



Bounded Openness

2026: Ethical Capitalism Under Constraint

By MARTIN STUDER — February 2026

Abstract

In recent years, and particularly at the World Economic Forum in Davos in 2026, it has become clear that the central question facing contemporary capitalism is no longer whether markets create value, but whether they can remain legitimate under conditions of structural constraint. What is increasingly described as ‘ethical capitalism’ is not a departure from market economics, but its necessary evolution: a form of capitalism capable of sustaining trust, competition, and productivity in a world shaped by geopolitical fragmentation, technological acceleration, and physical limits. The fading of ESG as a dominant narrative does not signal a retreat from responsibility, but a transition from declarative compliance toward the harder task of embedding social, ecological, and political constraints directly into the functioning of markets themselves.

These constraints are no longer abstract or theoretical. They arise from geopolitical fragmentation, accelerating technological change, mounting pressure on physical systems, and growing social volatility. Together, they are reshaping the environment in which economic systems operate and the standards by which they are judged. Efficiency and growth alone are no longer sufficient measures of success; resilience, legitimacy, and governability have become equally decisive.

The challenge, therefore, is not to replace markets, nor to retreat into nostalgia or moral critique, but to **recalibrate capitalism** so that it can function credibly in a harsher, more constrained world. This requires neither utopian reinvention nor resignation. **It requires institutional realism:** a clear understanding of how markets generate welfare, how they fail when distorted, and how they must be

embedded within rules and boundaries that preserve competition, social trust, and long-term productive capacity.

What follows is a perspective grounded in empirical experience, democratic legitimacy, and economic pragmatism. It treats markets not as moral actors, but as powerful coordination mechanisms whose durability depends on the institutional conditions under which they operate. Ethical capitalism, in this sense, is not a branding exercise or an ideological project. It is a governance challenge—one that determines whether market economies can endure under the conditions that now define the global landscape.

I. Markets and the Empirical Record of Welfare

There is little doubt that open, rule-based markets—especially when integrated across borders—have played a decisive role in improving human well-being. Gains in life expectancy, nutrition, health, education, and resilience across much of the world would not have been possible without specialization, trade, capital formation, and technological diffusion.

Access matters. Societies that could access medicines, energy systems, machinery, fertilizers, infrastructure, and global knowledge networks advanced faster and more sustainably than those that could not. Conversely, prolonged isolation—whether through autarky or embargo—has consistently produced economic contraction, environmental degradation, and human suffering.

This record matters because it sets a boundary condition for any ethical economic framework: denying access is not a viable strategy for sustainability. Scarcity does not produce stewardship; it produces desperation and over-extraction. Openness, when rule-governed, is a precondition for resilience.

II. From Efficiency to Legitimacy Under Constraint

When referring to markets in this essay, I mean competitive market equilibria in which participants operate under conditions of transparency, contestability, and broadly symmetrical access to information and opportunity. Markets in this sense differ fundamentally from systems distorted by monopoly or oligopoly power, where concentrated leverage allows actors to extract rents, suppress competition, and shift costs onto others. Such distortions are not market outcomes but failures of market governance.

What has changed in recent years is not the usefulness of markets, but the context in which they are judged. Efficiency alone is no longer sufficient. Economic systems are now evaluated on their ability to withstand shocks, preserve social cohesion, and operate within physical and political limits.

Three forces have converged:

1. **Geopolitical fragmentation**, which has reintroduced security, sovereignty, and reciprocity as core economic concerns.

2. **Technological acceleration**, particularly in artificial intelligence, which amplifies productivity while increasing concentration and distributional risk.
3. **Physical system stress**, where climate, water, biodiversity, and energy volatility increasingly affect asset values, supply chains, and labor productivity.

In this environment, legitimacy depends on whether capitalism can function under constraint, not in its absence.

III. Bounded Openness in a Fragmented World

Openness remains essential—but it can no longer be unconditional. The relevant concept today is bounded openness.

Bounded openness accepts that:

- Cross-border trade and specialization remain indispensable.
- Dependencies that create coercive vulnerability are politically and economically unsustainable.
- Resilience requires diversification, redundancy, and rule-based reciprocity.

This is not a rejection of globalization, but a redesign of it. Markets must remain open enough to ensure access and learning, yet bounded enough to prevent domination, monopoly rents, and strategic fragility.

Ethical capitalism, in this sense, is not about universal openness, but about open systems that remain governable.

IV. Ecology as Systemic Constraint, Not Moral Preference

Ecological stress is often framed as an ethical failure. While values matter, systems cannot rely on virtue. What matters is that certain physical thresholds are real, irreversible on human timescales, and economically consequential.

When water systems fail, soils degrade, heat thresholds are crossed, or biodiversity collapses, the effects show up not first in ethics debates but in:

- input cost volatility,
- asset impairment,
- insurance withdrawal,
- labor productivity loss,
- regulatory shock,
- and capital re-pricing.

These are not moral abstractions. They are balance-sheet realities.

For this reason, ecological limits must be treated as constitutional constraints of the economic system. Markets may allocate resources efficiently—but they must do so within non-negotiable physical boundaries. Prices can guide allocation; they cannot negotiate extinction, collapse, or irreversibility.

This framing shifts sustainability from aspiration to operating condition.

V. Ownership, Access, and Dynamic Equilibria

A frequent confusion in debates about sustainability concerns the relationship between ownership and access. Custodianship over foundational resources—land, water basins, soils, biological heritage—does not imply withdrawal from global exchange. Ownership defines who sets the rules; access determines whether societies can meet human needs.

Trade inevitably alters economic equilibria. The first exchange already changes extraction patterns, labour allocation, and dependency structures. There is no static equilibrium once openness begins.

The relevant governance question is therefore not whether systems change, but **who governs the change and within what limits**. Rules that govern markets and capital derive their legitimacy not merely from technical expertise and economic power, but from **democratic mandate**. In systems where rule-setting remains anchored in participatory and representative democratic processes, policymakers are held accountable through corrective feedback from those affected by economic outcomes. This contrasts with systems in which political or technocratic elites operate at increasing distance from public consent, allowing rule-making to drift beyond effective societal control.

Autarky is not resilience. Resilience emerges from diversified interdependence governed by rules, not from isolation.

VI. Capital, Risk, and Legitimacy

Entrepreneurial risk-taking remains a cornerstone of prosperity. Its legitimacy, however, depends on a simple condition: risk and reward must remain coupled.

Capital that:

- bears its own downside,
- operates within clear rules,
- and does not externalize damage onto society or future generations

is productive and legitimate.

Capital that:

- extracts monopoly rents,
- socializes losses,
- erodes shared systems,
- or converts wealth into the ability to breach boundaries

undermines both market credibility and political stability.

Ethical capitalism is therefore selective, not permissive. It distinguishes productive capital from extractive capital, and innovation from rent-seeking.

VII. Technology, Productivity, and the Next Growth Phase

Artificial intelligence and related technologies now define the frontier of productivity growth. They offer powerful tools to redesign efficiency under

constraint—but they also intensify risks of concentration, labor disruption, and legitimacy loss if distributional effects are ignored.

The strategic question is no longer whether productivity can grow, but whether productivity can be redesigned faster than constraints accumulate.

Those who succeed will integrate technology with:

- workforce adaptation,
- capital discipline,
- and institutional credibility.

Those who do not will face political backlash and declining social license, regardless of technical performance.

VIII. Governing From Where We Are

This framework does not assume a world without nation-states, nor does it rely on moral unanimity or global consensus. It accepts:

- plural interests,
- power asymmetries,
- imperfect enforcement,
- and the persistence of conflict.

It is not a manifesto for transformation at any cost. It is an argument for recalibrating economic governance so that markets remain viable under real-world conditions.

The task is not to dream a perfect system, but to govern responsibly within limits.

Conclusion

Capitalism's future will not be decided by its critics, but by its capacity to adapt. Markets have proven extraordinarily effective at generating wealth and opportunity. They will remain so only if they are embedded within institutions capable of managing concentration, pricing risk honestly, and respecting physical and social constraints.

Ethical capitalism, understood in this sense, is not a moral alternative to capitalism. It is capitalism that has internalized the conditions for its own survival. Systems that ignore legitimacy, externalize systemic risk, or erode democratic consent do not represent a purer form of capitalism—they represent its failure.

Bounded openness offers a path forward: open enough to sustain access and innovation, constrained enough to preserve trust, stability, and long-term productive capacity. In a finite, fragmented, and fast-moving world it is likely the only form of capitalism that can endure.

Methodological Appendix: Assumptions and Scope

This essay rests on five explicit assumptions:

1. **Empirical Priority over Ideological Purity**
Claims about welfare, poverty, and trade are evaluated against historical and cross-country evidence rather than normative preference.
2. **Institutional Realism**
All systems are assumed to operate under imperfect enforcement, asymmetric power, and political capture risks. Proposals relying on sustained moral virtue are therefore excluded.
3. **Ecological Non-Substitutability**
Certain ecological thresholds are treated as irreversible on human timescales and therefore unsuitable for price-based negotiation.
4. **Markets as Coordination Mechanisms, Not Moral Agents**
Markets are evaluated instrumentally—by their ability to coordinate information and incentives—rather than morally, positively or negatively.
5. **Pluralism of Governance Levels**
No single scale (local, national, global) is assumed sufficient. Effective governance is treated as polycentric and rule-based.

The essay does **not** assume:

- zero growth,
- population reduction policies,
- abolition of nation-states,
- or the elimination of private ownership.

Its purpose is **institutional calibration**, not system replacement.

Selected References and Further Reading

Markets, Welfare, and Institutions

- Deaton, *The Great Escape*
- Sen, *Development as Freedom*
- World Bank, *World Development Report*
- Acemoglu & Robinson, *Why Nations Fail*

Ordoliberalism and Governance

- Eucken, *The Foundations of Economics*
- Böhm, *Private Law Society and the Market Economy*
- Hayek, *Law, Legislation and Liberty*

Ecological Constraints

- Rockström et al., *Planetary Boundaries*
- Daly, *Steady-State Economics*
- Stern, *The Economics of Climate Change*

Commons, Access, and Trade

- Ostrom, *Governing the Commons*
- North, *Institutions, Institutional Change and Economic Performance*
- Collier, *The Bottom Billion*
- Fullerton, *Regenerative Economics*

Risk, Capital, and Innovation

- Knight, *Risk, Uncertainty, and Profit*
- Mazzucato, *The Value of Everything*
- Nordhaus, *Climate Clubs*



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- Share what we are learning, unlearning, and building in real time

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For inquiries or conversation, please reach the author via [linkedin.com/in/martinstuder](https://www.linkedin.com/in/martinstuder).

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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