

## **Feasta Response to the Consultation Call on the White Paper of the Irish Department of Enterprise, Trade and Employment**

July 29 2022

### **1. The need to measure economic success differently**

The 2021 Dasgupta Review of the Economics of Biodiversity<sup>1</sup> points out that ‘our economies, livelihoods and well-being all depend on our most precious asset: Nature’ and that in order to engage with nature sustainably, ‘we need to change how we think, act and measure success.’ The European Environmental Agency also concluded in 2021 that ‘it is unlikely that a long-lasting, absolute decoupling of economic growth from environmental pressures and impacts can be achieved at the global scale; therefore, societies need to rethink what is meant by growth and progress’<sup>2</sup>.

On the macroeconomic level, the evidence is clear that - to borrow ecological economist Kate Raworth’s phrase - we need to take a ‘growth-agnostic’ stance<sup>3</sup>, implementing policies which will enable businesses and the wider economy to thrive regardless of whether GDP is expanding in the aggregate<sup>4</sup>.

With regard to enterprise, a reorientation away from continual expansion of production as a core objective<sup>5</sup> can raise concerns about possible negative impacts on investment, employment and the ability to repay debts. Two types of measure, categorised below as ‘internal’ and ‘external’, can help to address these concerns and to enable businesses to adapt nimbly and thrive in a ‘post-growth’, wellbeing-oriented economy.

#### **1. Internal measures: redefining or clarifying business purpose and ownership**

At present, there is still a pervasive assumption that most businesses must be seen to be able (and likely) to continuously expand their production in order to attract external investment. It is one of the reasons why many businesses currently have a mandate - sometimes explicit, but more often implicit - to seek to maximise their profits<sup>6</sup>. But this assumption is erroneous. If it were truly the case that savers or other investors universally seek the highest possible rate of return on their investments, there would not be such a high level of interest in ESG funds<sup>7</sup>.

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<https://www.gov.uk/government/publications/final-report-the-economics-of-biodiversity-the-dasgupta-review> p1

<sup>2</sup> <https://www.eea.europa.eu/publications/growth-without-economic-growth>

<sup>3</sup> *Doughnut Economics*, Kate Raworth, Penguin, 2017

<sup>4</sup> Economist Herman Daly makes the analogy of an aeroplane compared to a helicopter: <https://nyti.ms/3yPEsMR> An aeroplane - like a growth-dependent economy - needs to constantly move forward in order to be able to stay in the air, whereas a helicopter - like a growth-agnostic or growth-neutral economy - is able to stay in the air while hovering in the same place (or indeed, going backwards).

<sup>5</sup> New businesses obviously need to expand to some extent initially, in order to become viable. The argument here refers to mature businesses.

<sup>6</sup>The word ‘profit’ has a range of meanings, some vaguer than others. I am using a common definition of ‘profit’ here: the amount left after subtracting total expenses from total revenue.

<sup>7</sup> See for example <https://globescan.com/2021/12/14/retail-investors-show-strong-and-growing-interest-in-esg/> and <https://www.cnbc.com/2021/05/21/millennials-spurred-growth-in-esg-investing-now-all-ages-are-on-board.html> ESG funds have been criticised for not being as environmentally and socially beneficial as they sometimes claim: <https://www.theguardian.com/commentisfree/2022/jul/26/failure-green-capitalism> However, many investors see them as a way to hedge against risk.

Empirical evidence also indicates that social enterprises and so-called ‘purpose-led businesses’, whose objectives are explicitly oriented towards meeting the needs of a varied group of stakeholders rather than towards maximising profits to their owners, show greater resilience than other businesses when exposed to economic shocks<sup>8</sup>.

In order to ensure that a purpose-led business orientation can be sustained through unavoidable future changes in the business’s governance (following, for example, the retirement or death of its founder), attention needs to be paid to business ownership. Evidence suggests that a degree of employee ownership is an effective way to forestall any risk of ‘mission drift’<sup>9</sup>.

**We recommend that the White Paper acknowledge the vital roles of social enterprises, purpose-led business and employee ownership in a flourishing and resilient economy, and develops a programme for supporting them in partnership with the Department of Rural and Community Development<sup>10</sup>.**

While such ‘internal’ business measures are useful - and indeed, in many cases vital - they need the support of other policy measures which are described below.

## **2. External measures:**

### *2.1 Environmental*

Road systems use traffic lights and roundabouts to manage the flow of traffic, so as to help ensure that the road space can be shared safely. Similarly, the economy needs clear, consistent and properly-enforced environmental regulations in order to ensure that each business can get to where it needs to go without being subjected to unnecessary dangers or blocks.

Strong state, EU-level and global environmental regulations are the only reliable way to eliminate the risk of purpose-led businesses and social enterprises being ‘cut off the road’ by less scrupulous competitors.

Wherever possible, such regulations need to be applied upstream in supply chains - at the wellhead or mine - as this makes them far easier to enforce. Given the climate and biodiversity emergencies that we are facing, they need to include hard caps and phase-outs of the supply of dangerous materials, including fossil fuels<sup>11</sup>. Other vital parts of the regulatory mix include measures that promote the circular economy such as the elimination of planned obsolescence<sup>12</sup>, and the rigorous enforcement of biodiversity protection laws.

### *2.2 Social*

Environmental regulations need to be complemented by broader social policy measures, including the following:

- (a) Tailored and extensive support for not-for-profit banking, e.g. mutual and public banking. This type of banking - in common with other forms of social enterprise - has been proven to be resilient to economic shocks<sup>13</sup>.

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<sup>8</sup> <https://shoremount.kayako.com/article/194-what-evidence-is-there-that-b-corps-outperform> <https://poole.ncsu.edu/news/2020/06/01/need-to-know-in-an-economy-ravaged-by-covid-19-b-corps-open-a-door-for-change/> <https://www.civilsociety.co.uk/news/social-enterprises-more-resilient-than-small-business-last-year-report-says.html>

<sup>9</sup> <https://www.fiftybyfifty.org/2020/01/ownership-design-for-a-sustainable-economy/>

<sup>10</sup> This has been done in Scotland with regard to purpose-led business: <https://www.scdi.org.uk/policy/commission-calls-for-purpose-led-recovery-and-growth/>

<sup>11</sup> <https://priceofoil.org/2020/05/20/deep-dive-5-reasons-governments-must-act-now-phase-out-oil-gas-production/>

<sup>12</sup> <https://academic.oup.com/ojs/article/41/3/719/6130120>

<sup>13</sup> <https://www.fitchratings.com/research/banks/fitch-affirms-sparkassen-finanzgruppe-at-a-outlook-stable-15-06-2022>

- (b) Community Wealth Building programmes which keep money circulating within local economies, nurturing a diverse range of SMEs, supporting employment<sup>14</sup> and helping to shorten vulnerable supply chains.
- (c) Changes in taxation policy to ease the financial strain of hiring employees or paying self-employment tax, by shifting as much as possible of the tax burden to ‘commons-based taxation’<sup>15</sup>, such as land value taxes<sup>16</sup> and taxes on financial speculation.
- (d) Work to substantially improve the negotiating process on international taxation so as to better include Global South perspectives<sup>17</sup>
- (e) Systemic interventions on debt at the Eurozone level to help to stabilise the value of over-commodified assets, including housing<sup>18</sup>.
- (f) An expansion of derelict housing restoration and retrofitting programmes in rural areas of Ireland to provide affordable and social housing. (The current housing shortage is a significant drain on the Irish economy<sup>19</sup>, and therefore also on Irish enterprise.)
- (g) More generally, a strong focus on improving the balance between the urban and rural economies.
- (h) The introduction of a Universal Basic Income for all adult residents of Ireland, along with a strengthened ‘social wage’, including improved social services. Both of these would encourage innovation<sup>20</sup>.

**We recommend that the White Paper explicitly recognises the importance of stronger ‘upstream’ environmental regulation, social supports and taxation reform, and that it specifies how the Department plans to directly support not-for-profit banking and Community Wealth Building programmes.**

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<sup>14</sup> <https://democracycollaborative.org/>. <https://cles.org.uk/community-wealth-building/what-is-community-wealth-building/> The city of Preston in the UK saw a halving of its unemployment rate after several years of a CWB programme: [https://democracycollaborative.org/sites/default/files/2021-11/Community-Wealth-Building-Hanna-Kelly\\_Final.pdf](https://democracycollaborative.org/sites/default/files/2021-11/Community-Wealth-Building-Hanna-Kelly_Final.pdf) See also economist Mariana Mazzucato’s recommendations on the Entrepreneurial State: <https://www.econstor.eu/bitstream/10419/109993/1/815376626.pdf>

<sup>15</sup> <https://www.feasta.org/category/commons-based-taxation/>

<sup>16</sup> <https://www.oecd.org/economy/surveys/Ireland-2018-OECD-economic-survey-overview.pdf>

<sup>17</sup> Ireland’s corporate tax rate, which is still relatively low, exacerbates the financial problems of Global South countries, making it harder for them to overcome poverty and green their economies: <https://www.oxfam.org/en/press-releases/oecd-tax-deal-mockery-fairness-oxfam>

<sup>18</sup> See for example <https://braveneweuropa.com/steve-keen-reducing-debt-via-a-modern-debt-jubilee>

<sup>19</sup> <https://www.irishtimes.com/opinion/david-mcwilliams-state-has-completely-lost-control-of-the-housing-market-1.4858550>

<sup>20</sup> <https://www.tandfonline.com/doi/full/10.1080/14494035.2019.1641380> <https://basicincome.ie/entrepreneurs/>

***Feasta (the Foundation for the Economics of Sustainability)*** is an ecological economics think tank, based in Ireland and with international membership. 'Feasta' is the Irish word for 'in the future'. Our aims are to identify the characteristics (economic, cultural and environmental) of a truly sustainable society, articulate how the necessary transition can be effected and promote the implementation of the measures required for this purpose.

*Feasta is a member of the Irish Environmental Network, the Environmental Pillar, Stop Climate Chaos, the European Environmental Bureau and the global Wellbeing Economy Alliance, and a partner of the International Movement for Monetary Reform.*

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