

## Chapter 2

# How Economics Can Become Compatible with Democracy

Peter Söderbaum

**Abstract** This chapter introduces a Scandinavian and European tradition of institutional economics as an alternative non-orthodox branch of economics that claims relevance in addressing sustainable development issues. The challenge of sustainable development is complex. Existing development trends are unsustainable in more ways than one, for example concerning climate change, loss of biological diversity, depletion of fish stocks, risks of nuclear accidents. When attempting to deal with these issues, it is often assumed that we can rely on science and on economics in particular. Economics claims to supply a conceptual framework and theory for efficient resource allocation at various levels; at the level of individuals, of business corporations and of society.

University departments of economics educate students in one way, nationally and globally, so called neoclassical economics. This theory can offer some ideas about how to deal with sustainability issues. But neoclassical theory has been dominant in a period when serious problems related to sustainability have emerged. It is therefore probably wise to also consider alternatives to neoclassical theory, such as institutional economics. In the present essay I will – while pointing in the direction of institutional theory – suggest a way of opening up economics to make the field more compatible with democracy. Economics has to move from the present monism to pluralism and become more sensitive to value or ideological issues in present society.

**Keywords** Ecological economics • Democracy • Neoclassical economics • Institutional economics • Sustainable development

---

P. Söderbaum (✉)  
School of Economics, Society and Engineering, Mälardalen University,  
Box 883, 721 23 Västerås, Sweden  
e-mail: peter.soderbaum@mdh.se

## 2.1 Introduction

Reductionism (rather than holism) has been a tendency in social sciences over the years. More recently there have been various counter-movements and the tendency to separate one discipline from another and social science from politics has been challenged. Can economics be separated from political science? Democracy is for many connected with political science. Does this mean that democracy is ‘outside’ economics? Can science be separated from politics? Is there a value-neutral economics?

Introductory textbooks in economics are important because they are read by millions of students each year. There is a monopoly for neoclassical economic theory in the sense that textbooks do not differ much but are standardized to the same assumptions and the same theory. In the extreme case of this standardization one single book is used at many university departments of economics through-out the world. In the early period of this process toward a common and restricted understanding Paul Samuelson’s *Economics* (Samuelson 1948) was very popular and more recently N.Gregory Mankiw’s *Principles of Economics* (Mankiw 2009) has become the most well-known and respected introductory textbook. A new version of this book has appeared and we are back to *Economics* as the title (Mankiw and Taylor 2011).

The reader is invited to take a look at the textbook used at her/his university or a nearby university. I live in Uppsala and at the Department of Economics, Uppsala University, the mentioned new version of the Mankiw textbook is used. My present interest is “democracy in economics” and how value or ideological issues are considered in the text. I then as a first step turn to the “glossary” and “index” part of the 900 pages book and make the observation that neither the word ‘democracy’ nor ‘ideology’ is there. Democracy appears to be a non-issue for, or at least downplayed by Mankiw, the implicit recommendation being that we should rely on experts.

Mainstream neoclassical economics does not question or problematize the present political economic system. This theory – with connected ideology – can instead be described as being part of a defense for our present kind of capitalism and market economy. One feature of institutional economic theory is, as the term suggests, a focus on institutional arrangements and institutional change processes. While neo-classical economists may point to the option of minor institutional adjustment as in the case of “market failure” and “external impacts”, i.e. impacts upon third parties that should be “internalized”, K. William Kapp among institutional economists argued that environmental impacts are underestimated if the focus is on one external impact at a time (Kapp 1976). According to him there is a systematic tendency for business corporations to reduce their monetary costs by shifting environmental impacts on outsiders and society at large:

Thus, a system of decision-making, operating in accordance with the principle of investment for profit, cannot be expected to proceed in any other way but to try to reduce its costs whenever possible by shifting them to the shoulders of others or to society at large.

(Kapp 1970, p.18)

The institution of joint stock company is therefore not without problems according to Kapp. Another way of arguing is to point to the fact that joint stock companies are defined in financial or monetary terms in the sense that a monetary profit is needed for survival. But many of the present issues facing local, national, regional and the global society are non-monetary in kind. This is so for climate change, biodiversity loss, pollution, overfishing but also for unemployment and health issues. It can therefore not be excluded that joint stock companies are miss-constructed in relation to present needs. Also major institutional change, in the sense of considering other legal contexts for organizations need to be considered.

But this is an ideological and political issue one may object. Yes, this is so and perhaps economics is always political economics and this field of study should be subordinated to a general aspiration for a strengthened democracy in any nation or other community.

## 2.2 A Return to Political Economics

Classical economists were broad-minded and referred to 'political economics'. A more narrow and specialized version of economics appeared about 1870. Attempts were made to keep the political element at a distance and reference was made to 'economics' rather than 'political economics'. Economists compared their discipline with physics and accepted positivism as the theory of science. Standing outside, explaining various phenomena objectively and making predictions became the main ambition. These ideas are dominant today and one may speak of a close to monopoly position for neoclassical theory in introductory textbooks and to a somewhat lesser extent in the discipline more generally.

It is now argued that it was a mistake to abandon 'political economics' as a label for the discipline. Economics is closely connected with politics and value or ideological elements are necessarily present even in our research and educational activities. Gunnar Myrdal who started as a neoclassical economist interested in price theory but eventually declared himself an institutional economist (Myrdal 1978) argued as follows:

Valuations are always with us. Disinterested research there has never been and can never be. Prior to answers there must be questions. There can be no view except from a viewpoint. In the questions raised and the viewpoint chosen, valuations are implied. Our valuations determine our approaches to a problem, the definition of our concepts, the choice of models, the selection of observations, the presentations of our conclusions – in fact the whole pursuit of a study from beginning to end.

(Myrdal 1978, p. 778)

There is an unavoidable political and ideological element in economics. Neoclassical economics is a kind of political economics and other schools of thought in economics can also be described with respect to ideological features. Value issues behind specific research and educational programs should therefore be

stated as clearly as possible and discussed openly. Similarly, individuals and organizations as actors in the economy, and in society more generally, can be interpreted in ideological and political terms.

### **2.3 The Concepts of Ideology, Ideological Orientation and Mission**

Neoclassical theory starts from an assumption that behavior is exclusively related to markets and that market behavior is based on self-interest. As an alternative to such Economic Man assumptions, reference will instead be made to a Political Economic Person (PEP) as actor guided by her/his ideological orientation. As an alternative to the profit-maximizing firm of neoclassical theory, reference is similarly made to a Political Economic Organization (PEO) guided by its ideological orientation or 'mission'. The word 'mission' opens the door for ethical considerations and performance also in non-monetary terms for example concerns about Corporate Social Responsibility (CSR).

Reference to 'ideology' and 'ideological orientation' may at first appear a bit strange in relation to economics. But individuals are not only consumers, wage earners or related to capital markets. We are also citizens as argued by Mark Sagoff (1988) and in a democratic society this citizenship comes first. As I see it, this is however not a matter of 'either-or' but rather 'both-and'. In dealing with sustainability issues it appears relevant to broaden the perspective. An individual in her different roles (as actor in the market place, as professional, as parent, as citizen etc.) is assumed to be guided by her ideological orientation. The ideological orientation of the individual may be narrow or broad and is something to be investigated rather than assumed as given.

In the social sciences we deal with so called 'contested concepts' (Connolly 1993) and 'ideology' is such a concept. 'Institution', 'democracy' and 'power' are other examples. Ideology stands for a means-ends relationship. It is not exclusively about ends or final values, nor is it exclusively about means; it rather relates means to ends. An actor refers to her ideological orientation as her compass and guiding vision. It is about where you are (present position), where you want to go (desired future positions) and how to get there (strategy in bringing objectives and instruments together).

The word 'ideology' has primarily been used at a collective level. Political parties and social movements may refer to their ideologies. We may speak of Liberal (and even Neo-liberal) ideology, Social Democracy, Christian ideology or Green ideology. Social movements represent aggregates of individuals and if ideology exists at a collective level then something similar is relevant at the level of individuals. In political elections politicians try to convince individuals about the merits of their ideologies and individuals respond in one way or other depending upon their own ideological orientations.

Another example of ideology at a collective level is 'economic growth ideology' in GDP-terms where growth is believed to solve almost all problems (employment, environment, health care, welfare). Those who embrace this ideology are not necessarily organized for this purpose but still have beliefs in common. Some of them may share the same background as in the case of (neoclassical) economics education. I will now argue that sustainable development is another example of an ideological orientation. Much like 'economics growth', it can be shared by many actors belonging to different political and professional categories.

Like other contested concepts 'ideology' and 'ideological orientation' can be interpreted in more ways than one. For some – even among those who claim to take sustainable development seriously – ideology is used in a negative sense about belief systems and ideas that are considered dysfunctional and something that should be kept at a distance. As an example Bryan G. Norton in his book *Sustainability. A Philosophy of Adaptive Ecosystems Management* (Norton 2005) starts out with a "Preface: Beyond Ideology" and later returns to this use of words in a subtitle "Avoiding Ideology by Rethinking Problems". Especially in US contexts the word ideology is sometimes used to invite negative connotations.<sup>1</sup>

In the present chapter an actor may like, as well as dislike, a specific ideological orientation. Ideology is a necessary fact of life and 'ideology' is a useful word in introducing thinking about 'sustainable development' and 'sustainability' in the sense that each interpretation of sustainable development exemplifies an ideological orientation. But let us first further discuss how ideological orientation can be understood as a guiding principle for decision-making and behavior. The ideological orientation of an individual may contain elements of qualitative, quantitative and visual kind. It is stable in many ways but also changes more or less with context; it is fragmentary and uncertain rather than complete and certain. It can still be used for decision-making purposes where the ideological orientation of an actor is matched against the expected multidimensional impact profile of each alternative considered. (Söderbaum 2008, p. 58). Some alternatives match the ideological orientation of our actor better than others. Reference can also be made to appropriateness as in the case of Friedrich Schumacher's early argument for "appropriate technology" (Schumacher 1973). James March similarly points to a "logic of appropriateness" to be distinguished from a "logic of consequence" (March 1994, p. viii). The idea of matching has also become popular when attempting to combine persons with specific qualifications with job requirements. In political elections an individual as citizen looks for that political party which best fits or 'matches' her ideological orientation and so on.

The complexity of the problems faced in relation to sustainability is such that one can refer to "wicked problems" and we have to live with "fuzzy" concepts as described by Silvio Funtowicz and Jerome Ravetz (1991, 1994) among others. Ideas about science and analysis need to be modified or reconsidered suggesting that there are reasons to open the door for a so called 'post-normal science'. Reference to

---

<sup>1</sup> Bryan Norton is not alone in using 'ideology' in a negative sense. For a history of the word ideology, see MacKenzie (1994).

mathematical objective functions to be optimized then become exceptional cases and subject to criticism from those who take complexity seriously.

## 2.4 Sustainable Development as Ideological Orientation

Sustainable development can be interpreted as an ideological orientation or rather a set of ideological orientations with some features in common. In attempts to depart from unsustainable trends and move towards trends that are more sustainable, different interpretations of sustainable development can be articulated and discussed.

Sustainable development became part of political discourse through the so called Brundtland report (World Commission on Environment and Development 1987). This report has been interpreted differently but nobody can miss-interpret its title *Our Common Future*. It is an exhortation to individuals as actors in different roles to extend perspectives in space and time; it is about considering the interests of other people living today as well as future generations. Nobody can be completely altruistic but all can take steps by considering ethical aspects of their behavior and decisions. Institutional arrangements and incentive systems can be changed to facilitate such changes in behavior.

As suggested by the name of the World Commission, there was also a focus on the environment and natural resources in the Brundtland report. Irreversible degradation of the natural resource base in relation to future generations is an issue of inequality and should be avoided or minimized. We should rather improve the natural resource base available to future generations wherever possible. In an early article for the FAO journal *Ceres*, I suggested four “ecological imperatives for public policy”. Assuming that we are preparing decisions for a municipal political assembly concerning for example investments in infrastructure of some kind (housing, energy system, road) then

- Alternatives of choice that involve irreversible degradation of the natural resource base in the home region now and in the future should be avoided;
- Alternatives of choice that involve irreversible degradation of the natural resource base in other regions (and ultimately at a global level) now and in the future should be avoided
- A precautionary principle should be applied in the sense that risks of significant irreversible degradation of the natural resource base in the home region or abroad is enough reason to avoid the alternative
- Only alternatives that remain after this selection process can be considered as broadly compatible with sustainable development (as ideological orientation). If no alternative remains then the analyst and other actors involved should initiate a search process to develop and design such sustainable alternatives (Söderbaum 1982).

The examples mentioned above referred to public policy options. But the same ethical imperatives are of course relevant also for private decision-making concern-

ing for example forestry and agricultural management. Organic or ecological agriculture has impacts that differ from conventional agriculture. And the degree of popularity of organic agriculture is partly a matter of decisions at the household level. Ethical considerations become potentially relevant for all kinds of market decisions.

Since sustainable development is an ideological orientation, it is not very meaningful to look for a single 'true' or 'correct' interpretation. We have to live with different interpretations and be open about how we relate to them. In a democratic society, each person has the right to refer to her/his ideological orientation and interpret various phenomena accordingly. As a political economic person the individual can furthermore argue in favor of one interpretation or set of interpretations as opposed to others. I will here point to three possible interpretations that are more or less frequent in public debate. Each interpretation is expressed in relation to present development trends:

- *Business as usual* (BAU). The actor thinks in terms of conventional monetary indicators such as GDP-growth and profits in business and believes that markets and entrepreneurial creativity will automatically solve any problems that exist or may appear. Focus should continue to be on 'sustainable economic growth' and 'sustained profits' in business. No intervention in the present functioning of markets is believed to be needed.
- *Ecological modernization* (c.f. Hajer1995). The actor makes the judgment that there are environmental and other development problems that require action and believes that ethical concerns should enter the picture to modify or "modernize" the behavior of various actors. Only minor institutional change will be enough. Examples include Corporate Social Responsibility, Environmental Management Systems and Environmental Impact Assessment.
- *Radical change of institutional arrangements*. The actor makes the judgment that minor institutional change in the right direction is important but that also major change in present political economic system has to be considered. As an example the joint stock company is defined in monetary and financial terms while some of the most important global and regional challenges today are non-monetary in kind. Another example is the World Trade Organization (WTO) which builds its recommendations on the basis of an over-simplified neoclassical international trade theory.

There is a tendency in all societies or communities to avoid sensitive matters and behave opportunistically in relation to those in power. In the community of economists for example life becomes easier if you join the mainstream and something similar is true in society at large. But if acceptance of mainstream perspectives and behavior will aggravate problems related to sustainability rather than solve them, then there is reason for concern.

In a democratic society public debate is encouraged rather than avoided. Tensions between advocates of different perspectives (and even conflicts of interest in a narrower sense) are respected and constitute the life-blood of a democracy. There are competing political parties rather than one single political party in our societies.



If ideology is involved in economics, then the monopoly position of neoclassical economic theory becomes a problem in relation to a functioning democracy. In a democratic society, open-mindedness in relation to opinions other than your own is a virtue.

## 2.5 Ideological Features of Neoclassical Economic Theory

What are the ideological features of mainstream neoclassical economics? Again the reader is invited to make his/her own observations. I will here point to three inter-related features of neoclassical economic theory as presented for example in introductory textbooks that are important in relation to the prospects of sustainable development locally and globally:

- Focus on markets and market incentives
- Emphasis on self-interest
- Emphasis on monetary performance indicators
- Belief in correct prices for purposes of efficient resource allocation

The market and market relationships are at the heart of neoclassical ideas of economics and the economy. Markets for commodities, labor and capital are taken into account in specific ways. Human beings and ecosystems (with human and non-human species) are there only in so far as they are part of markets and market relationships. This focus on markets means that ecosystems and natural resources are less visible. Human beings are present but only in market-related roles. Institutions other than firms and markets, for example ‘democracy’, play a peripheral role.

Environmental problems are connected with ‘market failure’ (as in the case of externalities) and ‘government failure’ (when the government is subsidizing environmentally harmful activities). Environmental policy then becomes a matter of getting prices and market incentives right by eliminating failures of the two kinds. Designing and implementing new markets such as markets for pollution permits is another often preferred option.

Neoclassical ideas of environmental policy as described above are of interest as part of a pluralistic strategy. But ecological economists for example want to broaden the view to include ecosystems and the natural resource base locally and globally in our understanding of the economy (Boulding 1966; Costanza, ed. 1991). Social economists and feminist economists suggest alternative ideas of individuals and how they relate to each other. The list of potential failures that may explain environmental degradation and human suffering can furthermore be expanded to include failure of science (theory of science and paradigm in economics for instance), failure of ideology, failure of life-styles, failure of technology, failure of democracy and other institutional arrangements (Söderbaum 2008, pp. 37–52). It need not be added that such lists opens the door for a richer and multi-faceted dialogue about problems and policies. Environmental policy is not only a matter of what governments can do; it is also about individuals as actors in their different roles.



The second ideological feature of neoclassical economics identified is its Economic Man assumptions and the emphasis on self-interest. Each actor is assumed to behave in ways that satisfies her/his self-interest. This assumption legitimizes behavior where the concern for others is limited or non-existent. Neoclassical economists tend to argue that it is unrealistic to expect individuals to depart from self-interest. A different economic theory that we can label institutional economics opens the door also for ethical and cooperative considerations. The individual as actor does not behave in one way on the basis of one kind of motivation. Instead it is assumed that the individual refers to her ideological orientation which changes more or less over time depending upon context, for example. In this way the individual gets closer to or departs more from some idea of sustainable development.

Our third statement about ideological specificity of neoclassical economic theory refers to an emphasis on monetary performance indicators. The only organization dealt with in neoclassical microeconomics is the firm and the firm is assumed to maximize monetary profits. Accounting practices of firms are equally monetary in kind. At the level of society, investment decisions are prepared using Cost-Benefit analysis (CBA) in monetary terms. This can be described as an attempt to carry out a societal profitability analysis. Gross Domestic Product (GDP) plays a central role in national accounting practices. Reference to GDP is part of macroeconomic policy and in spite of its known limitations for the purpose, GDP is used as an indicator of progress.

It is clear from the above examples that monetary indicators play an essential role in neoclassical theory. There is a preference for quantification, more precisely quantification in monetary terms. From a critical point of view, this can be referred to as 'monetary reductionism'. Interest in non-monetary aspects of business management or non-monetary performance indicators at the national level is limited.

Neoclassical theory of the firm or contributions to economic policy may still be of interest and useful for some purposes as part of a pluralistic approach to economics but the neoclassical approach by itself can hardly be sufficient in relation to complex sustainability issues. A different conceptual framework is needed to deal with Corporate Social Responsibility and Environmental Management Systems, for example. Accounting systems at the level of organizations and nations need to deal systematically with non-monetary performance.

Our fourth and final ideological feature of neoclassical economics is a belief in correct prices for purposes of efficient resource allocation at the national level. When neoclassical economists advocate the use of Cost-Benefit Analysis (CBA) to prepare investments in infrastructure (roads, dams, energy systems etc.), this is equal to a dictatorship in terms of values and ideological orientation. Actual market prices and sometimes hypothetical prices of different impacts should be used in a summation procedure to arrive at the best and optimal alternative.

This idea of correct market prices for purposes of efficient resource allocation is built upon an assumed consensus in society about the relevance of the approach to evaluation of CBA. As argued by Ezra Mishan, himself a textbook writer on CBA (Mishan 1971), it is no longer realistic to assume the existence of such a consensus, considering the wide difference of opinions about environmental issues in present

society (Mishan 1980). Some other approaches are needed, approaches that are dealing with multidimensional impacts in multidimensional terms and that are compatible with normal ideas of democracy (Söderbaum 2006; Söderbaum and Brown 2010, 2011).

## 2.6 Reconsidering Economics in Relation to Democracy

In mainstream definitions of ‘economics’ the scarcity of resources is emphasized: “Economics is the study of how society manages its scarce resources” (Mankiw, 2011, p.2). This scarcity aspect is certainly relevant for example in relation to quality and quantity of land and water and other natural resources but I will here suggest a definition which emphasizes additional aspects:

“Economics is about multidimensional management of resources in a democratic society”

In complex decision situations of the kind discussed in this chapter multidimensionality should be respected. One-dimensional calculation in monetary or other terms is questioned. Qualitative and visual impacts are not less important than quantitative ones (this being a matter of your ideological orientation). Inertia of different kinds (commitments, path-dependence, lock-in effects and irreversibility) is present in monetary as well as non-monetary terms. In our present political-economic system there is normally a focus on monetary and financial impacts. Non-monetary impacts are too often down-played or simply forgotten as part of a trade-off philosophy in monetary or other terms (where all kinds of impacts can be traded against each other). A specific effort is therefore needed to identify various aspects of inertia, such as irreversibility. The costs of building a road on agricultural land is not limited to the financial costs of purchasing land and the construction costs. Also the fact of irreversible change in land-use has to be taken seriously as a non-monetary cost when preparing decisions. ‘Positional thinking’ in multiple stages and ‘positional analysis’ are ways of illuminating such non-monetary impacts (Söderbaum 2008).

Why should ideas about democracy be brought into economics? A first answer is that economics deals with issues of values, ethics and ideology in governance at various levels. Decisions have to be prepared in ways that to some extent reflect the diversity of ideological orientations among citizens in a region and members of the political assemblies of that region.

Democracy is often connected with freedom of speech, freedom of organization, human rights and how political elections are carried out. Those principles are fundamental and we have seen cases where they have not been respected. Reference can be made to a minimalist interpretation of democracy where the ability to carry out political elections according to normal rules is at issue.

But fair political elections are part of a general cultural climate in any nation or community. In any society there are tensions between different individuals, groups and political parties who refer to different ideological orientations in our language.

Such tensions may play both positive and negative roles in society. Public debate and tensions normally lead to reconsiderations of ideological orientations and represent a possibility for creative solutions to problems. Political actors who differ in ideological orientation have to respect each other. An actor A should respect and be tolerant in relation to another actor B as long as the ideological orientation of B does not go against democracy itself.

This statement suggests that democracy can be understood in relation to its opposite, dictatorship. Two kinds of dictatorship are relevant here:

- Technocracy in the sense of dictatorship by experts
- Political dictatorship by one group and one political party

Neoclassical Cost-Benefit Analysis (CBA) is an excellent example of technocracy. An optimal alternative is identified (that with the highest monetary present value) and politicians, although responsible to citizens, need not be involved. A technocracy, such as the neoclassical economists in their monopoly position, is in some ways comparable with political dictatorship in the form of one party system. But it should be remembered that the mentioned kind of technocracy only represents a segment of the larger society where there may be many openings for public debate and democracy.

## 2.7 Elements of a More Open Political Economics

How can one move from a close to monopoly position for neoclassical economic theory to a more pluralist position in economics education and research? One response is to argue that also other schools of thought than the neoclassical one should be represented. Institutional economics can be taught as a complement to the neoclassical view, social economics, feminist economics, ecological economics, Marxist economics are other options. Textbooks in the history of economics ideas can inform students about the fact that tensions between schools of thought in economics are not a new thing.

Something can be done however that touches upon all the various schools in economics. As one of the first steps we can deal openly with the political and ideological element in economics to make the discipline more compatible with democracy. What is needed is a conceptual framework for a political economics in a broad sense rather than unambiguous explanations about how consumers and firms behave.<sup>2</sup> The following conceptual framework is proposed:

- *Political Economic Person assumptions.* Individuals are guided by their ideological orientation. The ideological orientation varies among individuals and for each individual over time and is something to be investigated rather than taken as

---

<sup>2</sup>Any tendency to connect 'political economics' exclusively with Marxist economics is here rejected. Marxist economics is just one kind of political economics among other schools.

given. Those with a Neo-liberal orientation can be expected to behave differently from those with a Green political orientation

- *Political Economic Organization assumptions.* Organizations are guided by their ideological orientation or mission. All organizations adapt to the present political economic system. Some business corporations focus exclusively on monetary profits while others have a different attitude to their social responsibility. Whereas neoclassical theory of the firm legitimizes narrow profitability motives, the present approach makes the mission of a corporation an open issue
- *A political economic view of markets.* While not excluding the neoclassical mechanistic model of markets in equilibrium terms, our political economic approach makes the actors in the market place (PEP:s and PEO:s) more visible. Power issues as when actor A in some sense is exploiting actor B can be brought into the picture. Also stakeholder models of firms and markets and network models are offered as ways of understanding behavior. Different models can sometimes complement each other and the idea of one (neoclassical) model representing the only possibility is abandoned.
- *Positional analysis (PA) as an approach to decision making* at the societal level. Approaches to decision-making have to be compatible with a multi-dimensional idea of economics and with – as previously argued – democracy. The one-dimensional monetary analysis of CBA is replaced with an approach where non-monetary processes and impacts are not regarded as ‘less economic’ than monetary ones. The democracy aspect suggests that the analyst has to respect different ideological orientations relevant among citizens and politicians rather than pursue analysis on the basis of one single ideological orientation (or objective function). The task of the analyst becomes one of illuminating an issue by carrying out a many-sided analysis with respect to ideological orientations, alternatives of choice, impacts, inertia, uncertainties etc. Conclusions in the form of ranking alternatives then become conditional in relation to each ideological orientation considered.
- *Efficiency and rationality as a matter of ideological orientation.* In neoclassical theory it is assumed that individuals as consumers use their available monetary budget when they maximize utility in a self-interested way. Business companies are similarly efficient when they maximize monetary profits. These assumptions can be accepted or rejected depending on the ideological orientation (mission) of a specific actor. The important thing is to open the door for alternative conceptions of efficiency and rationality.
- *Institutional change as a matter of conceptual and ideological power games between actor categories.* Small or larger institutional change processes take place all the time in the national and global economy. The conceptual framework and ideology of neoclassical theory plays a role in stabilizing the present political economic system. Actually, the ideology of neoclassical theory is in many ways equal to the ideology of capitalism. Many actors use large parts of their resources to defend this particular ideology. Those of us who make the judgment that the present political-economic system is not performing well in financial

terms or in relation to sustainability should invite attempts to socially construct alternative conceptual frameworks in economics.

## 2.8 Conclusions for Sustainability Politics

Present development trends are unsustainable in important ways. How can we move toward a more sustainable development? Focus on ‘market failure’ and ‘government failure’ in neoclassical economic theory is a possibility but hardly enough. Something more is needed. A move away from the present close to monopoly position of neoclassical theory to pluralism would be an important step. Neoclassical economic theory and environmental economics of the neoclassical kind is not just theory but at the same time specific in ideological terms. Neoclassical theory as one among theoretical perspectives can still contribute in some ways but the present monopoly for neoclassical theory goes against our ideas about democracy.

How can democracy enter into economics education and research? Should we expect neoclassical economists to change their minds and become pluralists? Will the values of democracy in terms of respect and tolerance be embraced by neoclassical economists or will they defend the monopoly and the present technocracy?

Students of economics can play a role. An example is the recent “International Student Initiative for Pluralism in Economics” where economics students from 48 universities and 20 countries participates (International Student initiative 2014). It is not yet clear how mainstream professors will respond to this international manifestation.

Will politicians enter into this dialogue and perhaps intervene? Or will they rely on a value-neutrality in university education and research that does not exist? In any case ideological issues have to be discussed more openly not only among politicians but also in university circles. Dominant ideology in business and market terms is perhaps one of the most important explanations of present unsustainable trends.

Hopefully, the idea of separating economics from politics and democracy is losing ground internationally. Economics textbooks that do not take democracy seriously should be replaced and left to the study of economic history. The values and principles of pluralism and democracy have to be propagated in each country as well as globally.

## References

- Boulding KE (1966) The economics of the coming spaceship earth. In: Jarret H (ed) Environmental quality in a growing economy. John Hopkins Press, Baltimore, pp 3–14
- Connolly WE (1993) The terms of political discourse, 3rd edn. Blackwell, Oxford
- Costanza R (ed) (1991) The science and management of sustainability. Columbia University Press, New York

- Funtowicz S, Ravetz J (1991) A new scientific methodology for global environmental issues. In: Costanza R (ed) *Ecological economics: the science and management of sustainability*. Columbia University Press, New York, pp 137–151
- Funtowicz S, Ravetz J (1994) The worth of a songbird: ecological economics as a post-normal science. *Ecol Econ* 10:197–207
- Hajer MA (1995) The politics of environmental discourse. *Ecological modernization and the policy process*. Clarendon Press, London
- International Student Initiative for Pluralism in Economics (2014) Available at: [www.isipe.net/open-letter/](http://www.isipe.net/open-letter/)
- Kapp KW (1976) The nature and significance of institutional economics. *Kyklos* 29(2):209–232, April
- Kapp KW (1970) Environmental disruption: general issues and methodological problems. *Soc Sci Inf (International Social Science Council)* 9(4): 15–32
- MacKenzie I (1994) Introduction. The arena of ideology. In: Eccleshall R, Vincent G, Jay R, Kenny M, MacKenzie I, Welford R (eds) *Political ideologies. An introduction*, 2nd edn. Routledge, London, pp 1–27
- Mankiw NG (2009) *Principles of economics*. Cengage Learning, Andover
- Mankiw NG, Taylor MP (2011) *Economics*. Cengage Learning, Andover
- March JG (1994) *A primer on decision making: how decisions happen*. The Free Press, New York
- Mishan EJ (1971) Cost-benefit analysis. Allen & Unwin, London
- Mishan EJ (1980) How valid are economic evaluations of allocative changes? *J Econ Iss* 14(1):143–161
- Myrdal G (1978) Institutional economics. *J Econ Iss* 12(4):771–783
- Norton BG (2005) *Sustainability: a philosophy of adaptive ecosystem management*. The University of Chicago Press, Chicago
- Sagoff M (1988) *The economy of the earth: philosophy, law and the environment*. Cambridge University Press, Cambridge
- Samuelson P (1948) *Economics*. McGraw-Hill, New York
- Schumacher EF (1973) *Small is beautiful: a study of economics as if people mattered*. Arcus, London
- Söderbaum P (1982) Ecological imperatives for public policy. *Ceres: FAO Rev Agric Dev* 15(2):28–30
- Söderbaum P (2006) Democracy and sustainable development. What is the alternative to cost-benefit analysis? *Integr Environ Assess Manag* 2(2):182–190, April
- Söderbaum P (2008) *Understanding sustainability economics: towards pluralism in economics*. Earthscan/Routledge, London
- Söderbaum P, Brown J (2010) Democratizing economics: pluralism as a path toward sustainability. *Ann N Y Acad Sci, Ecological Economics Reviews* 1185(1): 179–195
- Söderbaum P, Brown J (2011) Pluralism and democracy in economics. *Int J Pluralism Econ Educ* 2(3):240–243
- World commission on Environment and Development (1987) (The Brundtland Report) *Our Common Future*. Oxford University Press, Oxford

Green Economy Reader

Lectures in Ecological Economics and Sustainability

Shmelev, S. (Ed.)

2017, XVIII, 463 p. 90 illus., 82 illus. in color., Hardcover

ISBN: 978-3-319-38917-2