

Sustainability thoughts 122: How are red market paradigm shift knowledge gaps created from the pure capitalism angle? In which ways can they lead to the mishandling of the expected paradigm shift from pure capitalism to socially friendly capitalism?

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Abstract

Perfect markets have a knowledge base that supports their model structure, their choice structure, and their price structure. In the case of red socialism markets, a one dominant component based market, the knowledge base is red socialism a la Karl Marx or pure red socialism. In the case of the traditional market, another one dominant component market, the knowledge base is micro-economics and macro-economic thinking or pure capitalism thinking. And in the case of socially friendly capitalism or red market, a two dominant component based market, the knowledge base is red micro-economic and red macro-economic thinking. We know that one dominant component based markets are linking to a related two component based market by sustainability gaps. For example, the red socialism market is linked to red markets by an economic sustainability gap; and traditional markets are linked to the red market by a social sustainability gap. And when sustainability gaps are closed, then paradigms shift from one dominant component market such as the traditional market to a two dominant component market such as a red market creating paradigm shift knowledge gaps in the process, in this case traditional market led red market paradigm shift knowledge gaps, which can affect the proper handling of the expected paradigm shift such as the shift from pure capitalism to socially friendly capitalism or red markets under social sustainability pressures. And this raises the questions, how are red market paradigm shift knowledge gaps created from the pure capitalism angle? In which ways can they lead to the mishandling of the expected paradigm shift from pure capitalism to socially friendly capitalism? Among the goals of this paper are to provide answers to those questions, analytically and graphically.

Key words

Sustainability, red socialism market, traditional market, red market, paradigm shift, sustainability gap, economic sustainability gap, social sustainability gap, knowledge gap, Adam Smith, Karl Marx, paradigm flip, social externality management

Introduction

a) The structure of perfect markets

Perfect markets have a knowledge base that supports their model structure, their choice structure, and their price structure as indicated recently(Muñoz 2020) as summarized in Figure 1 below.

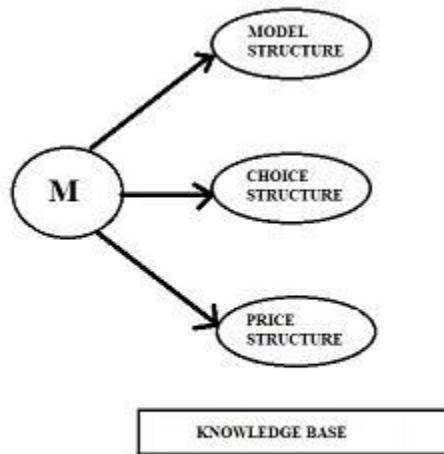


Figure 1 The structure of perfect markets(M)

Figure 1 above let us see that there is a knowledge base in perfect markets(M) that supports the model structure, the choice structure. and the price structure of that market paradigm. Different perfect markets have a different knowledge base supporting them. For example, if M were the red socialism market then its knowledge base would be Karl Marx's red socialism or society first model(Marx and Engels 1848), the knowledge base that supports the structure of the perfect red socialism market, its independent choice structure and its social cost based pricing mechanism. Hence, the knowledge base of one market does not work supporting the working of a different market as for example Karl Marx's red socialism knowledge base is inconsistent with perfect red market structures(Muñoz 2016) and perfect red market competition(Muñoz 2019a).

b) The structure of the perfect traditional market

In the case of the traditional market(TM), a one dominant component based market, where the economy(B) is the only component in dominant form, the knowledge base is micro-economics and macro-economics, and this knowledge base is summarized in Figure 2 below.

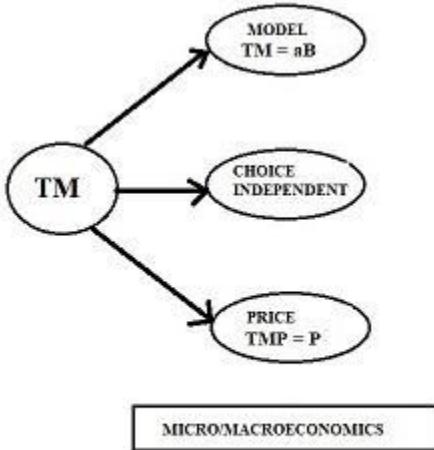


Figure 2 The structure of the perfect traditional market(TM)

Figure 2 above tells as the following about the traditional market(TM) knowledge base: i) it has a model structure where the economy is the only dominant component($TM = aB$) as society is a passive component(a); ii) it has an economy led independent choice structure; and iii) it has market pricing mechanism set at economic cost plus profits($TMP = P = ECM + i$). Notice that the core value of the traditional market(TM) as stressed recently(Muñoz 2015; Muñoz 2017) is economic responsibility(B) so the traditional market knowledge base exists to support this core value; and this is because Adam Smith's world is an economy first model.

c) The structure of perfect socially friendly traditional markets or red markets

In the case of the perfect socially friendly traditional market or red market(RM), a two dominant component based market as both the society(A) and the economy(B) are both in dominant form, the knowledge base is red micro-economic and red macro-economic thinking, as indicated in Figure 3 below:

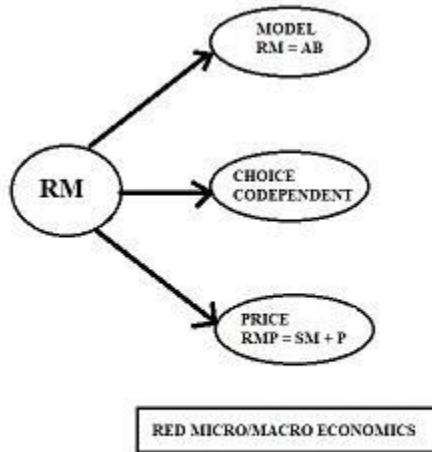


Figure 3 The structure of the perfect red market(RM)

Figure 3 above lets us see the following about the socially friendly traditional market or red market(RM) knowledge base: i) it has a model structure where both society(A) and the economy(B) are in dominant form at the same time($RM = AB$); ii) it has a society and economy led codependent choice structure; and iii) it has market pricing mechanism that accounts for both social cost(SM) and economic costs(P) of production at the same time. Notice that the core value of socially friendly capitalism or red markets(RM) as recently highlighted(Muñoz 2016) is socio-economic responsibility(AB) so the red micro-economics and red macro-economics knowledge base exists to support this codependent core value. Red micro-economics from the capitalism angle means the theory of the socially friendly firms and of socially friendly consumers or firms and consumers that are socially friendly; and red macro-economics means the theory of the socially friendly macro-economy. And therefore, from the pure capitalism angle, a red market is a socially friendly traditional market as it transforms pure capitalism into socially friendly capitalism.

d) Linking the perfect traditional market(TM) with the red market(RM)

We know that one dominant component based markets are linked to a related two component based market by sustainability gaps. For example, red socialism markets($KM = Ab$) are linked to the red market($RM = AB$) by an economic sustainability gap(ECSG); and the traditional market($TM = aB$) is linked to red markets($RM = AB$) by a social sustainability gap(SSG), a situation that can be highlighted analytically by contrasting the structure of the traditional market(TM) and the structure of the red market(RM) as follows:

$$1) TM \cdot RM = (aB)(AB) = (aA)(BB) = (aA)B = (SSG)B, \text{ where } SSG = aA$$

Expression 1) above simply tells us that there is a social sustainability gap(SSG) separating the traditional market(TM) from the red market(RM), a situation that can be stated graphically as in Figure 4 below:

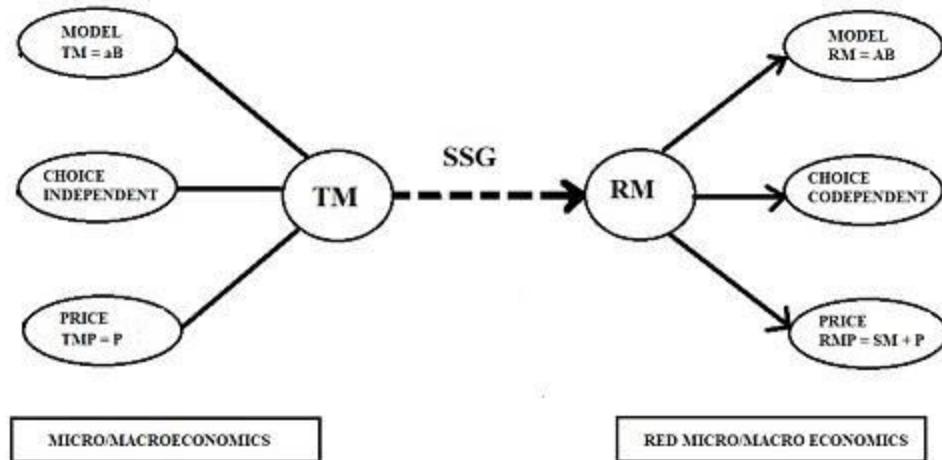


Figure 4 Linking the traditional market(TM) with the red market(RM)

Figure 4 above clearly shows the social sustainability gap(SSG) separating the traditional market(TM) from the socially friendly traditional market or red market(RM). Notice in Figure 4 above that the knowledge base in both markets is different, and as indicated above the knowledge base in one market does not work in the other market as they have different core values. For example the knowledge base supporting the traditional market of Adam Smith(TM), micro-economics and macro-economics in Figure 4 above does not work in red markets(RM); and the red micro-economics and red macroeconomics knowledge base supporting red markets(RM) do not work in traditional markets(TM).

e) The need to understand the link between traditional market led red market paradigm shift knowledge gaps and the mishandling of an expected paradigm shift from pure capitalism markets to socially friendly capitalism markets or red markets

Consistent with Figure 4 above and with paradigm death and shift expectations(Muñoz 2019b) when social sustainability gaps(SSG) are closed, then traditional market paradigms are expected to shift from an economy only dominant component market to a society and economy dominant component market or red market(RM = AB) as now both components are relevant, creating pure capitalism led red market paradigm shift knowledge gaps in the process. Under social sustainability gap(SSG) pressures pure capitalism is expected to shift towards socially friendly capitalism to keep its core value of economic responsibility intact, and it is not expected to flip to its competing paradigm of red socialism as it not going to or it is not prepared to trade economic responsibility for social responsibility as red socialist countries did in 1991 when the soviet bloc fell since the traditional market knowledge base can clearly be used to manage the social sustainability gap maintaining the core value of economic responsibility intact. And this raises the questions, how are red market paradigm shift knowledge gaps created from the pure capitalism angle? In which ways can they lead to the mishandling of the expected paradigm shift from pure capitalism to socially friendly capitalism? How the social externality management market structure that comes from patching the social sustainability gap affecting the traditional

market looks like? Among the goals of this paper are to provide answers to those questions, analytically and graphically.

Goals of this paper

i) To show how when the social sustainability gap is closed the traditional market paradigm shifts towards red markets creating in the process pure capitalism led red market paradigm shift knowledge gaps; ii) To highlight the different ways in which pure capitalism led red market knowledge gaps can lead decision makers to mishandle the expected paradigm shift from pure capitalism to socially friendly capitalism; iii) To stress how the nature of the pure capitalism led red market knowledge gap can be linked to the expected actions taken by decision makers to address paradigm shift pressures; and iv) to point out the structure of the patching of the traditional market or pure capitalism market using social externality management markets, both analytically and graphically

Methodology

i) The terminology and operational concepts and rules supporting the ideas in this paper are introduced; ii) The way pure capitalism led red market paradigm shift knowledge gaps are created when social sustainability gaps are closed and the pure capitalism paradigm shifts towards socially friendly capitalism or red markets is highlighted both analytically and graphically; iii) The three types of problems associated with the creation of pure capitalism led red market paradigm shift knowledge gaps and how they affect the handling of the expected paradigm shift from pure capitalism markets to red markets are stressed both analytically and graphically; iv) The nature of the pure capitalism led red market paradigm shift knowledge gaps and the expected actions of decision makers are linked and relevant implications are stressed both analytically and graphically; v) The structure of the patching of the traditional market or pure capitalism market using social externality management markets is stressed both analytically and graphically; and vi) Some food for thoughts and conclusions are shared.

Terminology

A = Active social system

a = Passive social system

B = Active economic system

b = Passive economic system

C = Active environmental system

c = Passive environmental system

S = Sustainability

SG = Sustainability gap

SSG = Social sustainability gap

ECSG= Economic sustainability gap

KM = Red socialism market

KMP = Red socialism market price

RM = Red market

RMP = Red market price

TM = Traditional market

TMP = Traditional market price

Operational concepts and paradigm merging and shift rules and expectations

i) Operational concepts

- 1) Red socialism market, *the society only market.***
- 2) Red socialism market price, *the price that reflects only the social cost of production.***
- 3) The traditional market, *the economy only market.***
- 4) The traditional market price, *the general market economic only price or the price that covers the cost of production at profit*($TMP = ECM + i = P$) *or zero profit*($TMP = ECM = P$).**
- 5) The environmental market, *the environment only market.***
- 6) The environmental market price, *the price that reflects only the environmental cost of production.***
- 7) The socio-environmental market, *the society and environment only market.***
- 8) The socio-environmental market price, *the price that reflects the social and environmental costs of production.***
- 9) The red market, *the society and economy only market.***
- 10) The red market price, *the price that reflects the social and economic costs of production.***
- 11) The green market, *the economy and environment only market.***
- 12) The green market price, *the price that reflects both the economic and the environmental cost of production or the price that covers the cost of environmentally friendly production.***
- 13) The sustainability market, *the society, economy and environment market.***

14) The sustainability market price, the price that reflects the social, economic, and environmental costs of production.

15) The economic margin, to cover the economic cost of production.

16) The environmental margin, to cover the extra cost of making business environmentally friendly.

17) The social margin, to cover the extra cost of making business socially friendly.

18) Full costing, all costs are reflected in the pricing mechanism of the market.

19) Partial costing, not all costs are reflected in the pricing mechanism of the market.

20) No costing, all costs are not reflected in the pricing mechanism of the market.

21) Full responsibility, when a market uses full costing.

22) Partial responsibility, when a market uses partial costing.

23) Full irresponsibility, when a market uses no costing.

ii) Paradigm merging and shift rules and expectations

1) Paradigm merging rules(PMR)

If “A” and “B” are dominant characteristics; and “a” and “b” are their dominated or passive counter parts, the following is expected:

a) Merging under dominant-dominant interactions

Under these conditions, dominant or active state prevails as indicated:

$$\begin{array}{ll}
 (AA) \rightarrow A & (BB) \rightarrow B \\
 (AA)(BB) = (AB) & (AB) \rightarrow AB
 \end{array}$$

b) Merging under dominated-dominated interactions

Under these conditions, the dominated or passive form prevails as shown:

$$\begin{array}{ll}
 (aa) \rightarrow a & (bb) \rightarrow b \\
 (aa)(bb) = (ab) & (ab) \rightarrow ab
 \end{array}$$

c) Merging under dominant-dominated interactions and win-win solutions

Under these conditions, the dominant or active system prevails as the system merge as shown below:

$$\begin{array}{ll}
 (Aa) \rightarrow A & (bB) \rightarrow B \\
 (Aa)(bB) = (AB) & (ab) \rightarrow AB
 \end{array}$$

d) Merging under dominant-dominated interactions and no win-win solutions

Under these conditions, the dominated or passive system prevails and the system collapses as shown below:

$$\begin{array}{ll}
 (Aa) \rightarrow a & (bB) \rightarrow b \\
 (Aa)(bB) = (AB) & (ab) \rightarrow ab
 \end{array}$$

2) Paradigm death expectations and shift under sustainability gaps

If we have three systems $X_1 = Ab$ and a system $X_2 = aB$ and $X_3 = AB$, where $a = SSG$ and $b = ECSG$, then the following is true:

a) Expressing models in terms of sustainability gaps

$$X_1 = Ab = A(ECSG) \quad X_2 = aB = (SSG)B, \text{ where } 0 \leq SSG < 1 \text{ and } 0 \leq ECSG < 1$$

$$X_3 = AB = A(SG = 1)B = AB$$

b) Expressing inverse opposite models in conflict

$$X_1 \cdot X_2 = A(ECSG) \cdot (SSG)B$$

c) Paradigm death and shift expectations under no win-win conditions

When $SSG \rightarrow 0$ and/or $ECSG \rightarrow 0$ under no win-win conditions, we have the paradigm death and shift expectation where the paradigms that die take the form of the higher level paradigm, in this case the higher level paradigm is $X_3 = AB$

$$X_1 \cdot X_2 = A(ECSG \rightarrow 0) \cdot (SSG \rightarrow 0)B = \text{the death of paradigm } X_1, X_2, \text{ or both}$$

$$\text{and shift } X_1 \cdot X_2 \rightarrow X_3 = AB$$

d) Paradigm death and shift expectations under win-win conditions

When $SSG \rightarrow 1$ and/or $ECSG \rightarrow 1$ under win-win conditions, we have the paradigm shift and merger shift expectation where the paradigms that die take the form of the higher level paradigm, in this case the higher level paradigm is $X_3 = AB$

$$X_1 \cdot X_2 = A(ECSG \rightarrow 1) \cdot (SSG \rightarrow 1)B = \text{paradigm shift } X_1 \text{ or } X_2 \text{ or merger of } X_1 \text{ and } X_2 \text{ as}$$

$$SSG \rightarrow 1 = A \text{ and } ECSG \rightarrow 1 = B \text{ so that } X_1 \cdot X_2 =$$

$$A(B).(A)B = AB.AB = AB = X_3 = \text{merger}$$

You can find more details about the working of paradigm death and shift expectations and merging rules in the publication *Paradigm Evolution and Sustainability Thinking*(Muñoz 2019b).

The closing of social sustainability gaps and the creation of pure capitalism led red market paradigm shift knowledge gaps

Again as mentioned in the introduction, the closing of the social sustainability gaps(SSG) in Figure 4 above leads to the shift from pure capitalist markets(TM) to red markets(RM) creating in the process pure capitalism led red market paradigm shift knowledge gaps as indicated in Figure 5 below:

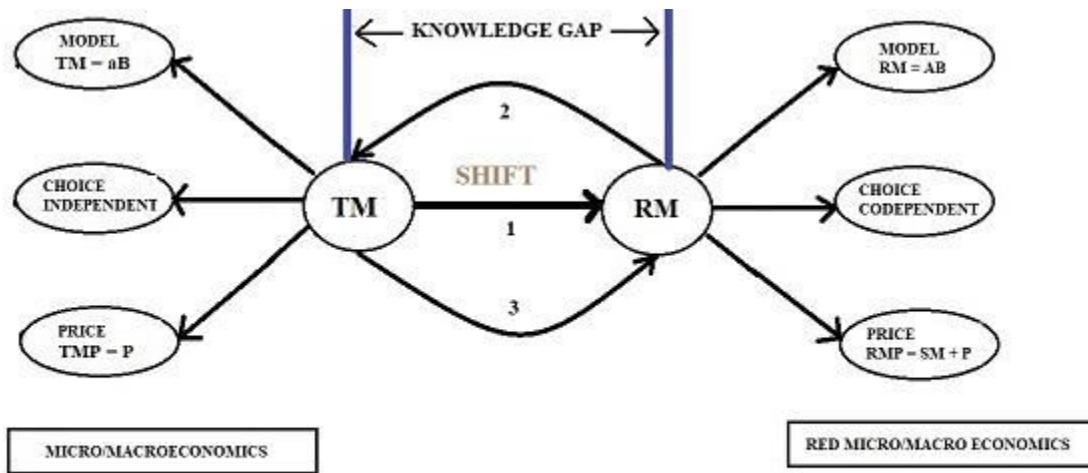


Figure 5 Shifting from perfect traditional market(TM) to perfect red market(RM) leads to the creation of paradigm shift knowledge gaps

The following relevant aspects can be highlighted based on Figure 5 above: i) When we close the social sustainability gap(SSG--→1) in Figure 4 above the traditional market model(TM) shifts to the red market model(RM) as indicated by the black arrow 1 from TM to RM; ii) the model structure, the choice structure and the price structure of the pure capitalism markets or traditional market(TM) all shift at the same time taking the model structure, choice structure and price structure of the red market model(RM) as indicated by the black arrow 3 from TM to RM creating pure capitalism led red market knowledge gaps in the process ; iii) When the shift from traditional markets(TM) to red markets(RM) takes place the original knowledge base of the pure capitalism model(TM), including its model structure, its choice structure, and its price structure are left behind as indicated by the black arrow 2 from RM to TM; and iv) and therefore, to be able to properly implement the paradigm shift from pure capitalism or traditional markets(TM) to red markets or socially friendly capitalism markets or socially friendly

traditional markets(RM) we need to develop a new knowledge base as the previous knowledge base no longer works. In other words, the knowledge base of red markets, red micro-economics and red macroeconomics, does not work in pure capitalism or traditional markets a la Adam Smith; and the knowledge base of traditional markets or pure capitalism, micro/macro-economics, does not work in red markets.

Highlighting the three ways pure capitalism led red market knowledge gaps can lead to the mishandling of the expected paradigm shift from pure capitalism to socially friendly capitalism under social sustainability pressures

There are 3 ways in which pure capitalism led red market knowledge gaps can affect the proper implementation of the expected paradigm shift from traditional markets(TM) to red markets(RM) depicted in Figure 5 above: i) they can make it difficult, even impossible to set up the proper red market structures needed to transition the traditional market or pure capitalism market(TM) to the red market paradigm(RM); ii) they can make it possible to see the dealing with the consequences of the sustainability problem driving the paradigm shift such as the social sustainability gaps(SSG) as a solution to the traditional market's social sustainability problem when it is just a patch; and iii) they can make it possible to flip the core values of the pure capitalism model, economic responsibility for social responsibility, and take the structure of a pure socialist market(KM), the competing market, if the pure capitalism led knowledge gaps were to make it impossible to see the way towards the paradigm shift to red markets, these 3 situations are highlighted in Figure 6 below:

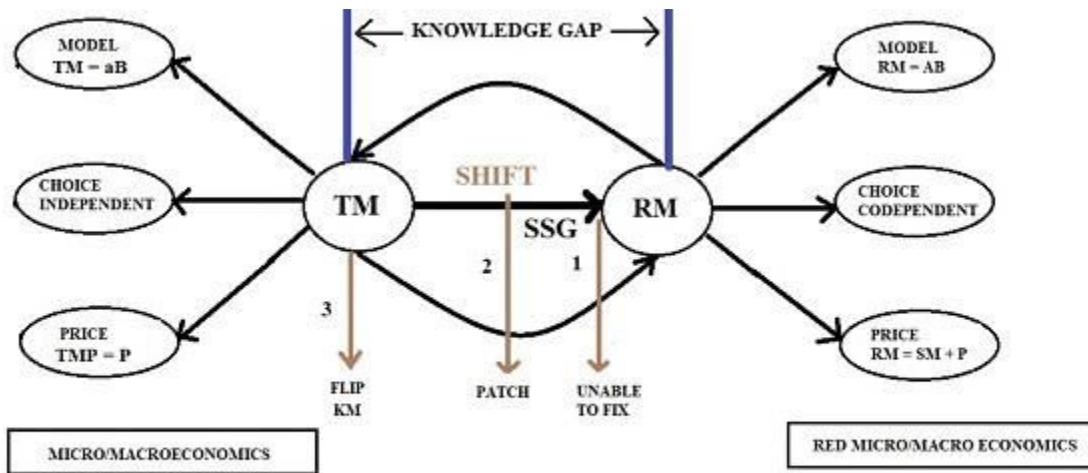


Figure 6 Pointing out three ways in which the knowledge gap can lead to the mishandling of the expected paradigm shift process: unable to fix at point 1, lead to paradigm patching at point 2 or lead to paradigm flip at point 3.

We can use Figure 6 above to point out the three implementations problems that arise when the pure capitalism led red market paradigm shift knowledge gaps are created as detailed below:

a) The red market paradigm implementation problem:

There is a red market paradigm implementation problem at point 1 in Figure 6 above as without having ready the new knowledge base needed in the red market, red microeconomics and red macroeconomics thinking, we are unable to fix the traditional or pure capitalism market(TM) to complete efficiently the paradigm shift from traditional markets(TM) to red markets(RM). Therefore, to properly implement the shift from traditional markets or pure capitalism(TM) to socially friendly traditional markets or socially friendly capitalism markets or red markets(RM) we need to think in terms of red microeconomics and red macro-economics, but that knowledge base does not exist today in capitalist countries, old and new; and therefore, the paradigm shift traditional markets(TM) to red markets(RM) depicted in Figure 6 above could not be completed under full pure capitalism led red market knowledge gaps, that knowledge gap needs to be closed ideally before the paradigm shifts take place or at least closed as fast as possible while the paradigm shift is taking place.

b) The red market paradigm consequence implementation problem:

There is a red market paradigm consequence implementation problem in point 2 in Figure 6 above as without having the new knowledge base ready or without having the red microeconomic and red macroeconomic knowledge base then making dealing with the consequences of the sustainability problem driving the paradigm shift or social externalities a solution becomes attractive if the old knowledge base(micro/macro-economics) can be adapted to implement a social externality management solution to patch the traditional market or pure capitalism markets(TM) to keep its core economic responsibility goals intact while still leaving a remaining social sustainability gap(SSG) active between point 2 and point 1 in Figure 6 above. Notice, that social externality management is not a fix of the social sustainability problem affecting the traditional market and driving the paradigm shift to red markets, but this patch could be used bring about a more smooth transition from pure capitalism to socially friendly capitalism as it can be used to gain the time needed to update or transform micro/macro-economic thinking into red micro/macro-economic thinking so we can properly guide and implement the paradigm shift. If we see the patch as a permanent situation, then the remaining social sustainability gap will be increasingly undermining the social externality management framework needed to support the social externality patch.

c) The red market paradigm flip implementation problem:

There is a red market paradigm flip implementation problem at point 3 in Figure 6 above if the pure capitalism led red market knowledge gap were so severe that decision makers in capitalist countries, old and new, could not see the way forward in the expected paradigm shift from traditional markets or pure capitalism markets(TM) to red markets(RM) or they could not see how to manage social externalities to patch the traditional market; and because of that they flip the model structure of pure capitalism(TM) to that of the competing model structure or pure

socialism or socialist market model structure(KM). Like instead of shifting $TM = aB$ to $RM = AB$, they flip $TM = aB$ to $KM = Ab$. In other words, if the pure capitalism led red market paradigm shift knowledge gaps were so severe that decision makers would be unable to see how the direct shift from pure capitalism(TM) to red markets(RM) could be done as well as they were unable to see how social externalities could be managed to gain time to transition smoothly from an economy only development model to society and economy based development model, then under knowledge gap the only way out the social sustainability pressures that they could see would be to flip capitalism(TM) to socialism(KM), trading economic responsibility for social responsibility, creating an economic sustainability gap problem in the process.

Implications

Social sustainability gaps separate the pure capitalism or traditional market from the red market. The closing of the social sustainability gap shifts the traditional market towards the red market creating pure capitalism led red market paradigm shift knowledge gaps. Decision makers in capitalist countries, old and new, do not have at the moment of paradigm shift the new knowledge base needed to shift to red markets, there is no red micro and red macroeconomic knowledge to properly manage the paradigm shift from traditional markets or pure capitalism to red markets, leading to three type of implementation problems: i) the red market paradigm implementation problem or inability to fix or properly implement the paradigm shift from traditional markets to red markets; ii) the paradigm consequence implementation problem or the idea that patching the traditional market paradigm to deal with the consequence of the sustainability problem the paradigm shift to red markets is trying to fix is the solution; and iii) the red market paradigm flip implementation problem or the idea that being unable to see how to transition from traditional markets to red markets or unable to see how to manage social externalities during the transition because of knowledge gaps decision makers simply decide to flip the model structure of traditional markets under social sustainability pressures to that of a competing or opposite market paradigm, which has a known knowledge base. Therefore, developing the knowledge base of red markets(RM) before the paradigm shift from pure capitalism or traditional markets(TM) to red markets(RM) actually takes place would solve the knowledge gap problems mentioned above as there would have been no knowledge gaps; and this would provide the proper knowledge tools needed in order to have a smooth transition or direct shift from traditional markets or pure capitalism(TM) to socially friendly traditional markets or socially friendly capitalism or red markets(RM).

Linking the nature of the red market knowledge base relevant to addressing the social sustainability gap at hand and the mishandling of expected paradigm shift from pure capitalism to red markets by decision-makers

Knowing the socially friendly capitalism or red market knowledge base would facilitate the fixing of the social sustainability gap in Figure 6 above as the red market paradigm implementation problem at point 1 would disappear since decision-makers would know then how to close that social sustainability gap, and then there would be no need for paradigm patching thinking or for paradigm flip thinking. Therefore, not knowing the knowledge base of the red market needed to address that social sustainability gap creates all the paradigm implementations problems in Figure 6 above. And this has the following implications for decision-makers in capitalist countries, old and new: i) if the knowledge base of the new paradigm, socially friendly capitalism or red market, is not put together before the paradigm shift takes place to guide the shift, we cannot fix the social sustainability gap; and then we cannot shift from pure capitalism to socially friendly capitalism or red market; ii) if the knowledge base of the old paradigm or Adam Smith's traditional market can be used to partially address the social sustainability gap at hand, then the old paradigm or pure capitalism or the traditional market can be patched leaving part of the its social sustainability gap still active; and iii) if the knowledge base of the new paradigm, socially friendly capitalism or red market, is unknown and the way the knowledge base of the old paradigm or Adam Smith's traditional market, can be used to handle partially the social sustainability gap is not clear, then we should expect to see a paradigm flip from pure capitalism to pure socialism or a flip towards a competing paradigm with a known knowledge base.

In other words, if the way the old paradigm knowledge base or Adam Smith's traditional market knowledge base can be used to partially address the social sustainability gap is clear under unknown new paradigm knowledge base, then decision makers will implement pure capitalism or traditional market patches as those indicated at point 2 in Figure 6 above as they do not know how to fully implement the paradigm shift, but understand how to manage social externalities, but when it is unclear how the old knowledge base or Adam Smith's traditional market knowledge base can be used to manage social externalities, they will implement paradigm flips to competing paradigms as that in point 3 in Figure 6 above, a flip from pure capitalism(economy first model) to pure socialism(society first model). Due to those knowledge gaps hampering the closing of the social sustainability gap affecting traditional markets or pure capitalism decision makers can not complete the paradigm shift from pure capitalism to red markets, but since the micro/macro-economic knowledge base of the traditional market can clearly be used to manage the social sustainability gap, they we cannot expect to see paradigm flips, but paradigm patches a la social externality management market(SEMM), a situation summarized in Figure 7 below:

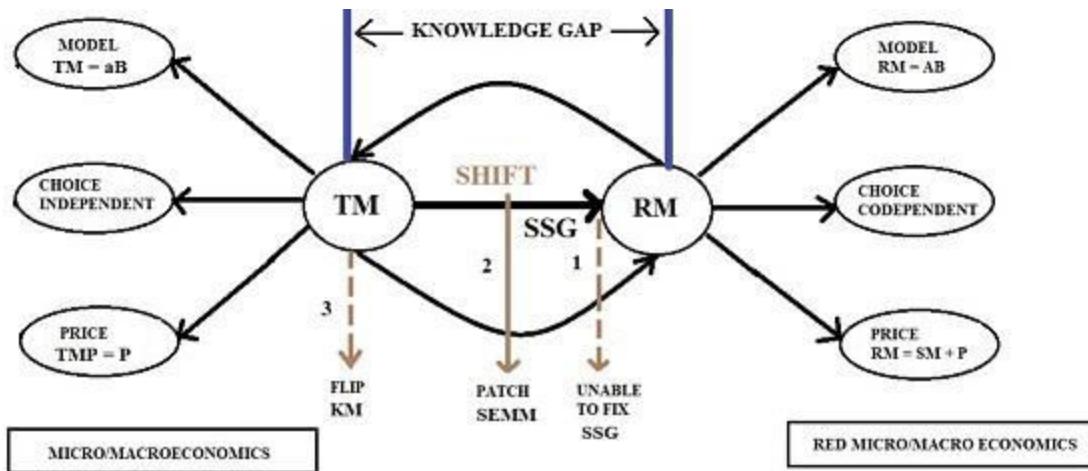


Figure 7 The shift from the perfect traditional market(TM) to the perfect red market(RM) can not be completed under knowledge gaps so the social sustainability gap problem(SSG) can not be fixed, and since the traditional market(TM) will never flip to red socialism markets(KM), then the only way out is patch the traditional market through social externality management (SEMM)

The following aspects can be highlighted based on Figure 7 above: i) Decision makers are unable to fix the social sustainability gap(SSG) affecting the traditional market(TM) because of the red market paradigm shift knowledge gap as indicated by the broken arrow at point 1; ii) decision makers can use the micro/macro-economic knowledge base to manage the social sustainability gap and keep that way the core value of economic responsibility intact so paradigm flips to opposing paradigms like red socialism(KM) cannot take place as indicated by the broken arrow 3; and iii) therefore, under red market paradigm shift knowledge gaps patching the traditional market or pure capitalism through the use of social externality management markets(SEMM) may be seen as the way to go as indicated by the continuous arrow 2, but this action is not a fix, it is a patch as it still leaves a remaining social sustainability gap(SSG) active, the portion from point 2 to point 1.

The patching of the perfect traditional market through social externality management markets

As indicated above and in the introduction, unable to shift to red markets(RM) due to the red market paradigm shift knowledge gap or unwilling to flip to red socialism markets(KM) as the micro/macro-economics knowledge base can be used to manage properly the social externality gap to keep economic responsibility intact, decision makers in pure capitalism countries move then to patch the traditional market or pure capitalism using social externality management markets(SEMM) as indicated in Figure 8 below:

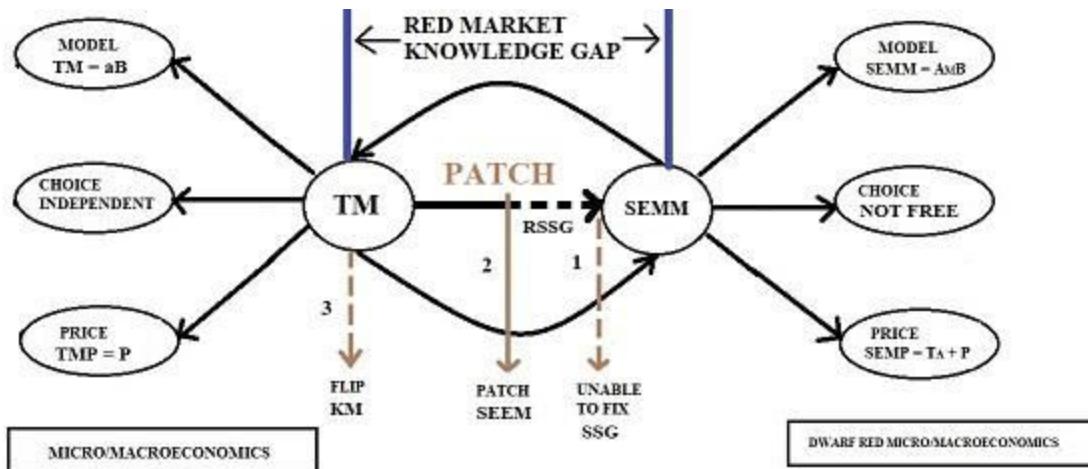


Figure 8 The patching of the traditional market(TM) through social externality management based markets(SEMM) leaves a remaining social sustainability gap(RSSG) still active affecting the sustainability of the social externality management market(SEMM)

We can see based on Figure 8 above that under red market knowledge gaps paradigm patching at point 2 is the only viable option left to decision makers to keep the core value of economic responsibility as fully fixing the social sustainability gap(SSG) as at point 1 is not possible and paradigm flipping as at point 3 is not attractive. Notice that the implications of the patching of the traditional market(TM) in Figure 8 above are the following: i) when patching the traditional market(TM) its model structure, its choice structure, its price structure and its knowledge base are patched at the same time taking the structure of the social externality management market(SEMM) as indicated by the continuous black arrow going from TM to SEMM; ii) when patching the traditional market(TM), we leave Adam Smith's traditional market world behind as indicated by the continuous black arrow going from SEMM to TM; and iii) when patching the traditional market(TM) we leave a remaining social sustainability gap(RSSG) still active between point 2 and point 1.

We can clearly see the differences in the structure of the traditional market(TM) and the patched traditional market or SEMM in Figure 8 above: i) they have different model structure, $TM = aB$ vrs $SEMM = A_{MB}$; ii) they have different choice structure, the traditional market(TM) has a free, independent choice vrs the social externality management market(SEMM) has a not free, not independent choice; iii) they have different price structure, $TMP = P$ vrs $SEMP = A_T + P$; and iv) they have a different knowledge base, micro/macro-economics vrs dwarf red micro/macro-economics. Notice that social externality management markets(SEMM) can be seen as markets with limited social responsibility that comes from managing social externalities while red markets are markets with full social responsibility that comes from internalizing social externalities. Hence, social externality management markets(SEMM) are not red markets(RM).

Food for thoughts

i) Would socially friendly capitalism win a cold war against red socialism? I think yes, what do you think?; ii) Can the presence of paradigm shift knowledge gaps lead stakeholders to abandon their core values; and substitute them for the core values of competing stakeholders if paradigm patching is not clear? I think yes, what do you think?; and iii) Can paradigm shift knowledge gaps feed the illusion that social externality management markets are sustainability fixes? I think yes, what do you think?

Conclusions

i) It was stressed that when social sustainability gaps are closed the traditional or pure capitalism market shifts towards the red market creating pure capitalism led red market paradigm shift knowledge gaps in the process; ii) It was indicated that these red market paradigm shift knowledge gaps can lead to paradigm shift mishandling as they create three types of problems for decision makers, a paradigm implementation problem, a paradigm consequence implementation problem, and a paradigm flip problem, as the knowledge base of the new paradigm is either unknown or incomplete, the red economics and red macro-economic knowledge base does not exist today; iii) it was highlighted that under red market knowledge gaps the paradigm shift from traditional markets to red markets cannot be completed and that as social externality management is possible using the traditional market knowledge base, then paradigm flipping to pure capitalism to red socialism is not possible; iv) it was indicated that when paradigm fixing and paradigm flipping is not possible, then paradigm patching will take place to manage the social sustainability gap through social externality management markets; v) it was pointed out that when the pure capitalism market or traditional market is patched using social externality management markets, we leave a remaining portion of the social sustainability gap still active and affecting the sustainability of the social externality management market; and vi) it was stressed that developing the knowledge base of the new paradigm before the paradigm shift actually takes place would solve the paradigm shift knowledge gap problems and would provide the tools needed for a smooth transition from the old paradigm, pure capitalism, to the new paradigm, socially friendly capitalism.

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