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Regenerative Capitalism: sustainability defines future economic system

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Regenerative Capitalism
foto: The Capital Institute

IN REGENERATIVE CAPITALISM SUSTAINABILITY WILL DEFINE THE FUTURE ECONOMIC SYSTEM. THIS FORM OF CAPITALISM WILL BE CHARACTERIZED BY AN EXPANSION OF THE MEANING OF “CAPITAL” to include multiple forms of capital and the vital patterns of their interdependencies, in keeping with a holistic understanding of true wealth. It will also entail a recognition that the regenerative process that defines thriving living systems enabling many of them to be sustainable over the long run. A Regenerative Economy is characterized by eight principles: right relationship, entrepreneurialism, wealth viewed holistically, shared prosperity, real economy circularity, ‘edge effect’, resiliency and honors place.

In het kort: NL

Het kan zo niet langer. Het moet anders! Geen investeringen die onze planeet verwoesten, maar investeringen die de aarde herstellen. In hun artikel voor het januarinummer van [GreenMoney](#) pleiten

Hunter Lovins en John Fullerton voor Regenerative Capitalism, een holistische aanpak in de economie. Over de 3 P's, lokaal economie, circulaire economie en werkgelegenheid en splitsing van banken in een onafhankelijk deel voor maatschappelijk bankieren en een deel voor speculatief bankieren.

Scientific reality of degenerative capitalism

The current speculative excess and ethical shortcomings of contemporary Wall Street, the problems of too-big-to-fail and, more importantly other 'in-system' failures have all given the economy and the current financial system a bad name. But the challenge goes beyond this. The present financial system is designed to propel growth in the economic system with no regard for the physical boundaries of the planet and little regard for the social constraints of human wellbeing.

Science tells us that this is fundamentally misaligned with the finite planetary boundaries of the biosphere. The global economy must now evolve not only to align itself with this scientific reality, but also to address such critical challenges as the grotesquely inequitable distribution of wealth, intractable poverty in much of the world and chronic failure to deliver jobs or other means of achieving a livelihood with dignity. Meeting these challenges demands not merely problem solving, but systemic change to address root causes. Such as how much and where large economic actors invest have critical implications for collective global security.

“Consequently, Regenerative Capitalism must become a central concern of global governance. This recognition is at the heart of new economic thinking.”

Regenerative Capitalism: 10x more jobs

Early green shoots of Regenerative Capitalism are already manifesting in a multitude of scalable projects, and enterprises on the ground. These include agriculture that replenishes soil fertility, the sharing economy, collaborative ownership structures, economic democracy, investments in renewable energy and resilient communities and much more. Such investments deliver ten times the number of jobs as money spent on the old economy. The task before countries, corporations and communities now is to suffuse Regenerative Capitalism into large global enterprises and to the large State actors in the economic system.

Regenerative Finance

The emergence of Regenerative Capitalism, particularly within a mainstream economy dominated by large-scale enterprises and state actors, is dependent upon a fundamental transformation of finance. Merely optimizing single variables such as the ill-conceived shareholder value maximization are insufficient in the era of Regenerative Capitalism. The well-meaning and ongoing financial reform agenda was conceived in the context of the old, degenerative world-view. Success cannot be defined as putting us back on the path of exponential expansion, which brings on ecological collapse. We must reconceive finance in service of a regenerative economic system.

Transition to Regenerative Finance

Finance's primary function is to transform savings into productive investment and drive the credit-creation process. The flow of credit and investment into the real economy is the bridge to and the steering mechanism, for the Great Transition to a Regenerative Economy. The eight elements of Regenerative Finance are: means not ends, ethical and in service, the supremacy of relationship, transparency, true wealth, right scale, collaborative and resilient.

The transition away from a collapse-prone financial system and economy – both of which are driving ecological collapse – will not be quick or easy. It will require new energy for fundamental systemic reform to create the conditions for finance to serve the Regenerative Economy. Such reforms are complex and beyond the scope of this paper, but would include to regain our will for sovereignty over domestic financial systems! Globalization has gone too far and encourages a negotiated race to the bottom. The traditional role of community banks, the well-established co-operative financial institutions and the Community Development Financial Institutions are also parts of a foundation.

Separation public banking and investment banking

There is well functioning, purpose driven, public banks. Their prudent and responsible role in the economic system should now be recognized after the repeated failure of the so-called private sector banks, which are really only private when times are good. The United States, Spain, Switzerland, Germany, and of course Russia and China are just some of the nations that have a variety of state owned banks, that behave not merely as a business that needs to be regulated in service with a unique public purpose. With informed public leadership, these public institutions and essential new public infrastructure banks, can become the foundation for financing the transition to a Regenerative Economy.

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Responsibility government and haute finance

We can do this. What we read about in the New York Times Business Section and in the Wall Street Journal is focused on perhaps 20%, maybe 30%, of total global economy. If the developing world and emerging local and regional economies in the first world were to recognize their common interest in transforming the way the world works, it could be the basis for a bottoms up strategy to create the new reality. If you count the value of the gift economy, the value of natural ecosystem services, the problem part of the economy is really just a small part of the total system. And great strides are being made in the numerous place-based economies the world over that are on a path to a Regenerative Economy.

It is not an exaggeration to say that one thousand CEOs and perhaps twenty heads of state hold the future of civilization in their hands, most importantly through the long term investment decisions they make and the public policy influence they choose to exercise. In looking at the increasing concentration of power in the world's largest public corporations, Harvard Professor Robert Eccles estimates that the 1,000 biggest corporations represent half of the market capitalization of the \$60 trillion market capitalization of the 60,000 public companies in world. Directly and through their influence, they 'virtually control' the now degenerative mainstream global economy, yet provide direct employment to less than one percent of the global population.

Finance the future: Yesterday is history!

This time is different. Our well-intentioned financial system regulators are no doubt overwhelmed responding to yesterday's recklessly induced financial crisis. They are doing it under suboptimal political conditions, all while the plane needs to keep flying, since we are presently dependent upon the too-big-to-fail banks to keep the economy flowing.

Financial system leaders and regulators must, however, also see to the perils ahead. Grasping the unprecedented challenges of financial overshoot is imperative, if we are to manage the stormy times ahead. There is now an overwhelming public and global security interest in how investment capital flows, with profound governance and ethical implications the world has never had to consider. Consequently, Regenerative Capitalism must become a central concern of global governance. This recognition is at the heart of new economic thinking.

About the authors:

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Verkorte versie van een artikel aangeboden door Cliff Feigenbaum, hoofdredacteur Greenmoney

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