Reclaiming the Market

Why Fair Pricing is the Logic of Private Risk-Taking

By MARTIN STUDER — November 2025

Abstract

This essay argues that the integrity of liberal market economies depends on pricing completeness.
Milton Friedman's shareholder-value doctrine, while often cited as a defence of capitalism, implicitly relied on unpriced externalities — a hidden subsidy from nature and society that distorted competition.
If a market economy is to thrive, it must evolve toward fair pricing of all input factors, including ecosystem services.
This paper introduces the concept of **EcoAgency** — the managerial and valuation framework that internalises natural and social capital as operating infrastructure rather than externalities.
It proposes that sustainable business is not moral activism but *modern management*: the capacity to align private risk-taking with systemic resilience through accurate valuation of what sustains production.

1. Introduction: The Incomplete Market

Few statements have shaped corporate thinking more than Milton Friedman's (1970) claim that "the social responsibility of business is to increase its profits."

Friedman argued that executives are agents of shareholders, bound to maximise returns within the law and ethical custom.
The idea was elegant and powerful. Yet, in practice, it rested on a critical omission: it assumed that all relevant costs were already captured in market prices.

That assumption no longer holds.
Today, climate instability, biodiversity loss, and resource scarcity reveal what Ronald Coase (1960) called "externalities" — unpriced effects that distort efficiency.
If prices fail to reflect the true cost of production, the invisible hand becomes partially blind.
What emerged over time was not pure capitalism but a **partial market**, one that rewarded extraction and speed while concealing depletion and delay.

The purpose of this paper is not to reject the market economy but to **complete it** — by restoring pricing integrity through what I call *EcoAgency*: the managerial discipline of internalising ecosystem services as part of the productive base of enterprise.

2. Private Risk-Taking and the Purpose of Profit

A market economy thrives on **private risk-taking** — the willingness of entrepreneurs and investors to allocate resources under uncertainty.
Profit is society's signal that risk has been taken productively.
However, when systemic costs are externalised, risk-taking becomes asymmetrical: returns are privatised, while liabilities are socialised.
This is not market efficiency; it is a quiet subsidy.

Sustainable business, therefore, must generate profit sufficient to (1) compensate risk, (2) build reserves for resilience, and (3) reinvest in renewal — technological, human, and ecological.
Such profit is not excess; it is the economic foundation for continuity.
In this sense, **profit is not the opposite of sustainability; it is its precondition.**

But profit is only legitimate when earned under **accurate prices**.
Without pricing completeness, profit metrics lose their informational value.
They become accounting artefacts detached from real productivity.

3. Valuation versus Price: The Missing Variable

Valuation theory distinguishes between *price* and *value*.
Price is what markets pay; value is what endures.
As Damodaran (2012) writes, "Valuation is not about right numbers, but about understanding the drivers of value."
If the ecological and social systems that enable production are absent from

valuation models, then the derived price is not merely incomplete — it is *incorrect*.

Standard financial statements include assets, liabilities, and equity.
Assets create value; liabilities constrain it; equity represents trust in management's capacity to balance both.
Yet, the ecosystems that maintain these flows — soil, water, energy, human health — remain invisible.
Their depreciation is treated as zero until a crisis re-prices them.

To correct this, EcoAgency extends traditional valuation logic:

- **Ecosystem assets** are regenerative capacities that extend productive life.
- **Ecosystem liabilities** are depletions below replacement value that shorten it.
- **Eco-equity** is investor trust in the enterprise's ability to manage both.

Integrating these into valuation frameworks transforms sustainability from ideology into **precision economics**.

4. From Moralism to Management

EcoAgency reframes environmental responsibility as managerial competence.
Accounting for natural capital is not philanthropy; it is risk management.
Neglecting it leads to supply volatility, regulatory exposure, and reputational loss — all traditional financial risks by another name.

In practice, internalising ecosystem costs means reallocating capital:

- Incorporating the cost of regeneration into depreciation schedules;
- Investing in ecosystem assets that secure long-term inputs;
- Linking executive compensation to lifecycle efficiency, not volume output.

Such measures convert abstract sustainability goals into quantifiable performance indicators, aligning them with shareholder and stakeholder interests.
This approach echoes Elinor Ostrom's (2010) insight that sustainable systems rely on local governance and accountability — principles equally valid for corporate systems.

5. Fair Pricing as a Market Imperative

Critics of sustainability often claim that accounting for ecological costs undermines competitiveness.

In reality, unpriced externalities are the true distortion.
When firms can deplete shared resources without cost, they gain an artificial advantage over responsible competitors.
This "race to the bottom" is the antithesis of market freedom.

A liberal market economy depends on **transparent, symmetric information**.
Fair pricing of all input factors restores that symmetry.
Once the hidden subsidies are removed, competition rewards efficiency, innovation, and stewardship — the very virtues capitalism was meant to promote.

Thus, EcoAgency is not a rejection of market logic but its *completion*: it reconciles private incentives with systemic stability through valuation completeness.

6. Practical Implications: The Scale-up Advantage

In this transition, scale-ups occupy a strategic position.
Large corporations are locked in optimisation cycles and regulatory retrofits.
Start-ups, by contrast, often lack structure.
Scale-ups can design coherence from the start — embedding ecosystem services into their equity story and operational governance.

At Bluerain Partners Group, we observe that companies integrating ecosystem assets early experience three measurable effects:

1. **Reduced volatility** in supply and compliance costs;
2. **Improved access to capital**, as investors reward lower long-term risk;
3. **Accelerated trust** among partners, communities, and employees.

By pre-emptively modernising their business models, such firms transform sustainability from a cost centre into a **source of durable value**.

7. Implications for Valuation Theory and Practice

From an academic standpoint, EcoAgency suggests that corporate finance and sustainability need not remain separate disciplines.
The tools of discounted cash flow, real options, and scenario analysis can already accommodate environmental data — once that data is properly valued.

This aligns with emerging frameworks such as the Natural Capital Protocol (2016), IFRS's ISSB sustainability disclosures (2023), and the EU's CSRD directive.
The intellectual challenge is not methodological but conceptual: moving from seeing nature as an "externality" to seeing it as **productive infrastructure**.

For valuation scholars, this offers a research agenda: developing methods to quantify the replacement cost of ecosystem services, their contribution to productivity, and their depreciation over time.
For practitioners, it demands courage — to recognise that managing for fair pricing is not philanthropy but foresight.

8. Conclusion: Completing the Market

The market economy was never designed to provide free lunches.
Its legitimacy rests on voluntary exchange between informed parties under fair prices.
When information gaps become structural, markets lose integrity — and public trust.

EcoAgency offers a way to restore that integrity.
It expands capitalism's information base without constraining its dynamism.
It ensures that private risk-taking remains both profitable and socially legitimate by pricing all inputs honestly.

In the end, the question is not whether capitalism survives, but whether it matures.
A sustainable economy is not one that limits growth, but one that **accounts for the systems that make growth possible**.
That is not less capitalism; it is capitalism made honest — *a market system rebuilt on pricing integrity*.

References (indicative)

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This essay is part of a broader collection exploring how valuation, healthspan, collaboration, longevity, and biodiversity can be re-aligned with the rhythms of life — at a pace that enables regeneration rather than exhaustion.

The purpose of this compendium is to:

- Contribute meaningfully to public discourse on systems change and intergenerational strategy
- Offer fresh language and framing for leaders navigating complexity
- Share what we are learning, unlearning, and building in real time

We welcome dialogue, respectful critique, and collaboration — to deepen a shared understanding of what it means to steward coherence in a time of disruption.

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About the Author

Martin Studer is an entrepreneur and impact investor focused on sustainability and longevity. Trained as an economist and certified public accountant, he brings decades of leadership experience in finance, governance, and executive management. As founder of Bluerain Partners, a Swiss family office, he works globally on projects spanning climate resilience, healthspan innovation, and intergenerational stewardship.

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