

Short Elucidating Note 123: How can the structure of the traditional economic development model with a mask be stated? What are the development and policy dilemmas linked to the working of this structure?

BY

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Abstract

Central to market development are growth and profits, which can be achieved without generating externalities and when generating externalities. The model that achieves growth and profits without generating externalities is a golden paradigm, and the model that reaches growth and profits while generating externalities is a flawed paradigm, and hence they have different structure in terms of the nature of market prices, the nature of resource use, and the nature of critical problem generation. If a flawed paradigm is sold or presented as a golden paradigm then you have a form of golden development paradigm with a mask where you assume that a flawed paradigm is a golden paradigm creating in the process a golden development model with a mask. The central focus of this paper is the flawed paradigm known as the traditional market and how its actual nature can be framed using flawed paradigm-golden paradigm theory. It is well-known that the traditional market has socio-environmental externalities, and hence, it is a flawed development paradigm; and if we assume that the traditional market, a flawed paradigm, is a golden paradigm, then we create the structure of the economic development model with a mask. Therefore, understanding the structure of the economic development model with a mask is important for among other things: i) To understand internal forces that drive the pursue of growth and profits towards resource use inefficiency trends and the generation of critical socio-environmental pollution production problems; ii) To understand how the economic development model with a mask can be fixed, partially or fully, to resolved its critical socio-environmental problems; and iii) to understand how the critical socio-environmental issues of the economic development paradigm with a mask can be left unresolved or can be fully ignored by just redefining the nature of the economic development paradigm with a mask using positive labeling. And this raises the question, how can the structure of the economic development model with a mask be stated? What are the development and policy dilemmas linked to the working of this structure? Among the goals of this paper are to provide an answer, both analytically and graphically, to those questions.

Key concepts: Flawed paradigm, golden paradigm, economic development paradigm, optimal outcome, non-optimal outcome, traditional market, circular traditional market, sustainability, unsustainability, socio-environmental externalities, socio-environmental unsustainability, golden paradigm with a mask, economic development paradigm with a mask, circular economic development paradigm with a mask, dwarf market paradigm, dwarf sustainability market paradigm.

Introduction

a) The structure of the golden development paradigm with a mask

The idea and structure of the golden development paradigm with a mask has been recently introduced (Muñoz 2026) as indicated in Figure 1 below:

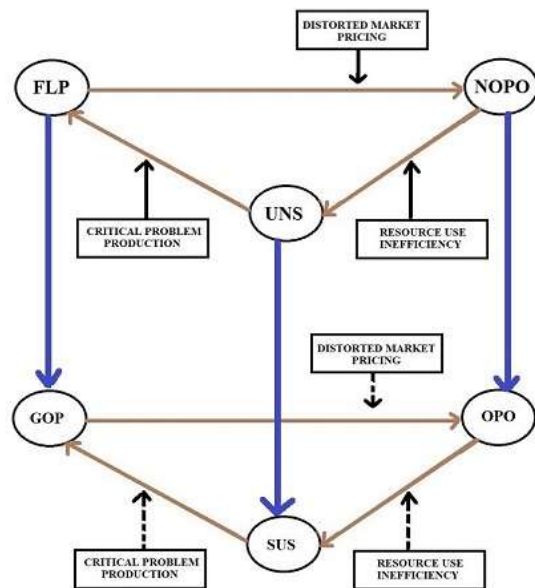


Figure 1 The structure of expected golden paradigm development with a mask

The following aspects can be highlighted based on Figure 1 above: a) the top part is the structure of the flawed paradigm (FLP), producing non-optimal outcomes(NOPO) that accumulate unsustainability conditions (UNS), a process driven by distorted market pricing, which drives resource use inefficiencies and critical problem production; b) at the bottom part we have the structure of the golden paradigm (GOP), producing optimal outcomes (OPO) that accumulate sustainability conditions (UNS), a process driven by optimal market pricing, which drives resource use efficiencies with no critical problem production; and c) the assumption that flawed paradigms (FLP) are golden paradigms (GOP) as indicated by the blue arrows going downwards from FLP to GOP, from NOPE to OPO, and from UNS to SUS forms the structure of the golden paradigm with a mask (GOPWM), where you are expecting optimal outcomes (OPO) and sustainability conditions (SUS) as market pricing is assumed to be optimal(OP) when they are externality specific distorted markets, and hence, when in the long term you accumulate non-optimal conditions and unsustainability then the

paradigm tends toward death or vertical paradigm evolution if saving the core values of the dying paradigm becomes the objective. In other words, a golden paradigm with a mask is a flawed paradigm assumed to be a golden paradigm, when it is not; and therefore, a golden development paradigm with a mask (GOPWM) is a flawed paradigm (FLP) with an optimal label.

b) Linking traditional economic thinking with golden development paradigm with a mask thinking

We know that there is a socio-environmental pollution production problem embedding in the working of traditional markets linked to socio-environmental cost externalization, and hence the traditional market is a flawed paradigm in socio-environmental terms. And this means that if we assume that traditional markets are golden paradigm markets then we are assuming that non-optimal paradigms in social and environmental terms are optimal creates a traditional economic development model with a mask (TEDWM) or economic development paradigm with a mask (EDPWM), where critical socio-environmental problems can develop in front of our eyes when we are not expecting them by assumption, but which we should expect in reality. In other words when we assume that traditional markets do not produce socio-environmental abnormalities we are assuming that they are true sustainability markets (TSM) or that they lead to true sustainability conditions (TSUS), but in reality we know they produce no socio-environmentally optimal outcomes (NSEOPO) as socio-environmental issues are exogenous to the economic development paradigm with or without mask. The consequences of assuming that traditional markets are golden paradigms a la true sustainability markets have been pointed out(Muñoz 2024a), an assumption that transform traditional markets in golden Trojan paradigms(Muñoz 2024b), placing efforts to correcting the socio-environmental externality production problems they create within the critical problem-solving impossibility zone (Muñoz 2025a).

c) The need to understand the link traditional economic development and the idea of the mask

Central to market development are growth and profits, which can be achieved without generating externalities and when generating externalities. The model that achieves growth and profits without generating

externalities is a golden paradigm, and the model that reaches growth and profits while generating externalities is a flawed paradigm, and hence both have different structure in terms of the nature of market prices, the nature of resource use, and the nature of critical problem generation. If a flawed paradigm is sold or presented as a golden paradigm then you have a form of golden development paradigm with a mask where you assume that a flawed paradigm is a golden paradigm creating in the process a golden development model with a mask. The central focus of this paper is the flawed paradigm known as the traditional market paradigm or Adam Smith's perfect market idea (Smith 1776), and how its actual nature can be framed using flawed paradigm-golden paradigm theory. It is well-known that the traditional market has socio-environmental externalities, the Brundtland Commission documented that in 1987 (WCED 1987), and hence, it is a flawed development paradigm; and if we assume that the traditional market, a flawed paradigm, is a golden paradigm, then we create the structure of the economic development model with a mask. Therefore, understanding the structure of the economic development model with a mask is important for among other things: i) To understand internal forces that drive the pursue of growth and profits towards resource use inefficiency trends and the generation of critical socio-environmental pollution production problems; ii) To understand how the economic development model with a mask can be fixed, partially or fully, to resolved its critical socio-environmental problems; and iii) to understand how the critical socio-environmental issues of the economic development paradigm with a mask can be left unresolved or can be fully ignored by just redefining the nature of the economic development paradigm with a mask using positive labeling. And this raises the question, how can the structure of the economic development model with a mask be stated? What are the development and policy dilemmas linked to the working of this structure? Among the goals of this paper are to provide an answer, both analytically and graphically, to those questions.

Goals of this paper

i) To state the structure of the economic development paradigm with a mask; ii) To highlight why the pursue of growth and profits thrives under resource use inefficiency and critical problem generation in this

paradigm; iii) To stress how the issues of the economic development paradigm with a mask can be fixed, fully or partially; and iv) To point out how positive labeling can be used to avoid dealing with or to simply fully ignore the root cause of the socio-environmental unsustainability generation problem linked to the working of the traditional development paradigm with a mask.

Methodology

1) The terminology and operational concepts are shared; 2) the structure of the economic development paradigm with a mask is presented; 3) The why the pursue of growth and profits thrives under resource use inefficiency and critical socio-environmental problem generation is pointed out; 4) The how the socio-environmental issues of the traditional development paradigm with a mask can be fixed, fully or partially is indicated; 5) The how positive labeling can be used to avoid dealing with the root cause of the socio-environmental unsustainability generation problem attached to the working of the economic development paradigm with a mask is stressed; and 6) Some food for thoughts and relevant conclusions are shared.

Terminology

- FLP = Flawed paradigm
- GOP = Golden paradigm
- NOPO = No optimal outcomes
- OPO = Optimal outcomes
- SUS = Sustainability conditions
- NS = Unsustainability conditions
- SEUNS = Socio-environmental unsustainability conditions
- CFLP = Circular flawed paradigm
- CGOP = Circular golden paradigm
- GOPWM = Golden paradigm with a mask
- FCI = Full cost internalization
- PCI = Partial cost internalization
- CGOPWM = Circular golden paradigm with a mask
- DGOP = Dwarf golden paradigm
- RSP = Remaining sustainability problem
- TED = Traditional economic development
- TEDWM = Traditional economic development with a mask
- TSPWM = True sustainability paradigm with a mask
- TM = Traditional market
- TMWM = Traditional market with a mask

- TNOPO = Traditional not optimal outcome
- TOPO = Traditional optimal outcomes by assumption
- SESG = Socio-environmental sustainability gap
- SEE = Socio-environmental externalities
- TMUNS = Traditional market unsustainability
- SEPOPP = Socio environmental pollution production problems
- NSEOPO = No socio-environmentally optimal outcomes
- TS = True sustainability
- TSM = True sustainability market
- TSP = True sustainability paradigm
- TSUS = True sustainability conditions
- SEUNS = Socio-environmentalunsustainability
- SEOPO = Socio-environmentaloptimaloutcome
- NSEOPO = No socio-environmental optimal outcome
- OPSO = Optimal sustainability outcome

Operational concepts

- i) Flawed paradigm**, a world with abnormalities embedded in it.
- ii) Golden paradigm**, a world without abnormalities embedded in it.
- iii) Optimal outcomes**, those that take place under full abnormality internalization.
- iv) Non-optimal outcomes**, those that take place under abnormality externalization, fully or partial.
- v) Sustainability conditions**, those that feed optimal development.
- vi) Unsustainability conditions**, those that feed non-optimal development.
- vii) Full cost internalization**, full cost accounting.
- viii) Partial cost internalization**, partial cost accounting.
- ix) Dwarf golden paradigm**, a world with abnormalities still embedded in it.
- x) Golden paradigm with a mask**, a world with abnormalities presented as without abnormalities.
- xi) Circular golden paradigm with a mask**, a circular resource use efficient world with abnormalities presented as without abnormalities.
- xii) Traditional market**, a world with socio-environmental abnormalities embedded in it

xiii) Optimal socio-environmental outcomes, those that take place under full socio-environmental abnormality internalization

xiv) Non-optimal socio-environmental outcomes, those that take place under socio-environmental abnormality externalization, fully or partial.

x) True sustainability, a world without socio-environmental abnormalities embedded in it.

xi) True sustainability market, the one cleared by the true sustainability market price.

The structure of economic development paradigm with a mask

When we assumed that the economic development paradigms (EDP), a socio-environmentally flawed paradigm (FLP = SEFLP) is a golden paradigm (GOP) a la true sustainability paradigm (TSP) so that EDP = SEFLP = GOP = TSP we create an economic development paradigm with a mask (EDPWM) since non-optimal socio-environmental conditions (NSEOPO) are assumed to be optimal true sustainability outcomes (OPSO) or to be socio-environmentally optimal outcomes (SEOPO) or to be traditional optimal outcomes by assumption(TOPO) so that OPSO = SEOPO = TOPO; and when doing so you can externalize all issues created by and/or affecting traditional economic development market paradigms(EDP), leading to the structure summarized in Figure 2 below:

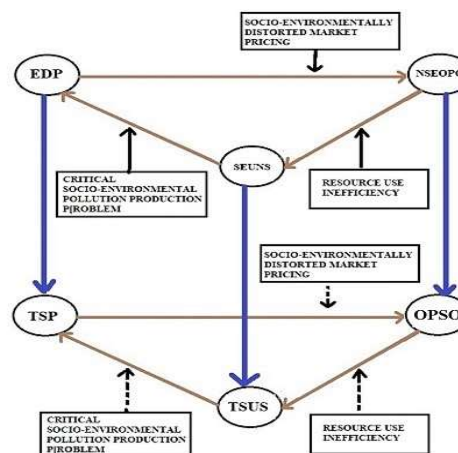


Figure 2 The structure of the economic development paradigm with a mask (EDPWM)

Figure 2 above can be interpreted as having the reality in the socio-environmentally flawed economic development paradigm (EDP) loop, having the assumption in the true sustainability paradigm (TSP) loop, and the mask is labeling flawed economic

development paradigms (EDP) as true sustainability paradigm (TSP) by assumption. The flawed paradigm loop at the top tells us that the economic development paradigm (EDP) produces non-socio-environmental optimal outcomes (NSEOPO), which feeds socio-environmental unsustainability conditions (SEUNS) as they work under socio-environmentally distorted market prices, which promote resource use inefficiencies and the creation of critical socio-environmental pollution production problems (SEPOPP). The golden paradigm loop at the bottom indicates that true sustainability paradigms (TSP) produce optimal sustainability outcomes (OPSO), which feed true sustainability conditions (TSUS) as they work under optimal pricing promoting resource use efficiency without created critical socio-environmental pollution production problems. The making of non-optimal conditions optimal by assumption creates the economic development paradigms' optimality mask. Hence, Figure 2 above shows the full structure of the economic development paradigms with a mask (EDPWM) as a flawed paradigm (FLP) is assumed to be a golden paradigm (GOP) a la true sustainability market so that $GOP = TSP$: the structure of the flawed paradigm (FLP) in the upper part of Figure 2 above is the reality; and the structure of the true sustainability paradigm (TSP), a golden paradigm (GOP) in the lower part of Figure 2 above is the assumption. In other words, the expectation in economic development paradigms with a mask (EDPWM) is optimal development under socio-environmentally distorted markets neutrality assumption, resource use inefficiency neutrality assumption and critical socio-environmental problem production neutrality assumption. In other words, an economic development paradigm with a mask (EDPWM) is a non-socio-environmental optimal paradigm (NSEOPO) assumed to be an optimal paradigm when it is not; and therefore, an economic development paradigm with a mask (EDPWM) is a flawed paradigm with an optimal label.

The neutrality assumption expectations in the world of economic development paradigms with a mask

i) Neutrality assumptions in the short term

The assumption that the working of economic development paradigm with a mask (EDPWM) do not work under socio-environmentally distorted market

pricing, do not lead to resource use inefficiency, and does not create critical socio-environmental externality problems may work in the short term as issues related to these socio-environmental abnormalities take some time to accumulate to a point that you can no longer hide them or avoid them.

ii) Neutrality assumptions in the long-term

In the very long term, the impact of price distortions in socio-environmental terms, resource use inefficiency and critical socio-environmental pollution production problems that come along with the working of the economic development paradigm with a mask (EDPWM) can no longer be hidden, and then the need for socio-environmental externality corrective action becomes binding.

The working of the economic development paradigm with a mask

Figure 2 above shows that economic development paradigms with a mask (EDPWM) rewards growth and profit generation while creating resource use inefficiency trends and creating critical socio-environmental externality production problems as they work under fully socio-environmentally distorted market pricing, but these aspects are presented as if optimal development is at work when it is not.

The full and partial fix of economic development paradigms with a mask

i) A full fix

If we fully correct distorted economic development paradigm (EDP)'s market pricing through full socio-environmental cost internalization (FSECI) we shift the socio-environmentally flawed economic development paradigms ($EDP = SEFLP$) towards golden paradigms a la true sustainability markets (TSP) eliminating the issue of resource use inefficiency and the issue of critical socio-environmental problem production at the same time, a situation that can be stated analytically as follows:

FSECI

1) EDP-----→ TSP

Expression 1) above tells us that full socio-environmental cost internalization (FSECI) shifts the socio-environmentally flawed economic development paradigm (EDP) towards the true sustainability paradigm (TSP) eliminating the problem of socio-environmentally distorted market prices, inefficient

use of resources problem, and critical socio-environmental problem production problem at the same time

ii) A partial fix

If we partially correct socio-environmentally distorted market pricing in Figure 2 above through partial socio-environmental cost internalization (PSECI) we shift the socio-environmentally flawed economic development paradigm (EDP = SEFLP) towards a dwarf true sustainability paradigm (DTSP) paradigm creating a remaining resource use inefficiency problem and a remaining socio-environmental sustainability problem at the same time, a situation that can be summarized as indicated below:

PSECI

2) EDP-----DTSP

Expression 2) above tells us that partial socio-environmental cost internalization (PSECI) shifts the socio-environmentally flawed economic development paradigm (EDP = SEFLP) towards the dwarf sustainability paradigm (DTSP) creating a remaining socio-environmental market price distortion problem, a remaining inefficient use of resource problem, and a remaining critical socio-environmental pollution production problem at the same time. The idea of partial solutions a la sustainable development and its consequences has been highlighted in detail recently (Muñoz 2024b), which is dwarf true sustainability paradigm (DTSP) based type of idea as socio-environmental costs are only partially accounted for.

The use of positive labeling to avoid addressing the root-cause and the critical socio-environmental pollution production problem that the economic development model with a mask drives

Hence, if we label the economic development paradigm, a flawed paradigm, as optimal we create an economic development paradigm with a mask. By the same token, if we label the economic development paradigm with a mask (EDPWM) with the idea of circularity to address only the resource use inefficiencies it creates, leaving the socio-environmentally distorted market pricing problem and the critical socio-environmental pollution production problem associated with it as it is then we create a circular economic development paradigm with a mask (CEDPWM), which means we are moving from a resource use inefficiency world to a resource use efficiency world with the same socio-environmental

market price distortion problems and critical socio-environmental pollution production problem as before, a situation described analytical as indicated below:

RESOURCE USE

EFFICIENCY FOCUS

3) FLP = EDP = TSM = EDPWM -----

-----> CFLP = CEDP = CEDPWM

Expression 3) above tells us that focusing on resource use efficiency transforms the economic development paradigm with a mask (EDPWM) into the circular economic development paradigm with a mask (CEDPWM) with the same socio-environmental market price distortion and same critical socio-environmental pollution production problems of the previous paradigm. As solving the critical socio-environmental pollution problems is not the goal of circular economic thinking, this move from linear economic thinking to circular economic thinking has been highlighted as the third blunder in terms of development thinking since 1987(Muñoz 2025b).

Development dilemmas created by the existence of economic development paradigms with a mask

Figure 2 above tells us that assuming that socio-environmentally flawed economic development paradigms (EDP) are golden paradigms a la true sustainability markets (GOP = TSM) leads to the development dilemma where we are expanding growth and profits under optimal socio-environmental expectation assumptions when in reality we should expect non-optimal socio-environmental outcomes and socio-environmental unsustainability in the long term instead of optimal socio-environmental outcomes, creating the situation in which paradigms can collapse in front of your eyes if no corrective action is taken as you are not expecting socio-environmental unsustainability at all as this world is operating under the assumption that you can grow development and profits without generating socio-environmental unsustainability, which is true only because you have assumed that non-socio-environmental optimal outcomes are optimal.

Policy dilemmas created by the existence of economic development paradigms with a mask

The policy dilemmas based on Figure 2 above come from the socio-environmental neutrality assumptions that make the flawed economic development paradigm golden paradigm a la true sustainability with a mask (GOPWM =TSPWM) and summarized in the

following questions: i) Should governments and communities support development paradigms that present non-socio-environmental optimal outcomes as optimal ones?; ii) Should governments and communities support development paradigms that expect socio-environmental sustainability conditions in the long term when they should be expecting socio-environmentally unsustainable ones?; and iii) Should governments and communities support development paradigms that thrive under market price distortions in socio-environmental terms, resource use inefficiency, and socio-environmental pollution production problems to generate growth and profits?.

Food for thoughts

i) If we fully fix traditional market paradigms, do we still have remaining sustainability problems? I think No, what do you think?; ii) If we partially fix traditional market paradigms, do we still have remaining socio-environmental sustainability problems? I think Yes, what do you think?; and iii) Does the knowledge based of a traditional market paradigm works in the world of true sustainability paradigms? I think No, what do you think?

Conclusions

First, the idea was introduced that assuming that an economic development paradigm is a golden paradigm a la true sustainability markets creates an economic development paradigm with a mask. Second, it was pointed out that this mask comes from presenting non-optimal socio-environmental outcome expectations as optimal ones. Third, it was stressed that for the economic development paradigm with a mask to work it needs to assume that prices are not socio-environmentally distorted, that resource use is efficient, and that no critical socio-environmental pollution production problems are created, when in reality in the long term these issues become binding critical socio-environmental development issues. Fourth, it was pointed out that economic development paradigms with a mask expand growth and profits while accumulating socio-environmental unsustainability, but this problem is assumed away as socio-environmental unsustainable outcomes are presented as sustainable ones. It was stated that economic development paradigms with a mask can be fixed, fully and partially, shifting towards golden paradigms a la true sustainability and dwarf golden paradigms a la dwarf true sustainability, respectively.

It was stated that relabeling economic development paradigm with a mask as circular economic development with a mask paradigms addresses the resource use inefficiency problem, but not the socio-environmental pricing distortion problem and the critical socio-environmental pollution production problem embedded in it. It was indicated that the assumptions that make the flawed economic development paradigm a golden paradigm a la true sustainability with a mask create development dilemmas as you may be supporting a paradigm that can collapse in front of your eyes as socio-environmental unsustainability is not expected due to the socio-environmental sustainability neutrality assumption when they should be expected. And finally, it was said that the existence of economic development paradigms with a mask create policy dilemmas for governments and communities in terms of the worth of supporting development paradigms that assume good, but deliver socio-environmental unsustainability.

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