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Understanding sustainability economics Towards pluralism in economics

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The present trajectory of the UK (Swedish, European Union, global) economy and society is largely unsustainable

The 'mental maps' of influential actors in the economy are
closely connected with neoclassical economics as science
and ideology (and with neoliberalism as political ideology)

Alternative or complementary mental maps in economics
are very much needed

Indicators of (un-)sustainable development

	Flow (referring to period of time)	Positions(referring to point in time)
Monetary	'a'	'b'
Non-monetary	'c'	'd'

Monetary flows and positions are of course important but the main challenge is to know what happens in non-monetary terms especially non-monetary positions (states, stocks).

Non-monetary impacts should be kept separate from monetary ones. Inertia and irreversibility (risk of irreversible impacts) have to be illuminated and seriously considered

Interpretations of 'sustainable development':

A. Business as usual (BAU)

B. Social and ecological modernization. Modification within the scope of present institutional arrangements

C. Also consider radical change in mental maps and institutional arrangements

'Sustainability economics' as a conceptual framework and ideology is meant to facilitate change according to 'B' and 'C' above

MAIN THEMES OF MY PRESENTATION

- Economics is political economics
- Democracy should enter into economics
- Getting closer to individuals as political actors (in different roles) guided by their ideological orientations
- Getting closer to business corporations as political actors with their missions

According to traditional ideas (positivism), it is possible to separate science from politics; a 'pure' economics is possible

➤ This tradition is here abandoned. Changing the direction of development away from unsustainable trends and business-as-usual strategies is clearly a political and ideological issue; Sustainability economics is **POLITICAL ECONOMICS**

➤ If **POLITICS** is involved then **DEMOCRACY** will provide us with some of the rules of the game

➤ The primacy of **DEMOCRACY** over **MARKET** has to be respected

- **Neoclassical economics is a 'socially constructed' language.** The same is true of institutional economics, feminist economics and ecological economics as languages
- **Each theoretical perspective is specific not only in scientific terms but also in ideological terms**
- Feminist economics, for example, often starts from judgments of the position of women in contemporary society
- Thus feminist economists have attempted to 'socially construct' an economics that is compatible with their thinking and ideological orientation

Political economics approach (continued):

The 'ideological orientations' of individuals and 'missions' of organizations become central to economics and something to be investigated and subject to debate

Democracy enters into economics in a serious way

Elements of a political economics approach:

- PEP Political Economic Person assumptions
- PEO Political Economic Organization assumptions
- PEM Political Economic (interpretation of) Market
- PED Political Economic (approach to) Decision-making
- PESA Political Economic approach to Sustainability Assessment
- PEIC Political Economic (models of) institutional change processes

'Perspectivism' (Brian Fay 1996)

A multiplicity of perspectives and models rather than one 'true' paradigm. From a 'closed economics' to a more 'open-ended economics'

Models of individuals:

- Neoclassical utility maximizing consumer
- Consumer behaviour based on social psychology and learning theory
- The individual as actor with her different roles and relationships, guided by her ideological orientation (PEP-model, POLITICAL ECONOMIC PERSON)

Models of organization:

- Neoclassical theory of the firm: Maximizing monetary profits, focus on shareholder interests
- Stakeholder theory: Identifying stakeholders and admitting that there are some conflicts of interest between stakeholder categories
- Political economic organization (PEO): The organization as a political actor, its mission, view of Corporate Social Responsibility, CSR, and ideology matters. 'Fair' profits an option (rather than maximum profits) and fairness in relationships with different stakeholders. Uncertainty and conflicts of interest a normal state of affairs; multidimensional analysis; polycentric in the sense that each individual matters

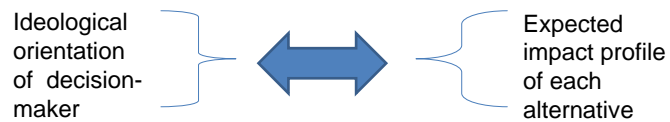
Models of market:

- Supply and demand model (neoclassical): Mechanistic model, focus on price and monetary cost of single commodities; self-interest of market actors assumed
- Network model of market: Focus on social relationships and socio-psychological aspects, such as trust; Cooperation as well as competition; Each market actor may bother about impacts upon other market actors
- Political Economic Market model: A transaction is embedded in a social, institutional and ecological context. Market actors are political economic persons (PEPs) guided by their ideological orientation or political economic organizations (PEOs) guided by their mission. The ideological orientation (mission) may reflect greediness, exploitation of other market actors (or of ecosystems and natural resources) or a wish to be fair or generous in relation to other market actors. Trust or lack of trust may characterize a market actor's relationship with another market actor. In relation to sustainability, it appears desirable that the ideas of responsibility and accountability of market actors are broadened

Models of decision-making:

- Neoclassical optimization (one dimensional maximization or at best two-dimensional optimization in terms of cost-efficiency)
- Political Economic model of Decision-making (PED): 'Appropriateness'; 'matching' ideological orientation (mission) of each decision-maker and expected multidimensional impact profile for each alternative considered. Ideological orientation is normally multidimensional with qualitative, quantitative and visual elements. Ideological orientation as well as expected impacts may be fragmented and uncertain

Decision making as a 'matching' process:



Ideological orientation is 'matched' against multidimensional impact profile. 'Suitability', 'appropriateness' are other words to test whether ideological orientation and the expected impacts 'fit' together or if there is a misfit

Models of sustainability assessment:

- Aggregated-ideologically closed in onedimensional monetary terms (CBA) or in other onedimensional terms (e.g. exergj)
- Disaggregated but limited in scope; Environmental Impact Assessment (EIA), Health Impact Assessment (HIA)
- Disaggregated, ideologically open approach; Positional analysis (PA) Political Economic approach to Sustainability Assessment (PESA). The purpose is to **illuminate** an issue with respect to ideological orientations, alternatives of choice and impacts in a many-sided way. Conditional conclusions in relation to ideological orientations judged relevant among decision-makers and other stakeholders or actors.

Essentials of Positional Analysis (PA):

- Interaction of analyst with all stakeholders and other concerned actors in a process of mutual learning (perception of problem, ideas about progress, alternatives, impacts etc.)
- Arenas for dialogue (established, ad hoc)
- Articulation of different ideological orientations that appear relevant
- Design of alternatives that match the different ideological orientations
- Estimation of impacts; illumination of irreversibilities, uncertainty through 'positional thinking' etc.
- Analysis of common interests and conflicts of interest
- Conditional conclusions. Ranking of alternatives in relation to each ideological orientation considered

Policy for Sustainability (Sustainable Development)

Neoclassical perspective:

- 'Policy' is connected with national (local) government and public authorities (governmental policy)
- A distinction is made between command and control instruments and market instruments (incentives)
- Market instruments such as green taxes, environmental charges, markets for pollution permits are normally recommended (as opposed to 'command and control') with connected ethical principle: 'Polluter pays principle' (PPP)

Policy for Sustainability (Sustainable Development)

Alternative perspective:

- Reference is made to 'governance' (rather than 'government' only). **All actors** (at all levels) **are policy makers** as part of a political economics perspective.
- Policy starts with the individual as actor (PEP) with her ideological orientation and the organization as actor (PEO) with its mission
- Public (and private) debate about ideology and mission are essential to prepare for social and institutional change processes
- Theory of science, paradigms in economics, established and other political ideologies have to be open to debate also for scientists. Sustainable development interpreted in some way is an ideological orientation competing with other ideological orientations

Understanding institutional change – at the level of perspectives:

	Dominant perspectives	Alternative perspectives
Theory of science	Positivism	Hermeneutics etc.
Paradigm in economics	Neoclassical	Institutional
Ideological orientation	Neoliberalism	Radical idea of sustainable development
Institutional arrangements	Joint stock company, World Trade Organization (WTO)	Cooperatives ? New international trade organization?

Understanding institutional change – at the level of specific phenomena

- Interpretation of a phenomenon
- Naming it
- Other manifestations
- Acceptance among actors
- Strengthening/weakening of institution as part of a power game and in competition/cooperation with actors behind other institutions

Institutional change processes (at the level of perspectives and at the level of specific phenomena) start by individuals as actors with specific ideological orientations in specific social, institutional and ecological/physical contexts

Each individual as PEP interacts with other individuals as PEPs through perceived rules and incentive systems. Rules and regulations do not come exclusively through the state. They may be imposed by other actors (than the state) or be voluntary

	Rewards	Punishments
Monetary	'a'	'b'
Non-monetary	'c'	'd'

	Voluntary	Compulsory
Monetary	'e'	'f'
Non-monetary	'g'	'h'

Defense 'mechanisms' at the level of the individual:

- "What I do does not matter"
- "My behaviour is a private matter"
- "I will change my behaviour if all others do the same"
- "It is not my fault" (Blaming others)
- "I do not want to know what the impacts will be"
- "I have other problems to take care of"
- "Economists tell us that focusing on self-interest is good for everybody and for society as a whole"

Personality characteristics of psychopaths:

(Tarja Ketola p.23)

- (1) Unconcern for others' feelings
- (2) Inability to maintain human relations
- (3) Disregard for others' safety
- (4) Dishonesty and lying to one's own advantage
- (5) Inability to feel guilt
- (6) Inability to observe the laws and norms of society

Ketola, Tarja, 2008. From psychopaths to responsible corporations, Nova Science Publ. New York

Neo-liberalism as ideology:

- **Economic growth** is the main indicator of progress in society
- The **market mechanism** is celebrated while democracy tends to be downplayed
- **Business corporations** are believed to be more efficient than activities operated by the government. Business leaders are responsible only to **shareholders**
- The role of government in regulating business should be minimized (**deregulation**). **Privatization** is normally a step forward
- '**Globalization**' in the sense of extended markets for big corporations is believed to be good for society. "Free trade is good", "Protectionism is bad"
- No barriers should exist for **international capital movements**

How do we deal with 'common interests', 'public interests' or 'community values'? (Cf. Title of Brundtland report: *Our Common Future*)

We live in a time when self-interest and individualism is celebrated. Behind this is neoclassical economics, neoliberalism and of course to some extent 'human nature'. When a person argues that we have to respect public/common interests an actor with neoliberal preferences tends to point to and warn against the Soviet kind of 'collectivism' which belongs to the past

But common (public interests) exist everywhere even in relation to market transactions. The important thing to realize is that there are many rather than one interpretation of common interests in relation to specific phenomena

A person's understanding of common interests is part of her/his ideological orientation

Neoclassical 'rhetoric' and 'reality'

Rhetoric	Reality
Freedom of choice. 'Protectionism is bad'	Protection of neoclassical paradigm
Competition is good	Monopoly is good (for neoclassical economists)
Do not put all eggs in one basket	We prefer all eggs in one basket. One basket is enough
We should observe the 'opportunity cost principle'	"There is no alternative" "If there is one, we wouldn't bother"

Peter's conclusion:

**"DEMOCRACY
HAS TO ENTER INTO
ECONOMICS"**