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**Short Elucidating Note 118: How can the dwarf red market paradigm-traditional market paradigm based sustainability framework be stated and use to show that patching external market failures shifts the responsibility for market failure from dwarf red market paradigm producers/dwarf red market paradigm consumers to governments placing governments in direct conflict of interest with their role as market overseers if things go from bad to worse?**

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## Abstract

There is a social pollution production problem separating traditional market paradigms from red market paradigms. In other words, there is an external social market failure between red market paradigms and traditional market paradigms, which needs to be fixed. It is the role of governments to address market failures when free markets run into them to make sure economies run efficiently as the government role is to act as market promoter, as a market monitor, as a market regulator, and as market policy enforcer under no conflict of interest since the responsibility of proper market functioning and of market failures falls on red market paradigm producers and red market paradigm consumers, and on traditional market paradigm producers and traditional market paradigm consumers, respectively. Hence if the government fully fixes the external social market failure by fully shifting traditional market paradigms to red market paradigm the responsibility for market failure passes from traditional market paradigm producers and consumers to red market paradigm producers and consumers; and the government then would intervene only if there are internal red market paradigm failures. However, if the government chooses, knowingly or due to red market paradigm shift knowledge gaps or due to simply by relying on the external social market failure externality neutrality assumption to ignore

a real external social market failure to implement dwarf red market paradigms to manage the consequences of the external social market failure, then the responsibility for dwarf red market paradigm failure as things go from bad to worse falls now on governments, not on dwarf red market paradigm producers and dwarf red market paradigm consumers. And this makes the following questions relevant: How can the dwarf red market paradigm-traditional market paradigm based sustainability framework be stated and use to show that patching external market failures shifts the responsibility for market failure from dwarf red market paradigm producers/dwarf red market paradigm consumers to governments placing governments in direct conflict of interest with their role as market overseers if things go from bad to worse? As markets here are under permanent government interventions, what are the implications of this situation for critical social problem-solving advocacy?

### **Key concepts**

The red market paradigm, dwarf red market paradigm, the traditional market paradigm, internal market failure, external market failures, free markets, markets under permanent government intervention, social pollution production problem, remaining social pollution production problem.

### **Introduction**

#### **1) The social pollution production problem separating free traditional market paradigms from free red market paradigms**

It has been recently indicated (Muñoz 2026 ART316) that there is a social pollution production problem (SPOPP) separating traditional market paradigms (TM) from red market paradigms (RM), which represent the traditional market paradigm sustainability problem (TMPSP), a situation indicated in Figure 1 below:

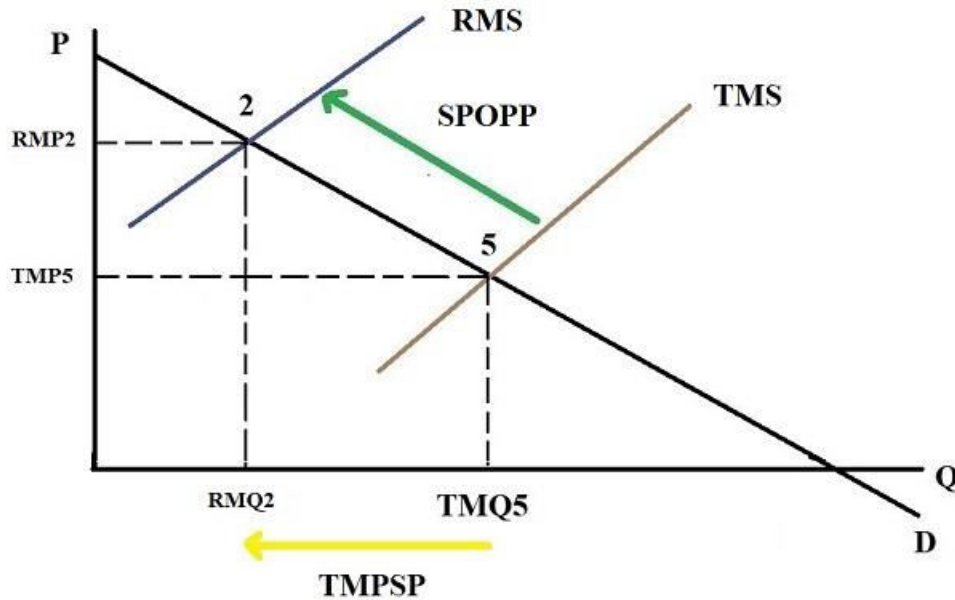


Figure 1 The red market paradigm(RM)-traditional market paradigm(TM) based sustainability framework

Figure 1 above tells us that there is a social pollution production problem (SPOPP) separating traditional market paradigms (TM) from red market paradigms (RM) as indicated by the continuous green arrow from TMS to RMS. In other words, there is an external social market failure between red market paradigms and traditional market paradigms, representing the traditional market paradigm sustainability problem (TMPSP) or social sustainability problem which needs to be fixed.

#### a) The nature of red market paradigms

At point 2 in Figure 1 above we have a red market paradigm (RM), where there is no internal market failure and there is no external market failure, a market cleared at price RMP2 and producing and consuming RMQ2. And this means this type of market does not have a social pollution production problem (SPOPP). Responsibility for internal market failure in red market paradigms (RM) fall on red market paradigm producers and red market paradigm consumers, and in those cases government intervention without conflict of interest to correct social market failures is expected. In other words, at point 2 there is internal and external market efficiency at the same time.

#### b) The nature of traditional market paradigms

At point 5 in Figure 1 above we have a traditional market paradigm (TM), where there is no internal market failure, but there is an external market failure, a market cleared at price TMP5 and producing and consuming TMQ5. And this means this type of market does have a social pollution production problem (SPOPP). Responsibility for internal market failure in traditional market paradigms (TM) fall on traditional market paradigm's producers and traditional market

paradigm's consumers, and in those cases government intervention without conflict of interest to correct market failures is expected.

### **c) The nature of the sustainability problem that needs to be fixed**

There is a social pollution production problem (SPOPP) separating traditional market paradigms (TM) from true red market paradigms (RM) as indicated by the arrow going from TMS to RMS in Figure 1 above, a social problem embedded in the distorted market price structure of traditional market paradigms, which makes it the traditional market paradigm sustainability problem (TMPSP) or social sustainability problem that need to be fixed so traditional market paradigms can be transformed into red market paradigms creating that way fully socially responsible or fully efficient red markets.

### **d) The choices governments have when dealing with real social market failures**

It is the duty of governments to ensure the existence of fully responsible or fully efficient markets; and hence, when there are real market failures they have the duty to intervene and correct those market failures by removing the abnormalities embedded in the traditional market paradigm to ensure that the economies they are overseeing are running fully efficiently or fully responsibly, and therefore, they are responsible for ensuring that markets are running free of abnormalities, and Figure 1 above describes a real social market failure associated with traditional market paradigms that the government needs to fix. However, if the government takes the position that real social market failures do not exist or can be assumed away or can be fully ignored, then the government may feel there is no duty to intervene and while no intervention is taking place to fix market failures the consequences of the real social market failures assumed away continue to pile up especially if the government promotes and support traditional market paradigm expansions under real external social market failure. In other words, when facing real social market failures, the government can fix them or ignore them. If they fix them, they are implementing their duty properly, and if they ignore them, knowingly or due to green market paradigm shift knowledge gaps, they are creating the conditions to not implement their duties properly, and then the consequences of the real social market failure being ignored as it is still active and the social pollution production problem will continue to accumulate making the government a helper in creating social pollution production problems, problems they have the duty to fix, situations described below in more detail. It is important to highlight here that both red market paradigms (RM) at point 2 and traditional market paradigms (TM) at point 5 in Figure 1 above are both free markets, and hence the responsibility for any market failures in their markets falls on red market paradigm's producers and consumers and on traditional market paradigm's producers and consumers, it does not fall on governments, and since the government here has nothing to do with social market failures then when dealing with social market failures it does not have any conflict of interest, and because of that in the face of advocacy for correcting social market failures the government will tend to respect the right to protest legally: Advocacy here should keep in mind that if they legally pressure those without conflict of interest

in free markets, in this case the government, they have a better pressure point on corporations and consumers while giving governments the reasons they need to respect the right to protest against irresponsible social corporate and consumer behavior legally or in extreme cases giving them the reasons they need to make the right to protest against irresponsible social corporate and consumer behavior legally even easier.

## 2) The expected government action under no social market failure neutrality assumptions

If the government takes a real external social market failure as real we should expect it to fix it, a situation highlighted in Figure 2 below:

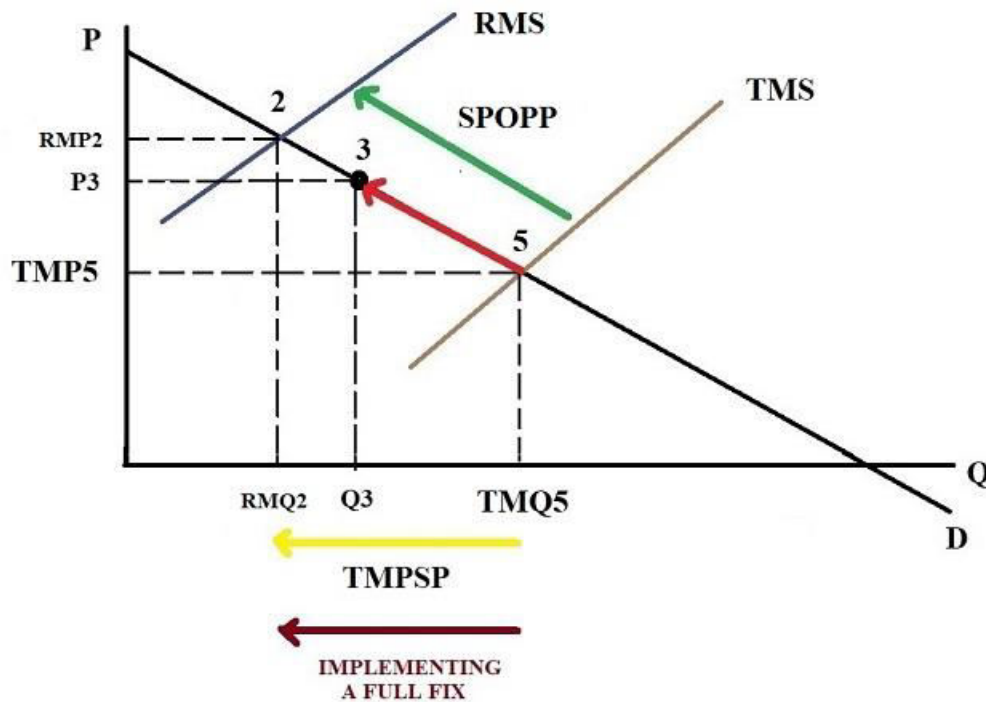


Figure 2 Expected government action under no social market failure neutrality assumptions

Figure 2 above shows that when governments see real external social market failures in traditional market paradigms (TM) they can fix them by closing the traditional market paradigm sustainability problem (TMPSP) or social sustainability problem or the social pollution production problem (SPOPP) associated with it through full critical social problem cost internalization to shift the traditional market paradigm (TM) from point 5 to point 2, transforming it into a red market paradigm (RM) as indicated by the black arrow going from TMQ5 to RMQ2/implementing a full social fix. And this is possible as here the government is acting under no external social market failure neutrality assumptions. In summary, under no external social market failure externality assumptions the government fulfils its duty to fix the social market failure fully and promote fully responsible or fully efficient red market paradigm behavior. The government here would not implement partial solutions such as the one at point 3

in Figure 2 above as it needs to fully correct the real social pollution production problem (SPOPP) when under no social pollution production externality assumptions.

### 3) The expected government action under social market failure neutrality assumptions

If the government has a real external social market failure to fix, but it assumes it away or ignores it this creates a situation where government actions affect the real social pollution production problem(SPOPP) it has assumed away and has a role in promoting socially irresponsible traditional market paradigms expansions, a situation summarized in Figure 3 below:

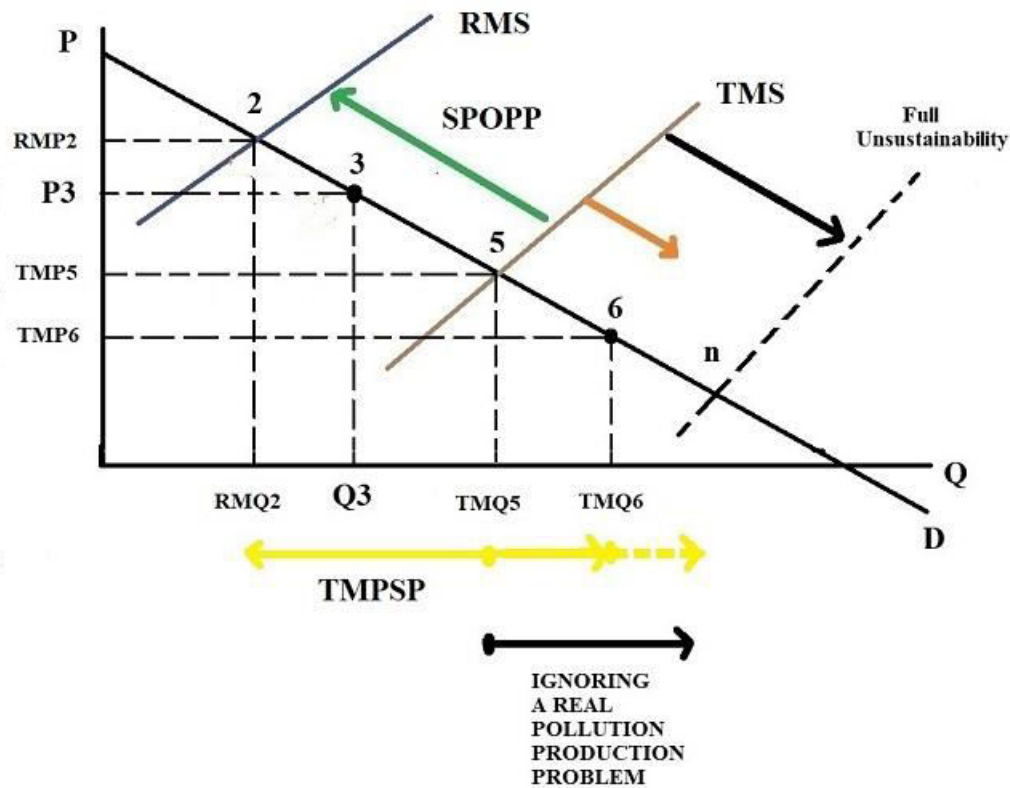


Figure 3 Expected government action under social market failure neutrality assumptions

Figure 3 above indicates that when governments ignore or assumed away real external social market failures in traditional market paradigms(TM) they will not fix them, instead they will promote and support traditional market paradigm expansions as indicated by the red arrow going from left to right from point 5 to point 6. Notice that this action by the government expands the social pollution production problem (SPOPP) by the distance from point 5 to point 6, which means it expands the traditional market paradigm sustainability problem (TMPSP) or social sustainability problem by the distance from TMQ5 to TMQ6; and therefore, that government actions makes the external social market failure worse, but all these real aspects are assumed away in the name of the external social market failure externality neutrality assumption

or position the government adheres to as shown by the black arrow going from left to right from point 5 or TMQ5, and notice that the government support for traditional market paradigm expansions beyond point 6 helps bring the traditional market paradigms closer to full unsustainability, but they cannot see this situation as the real external social market failure is assumed away. In summary, under external social market failures externality assumptions, knowingly or not, the government is supporting irresponsible social pollution production behavior in traditional market paradigms while a real external social market failure is getting worse. It is important to mention here that the social externality production neutrality assumption leads to worlds operating under socially distorted market prices that drive the social pollution production problem. For example, the socio-environmental externality neutrality assumption embedded in Adam Smith's perfect market theory (Smith 1776) simplified reality extremely (Muñoz 2020) creating in the process an economic component dominant distorted market (Muñoz 2010) instead of advancing a model that reflects general market complexity and full socio-environmental inclusion in terms of true sustainability market thinking (Muñoz 2015) forcing us today to go backwards in terms of economic thinking (Muñoz 2012) to be able to correct the socio-environmental pollution production consequences of that socio-environmental externality neutrality assumption in the traditional market since 1776 that the Brundtland commission documented in 1987 (WCED 1987) in "Our Common Future". Sadly, we started corrections with the wrong foot, in 1987 instead of going the way of sustainability markets and thinking (Muñoz 2016a) to address the socio-environmental sustainability problem the world went the way of sustainable development thinking (Muñoz 2025a); and then in 2012 (UNCSD 2012a; UNCSD 2012b) instead of going the way of green markets and thinking (Muñoz 2016b) to address the environmental sustainability problem the world went the way of dwarf green market thinking (Muñoz 2025b). And then since 2022, we abandoned the need for socio-environmental corrections to the traditional market all together and we placed the focus on addressing the resource of inefficiency problem of those markets that results when the world is under socially and environmentally distorted market pricing when the decision was made to go from inefficient linear pollution production market thinking to efficient circular pollution production market thinking (Muñoz 2025c).

#### **4) The government role in external social market failures in the same plane**

It is possible to contrast expected government actions when they take real external social market failures as real and when they choose to ignore real external social market failures based on the external social market failure production neutrality assumption as shown in Figure 4 below:

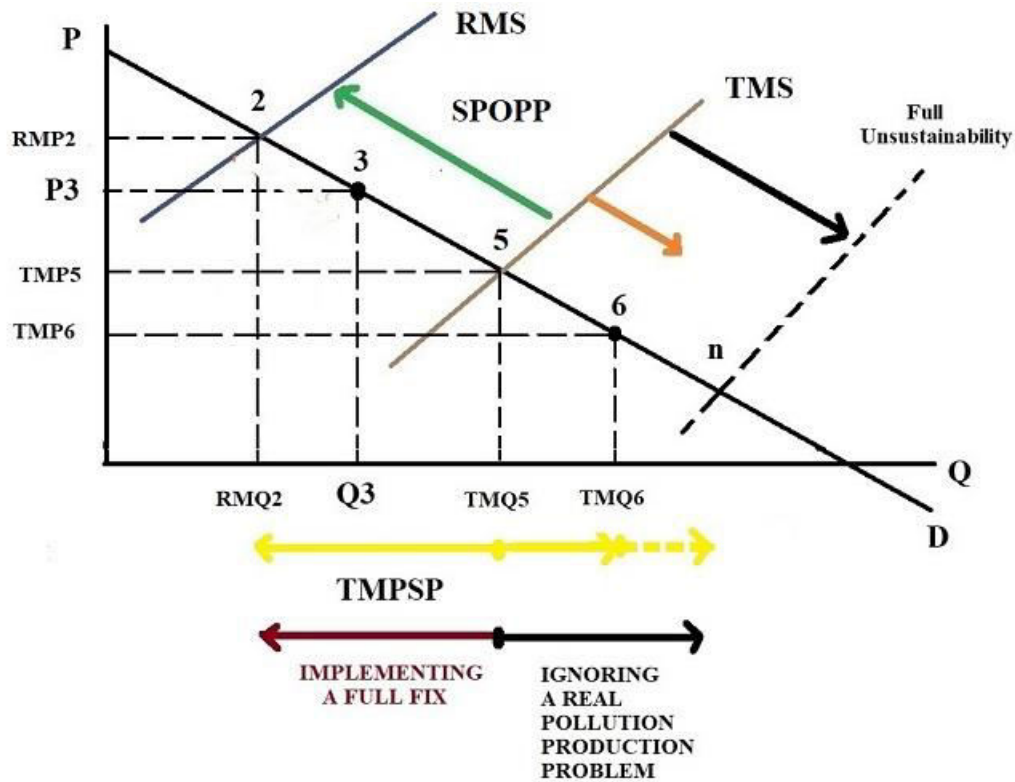


Figure 4 The actions government takes under no social market failure neutrality assumptions and und social market failure neutrality assumptions in the same plane

Figure 4 above can be used to contrast expected government action when real external social market failures are fully addressed or fully ignored: a) Under no external social market failure neutrality assumptions the government should be expected to fully fix the external social market failure and close the social pollution production problem (SPOPP), and when doing this closing the traditional market paradigm sustainability problem (TMPSP) or social sustainability problem as the black arrow going from right to left shows: here the government is partner of responsible red market paradigm behavior; b) Under external social market failure neutrality assumption the government should be expected to fully ignore a real external social market failure and leave the social pollution production problem (SPOPP), and hence leave the traditional market paradigm sustainability problem (TMPSP) or social sustainability problem open, and these social pollution production problems and traditional market paradigm sustainability problem will expand as the government expands socially irresponsible traditional market paradigm behavior as indicated by the black arrow going from left to right from TMQ5. And as traditional market paradigms expand to point 6 and beyond, they get closer to full unsustainability with the help of the government: here the government is partner of socially irresponsible traditional market paradigm behavior.

**5) The nature of the limits to market growth schedules attached to each possible government action in the face of social market failures and the link to the role of governments**

The limits to red market paradigm (RM) expansions and of traditional market paradigm (TM) expansions and the role the government plays bringing markets towards full unsustainability or full social sustainability can be appreciated when looking at the information in Figure 5 below:

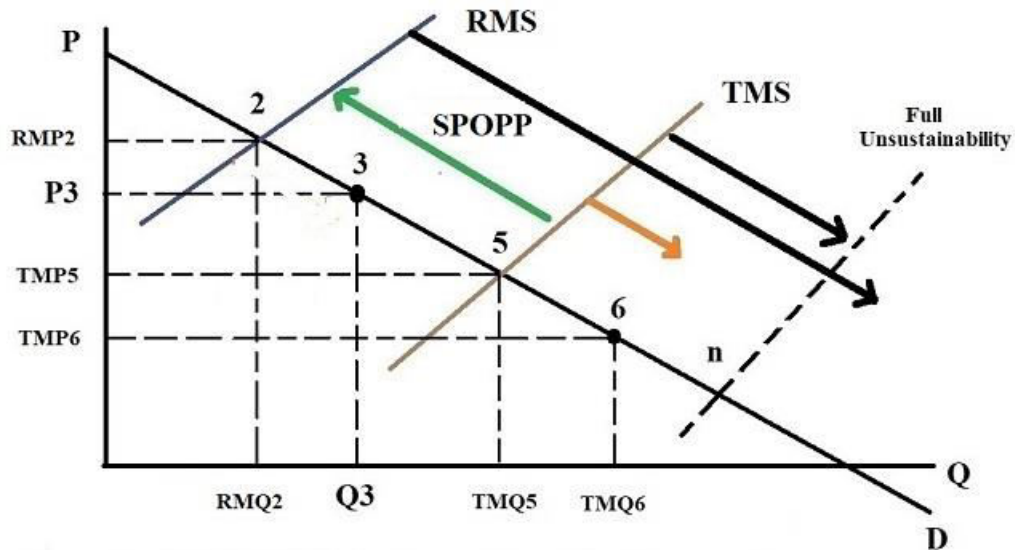


Figure 5 The working of red market paradigms(RM) and traditional market paradigms(TM)

Figure 5 above indicates the following of limits to growth: a) Red market paradigms(RM) do not have social pollution production limits to growth as indicated by the continuous black arrow going from left to right from RMS and passing beyond the full unsustainability line at point “n”; b) Traditional market paradigms (TM) do have social pollution production limits to growth as they tend towards collapse as they approach the full unsustainability point “n”; and c) Red market paradigm (RM) expansions do not expand the social pollution production problem (SPOPP) as expansions are optimal expansions as the social pollution production problem (SPOPP) here is internalized while traditional market paradigm (TM) expansions expand the social pollution production problem (SPOPP), whether we take a real social pollution production problem as real or if we assumed it away. When governments fix external social market failures fully, they transform traditional market paradigms into red market paradigms, and hence they are promoting socially responsible market behavior, but when governments ignore real external social market failures and focus on expanding traditional market paradigms, first it is promoting socially irresponsible traditional market behavior as traditional market paradigm expansion takes place the real external social market failure and its social pollution production problem goes from bad to worse, and second, if this promotion is long term, the government is helping traditional market paradigms to approach the point of full unsustainability or collapse “n” in

Figure 5 above faster; and therefore, the government here becomes a tool of support for socially irresponsible traditional market behavior which will lead the economies they are supposed to oversee and prevent from collapsing tending towards collapse or vertical paradigm evolution faster.

## **6) The need to understand the consequences of a partial fix to social market failure problems**

Now imagining the government decides to accept that the external social market failure and its consequences are real and therefore, they need to be addressed to ensure economies run fully efficiently, but instead of fully fixing the external social market problem, it decides to implement a partial fix, a dwarf red market paradigm, an action that knowingly or not will affect a) the government role in that new dwarf red market paradigm; b) the government need to be outside conflict of interest if the partial fix or dwarf red market paradigm tends towards collapse after implementation; c) the impact of the partial decision or dwarf red market paradigm on the need to move to a world under no social external market failures; d) the impact of implementing a partial solution or dwarf red market paradigm under permanent social pollution production market failure as there is still a remaining social pollution production problem attached to this partial solution or dwarf red market paradigm; and e) the impact on the efficiency of the partial solution or dwarf red market paradigm once set up . And the need to understand the impacts of partial fixes to real external social market failures raises important questions such as how can the dwarf red market paradigm-traditional market paradigm based sustainability framework be stated and use to show that patching external social market failures shifts the responsibility for market failure from dwarf red market paradigm producers/dwarf red market paradigm consumers to governments placing governments in direct conflict of interest with their role as market overseers if things go from bad to worse?. What are the main implications linked to partial solutions to critical and real external social market failures?

### **Goals of this paper**

1) To state the dwarf red market paradigm (DRM)-market traditional market paradigm (TM) based sustainability framework or DRM-TM based sustainability framework; 2) To indicate the long term consequences of dwarf red market paradigm implementation in terms of worsening remaining social pollution production problems while they are at work; 3) To highlight the impossibility of voluntary dwarf red market paradigm expansions and contractions when markets are under permanent government intervention; 4) To point out the nature of the contraction limits to the government market contraction schedule for the dwarf red market paradigm; and 5) To contrast the working of red market paradigms, dwarf red market paradigms, and traditional market paradigms to show that dwarf red market paradigms work the opposite way and that they have different types of limits, expansion limits and contraction limits.

## Methodology

First, the terminology used in this paper is shared. Second, the dwarf red market paradigm (DRM)-traditional market paradigm (TM) based sustainability framework or DRM-TM based sustainability framework is highlighted. Third, the long term consequences of dwarf red market paradigm implementation in terms of worsening remaining social pollution production problems while they are at work is pointed out. Fourth, the impossibility of voluntary dwarf red market paradigm expansions and contractions when markets are under permanent government intervention is stressed. Fifth, the nature of the contraction limits affecting dwarf red market paradigms is addressed; Sixth, the working of red market paradigms, dwarf red market paradigms, and traditional market paradigms is placed in the same plane in order to show that dwarf red market paradigms work the opposite way as the other paradigms and to indicate that there are limits to the government's market contraction policy under dwarf red market paradigms. And finally, some food for thoughts and relevant conclusions are given.

## Terminology

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RM = Red market paradigm      RMS = Red market paradigm supply

RMP = Red market price      RMQ = Red market quantity

TM = Traditional market paradigm      TMS = Traditional market paradigm supply

TMP = Traditional market price      TMQ = Traditional market quantity

DRM = Dwarf red market paradigm      DGMS = Dwarf red market paradigm supply

DRMP = Dwarf red market paradigm market price

DRMQ = Dwarf red market paradigm quantity

SPOPP = Social pollution production problem

NSPOPP = No social pollution production problem

RSPOPP = Remaining social pollution production problem

TMPSP = Traditional market paradigm sustainability problem      SG = Sustainability gap

P = Paradigm/market price      Q = Paradigm/market quantity produced/consumed

D = Paradigm/market demand      MS = Paradigm/market supply

P<sub>i</sub> = Paradigm/market price “i”      Q<sub>i</sub> = Paradigm/market quantity “i”

YS = Yellow sustainability      TS = True sustainability

S = Sustainability      FUS = Full unsustainability

DWRM = Dwarf red margin      SDM = Social dwarf margin

DM = Dwarf margin      DSM = Dwarf social margin

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### Relevant concepts

- 1) **Red market paradigm**, *a world without social abnormalities embedded in it.*
- 2) **Traditional market paradigm**, *a world with full socio-environmental abnormalities embedded in it.*
- 3) **Social pollution production problem**, *the situation created when traditional market paradigms externalize non-dominant social component issues.*
- 4) **Sustainability**, *the world under full cost internalization.*
- 5) **Market expansion**, *an increase in market activity.*
- 6) **Market contraction**, *a decrease in market activity.*
- 7) **Government intervention**, *the action taken to address market failures.*
- 8) **Market failure**, *the situation created by internally and/or externally distorted market prices.*
- 9) **Internal market failure**, *the situation created by internally distorted market prices.*
- 10) **External market failure**, *the situation created by externally distorted market prices.*
- 11) **Optimal expansion**, *an increase in optimal economic activity, an efficient expansion*
- 12) **Non-optimal expansion**, *an increase in non-optimal economic activity, an inefficient expansion*

**13) Social externality neutrality assumption,** *markets can expand for ever without generating social externalities or social pollution production problems, it allows you to ignore the presence and the need for action in the face of real social pollution production problems by just assuming them away.*

**14) No social externality neutrality assumption,** *markets cannot expand for ever as they generate social externalities as they expand, which accumulate through time to a point that they can lead either to paradigm collapse if left alone or vertical paradigm shift if the governments plays its overseer role properly, it does not allow you to ignore the present and the need for action in the face of real social pollution production problems as you cannot or you can no longer assume them away.*

**15) Distorted market prices,** *prices that deviate from optimal market prices due to endogenous and/or exogenous issues*

**16) Dwarf red market paradigm,** *a partial solution to a traditional market paradigm's real external social market failure*

**17) Remaining social pollution production problem,** *the situation created when dwarf red market paradigms only internalize a portion of the social pollution production problem, externalizing the rest.*

**18) External social market failure neutrality assumption,** *the view that traditional market paradigms only have internal market failures; and hence, real external social market failures and their consequences can be assumed away, and therefore, they can be left without fixing.*

**19) No external social market failure neutrality assumption,** *the view that traditional market paradigms have external social market failures; and hence, real social market failures and their consequences cannot be assumed away, and therefore, they must be fully fixed.*

**20) Partial social externality neutrality assumption,** *the view that dwarf red market paradigm contractions do not create remaining social pollution production problems, and hence, they have no social pollution contraction limits.*

**21) No partial social externality neutrality assumption,** *the view that dwarf red market paradigms contractions do create remaining social pollution production problems, and hence, they have social pollution contraction limits.*

### **The dwarf red market paradigm (DRM)-traditional market paradigm (TM) based sustainability framework**

If we place the dwarf red market paradigm (DRM) in between the red market paradigm (RM) and the traditional market paradigm (TM) in Figure 1 above, we transform the red market paradigm (RM)-traditional market paradigm (TM) based sustainability framework into the dwarf

red market paradigm (DRM)-traditional market paradigm(TM) based sustainability framework as shown in Figure 6 below:

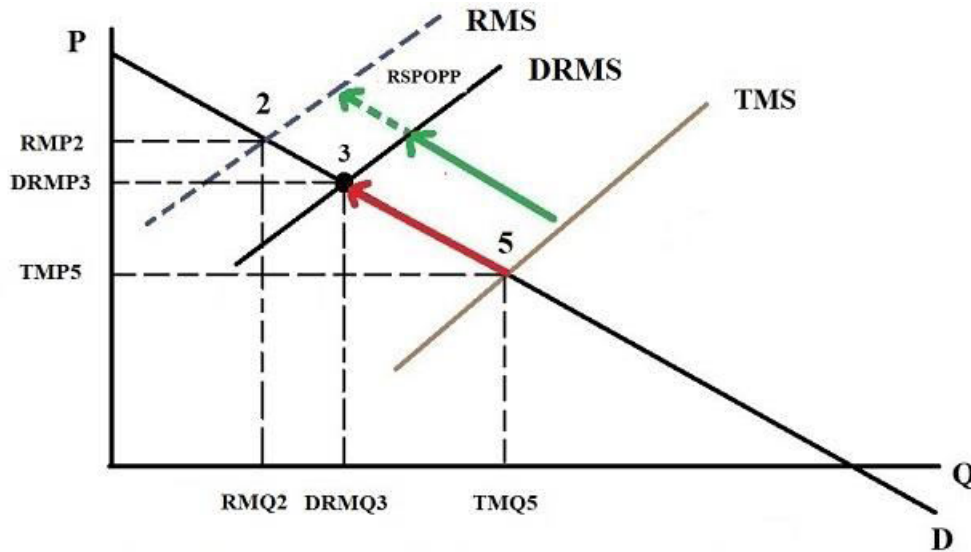


Figure 6 The dwarf red market paradigm(DRM)-traditional market paradigm(TM) based sustainability framework

Figure 6 above shows that at point 3 we have a dwarf red market paradigm (DRM), set up by the government to partially fix the real external social market failure associated with the traditional market paradigm (TM), a market that requires permanent government intervention, which means it is a market under permanent social pollution production market failure. Notice that the dwarf red market paradigm (DRM) is a move from point 5 to point 3 as some of the social pollution production problem is accounted for, the distance from point 5 to point 3 as indicated by the continuous green arrow going from right to left from point 5 to point 3; and notice that the dwarf red market paradigm (DRM) at point 3 has a remaining social pollution production problem (RSPOPP) as indicated by the broken green arrow that goes from right to left from point 3 to point 2. Hence dwarf red market paradigms (DRM) are markets under permanent social market failure and they are separated from red market paradigms (RM) by the remaining social pollution production problem (RSPOPP).

Notice then that the dwarf red market paradigms (DRM) at point 3 in Figure 6 above is not a free market created by the government, and hence the responsibility for any social market failures falls on the government, not on dwarf red market paradigm producers and consumers so when dealing with social market failures the government is in a deep conflict of interest because the dwarf red market paradigms they have set up are going from bad to worse and in the face of advocacy for correcting social market failures the government will now tend to or it should be expected to tend to disrespecting or making more difficult to exercise the right to protest, even legally. So advocacy in dwarf red market paradigms or no free markets should not be of the same nature as advocacy in free markets as here the government is in a deep conflict interest, and it should not be expected to monitor itself, to regulate itself or jail itself if markets tend towards

collapse as they are dealing with their own social market failure: Advocacy here should keep in mind that if they legally pressure those without conflict of interest in no free markets, in this case dwarf red market paradigm producers and consumers, they have a better pressure point on governments without giving governments the reasons they need to make the right to protest against irresponsible social government action legally more difficult or in extreme cases give them the reasons they need to make the right to protest against irresponsible social government action even illegal.

### The long term consequences of dwarf red market (DRM) implementation

Once dwarf red market paradigms (DRM) are set up and running such as the one at point 3 in Figure 7 below, we should expect that in the long term as they are at work the remaining social pollution production problem (RSPOPP) attached to them will get worse and worse, a situation detailed in Figure 7 below:

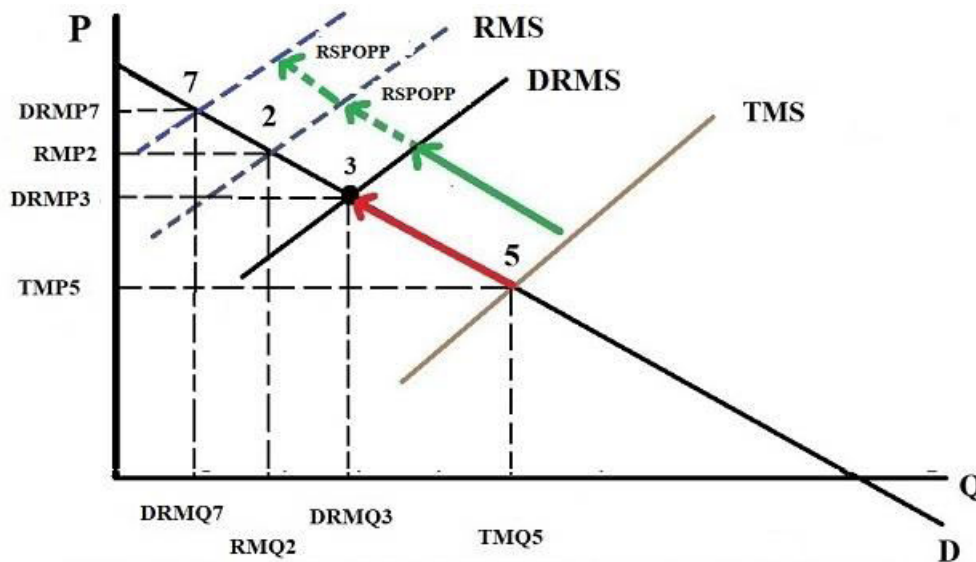


Figure 7 The long term consequences of dwarf red market paradigms once they are in place as sources of social pollution production problem accumulation

Figure 7 above can be used to point out the following aspects about the dwarf red market paradigm set up by the government at point 3: a) Internalizing partially the social pollution production problem (SPOPP) of the traditional market paradigm, the distance from point 5 to point 3, shift the traditional market paradigm from point 5 to point 3, creating a remaining social pollution production problem (RSPOPP), the distance from point 3 to point 2; and b) In the long term, a dwarf red market paradigm permanently producing and consuming at point 3 will expand the remaining social pollution production problem associated with them by the distance from point 2 to point 7; and c) those remaining social pollution production problems will become the limits of dwarf red market paradigm contractions and the source of their collapse. In other words,

in the long term the accumulation of remaining social pollution production problems will lead to the collapse of the dwarf red market paradigm or open the door for most likely backward paradigm evolution. Dwarf market paradigms in the form of dwarf green market paradigms a la carbon taxes reflecting just environmental responsibility were at work in Canada as a country and in British Columbia as a province and just before the next raise in both the federal and provincial carbon tax schedule they both were repealed in 2025, provincially(GBC 2015) and federally(CBC 2025) and the system went back to the polluter does not pay principle or back to environmental irresponsibility consistent with the expected backward evolution principle when avoiding tendencies towards market collapses or coming market collapses as the raising of dwarf green margins(DWGM) like the raising of dwarf environmental margins(DEM) becomes unsustainable, and this summarizes the idea that as dwarf red margins(DWRM) or social dwarf margins(SDM) are raise to an unsustainable level dwarf red markets will collapse or evolved backwards.

**The impossibility of voluntary dwarf red market (DRM) expansions and contractions as they are under permanent government intervention**

As dwarf red market paradigms (DRM) are no free markets or are markets under permanent government intervention, voluntary contractions are not possible as they are not a profit making opportunity as the cost of reducing social pollution production beyond point 3 such as point 8 falls on corporations and consumers, and voluntary expansions are profit making opportunities such as point 9, but the government would not allow them as they would increase the social pollution production problem (SPOPP), a situation detailed in Figure 8 below:

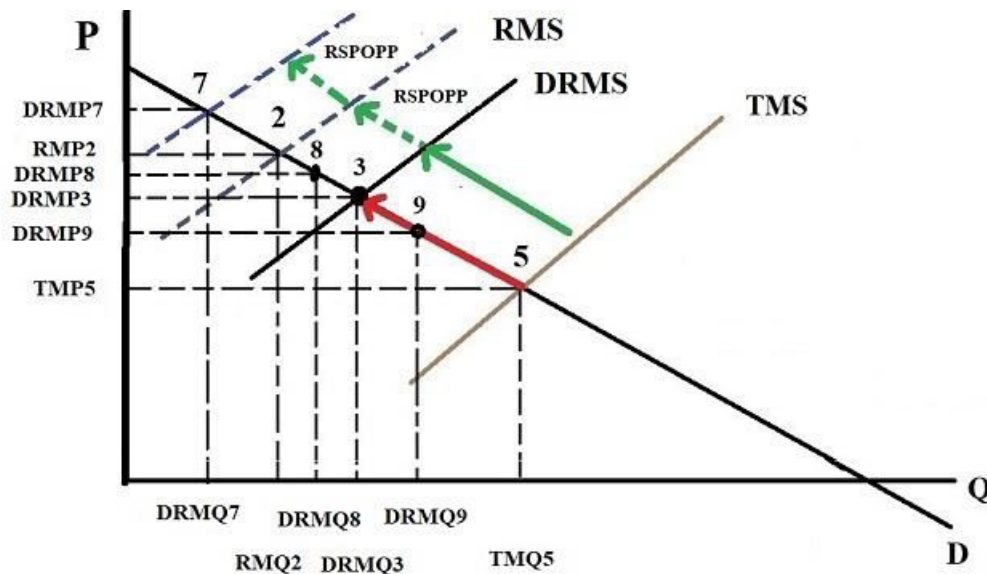


Figure 8 The impossibility of voluntary actions from dwarf red market paradigm producers and consumers when under permanent government intervention

Figure 8 above shows that the dwarf red market paradigm (DRM) will continue to stay at point 3 producing and consuming DRMQ3 and using the dwarf red market paradigm market price DRMP3, which includes the dwarf red market paradigm pollution reduction margin or social dwarf margin (SDM) the government assigned to contract production from point 5 to point 3 so that  $DRMP3 - TMP5 = SDM$  or  $DRMP3 = TMP5 + SDM$ . In other words, as long as the dwarf social margin assigned by the government (EDM) to contract the social pollution production problem is the same, dwarf red market producers and consumers will stay at DRMQ3, voluntarily increasing the social dwarf margin EDM and produce at point 8 to be more social pollution production reduction friendly is not a profit making opportunity so we should not expect that, reducing voluntarily the size of the social dwarf margin EDM and produced at point 9 is a profit making opportunity as the market could expand, but the government would not allow it as it would also expand the social pollution production problem SPOPP. And hence, voluntary contractions and expansions in dwarf red market paradigms DRM are not possible as the government determines where the market contraction has to be, which again shows that if the dwarf red market paradigm (DRM) tends from bad to worse and towards full unsustainability the responsibility for that social market failures falls on governments who set them up.

### The nature of the limits to dwarf red market paradigms (DRM)

The contraction limits affecting dwarf red market paradigms (DRM) when governments are determined to implement a full dwarf red market paradigm contraction schedule can be appreciated based on the information in Figure 9 below:

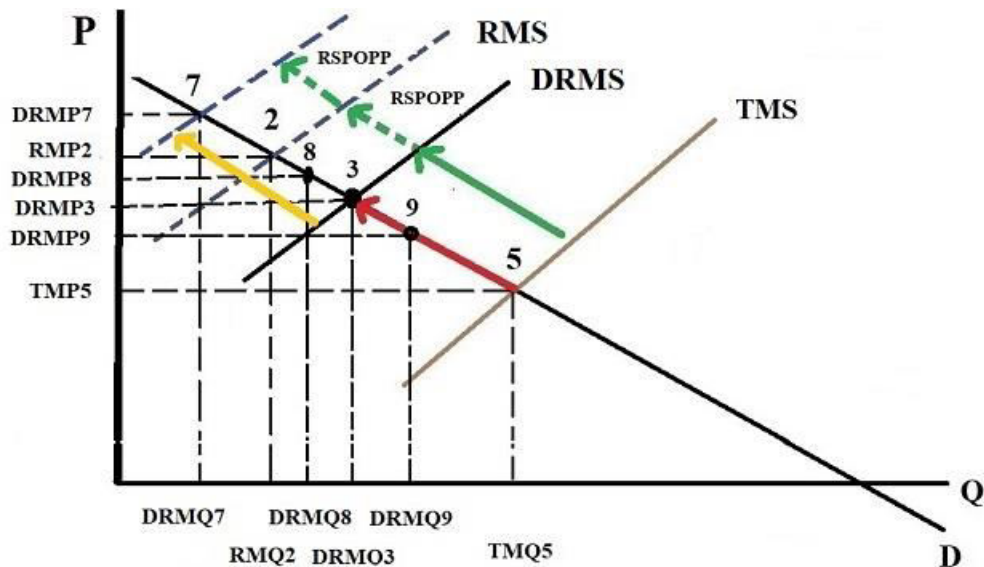


Figure 9 The nature of the limits to dwarf red market paradigm contractions

We can see in Figure 9 above that the government set the dwarf red market paradigm (DRM) at point 3 by setting up a social dwarf margin SDM that dwarf red market paradigm producers must pass to consumers so that production and consumption stays at DRMQ3. The yellow arrow from right to left from point 3 to point 7 indicates the long term contraction schedule the government has established to reduce the social pollution production problem (SPOPP) step by step beyond point 3 towards point 7, but the accumulation of the remaining social pollution production problem REPOPP created at each contraction point towards point 7 becomes so bad that point 7 becomes the contraction unsustainability point for the government, and as contractions approach that point 7 the dwarf red market paradigm will be tending towards collapse as the cost of social pollution problem reduction due to the accumulation of the remaining social pollution production problem would be even higher than at the initial red market paradigm(RM) anchored point, point 2. In other words, government contraction schedules for dwarf red market paradigms have an unsustainability limit driven by the accumulation of remaining social pollution production problems(RSPOPP) such as the one at point 7 in Figure 9 above.

### Contrasting the working of red market paradigms, dwarf red market paradigms, and traditional market paradigms

As dwarf red market paradigms (DRM) are contraction based markets and red market paradigms (RM) and traditional market paradigms (TM) are expansion based markets, they work in opposite directions and they have different limits in terms of contractions and expansions limits, as shown in Figure 10 below:

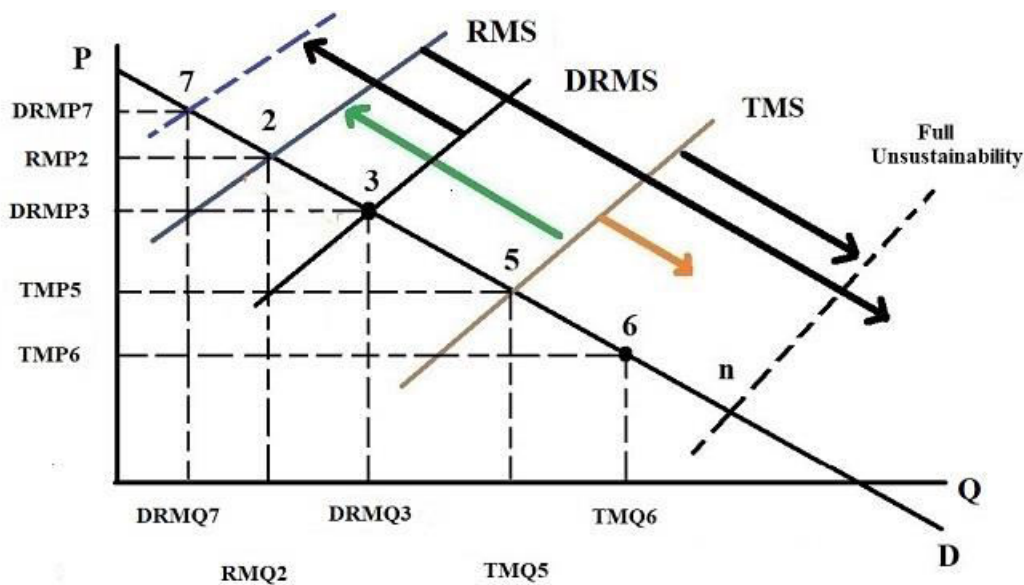


Figure 10 The working of red market paradigms(RM), dwarf red market paradigms(DRM), and traditional market paradigms(TM)

Figure 10 above can be used to highlight the following aspects: a) Traditional market paradigms (TM) have social pollution production limits to growth as they tend to produce at the lowest traditional market price possible, the lowest economic cost possible, and the maximum social cost externalization possible, they tend closer and closer to full un sustainability, a journey that goes from point 5 to just before point “n”; b) Red market paradigms (RM) do not have social pollution production limits to growth as they tend to produce at the lowest red market paradigm price possible, the lowest red market paradigm cost possible, and full economic-social cost accounting; and 3) Dwarf red market paradigms(DRM) have a remaining social pollution production problem (RSPOPP), which as they work and as they contract more and more, moving from right to left reducing the social pollution production problem by increasing incrementally the social dwarf margin SDM according to the contraction schedule planed by the government and hence, the market, as long as the social dwarf margin SDM is the same stays permanently producing and consuming at the same point while its remaining social pollution production problem accumulates from bad to worse. In other words, it can be said that both traditional market paradigms TM and dwarf red market paradigms DRM have limits, one has limits to growth and the other has limits to contractions while red market paradigms RM have no limits to expansions or contractions as both of them are optimal.

### **Food for thoughts**

1) Are dwarf red market paradigms partial solutions to critical social sustainability problems? I think yes, what do you think?; 2) Do choosing to manage the consequences of the traditional market paradigm’s external market failure means that the root causes of the traditional market paradigm’s social market failure are left untouched or assumed away? I think yes, what do you think?; 3) Are distorted traditional paradigm market prices the root-cause of the external social market failure in traditional market paradigms? I think yes, what do you think?; 4) Should we expect a critical social sustainability problem to go from bad to worse in the long-term under dwarf red market paradigm based government action? I think yes, what do you think?; 5) Does the responsibility for dwarf red market paradigm social market failures or collapse falls on the governments that set them up or on corporations and consumers? I think on governments, what do you think? 6) When governments set up dwarf red market paradigms, do they place themselves in a deep conflict of interest when those markets tend towards unsustainability? I think yes, what do you think? and 7) When governments oversee social market failures, be it free red market paradigms or traditional market paradigms, are they in conflict of interest? I think no, what do you think?

### **Conclusions**

1) The dwarf red market paradigm-traditional market paradigm based sustainability framework was stated by placing the partial government solution to the real external social market failure of the traditional market paradigm and it can be used to show the implications of partially addressing a real external social market failure; 2) It was shown that setting up dwarf red market paradigms creates a remaining social pollution production problem, which accumulates through time; 3) It was described how voluntary dwarf red market paradigm contractions and expansions are not possible as these markets are not free markets, they are under permanent government intervention; 4) It was highlighted that when dwarf red market paradigms tend towards full unsustainability, the responsibility for social market failure is on the government side, not corporations and consumers, and advocacy for fixing social market failures should take that into account to avoid giving government under deep conflict of interest the reasons to make the right to protest against socially irresponsible government action legally more difficult or even illegal; 5) It was pointed out that the limits to dwarf red market paradigms contractions to address the social pollution production problem is made up by the accumulation of remaining social pollution production problem linked to partial social pollution problem internalization; and 6) It as shown that free markets like red market paradigms and traditional market paradigms tend to produce at the lowest cost possible, but only traditional market paradigm have social pollution production limits to growth while it was indicated that dwarf red market paradigm produce at the price that reflect the current government social dwarf margin and that they have social contraction limits as there is a remaining social pollution production problem accumulation point where dwarf red market paradigms will tend towards collapse or open the door for possible backward paradigm evolution. In general, it was shown that going from traditional market paradigms to dwarf red market paradigms to patch a social pollution production problem shift the responsibility for market failures when things go from bad to worse to the governments that set them up, not to dwarf red market paradigm's producers/corporations and dwarf red market paradigm's consumers/shoppers.

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