligned. There is a particular divide between those working within the economies to emerge better investments and businesses and those working to change regressive policies and corporate behaviour. We believe it's possible to start a process of aligning these narratives and this collective energy.

In this project we wish to determine whether there are examples of synergy between the so called 'embedded mechanisms' and 'external mechanisms' that have resulted in economies that deliver on the goods? What combination has effectively delivered social just and regenerative outcomes? What combinations have overcome significant barriers to change? Do internal mechanisms deliver on social justice outcomes? Do external mechanisms attract entrepreneurs to step into the space and create alternatives? Where are the boundaries of each approach? What combinations of approaches would deliver the greatest return toward a good society? What coalitions are possible to create a tipping point? What encounters can we envision that would result in effective pathways for making markets work for the common good?

We would like to invite you to participate in this dialogue. We will take an action learning approach – creating a collective of thought leaders to share knowledge, awareness, a professional field and engagement to realize regenerative markets that work for the common good. The aim is to produce a framework for action and a paper that will be published by Erasmus University highlighting the 10 most effective ways in which to make markets work for the common good.

Concept note

Over the past decade we have been observing activist energy amongst young people to create change through markets. This is a shift from the 80s, 90s and early 2000s where social change objectives were predominantly realized through public policy and social movements. Today, young adults are launching social enterprises, demanding that the companies they work for actively embrace environmental, social and governance benchmarks, and expect their places of employment to take a stand on major social challenges like migration, climate change and human rights. Further, young adults of means are creating impact investment strategies and financial instruments to solve complex social challenges inclusive of: incarceration of minorities, rural electrification, climate change and inequities in access to finance.

Just in the last ten years we have witnessed an explosion of new social enterprises; the rise of social entrepreneurs; a push for so-called impact investment which combines social, environmental and financial returns; and the pressure now being generated to develop circularity in markets and supply chains that addresses the threats to human life brought on by overconsumption and disregard for ecosystems. A lot of this market activism is financed

by the dot.com philanthropists who themselves are part of a new generation of wealth and are more comfortable with market dynamics than governmental policy or civil society.

Taking a step back from the dizzying array of efforts to make markets responsive to social and environmental challenges, what are the desired outcomes our global economy should deliver? Here too we have seen myriad efforts to create new economic models that are in stark opposition to neo-liberal, trade and investor privileged capitalism. Tellingly from the economics field, Abhijit Banerjee and Esther Duflo noted in their newest book ‘there are no iron laws of economics keeping us from building a more humane world.’ We not only have full models but also stand-alone changes in current monetary and fiscal policy that can deliver on social and environmental outcomes (see New Economics Foundation).

Recent global protests against police brutality, ethnic violence, and climate policies that impact a stagnating middle class and poor governmental responses to the pandemic have also rocked the markets. Political choices that favor nationalism, extremism and populists on the right and left have effectively put an end to market led globalization. While 272 million migrants globally are seeking out a better opportunity or fleeing from violence. Fundamental change is already happening. New economic models are capturing the discontent and concerns and offering ways in which to build better markets that are regenerative and offer equitable opportunity to all participants. These models frame the desired outcomes of an economy. Five are noted here.

Proposition	Values	Proponents
Donut Economics	Meeting people's' basic needs without overshooting the ecosystem boundaries of the planet. Defines an economy that is safe and just for humanity <ul style="list-style-type: none"> ● SDGs ● Planetary boundaries 	Kate Raworth
The Good Economy	<ul style="list-style-type: none"> ● Good jobs that produce decent living standards; ● Inclusive investing in small and medium businesses; ● Equal access to universal high quality public services; ● Democracy & community shored up by high levels of social mobility and vibrant civic communities; ● Sustainable consumption that does not contribute to draw down. 	Mark Hepworth
Economy for the Common Good	ECG is an economic model, which makes the Common Good, a good life for everyone on a healthy planet, its primary	Christian Felber

	<p>goal and purpose. At the heart of this concept lies the idea that values-driven businesses are mindful of and committed to:</p> <ul style="list-style-type: none"> ● Human Dignity ● Solidarity and Social Justice ● Environmental Sustainability ● Transparency and Co-Determination 	
Green New Deals	<p>Green new deals have arisen in response to the climate crises. All GNDs embrace renewable clean energy economies & other related sustainability measures (farming, the built environment, pollution, industry, mobility, biodiversity)</p> <p>Social components vary across countries but overall include: Just transitions fund Jobs guarantee Universal health care Free higher education</p>	Various authors in Canada, UK, US, EU, South Korea
The Democratic Economy	<p>Cooperative Ownership Community wealth-building No or limited growth Emphasizes rights in communities and ownership in the workplace.</p>	<p>New Economy Organisers Network (Neon) (UK) New Economics Foundation The Democracy Collaborative Christine Berry Joe Guinan Martin O’Neill Gar Alperovitz (US)</p>

These approaches exemplify new values and demands on the global economy and on capitalism. They answer fairly well what we want from our economies. All these models are regenerative, based on values of cooperation (instead of competition), limit forms of growth and are conscientious about the distribution of wealth through non-market mechanisms. All invoke the power of governmental intervention in economies in order to guarantee jobs or income. Most call for a wealth tax.

Combining the energy of young people to create change with efforts to realize markets that work for the common good we can discern two categories of change, internal and external. Those that work on the rules that govern the economy are often external to the markets themselves i.e. shaping the environment in which markets will respond, and those that are embedded in the marketplace, i.e. creating new businesses etc to prove that markets can be a force for good.

External Mechanisms

- 1) External mechanisms are utilized by forces that try to change the rules. External mechanisms create forces to which markets or sectors or firms must respond. This category includes: protests, shareholder resolutions; campaigns to force shifts in business approaches, attempts to force internalization of externalities, divestment pledges, and lobbying for public policy change. There is a strong justice orientation amongst organizations operating with external mechanisms. Think, the Tax Justice Networks, the Panama Papers, the Magnitsky Act and the American Economic Liberties Project (challenging corporate conglomerates). Sustainability advocates have forced the phase out of specific products that are seen as too damaging, costly to current and future generations or obsolete - think CFCs, the Sunrise Project and the current phase out of coal, fossil fuel divestment strategies. External mechanisms act in reaction to market practices, are oriented toward galvanizing the public to create the changes they wish to see in the marketplace.

Embedded Market Mechanisms

- 2) A second category of change is oriented toward a new way of doing business that tethers values to market mechanisms and bake those values into investment and business practices. B corporations, impact investing, social bonds, voluntary frameworks, local currency initiatives, social enterprises and closed capital circles, fall into this category. These mechanisms are often responding to a desire to rethink the distribution of goods and services, the role of capital and the expansion of a stakeholder driven dynamic in economic behavior that is juxtaposed to a shareholder driven economy.

Each mechanism plays an important role in nudging markets towards better social and environmental outcomes. One chips away at bad market outcomes (one product, one market at a time) and the other is additive in offering new market based options one firm at a time. These mechanisms, however, are plagued with limitations.

External mechanisms have not proven to be efficient or effective. Those who develop campaigns are often playing whack-a-mole, going after one product, one policy, one company at a time with more bad practices to whack at than energy to expend. They are also ineffective, in terms of creating effective regulatory and oversight frameworks. There are both twentieth and twenty first century monopolies that control significant portions of national resources and excessive market share that have not been effectively challenged. The big 'dot' behemoths literally command more resources than nations and have outgrown effective regulatory infrastructure. The asset bases of whole countries are still in the hands of a few wealthy families (i.e. Ukraine and Kenya).

Much of the activism within the market mechanism is similarly fragmented. There are hundreds of thousands of entrepreneurs across the planet creating businesses that are regenerative or further just societal outcomes. However, these businesses and the investors that support them are challenged by three limitations: temporal mismatches - financial and social returns do not manifest themselves in the same time frames; size mismatches – investment capital is too expensive to be offered in absorbable amounts with the result that promising new markets are starved for capital; and gatekeepers in the financial services industry that stubbornly pursue business as usual. The overall competitive framework of the

market place is also a challenging factor in which incentives, structures, subsidies and perceptions of risk continue to act as barriers to market based mechanisms for change.

Even though the overall goals of changing markets is commonly agreed amongst actors that gravitate towards one or the other mechanism, there is very little shared strategic engagement between the two. They ask different questions. Those who apply external mechanisms ask things like 'if economies are dominated by oligarchic monopolies can the economy result in distributed wealth? They advocate for taxing wealth instead of income. While those who orient towards embedded mechanisms accept the rules of the game, yet try to, for example, accelerate the shift from shareholder to stakeholder companies or change one industry at a time.

The relationship between the embedded and external is not easily encountered either in activist policy circles or business circles. External mechanisms are generally focused on structural changes while market mechanisms are transactional in nature. Each could benefit the other through identification of obstacles and opportunities to collectively shift markets and economies.



Lisa Jordan is member of the Management Team of PSJP and lead author of this concept note. This project is part of the Building Back Better Initiative of PSJP. Stef van Dongen operates as project lead of this project.