This is the published version (version of record) of:


Available from Deakin Research Online: http://hdl.handle.net/10536/DRO/DU:30029886

Reproduced with the kind permission of the copyright owner.

Copyright: 2010, Business & Economics Society International
Regulatory Challenges in the Move to a Low-carbon Economy

Victoria Wise & Vijaya Thyil
Deakin Business School, Australia

An outcome of the Climate Conference in Copenhagen (2009) was that a number of governments have undertaken to reduce their nations' carbon emissions and some have provided targets and deadlines for the achievement of their stated goals. While the transition to a low-carbon environment has the potential to stimulate growth, create jobs and opportunities and to bring benefits to the economy, there are many challenges in the process. This is an exploratory paper aimed at identifying the regulatory and governance issues associated with the move to a low-carbon economy. In terms of business governance, CEOs and other executives responsible for corporate oversight will need to monitor, assess, and manage compliance with carbon-related regulation. Government regulation encouraging appropriate carbon costs classification and measurement, financial and sustainability reporting and disclosure, and responsible carbon citizenship are expected to be predominant.

Broadening Capital Acquisition with the Earnings of Capital: A Market Means to Economic Recovery and Sustainable Growth

Robert Ashford
Syracuse University Law School, USA

This paper considers the relationship between inequality and growth with a special focus on the distribution of the practical opportunities for people to acquire capital with the earnings of capital. It advances the principle of "binary growth" which holds that the more broadly capital is acquired with the earnings of capital, the greater will be the market incentives to profitably employ existing capacity and invest in more capacity.

Although in theory, all people in a market economy are able to acquire capital with the earnings of capital, reliable empirical data reveal that the major determinant of the ability of individuals to acquire capital with the earnings of capital is the existing distribution of capital ownership. Consequently, the practical market opportunities of people to acquire capital with the earnings of capital (and the distribution of capital earnings) are highly unequal.

The principle of binary growth holds that the market return on capital may be understood to depend not only on the wage rate, the scarcity of capital, its marginal productivity, and the interest rate, but also significantly on the distribution of capital acquisition with the earnings of capital. Broader distribution of capital acquisition with the earnings of capital carries with it the prospect of more broadly distributed earning capacity in future years which provides incentives to employ more capital and labor in earlier years. The principle of binary growth is not found in any of the widely accepted theories and models of economic growth such as those proposed by Schumpeter, Solow, Roemer, and Lucas.

Recessions can be fairly characterized as substantial decreases in profitable production for an extended time resulting from rational responses of market participants to the prospect of inadequate present and future earning capacity of both consumers and producers (1) to purchase what can physically be produced usually at lower unit costs and (2) to repay existent and anticipated debt obligations.

According to the principle of binary growth, a fundamental, transcendent cause of recessions and economic downturns in business cycles is an easily correctable defect in capitalist market structure that tends to concentrate rather than broaden the distribution of capital acquisition with the earnings of capital which therefore tends to concentrate and reduce rather than broaden and increase capital earning capacity.

To increase the prospects of sufficient earning capacity for sustainable growth, the paper advances a proposal that would extend to all people practical, competitive access to the same protections, benefits, and institutions presently provided and supported by government that facilitate capital acquisition with the earnings of capital primarily for major corporations and for people in proportion to their wealth. By opening to all Government to stimulate the economy, the practical ability to acquire capital with the earnings of capital can be extended to all people, capital earnings will become increasingly more broadly distributed, market incentives for profitably employing more capital and labor will be strengthened, and the market foundation will for sustainable growth based on greater equality will be established.