



Bioeconomy as a Complex Adaptive System of Sustainable Development

Mariusz Maciejczak

Faculty of Economic Sciences, Warsaw University of Life Sciences – SGGW, Poland

ABSTRACT

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The bioeconomy is widely understood as an economic system that combines in a synergic way both natural resources and technologies, together with markets, people and policies. There are established links between old industries traditionally based on natural resources and new ones those previously had no direct relations. As a result, one industry utilizes the by-products of another very often closing the loop of circularity. The paper describes this system in a dynamic perspective, as a complex adaptive system. Complexity results from the inter-relationship and inter-action of system's elements and between a system and its environment. Based on the empirical evidences from the European Union it is argued that bioeconomy as a platform networking several branches of economy could adapt to the changes that take place in the environment.

1. Introduction

The concept of bioeconomy is recognized as not only a promise but also a solid and realistic foundation for achieving the sustainability needs worldwide. The basic assumption of this concept is to connect different socio-economic processes both from low tech and high tech sectors which focus on the utilization of renewable resources through application of appropriate knowledge and innovative technologies. As a result, there are delivered products and services, which lead to fulfilling goals that are considered important from private and public perspectives. The bioeconomy is also perceived as a system that combines natural resources with technologies and other elements of the economic system such as markets, consumers, institutions or policies. Within bioeconomy system, there are build connections between industries and sectors in order to establish symbiotic relationships where one industry utilizes the by-products of another. As such bioeconomy is perceived very holistically in a wide systemic approach.

However, it is necessary to see this system not in a static way but applies more dynamic approach (Maciejczak M. and Hofreiter K., 2013). This is due to the dynamic and turbulent internal and external changes that practically prevent the achievement of Pareto optimum. Therefore, bioeconomy can be considered as a complex adaptive system. Complexity economics is considered as a mirror inversion of neoclassical theory (Levin R., 2000). Complex adaptive systems from economic perspective are characterized by Miller and Page (2007) by three main factors. Firstly, the complex economy is never in equilibrium but is constantly subjected to shocks, both exogenous and endogenous, that affect its short-term movements. Secondly, the classical law of one price fails, and there are observed short term price deviations. Finally, complex adaptive systems rarely, if ever, achieve the sort of optimality.

It seems necessary to approach economic analysis of bioeconomy from a network, rather than a production and utility function perspective when one deals with complex systems. It is argued that dynamic systems are able to adapt in and evolve with a changing environment (Golebiewska B., 2014).

2. Literature review

In the social sciences, it is agreed that the complexity results from the inter-relationship, inter-action, and inter-connectivity of elements within a system and between a system and its environment (Levin R., 2000; Mitchel M., 2011). As such, systems are able to adopt and become known as Complex Adaptive Systems (CAS). According to Miller and Page (2007), CAS are dynamic systems able to adapt in and evolve with a changing environment. As argued by Cham (2001), it is important to realize that there is no separation between a system and its environment in the idea that a system always adapts to a changing environment. Rather, the system is closely linked with all other related systems making up an ecosystem. Within such a context, change needs to be seen in terms of co-evolution with all other related systems, rather than as adaptation to a separate and distinct environment (Vanberg V.J., 2004). Axelrod (1997) argues that what distinguish a CAS from a pure multi-agent system (MAS) are: the focus on top-level properties and features like self-similarity, complexity, emergence and self-organization. A MAS is defined as a system composed of multiple interacting agents; where the agents, as well as the system, are adaptive and the system is self-similar. CAS is recognized as a complex, self-similar collectivity of interacting adaptive agents. Complex Adaptive Systems are characterized by a high degree of adaptive capacity, giving them resilience in the face of perturbation. Communication and cooperation take place on all levels, from the agent to the system level. Levin (2000) defines CAS systems in

terms of three properties: diversity and individuality of components, localized interactions among these components and an autonomous process that uses outcomes of those interactions to select a subset of those components for replication or enhancement.

Day (1994) argues that when thinking of the economy as a complex system of elements the appropriate construct to understand it is the network. It is because the generated added value does not just come from the elements contained in the firm but from the connections that are forged between them. As networks evolve and produce more and better ranges of products using more productive processes, there is observed increasing value added. As shown by Vanberg (2004) firms are bundles of network connections, as are economies. Such networks cannot be fully connected or be maximally efficient, because an economic system is not a machine. Networks are constantly being created and destroyed, along with products and organizations (Jackson M. and Watts A., 2002; Rosser J., 1999).

3. Research Methodology

The presented research are based on the heterodox assumptions of deductive and descriptive reasoning, and the secondary data were coming from the Bioeconomy Observatory of the European Commission, using the data management tool DataM2, which is capturing statistics related to bioeconomy.

4. Research Results

From the point of view of economic theory, as stressed out by Metcalfe et al. (2006), complex systems theory is, essentially, a body of theory about connections, distinguishing it from conventional economic theory which is concerned with elements, supplemented by very strong assumptions about connections. Component structures in such systems evolve through a process of specialization and integration as well as the process of innovation diffusion. Foster (2004) distinguished four general properties of an economic complex adaptive system, which includes structure, its components, connections and evolution in the historical time domain.

Having in mind the above discriminants of the bioeconomy (Maciejczak M., 2015), and agreeing that as an economic system it has a network and complex structure as well as is influenced by the path dependency, one could distinguish its following properties:

- 1) agents – as every system the bioeconomy should be recognized as a set of economic agents performing different functions, not only devoted to supply and demand but also aimed to deliver knowledge or institutional framework;
- 2) connections – every agent in the bioeconomy system performs the role that results are transmitted by the links, also with feedback loops, established in the networks, which are subject to constant changes;
- 3) transformations – this characteristic is crucial for bioeconomy as much as crucial are renewable resources and knowledge, which both are used as basic sources for any bio-processes which create private and public value added;
- 4) openness – this approach enables to obliterate the boundaries between the agent – a firm and its environment, making them more permeable, and thanks to that, transfer innovations inward and outward; firms could become more innovative cooperating with partners by sharing risk and sharing reward;
- 5) evolution – the network of bioeconomy is subject to constant changes, which not only influence its development but are influenced by all historical changes.

Figure 1 presents the conceptual model of bioeconomy as a complex system. Such system is built of agents, which are connected. In such system products and services are generated from application of knowledge and innovative technologies into production processes which is based on renewable sources of biomass. By application of non-linear models of progress development and innovation diffusion as well as being pulled by the market, the bioeconomy system can generate products and services essential from private and public point of view. Both, private and public institutions finance and govern its functioning and growth.

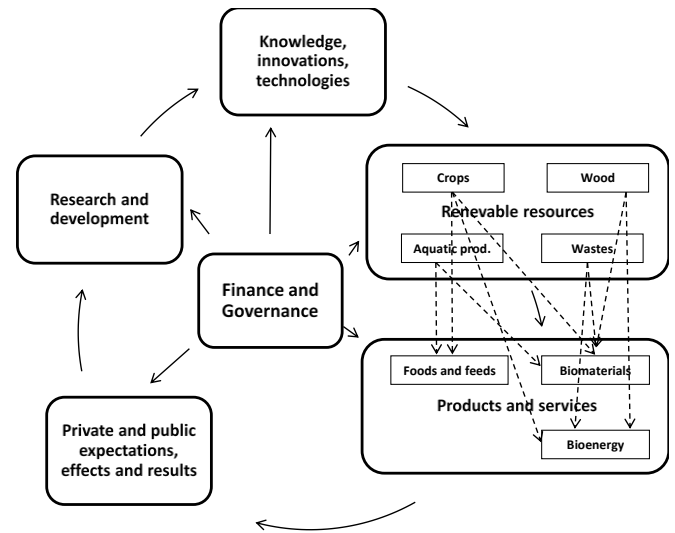


Figure 1: The conceptual model of bioeconomy as a complex system.

Source: author's construction

Is, however, the bioeconomy not only complex but also adaptive? To answer this question, two synergetic arguments can be used. First, is describing the evolution of the bioeconomy concept. The second is showing how path dependency resulted in the primary production of energy from renewable sources.

In one of the first policy agendas of the bioeconomy, namely the Cologne Paper (European Commission, 2007) bioeconomy is recognized as the production of renewable biological resources and their conversion into food, feed, bio - based products and bioenergy. Here, is provided very narrow approach which is encompassing the classical production function. In 2012, the European Commission stressed out that production paradigms of bioeconomy those should rely on biological processes and, as with natural ecosystems, use natural inputs, expend minimum amounts of energy and do not produce waste as all materials discarded by one process are inputs for another process and are re-used in the ecosystem (European Commission, 2012). In the evolution of bioeconomy concept in Europe it could be observed the focus is not only on production but also on energy savings and circularity of renewable resources, i.e. wastes. In 2015 the Council of Nordic States – Norden, pointed out that bioeconomy is a sustainable production and use of natural resources, with a cross-sectorial and systematic approach, with a basis in circular economy (The Council of Nordic States, 2015). In this definition, being an example of the broadest approach, are emphasized the elements of governance of production and circularity of the system.

Table 1: Contribution of the bioeconomy sub-sectors in the European Union's economy in 2012

Sector	Annual turnover (€ billion)	Value added (€ billion)	Employment (1000 s)
Agriculture	404	157	10200
Food and beverage	1040	207	468
Agro-industrial products	231	62	2092
Fisheries and aquaculture	36.6	9.7	199
Forestry logging	42	22	636
Wood-based industry	473	136	3452
Bio-chemicals	50		120
Bioplastics	0.4	1.4	
Biolubricants	0.4	0.6	
Biosolvents	0.4	0.4	
Biosurfactants	0.7	0.9	
Enzymes	1.2		
Biopharmaceuticals	30	50	142
Biofuels	16		132
Total	2357		21790

Source: author's construction based on Eurostat data

Bioeconomy is already one of the biggest and important components of the EU economy. The data shown for 2012 indicate that the EU bio-based economy turnover reached about 2.4 billion euro, with almost 22 million persons employed (Table 1). As the concept of bioeconomy evolved into use not only of primary sources of biomass, such as wood or agricultural crops and residues but also biomass from renewable wastes, such products were increasingly gaining higher shares in the energy production. What is important, the bioeconomy sector consumes a biomass not only from plant and livestock agricultural production, incl. post-harvest residues as well as from wood and aquatic productions, but also from wastes.

In this context, municipal solid wastes (MSW) becoming as an ugly duckling transforming into the golden swan. This kind of wastes was forgotten by the economic theories and excluded by the businesses as not too much useful. Nowadays MSW is considered as a significant source of renewable resources and energy meeting growing needs arising from sustainable concerns. Specifically, MSW is waste generated by commercial and household sources that are collected and either recycled, incinerated, or disposed of in MSW landfills. However, circularity approaches 'design out' waste and typically involve innovation throughout the value chain, rather than relying solely on solutions at the end of life of a product. Closing the loop and implementing the concept of circularity in the economy is becoming a strategic goal to many economies. In the European Union "A zero waste program for Europe" as well "An EU action plan for the Circular Economy" and many other actions were undertaken in order to ensure more circularity in the economies of the Member States. The circularity in their economic systems should be focused on keeping the added value in products for as long as possible, ensuring their highest utility, and eliminate waste.

The circularity should accordingly be seen as a part of the broader concept of bioeconomy. It is an important contribution to development of a sustainable, low carbon and resource efficient system in which steps are taken to maintain products, materials, and resources in the economy for

as long as possible and accordingly to measures are implemented to minimize the waste generation.

It is important to stress out that industries already recognize the opportunities for making the use of such approach and improve the resource productivity. As an example, can be mentioned the steps towards efficient utilization of resources from MSW. The main benefit from such measures is the reduction of the needs for primary production based input needs. Therefore, as stressed out by European Environmental Agency (2016) recycling and incineration towards energy recovering becomes an important part of MSW management in many European countries, incl. Belgium, The Netherlands or Germany.

5. Conclusion

This paper aimed to make an attempt to present and analyze bioeconomy as a complex adaptive system in the context of sustainable development. The performed analysis allows for the following conclusions:

1. The classical perspectives of perceiving and, as a consequence, analyzing economy are changing from market approach of static equilibriums into industrial organizations of dynamic networks.
2. Bioeconomy as a concept gaining more and more attention of society, business, politics, and academy could and should also be analyzed from the perspective of more heterodox approaches, including industrial organization.
3. Bioeconomy can be presented as the complex adaptive system. The system, which using path dependency and connections between agents participating in evolving networks, is able not only to produce high added value but also adapt to the changing environment.
4. As an adaptive system bioeconomy sector dynamically changes seeking for new sources of incising productivity and efficiency according to sustainability needs, which exemplification could be the concept of circularity and use of wastes.
5. It is advisable that further research on bioeconomy as complex adaptive system should be undertaken, in order to present all spectrum of issues related to its key properties distinguished in this paper and beyond.

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Note

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