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## **A POLITICAL AND INTERPRETIVE TURN FOR ECONOMICS?**

### **Ecological (or sustainability) economics as an example**

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### **Abstract**

Sustainability issues are inherently political in nature. Traditional ideas about science as being separable from politics are no longer enough. Individuals and organizations are arguably best understood as political actors and economics as political economics. When attempting to understand why some economists regard themselves as 'heterodox', issues of ideology also need to be included.

Theories of science, paradigms in economics and ideologies play a role in understanding institutional change processes in society. At a more specific and detailed level, language and interpretive frames used may explain the emergence of specific institutions and their establishment or disappearance.

Ecological economics as a heterogeneous field of study should consciously deal with ideological and political options rather than assume them away. Reliance on positivism and quantitative methods is no longer enough. As an example *Ecological Economics*, the Transdisciplinary Journal of the International Society for Ecological Economics, should include interpretive and critical studies of the corporation as one of the most important institutions in relation to Sustainable Development.

**Key words:** Political economics, neo-liberalism, neoclassical economics, political economic person, political economic organization, actor, ideological orientation, interpretation, model of institutional change

## **Introduction**

Heterodox economics is a label used for a number of schools of thought that are critical of mainstream neoclassical economics and that claim to offer alternatives in some respects. These include, inter alia, socio-economics, feminist economics, ecological economics, Green economics, institutional economics, Post-Keynesian economics and French regulation theory. Some refer to political economics as a separate school, others to inter- and trans-disciplinary thinking as an important element of heterodox economics. Actors connected with the main churches, such as Buddhism, Catholicism, Islamism sometimes offer their own ideas about relationships between ethics and economics. There are many associations and many journals connected with the above mentioned currents. Books are written attempting to bring some order in a highly diversified landscape.

How should all this be understood? Is the existence of a large number of more or less elaborated alternatives to mainstream economics a natural phenomenon and perhaps a sign of workable competition and pluralism in a positive sense? Or, is this diversity of perspectives a sign of weakness and something to worry about?

Neoclassical economics is part of a positivistic idea of science where science can be separated from politics and where value-neutrality is possible and desirable. It is furthermore believed that there can be only one true, theoretical perspective at a time in each discipline and that this perspective is useful for different purposes. In what follows, we will argue that both these sets of beliefs are highly questionable. There is no such thing as a value-neutral social science and a conceptual framework useful for one set of purposes need not be useful for a different set of purposes. As an example, we suggest that relying exclusively on neoclassical environmental economics in relation to present sustainability challenges would probably not be a wise strategy.

Each group of heterodox economists has some ideas to offer but at issue is if there can be too much heterogeneity. Should we aim at a consensus among heterodox economists with the purpose of strengthening our power position in relation to mainstream neoclassical economics? Or, would such a consensus only impoverish economics as a discipline? A first step is to look for elements that are common to different schools of thought and also for distinguishing features.

### **A diversity of perspectives and tensions**

One aspect of complexity is that a specific scholar may have sympathies with more than one heterodox perspective and be in favor of pluralism more generally. Some academics cannot point to a singular identity, for example being both economists and students of organizations and business. The same individual may regard himself/herself as an institutional economist, ecological economist, social economist and at the same time, have sympathies towards heterogeneous parts of feminist economics. It may be easier to characterize such a world view by pointing to the perspectives that one is against. For some, including the present authors, neoclassical economics can be accepted as part of a pluralistic attitude but the monopoly of neoclassical theory and neoclassical economists at university departments of economics (and their derivative aspects apparent in such disciplines as accounting) is not acceptable. It reduces the quality of economics research and, as we will see, is a threat to society more

generally. Neoclassical dictatorship is comparable to other kinds of dictatorship in constraining public debate.

Another aspect of complexity relates to the fact that specific labels, such as ‘institutional economics’ may refer to many subcategories of institutional theory (e.g. Chavence 2007). In addition to the various heterodox categories identified, there are neoclassical versions of institutional theory (Table 1, categories ‘a’ and ‘b’). Oliver Williamson’s so called ‘new’ institutional economics, emphasizing transaction costs, is an example of this (Williamson and Masten 1999). Williamson’s modification and extension of neoclassical theory can be interpreted as a strategic move by neoclassical economists to counteract the popularity in some circles of some kinds of heterodox economics.

**Table 1.** The same label may be used for non-neoclassical as well as neoclassical approaches or theories

<b>Schools of thought:</b>	<b>Non-neoclassical approach</b>	<b>Neoclassical approach</b>
<b>Institutional economics</b>	a	b
<b>Feminist economics</b>	c	d
<b>Social economics</b>	e	f
<b>Ecological economics</b>	g	h

‘Feminist economics’ is similarly a label used for non-neoclassical as well as neoclassical approaches (Table 1, categories ‘c’ and ‘d’) the common denominator being a concern for the position of women in contemporary society and more generally a focus on ethics, equality and justice. Something similar may be said about social economics.

There is a tension between non-neoclassical and neoclassical theory even in ecological economics (‘g’ and ‘h’ in Table 1). For some of us the ‘raison d’être’ for the International Society for Ecological Economics (ISEE) is connected with a criticism of neoclassical environmental economics which is considered insufficient. The ISEE started largely as an initiative by leading ecologists questioning the capacity of neoclassical environmental economists to constructively deal with environmental problems. But ecologists and environmental science scholars, like most other natural scientists, are positivists with respect to theories of science and some of them tend to cooperate with similarly inclined neoclassical economists. This may explain why a large part of the articles in *Ecological Economics* are based on assumed value-neutrality and observations from ‘the outside’. Quantitative measurement tends to be the rule. Fortunately there are also contributions of a more heterodox kind. The editors of the journal have had to handle a delicate balance between different groups of scholars. Tensions of this kind have made some of us feel more at home with the regional societies, such as the European Society for Ecological Economics (ESEE) where there is a dominance of social science approaches. The history of ISEE has been documented and analyzed in two excellent articles by Inge Røpke (2004, 2005).

**Economics is always political economics**

The idea of value-neutrality of neoclassical economics should be abandoned. Neoclassical economics is specific not only in scientific but also in ideological terms and is thus a kind of political economics. A specific version of institutional economics should similarly be understood as political economics, albeit with a different ideological orientation. Political

economics was the label used until about 1870 when the neoclassical project of developing a 'pure' economics started.

Today it is increasingly understood that this neoclassical project was a mistake. "Values are always with us" in economics research as argued at an early stage by Gunnar Myrdal (1978). This recognition has far-reaching consequences for economics as a science. Not only are economists as scholars guided and influenced by their ideological orientation. It is also assumed that the actors that we study in society or the economy are guided by their ideological orientations. A 'political economic person' (PEP) is born as an alternative to neoclassical 'Economic Man'. Human beings are not only consumers in a narrow sense but sometimes consumers with a broader outlook and also citizens in a democratic society.

In the social sciences, one has to live with 'contested concepts' (Connolly 1993), i.e. concepts that can be interpreted and used differently. While political scientists appear to use the concept 'ideology' mainly at the level of collectivities and for established political worldviews such as conservatism, social democracy, social liberalism, neo-liberalism, it is here used in a broader sense for all kinds of means-ends relationships. Ideology then stands for 'ideas about means and ends' (or 'means-ends philosophy') generally or in relation to specific problems or issues being discussed. In relation to health issues, for example, a centralized ideology (where health services are located in the central parts of a region) may be distinguished from a decentralized ideology (where the service units are located at many places in the region). But rather than exclusively thinking in terms of collectivities, i.e. the ideologies of political parties or other segments of society, we will refer to 'ideology' also at the level of individuals. It is assumed that the individual as a 'political economic person' is guided by an 'ideological orientation' (i.e. ideas about means and ends) in her behavior and adaptation to a changing context. Linkages can also be established between individual cases of 'means-ends philosophy' and broader political worldviews. For example, both neoclassical economists and Green economists might favor decentralization but for different reasons with implications for the ways in which decentralization is operationalized – thus we suggest it is also useful to think about interconnected 'layers' of ideology.

In the normal case, the ideological orientation of an individual or organization cannot be reduced to a mathematical objective function (e.g. maximization of utility or profits) but is multidimensional in kind, qualitative and visionary. It is furthermore fragmentary (rather than based on complete information) and therefore uncertain. It often involves tensions and dissonance rather than being clear-cut. Decision-making then becomes a matter of matching the ideological orientation of an individual (or mission statement of an organization) with the expected multidimensional impact profile of each alternative considered. Neither ideological orientation nor impact profile is perfectly known. There is room for surprise of a positive or negative kind and for strategies to deal with uncertainty (such as a precautionary principle).

If economics is political economics then economics can no longer be separated from politics. And if politics is guided by the rules of democracy then such rules should also be reflected in our ideas about economics. Democracy does not refer to a game between political egoists. It is rather based on recognition of common interests in addition to separate and more limited interests. The name of the report by the Brundtland Commission *Our Common Future* (World Commission on Environment and Development 1989) is an example of this. Counteracting climate change or the pollution of soil, water and air exemplify such common interests.

While there are common interests, such interests are interpreted differently by different actors in society. In a democracy, different ideological orientations are respected as long as they do not contradict democracy itself. A first implication is that economists cannot dictate correct values or correct rules of valuation for purposes of resource allocation. Investment decisions at the level of society, such as the construction of roads, dams and energy systems can not be based on neoclassical cost-benefit analysis (CBA) since a consensus about the ideology built into CBA can no longer be expected, if it has ever been acceptable (Mishan 1980). Instead, the analyst has to systematically illuminate a decision situation in relation to different ideological orientations that appear to be relevant among stakeholders and other concerned actors. The meaning of Sustainable Development can be articulated and used as one of these ideological orientations. Conclusions about the merits of alternatives will then be conditional in relation to the ideological orientations articulated. Positional Analysis (Söderbaum 2000 pp. 85-105) is among the Multi-Criteria Approaches that could be considered for this purpose.

More generally, it can be argued that neoclassical ideas about rationality and efficiency which are at the heart of the neoclassical paradigm can no longer be taken seriously. Instead rationality and efficiency becomes a matter of each actor's (or decision-maker's) ideological orientation. Some scholars and other actors refer to eco-efficiency in the sense of specific input-output relationships characterizing an activity (or production process) and look for opportunities to improve eco-efficiency from one period in time to the next. But there are many kinds of eco-efficiency even for one and the same activity, suggesting that one-dimensional ideas of efficiency whether in monetary or non-monetary terms must be rejected. Instead one has to live with complexity and carry out a multi-dimensional analysis where monetary and non-monetary impacts are kept apart and where issues of inertia and irreversibility in non-monetary terms are observed. Some changes in land-use, for example are largely irreversible.

### **Paradigms in economics in the context of theories of science, ideologies and institutional arrangements**

If neoclassical economics is ideology in addition to being science; how can one describe this ideology? This is an important issue since the present monopoly of neoclassical economics implies that thousands of students in different parts of the world are exposed to this kind of economics. Teaching economics at the universities need to move away from hidden ideological and political propaganda to open discussion about conceptual and ideological options. For example, is neoclassical economics adequate as a conceptual basis for the necessary transition towards a sustainable society? How does neoclassical economics permeate other disciplines such as business management and accounting? What implications does this have for the education of future professionals and business leaders? What other options are potentially available to students who do not share the ideological orientation of neoclassical economics?

We will here only point to three ideological tendencies characterizing neoclassical economics:

- A focus on markets (for commodities and factors of production) while non-market relationships or factors are down-played or non-existent
- A focus on prices of commodities and one-dimensional monetary analysis while non-monetary dimensions tend to be neglected or treated in awkward ways

- Actors in society are assumed to be guided exclusively by egoism while downplaying or excluding tendencies of human beings to also consider the needs and interests of others.

Neoclassical economics is not only specific in ideological terms; it is more precise than other ideological orientations. Reference is made to ‘correct’ prices for purposes of resource allocation and societal decision-making as in CBA. Simplistic monetary analysis at the societal level and in business is supposed to tell us about ‘efficient’ solutions and will then rule out all other ideas of efficiency. Neoclassical technocracy is all that is needed and ideas about a plurality of values in society, participation and democracy are rendered superfluous.

Another way of elucidating the ideological orientation of neoclassical economics is to see this particular perspective in the context of other aspects of world-views (Table 2). It is argued that it is not enough to discuss alternatives at the level of paradigms in economics. The neoclassical paradigm is closely connected with a specific perspective at the level of theory of science (positivism), at the level of political ideology (neo-liberalism) and together positivism, neoclassical economics and neo-liberalism explain a large part of the institutional framework of present societies and economies. The World Trade Organization (WTO), for example, is closely related to neo-liberalism and neoclassical economics. Neoclassical trade theory is extremely reductionist in its focus on monetary costs and prices and this simplistic way of approaching the world is firmly protected by neoclassical economists and advocates of neo-liberal ideology. When searching for alternatives to this mainstream, it is useful to look for alternatives and interconnections at all four levels and not only in terms of economics paradigms (Table 2).

**Table 2.** Institutional inertia and change are largely influenced by the combined factors of theories of science, paradigms in economics and ideology

<b>Aspect of worldview:</b>	<b>Dominant perspectives:</b>	<b>Emerging alternative perspectives:</b>
<b>Theory of science</b>	Positivism	Social constructivism, hermeneutics, narratives etc.
<b>Paradigm in economics</b>	Neoclassical economics	Institutional economics, ecological economics etc.
<b>Ideology</b>	Neo-liberalism	E.g. a radical version of Sustainable Development
<b>Institutional arrangements</b>	WTO, Corporations with focus limited to the monetary dimension and unlimited in size	A trade organization that takes environment, health and culture seriously etc.

We will end this section on ideological orientations by commenting upon the fact that a number of economists have become skeptical of or even antagonistic to the mainstream. Scientific considerations are involved but our point is that our relationship to neoclassical economics is also a matter of ideology. Scholars are human beings with their implicit or explicit ideological orientations. Some of us find it more difficult than others to support the market fundamentalism of neo-liberalism and neoclassical economics. And different categories of heterodox economists may differ in what they react against and what they stand for in a positive sense.

## **Ideological similarities between neo-liberalism and neoclassical economics**

Neo-liberalism as ideology is largely connected with the politics of Margret Thatcher who became the Prime minister in UK in 1979 and who saw herself as a disciple of Friedrich von Hayek (who in turn saw Milton Friedman as one among his students). Neo-liberalism is also the basis of the so called Washington Consensus, i.e. the belief system behind the economic policy of the World Bank and the International Monetary Fund (IMF) in relation to developing countries. This belief system is also highly influential in so called developed countries. (If one takes ‘Sustainable Development’ seriously, it becomes a subject of debate whether there are any highly developed countries in Europe or other parts of the industrialized world.)

Neo-liberalism, much like neoclassical economics, is based on the idea that the market is the main instrument of progress in society. Business corporations are believed to be more efficient than public administration making ‘privatization’ another tenet of neo-liberalism. Regulation of corporations should be minimized at the national and international levels and only regulation that is favorable for (and even controlled by) large business corporations is acceptable. Economic policy based on neo-liberalism has resulted in a huge transfer of power from the nation states and democratically elected governments to big corporations (George 2000, Hertz 2001, Klein 2007).

It is clear that neoclassical economics with contributions by economists of the Chicago School, such as von Hayek (1944, 1960) and Friedman (1980) has made neoliberal policy legitimate in many circles. Neo-liberalism has at the same time strengthened the position of neoclassical economics. It can be added that the above mentioned intellectual fathers of the theory and practice of neo-liberalism have both received the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel. This tells us something about the close relationship between neo-liberalism and neoclassical economics and also about the hidden ideological role of the economics’ prize.

Civil society intellectuals, such as Susan George and Noreena Hertz see neo-liberalism and the kind of economics it entails as one thing, referring to ‘neoliberal economics’ or even ‘neoclassical liberalism’ (Hertz 2001, p.19). Our position is that while neo-liberalism and neoclassical economics are close in ideological terms, neoclassical economists need not be enthusiastic about privatization. They may even be in favor of a strong and independent state regulating business.

One key issue is the relevance of the efficiency concept built into both neoclassical economics and neo-liberalism. It is based on ‘monetary reductionism’ and ‘ethical reductionism’ (emphasizing egoism or other narrow ethical considerations, such as shareholder wealth maximization) and does not deal with the multidimensionality of impacts and impacts on different groups in a satisfactory way. It is an ideology for winners to use the vocabulary of Susan George in her critical evaluation of WTO and proposals for a Multilateral Agreement on Investments (MAI):

“The common denominator of these institutions is their lack of transparency and democratic accountability. This is the essence of neo-liberalism. It claims that the economy should dictate the rules of society, not the other way around. Democracy is an encumbrance; neo-liberalism is designed for winners, not for

voters who necessarily encompass the categories of both winners and losers.”  
(George 2000, p.34)

At an earlier place in the same essay, she reminds us about Karl Polanyi’s book *The Great Transformation* (1944) and his prophetic statement that “[to] allow the market mechanism to be the sole director of the fate of human beings and their natural environment ... would result in the demolition of society.” (George 2000, p. 28)

### **From explanation to interpretation and tentative understanding**

Are heterodox economists, much like neoclassical economists, limited to positivism as their theory of science? Do they claim to stand outside observing and explaining what goes on in society? Are they open to the possibility of accepting their own subjectivity and the subjectivity of other actors? Do they see such an extension of the ideas about theory of science as a way of learning about sustainability and other issues in society?

While neoclassical economists look for inspiration in the direction of natural sciences, mathematics and statistics, heterodox economists may instead focus on other social sciences and the humanities. We will not go into detail about these alternative perspectives but six key-words or phrases will be used that each points in specific directions and that together form a worldview about science that is partly different from traditional positivism:

- social constructivism (e.g. Berger and Luckman 1966)
- hermeneutics (e.g. Ricoeur 1981)
- narrative (e.g. Porter Abbott 2002)
- contextualism (e.g. Toulmin 1990)
- discourse (e.g. Howarth 2000)
- dialogic engagement, commitment (e.g. Bebbington et al. 2007a)
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The first five key words or phrases may be interpreted differently by different authors but are still fairly established in the literature. The sixth phrase, dialogic engagement (or commitment) is added since it modifies the implications of the first five and is largely based on recent writings by Jan Bebbington and her colleagues (2007a,b; see also Frame and Brown 2008). It also in a sense relates the ‘interpretive turn’ of this essay to the previously discussed ‘political turn’.

There is a number of including and excluding tendencies or mechanisms connected with scientific work and other forms of claimed expertise. To deal constructively with some of the unsustainable trends facing contemporary society, one arguably needs to broaden the dialogue to include many actors in their different roles. Participation, accountability and other imperatives of democracy are part of this effort.

The first mentioned keyword ‘social constructivism’ suggests that ‘reality’ is not out there independently of human beings. While many things and other individuals can be objectively observed, human perspectives are always involved and sometimes a conscious choice is made between competing models or perspectives. There are established ways of perceiving the world but perspectives may change gradually or in more radical ways and sometimes individuals realize that a different perspective may facilitate life for themselves and for others. Even in the case of ideological perspectives such as neo-liberalism, it is clear that they are



influenced and developed and thus ‘constructed’ by human beings. An individual may perceive a physical context in more ways than one and different ways of framing themselves have constitutive effects (see, for example, Morgan 1988 on ways in which economists and accountants report reality helps to construct reality).

Hermeneutics stands for interpretation. We interpret and listen to the narratives of our fellow human beings and we interpret the world in specific ways more generally. Listening to the narratives or stories told by influential and less influential actors in relation to sustainability turns out to be a fruitful starting point for sustainability research. The research activity becomes a dialogue or discourse with opportunities for each participant to listen and learn. The stories told are based on perceptions of reality and may include dreams, fantasies, misunderstandings etc. The researcher, as well as other actors, is part of a cultural and institutional context.

Case studies can be seen as a reaction against the tendency as part of positivism to study large numbers of humans or other species, organizations, ecosystems etc. while looking for regularities. ‘Contextualism’ suggests that each individual, organization, bird or ecosystem is unique in some respects and that it can be a good knowledge acquisition strategy to study individual cases. Expressed differently, it is as relevant and rewarding to study heterogeneity among individuals (organizations, ecosystems) as homogeneity. The ‘outliers’ ignored by conventional positivist approaches may also provide the first signals of social change (e.g. today’s extremists provide the impetus for moves in a constantly shifting ‘middle ground’ of opinion).

The final key words, dialogic engagement and commitment suggest that the scholar and those with whom he or she interacts may be concerned about an issue or a way of doing research. While disengagement is connected with positivism, it is here accepted that conscious research based upon a commitment (to work for sustainable development, for example) may be highly valued and is not less ‘scientific’ than efforts within the scope of a positivistic attitude. It also recognizes the importance of addressing interpretive conflict and power relations in such endeavours.

Reference to perspectives of the above kind may throw a new light upon neoclassical economics. The stories told in neoclassical textbooks are socially constructed and can be critically assessed (McCloskey 1983). Realizing that neoclassical economics is socially constructed and reflects the socio-cultural and institutional situation when the conceptual and ideological framework was developed will make us understand that other stories about economics can be told. Neoclassical economics is specific, as we have argued, both with respect to conceptual framework and ideological orientation. Competing conceptual and ideological perspectives do exist and may be better adapted to the kind of sustainability issues discussed in this essay.

### **Sustainable Development – a matter of interpretation and ideology**

Reference has been made to Sustainable Development (and sustainability) without attempts to clarify its meaning. Since Sustainable Development (much like ‘ideology’) belongs to the so called contested concepts there are many interpretations rather than one. And preference for one interpretation is not only a matter of good science but also of ideology. University actors, like other actors, differ with respect to ideological orientation and should be ready to openly

declare and discuss their positions. Some degree of humility is certainly called for since many sustainability issues are extremely complex. One is dealing with recommendations based on beliefs where knowledge and information are essential and where subjectivity enters into the picture. We will first indicate what we believe is a relevant and fruitful interpretation of SD and later suggest a simplified classification of frequent interpretations among influential and other actors in public debate.

In my judgment Sustainable Development stands for multidimensional thinking with emphasis on both monetary and non-monetary dimensions as opposed to one-dimensional monetary thinking. Non-degradation of the natural resource base (including ecosystem services, quality of air, soil and water) is a first imperative. Irreversible deterioration of land and water resources should be avoided. Negative impacts on the socio-cultural and health position of individuals and groups of individuals should similarly be avoided. Monetary impacts are still essential but as we see it, the idea of reducing all kinds of other impacts to their alleged monetary equivalent has to be abandoned.

Monetary calculation is never (or seldom) enough. When preparing decisions, options have to be illuminated with respect to their ethical and ideological aspects and actors should be encouraged to extend their horizons beyond egoism; in time to include future generations and spatially to other regions and globally. When considering investments in infrastructure in your own region, such as roads, non-degradation of the natural resource base in that region should be the ideal (Söderbaum 1982). But concern for your own region should not be based on a transfer of environmental problems to other regions. Human rights, fairness, equality should be part of the picture as should issues of ecosystem integrity and biodiversity.

In terms of uncertainty, a precautionary principle should be applied. Cases where this has not been done are reported in a study for the European Environmental Agency by Poul Harremoës and his colleagues (2002). While new technology is often needed, extreme technological optimism should be moderated in many situations.

Normal imperatives of democracy should furthermore be observed. This implies a reconsideration of the role of professional experts as previously indicated. Participation should not only be understood as a matter of kindness to people but is a way of learning for all, experts included.

Interpretations of sustainability or Sustainable Development will now be ordered with respect to acceptance of social and institutional change:

- A. Business-as-usual. Some actors prefer to continue as before. They have vested interests in present life-styles and in their present institutional context. Actors in business may prefer 'sustained profits' and an institutional context that is facilitating for growth and expansion globally.
- B. Ecological Modernization (Hajer 1995). Actors interpreting Sustainable Development in this way understand that steps towards improved environmental performance, health performance and steps towards equality need to be taken but they nevertheless believe that this can be done within the scope of existing political-economic system. Only modification of institutional arrangements is needed. Environmental Management Systems, such as ISO 14 001, Environmental Impact Assessment, environmental taxes, ethical codes of conduct for business etc. will do it. Actors in this category tend to be technological optimists believing in win-win solutions where technological

inventions facilitate continued or even increased rates of economic growth in GDP terms.

- C. Readiness to also consider radical change in basic institutions of the existing political economic system. It can hardly be denied that business corporations are important actors in the economy. If sustainable development has to be measured in multidimensional terms with emphasis on both monetary and non-monetary impacts; if ethical considerations should be included, a precautionary principle applied and imperatives of democracy observed, then the joint stock or limited liability company emphasizing the outcome in monetary terms for one stakeholder category (shareholders) is hardly an appropriate institution.

Our own interpretation of Sustainable Development certainly supports the steps taken under B above but also includes a readiness to consider radical institutional change. Models of the business company have to change to reflect a multi-dimensional, multiple stakeholder perspective. Similarly alternative theories of international trade are needed to design an alternative to the existing World Trade Organization (WTO). More generally, we need to think creatively and imaginatively about new institutional spaces and networks for democracy (e.g. linking recent work on new social movements and the politics of spatial understanding).

### **Sustainability economics – a matter of interpretation and ideology**

In his book *Free to Choose*, Milton Friedman, economist and one of the fathers of neo-liberalism, advocates freedom in the market place, i.e. freedom for consumers to choose among commodities, freedom for business corporations to move across national borders with their production facilities and marketing activities and freedom for investors to move capital as they wish. This freedom is not unproblematic because it is a freedom for those with financial and other power positions to exploit those with less power and to exploit natural resources (such as fish stocks, oil and minerals) with the kind of impacts that follow. It is a freedom for those who do not bother too much about the sustainability issues discussed in this paper.

Friedman's arguments for freedom are illusionary in another sense. He does not point to any alternative to his neo-liberal and neoclassical perspective but relies on monetary reductionist ideas of efficiency etc. When it comes to perspectives, he acts as a dictator preaching only one perspective. This corporate and market fundamentalism is very far from the pluralism, i.e. freedom to consider alternative perspectives, advocated here.

In David Korten's thought-provoking book *When Corporations Rule the World* (2001), he at one place cites Willis Harman saying:

“By deliberately changing the internal image of reality, people can change the world.” (From Korten 2001, p.233)

This is another way of arguing that theories and models in economics are important but that this is also true of other kinds of ideas or images of the world and how we relate to it. Such models are important also for institutional change processes and resistance to institutional change. While the discussion in relation to Table 2 represents a broader model of institutional change (where theories of science, paradigms in economics and ideologies matter), a more detailed model of institutional change may refer to the following elements:

- Interpretation of a phenomenon in terms of language and models
- Naming the phenomenon
- Other manifestations of the phenomenon
- Acceptance of interpretation, naming and other manifestations of the phenomenon (legitimizing process)

The introduction of certification schemes exemplifies such an institutional change process. A ‘firm’ is an institution understood largely in terms of the laws regulating business operations and in terms of monetary profitability. Business corporations use various information systems for management purposes. As there are monetary management systems the idea of non-monetary management systems is not far-fetched. At some stage, it was recognized by some business actors that management models (in terms of problem perception, formulation of objectives, identification of alternatives, implementation, follow-up activities that again may lead to new objectives and so on) could be applied also to environmental management. The idea of environmental management systems (EMS) was named ISO 14001 (where ISO stands for International Standardization Organization) and manifested in other ways. Environmental coordinators with specific responsibilities were appointed, auditing organizations were set up, books useful for education purposes were published etc.

The importance of EMS should not be exaggerated but these systems may make it legitimate to raise questions about impacts on the environment of company operations. If the EMS becomes a success in the sense of being taken seriously by an increased number of individuals as actors and imitated widely then EMS as an ‘institution’ is strengthened. An institutionalization process has started. The EMS institution may, in turn, influence our understanding of the term ‘business corporation’ and our criteria for evaluating corporate success and accountability. For some individuals as actors, a certified business company differs from one that is not certified. Some steps have been taken in making environmental issues and impacts more visible than they were before. The example also illustrates that there may be competition between different institutions in a specific society. Some actors work for an increased share of all corporations being certified while other actors – influenced by neoclassical economics and neoliberal propaganda – may be against certification of this kind.

It is not possible here to present a sustainability economics (as an alternative to neoclassical economics) in detail<sup>1</sup> but some indications will be given:

- Consumers, firms and other organizations in the economy and society are regarded as political actors (political economic persons and political economic organizations)
- Consequences and impacts are assessed, visualized and disaggregated in multidimensional terms and with respect to interests or stakeholder groups
- Efficiency is a matter of ideological orientation. There is no single efficiency idea that all actors/stakeholders can be expected to agree upon. An analyst therefore has to study alternatives in relation to competing ideological orientations (Söderbaum 2007b)
- Actors in the market place are political economic persons and political economic organizations who are ethically related to each other. Egoistic behavior is one among possibilities but market actor A may also internalize some of the interests of market actor B in her/his ideological orientation as part of a transaction or ongoing exchange of goods and services.

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<sup>1</sup> For a more complete attempt see Söderbaum 2007a, 2008, forthcoming.

## Directions for future research in sustainability economics

We have elsewhere expressed our preferences for a future ecological or sustainability economics and accounting and possible directions for the ISEE journal *Ecological Economics* (Söderbaum 2007c; bebbington et al. 2007a,b; Frame and Brown 2008):

- While positivism still has a role as a theory of science, research and contributions based on other theories of science, such as social constructivism, hermeneutics and contextualism should be encouraged
- Sustainability issues are ideological and political in nature. Attempts to solve or deal with such issues while avoiding reference to ideological and political aspects are doomed to failure. As an example, the compatibility between neo-liberalism and sustainable development needs to be discussed openly also among scholars
- Actor studies, for example in the form of entering into a dialogue with politicians, business leaders and other actors should not be underestimated as a way of learning (for all actors involved) about sustainability issues
- When approaching ideological and political issues, it is not enough to focus on the writings of other scholars. Books and other contributions by civil society intellectuals appear to be of special importance to overcome barriers to new thinking (Kras 2007)
- Since business corporations are very powerful in the present society and economy, ecological economists and social accountants must find ways of studying and entering into a dialogue with these influential actors. As already argued, the heterogeneity principle applies. Some business actors are open to discuss a future that differs from the present globalization trend
- New network alliances with social movements and reconceptualizations of democratic space also need to be given serious attention, with the aim of promoting dialogic engagement.

## Public policy proposals

Neoclassical economists tend to protect their monopoly and while there is some heterogeneity in the category of neoclassical economists (as in other professional actor categories), intervention from outside is probably needed to open the door for pluralism in economics education. We are thinking of those that ‘demand’ conceptual frameworks to better deal with sustainability issues. In 2003, the German federal government, through its Ministry for education and research turned to a respected neoclassical research institute, DIW, (Deutsches Institut für Wirtschaftsforschung) arguing that neoclassical economics was “inadequate” for sustainability purposes. Something new and different was needed. A series of workshops was organized with some ecological economists and other interdisciplinary researchers invited ([www.sustainabilityeconomics.de](http://www.sustainabilityeconomics.de)).

But action is of course also possible on the ‘supply’ side. The International Confederation of Associations for Pluralism in Economics (ICAPE ) is an example of this as is the *Heterodox Economics Newsletter* administered by Frederic Lee and the Association for Heterodox Economics. Other examples are the *Post-autistic economics review* (now *Real-world economics review*), the *Pluralist Economics Review*, both edited by Edward Fullbrook. Fullbrook has also edited three books (2003, 2004, 2007).

The Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel is based on traditional positivistic ideas and is another barrier to new thinking in economics. This institution has to be reconsidered, reformed or dismantled. If sustainable development is taken seriously, then the dominance of the joint-stock company with limited liabilities has to be tackled in various ways. The WTO needs to be reformed or dismantled as previously discussed. Valuable linkages can also be made with scholars questioning the influence of neoclassical economics in other disciplines (e.g. Bebbington et al. 2007b; Kelly, 2001) and networks interrogating democracy from various disciplinary and geographical locations.

There are many other examples of possible action. I will end this essay by once more pointing to the need for public debate about neo-liberalism and neoclassical economics. Strengthening democracy should be an imperative. Increasing the role of corporations and the market further is no guarantee for democracy as witnessed in many countries today. Continuing on this path involves risks as suggested by the title of a recent book published in Prague: *Is Globalization Overpowering Democracy?* (Lapka et al. eds 2007).

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