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The Case for Disruptive Regulation

Forum: Corporations in the Crosshairs: From Reform to Redesign

Yogi Hale Hendlin

There is no shortage of ideas and roadmaps for what should be done to mitigate the negative environmental and social impacts of corporate behavior. However, as long as corporations have captured governments, and governments are serving corporate interests, we will be caught in a never-ending feedback loop leading to total and irreversible climate chaos.

As long as the regulatory deck is stacked against corporations wanting to do the right thing, corporate social responsibility (CSR) will always be addressing low-hanging fruit that makes little difference to people and planet rather than attacking the central problem of the prioritization of shareholder value. Until the rules of the game change, the players can always blame the game, because the rules are the problem. But as long as the biggest players are making (short-term) self-serving rules, then they are to blame for the game, despite their pretensions otherwise.

Even if the "ecological modernization" thesis that technological innovation and deployment could harmonize capitalist growth with environmental limits were partially true, this would merely prolong and obscure the drivers of the inevitable unsustainability of the system.[1] Pet food, for example, is responsible for a quarter of the environmental damage of meat production, and as people are feeling more acutely the separation from nature and are groping for contact with the more-than-human world, pet ownership has been steeply increasing.[2] So, the standard corporate model is to see ecological and social disasters as business opportunities.

In my own work, I have created the notion of "disruptive regulation" as the necessary correlate of disruptive innovation. Carbon taxes, for instance, would disrupt current unsustainable practices but create huge markets for low-carbon goods. New players that were previously sidelined by the 700 billion to 1 trillion dollars spent globally every year on fossil fuel subsidies would now have an advantage that would let their products and services expand and scale. Simple and elegant regulations like carbon taxes, or more elaborate ones mixed with other financial incentives and legal guidelines as proposed in the Green New Deal, are like dynamical complex systems: in their constraints, they prepare the soils for outbursts of creativity, evolution, and innovation.

True innovation can be fostered by regulation. If we accept that free markets have never been free, then rather than the redesign of businesses being an economic or scientific question exclusively, it becomes one of values. What sort of society do we want? To what ends do businesses exist? Is the future of life on earth worth the current economic supremacy framing?

While B-corps, cooperatives, public-private partnerships, and not-for-profit corporations offer a glimpse into the future of what it might mean for businesses to exist serving the common good, the questions of scale and locality must also be included. Place-based services and small-scale goods production play to the plurality of ecological and social affordances of a given region. Such goods can, of course, can be traded (but with thermodynamic costs increasing inversely with proximity), but if corporations were local rather than transnational, many of the problems of endless uncontrollable commodity chains might vanish. And local contexts and feedback would make the externalities of business acutely felt, favoring goods and services with negative environmental footprints.

While antitrust enforcement is one way to deal with this, blockchain and other decentralizing technologies can also allow for plurality and overlapping ownership of goods and services without a technocratic state nor corporate oligopolies. Having regional, plural, but interlocking (standardized) ways of communicating and trading goods and services could allow for much more choice on the market than we currently have (where low environmental and social standards create many faulty products and services).

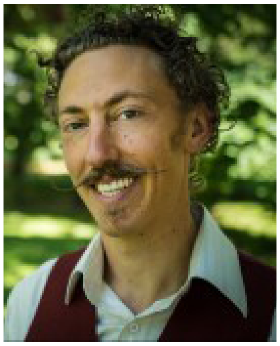
The future of business, like government, will likely be plural and diverse, and if we are lucky, more personalized according to the needs of local people and environments. It is precisely this lack of attention to difference that constitutes the epistemological flaw and ethical weakness of our current form of globalization *qua* homogenization. Redesigning businesses will require redesigning the incentives to have certain business structures rather than others (i.e., systems that mandate attending to stakeholders rather than only shareholders). Disruptive regulations like carbon taxes can parsimoniously engineer the business sector to favor more locally sourced materials and biomimicry in design. As long as it is cheap to pollute, businesses will take the shortcuts. Only when we make the shortcut favor ecological and socially just outcomes will we truly have businesses that once again serve common needs without undermining the health of the commons.

Endnotes

1. Martin Jänicke, *Preventive Environmental Policy as Ecological Modernisation and Structural Policy* (Berlin: IIUG Berlin, 1985); Maarten Hajer, *The Politics of Environmental Discourse: Ecological Modernization and the Policy Process* (New York: Oxford University Press, 1997); Ingolfur Blühdorn, *Post-Ecological Politics: Social Theory and the Abdication of the Ecologist Paradigm* (New York: London, 2000).

2. Gregory Okin, "Environmental Impact of Food Consumption by Dogs and Cats," ***PLOS ONE*** (August 2017), journals.plos.org/plosone/article?id=10.1371/journal.pone.0181301.

About the Author



Yogi Hendlin is on the core faculty of the Dynamics of Inclusive Prosperity Initiative at Erasmus University Rotterdam, where he conducts research at the intersection of public health and environmental political philosophy. He is also a research associate at the Environmental Health Initiative at University of California, San Francisco (UCSF), where he analyzes how the chemical and fossil fuel industries marketed their products despite known environmental risks. He was previously a Postdoctoral Research Fellow in the Department of Medicine and Center for Tobacco Control Research and Education at UCSF, working on public health policy, corporate malfeasance, and conflicts of interest. He holds a PhD in environmental philosophy from the University of Kiel.

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