

Democracy and sustainable development: Implications for science and economics

Peter Söderbaum [Mälardalen University, Sweden]

Copyright: Peter Söderbaum, 2012
You may post comments on this paper at
<http://rwer.wordpress.com/2012/06/20/rwer-issue-60/>

Abstract

Sustainable development is a contested concept in that it is interpreted differently by different actors. A distinction has been made between “weak” and “strong” sustainability. Some have referred to three aspects or “pillars” of sustainable development; economic, social and environmental. Others have advocated a further broadening of the kinds of dimensions to be considered. The present author has argued that a distinction between monetary and non-monetary aspects of development is crucial and also that an actor’s relation to ongoing development and the present political-economic system can be categorized in terms of “business-as-usual” (BAU) interpretation and attitude, “social and ecological modernization” or as demanding “radical change” in our present political-economic system.

Mainstream neoclassical economics in its textbook form will be scrutinized with respect to its scientific and ideological features. This will be related to what appears to be needed to meet the challenge of sustainable development. An economics that is more open and compatible with normal ideas about democracy is indicated.

Influential actors in business, government and civil society have their specific – or less precise – ideas of economics for management and governance. Such mental maps of influential and other actors are closely related to mainstream neoclassical economic theory. This assertion has of course to be made credible or proven by special studies. Here, I will scrutinize a consensus report prepared for the Rio+20 Conference (United Nations Secretary-General, 2012) with respect to the ideas of economics to which it refers. My conclusion is that the report’s authors do not know of or consider any alternative to the neoclassical perspective. Pluralism with respect to paradigms in economics is then recommended as an essential first step towards sustainable development.

Key words: neoclassical economics, theory of science, ideology, pluralism, institutional economics, institutional change, democracy, sustainable development, 2012 UN panel on global sustainability

Introduction

In science, the positivist tradition demands that concepts be clearly and, if possible, quantitatively defined. Concepts that are a bit ambiguous should be avoided. This practice of looking for concepts that are clearly defined is also valid for the social sciences. But additionally, we have to live with a number of so called “contested concepts” (Connolly 1993), such as democracy, power, solidarity, institution – even sustainable development – that can be interpreted in more ways than one. Avoiding such terms and concepts would make social science less relevant and useful. In those situations we have to make distinctions between different interpretations and clarify for the reader to which ones we refer. Rather than reductionism, in the sense of simplifying our conceptual framework, we have to live with some complexity.

The distinction between weak and strong sustainability (Neumayer, 2010) relates to the issue whether all kinds of impacts can be traded against each other in one-dimensional, usually monetary, terms. “Weak” sustainability refers to such a trade-off philosophy. It is assumed for example that even negative irreversible environmental impacts can be compensated for by other positive impacts as part of a summation procedure. Neoclassical Cost-Benefit Analysis (CBA) in monetary terms exemplifies such assumptions and beliefs. “Strong” sustainability on

the other hand does not permit this kind of one-dimensional trade-off philosophy. Each impact should be described in its own terms, and one-dimensional calculation is no longer considered meaningful or acceptable.

The distinction between economic, social and environmental impacts (e.g. Zedec, 2001) can be seen as a step towards strong sustainability. Environmental impacts are considered separately in Environmental Management Systems (EMS) for organizations or in Environmental Impact Assessment as part of decision-making, for example investments in infrastructure. This approach is not without problems, however. Environmental impacts also refer to resources and are for some of us (being ecological economists) as “economic” as financial or monetary impacts. Social impacts may similarly include ethical concerns and thereby all kinds of impacts.

To deal with these issues, a distinction must be made between financial or monetary impacts and non-monetary impacts. (Söderbaum, 2000) On the non-monetary side there are many kinds of impacts, such as those related to health, social situation, biological diversity, land-use, etc. Some of these impacts are not easily reversed.

A Nobel Laureate in physics, Murray Gell-Mann, has proposed 7 kinds of interdependent transitions “to a more sustainable world”; the demographic transition, the technological transition, the economic transition, the social transition, the institutional transition, the ideological transition and finally, the information transition (Gell-Mann 1994, pp.345-366). Gell-Mann’s list of transitions opens the door for a discussion of institutions and ideologies so often avoided. We will come back to these issues later on. For the moment we can make the observation that seriously considering sustainable development represents an ideological orientation that differs from the present mainstream.

This in turn brings us to a distinction between three different actor interpretations and attitudes. Some actors believe that we can “continue as before” emphasizing economic growth and profits in business, and believing that markets and technology will solve all possible problems. Others are skeptical of such a business-as-usual attitude and agree that there are serious problems which demand modification and “modernization” (Hajer, 1995) of our present political-economic system. Finally, there are those of us who believe that we should also consider “radical change” in our present political-economic system. Taking sustainability seriously means for example that one realizes that the most powerful organization in our present society, the business corporation, is defined in monetary (financial) terms while sustainable development is mainly a matter of performance in non-monetary terms. How can we deal with this tension or contradiction in the future?

Relationships between science and politics

As a philosophy of science, positivism holds that science must – as much as possible – be kept separate from politics. The scientist or scholar should test a hypothesis objectively, meaning that he or she should be neutral in value terms, even “value-free”. But in social science this idea of separation of science from politics is not very realistic, not even an ideal to aim at. We should rather admit that “values are always with us” in social science research and education as argued repeatedly by Gunnar Myrdal (e.g. 1978). It is here alleged that the neoclassical paradigm in economics is specific not only in scientific but at the same time in

ideological terms. This is also true of any other specific theoretical perspective in economics, such as a version of institutional economics or feminist economics.

If science cannot be separated from politics then scholars, just as other actors in society, have to respect normal ideas of democracy. Values and ideology has to be dealt with openly rather than hidden behind some idea of value-neutrality. It need not be added that our present challenge of moving from an unsustainable to a sustainable development path is not only a matter of explanation and facts but also of values and ideology. On what facts are we focusing, for example?

The values or ideological orientation of actors exemplify the subjective aspects of individuals, scholars included, in dialogue and action for sustainable development. Hermeneutics, i.e. the study of interpretations (Ricoeur, 1981), narrative analysis of the stories told by specific actors (Porter Abbot 2002) and social constructionism – referring to the fact that a person in one form or other is actively engaged in the creation of her own phenomenal world (Burr, 2003, p.19) – are other aspects of a theory of science pointing to the subjective aspects of an actor's thinking, arguments and behavior.

The ideology of neoclassical economics in relation to demands for sustainable development

Neoclassical economic theory in its textbook version starts with assumptions about the meaning of economics, how the economy can be understood, about the actors in the economy (individuals, firms and the state), about markets, about efficiency in decision-making and about instruments for public policy. All theories are based on assumptions and the neoclassical perspective or paradigm can hopefully contribute something also to the handling of sustainability issues. As I have pointed out repeatedly, it is the monopoly position of neoclassical theory in education at university departments of economics globally that is a problem. Economics has become standardized to neoclassical theory with its connected ideology, and today textbooks with essentially the same content are used. Gregory Mankiw's *Principles of Economics* (2008) is an example of this as is Klas Eklund's *Vår ekonomi* (2007) to take an example from Sweden.

Other theoretical perspectives exist and have been developed elsewhere, but university departments of economics continue to protect neoclassical theory. It may be noted that this is the theory that has been dominant during a period when things have gone seriously wrong in relation to demands for a sustainable development.

Idea about Economics

In neoclassical theory, "economics" refers to markets where individuals and firms are the actors and where improved efficiency in "resource allocation" is believed to be automatically achieved or sometimes as a result of state intervention.

From the point of view of sustainable development (in its "modernization" or "radical change" version), the focus on markets is too limited. Non-market relationships are no less important in understanding the functioning of an economy. Expressed in political terms, "democracy" should, according to some of us, be seen as the overriding principle. The title of a book edited by Miroslav Lapka; *Is Globalization Overpowering Democracy? The Challenge for Ecology*,

Economy and Culture (2007) is revealing. Actually, the word “democracy” is missing in the index of most neoclassical textbooks, including the ones by Mankiw and Eklund mentioned above.

View of the Economy

In neoclassical theory the “economy” refers to markets for commodities, labor and financial capital in single nations where individuals (households) and firms relate to each other and where the state is a regulating actor. International economics as a field then refers to exchange or transfer of commodities, financial capital and labor between nations.

From the point of view of sustainable development reference to households and firms as actors is not enough. In addition, individuals and organizations acting as part of civil society are influencing markets and are active in policy-making processes. Media and environmental organizations (Greenpeace, WWF etc.) operating at the local, national or global level are part of this. Also universities, churches, political parties and organizations connected with local and national government as well as regional (European Union) and international organizations (at the UN-level for example) are part of governance and the economy.

As ecological economists we furthermore see markets as embedded in a socio-cultural sphere and also in an ecological sphere. This suggests that indicators focusing on market performance in monetary terms are not enough to measure performance of the economy. A number of non-monetary indicators are needed as well.

View of human beings

In neoclassical theory “individuals” (as actors in the economy) are understood in “Economic Man” terms. They are regarded as consumers maximizing their utility choosing between baskets of commodities, subject to a monetary budget constraint. Individuals also have roles in relation to labor markets and financial capital markets.

From the point of view of sustainable development, individuals can be understood as actors in a socio-psychological context. They also have roles as political actors guided by their ideological orientation. Neoclassical Economic Man assumptions can be replaced by Political Economic Person (PEP) assumptions (Söderbaum, 2008). It need not be said that this role of being active (or not so active) in relation to sustainable development is part of the political-economic system and extremely important in relation to our present discussion.

View of organizations

In neoclassical theory “firms” are the only organizations considered. It is assumed that the firm focuses only on monetary performance and that profits are being maximized.

From the point of view of sustainable development other views or models of organizations also seem warranted. As already mentioned, there are additional organizations which perform as actors in the economy (universities, public interest organizations, political parties, organizations as part of government, etc.) influencing what is achieved in terms of sustainability. It should also be observed that there is no mentioning of kinds of objectives other than monetary profits in the neoclassical theory of the firm. No reference is made to Corporate Social Responsibility (CSR) and similar ethical issues. It can be noted as an

example that CSR is not found in the index of Mankiw's textbook. The neglect of balancing issues in relation to non-monetary dimensions of various kinds is also reflected in the assumption that profits are maximized. No reference is made to acceptable or satisfactory monetary profits.

It cannot be denied that a model of organizations as profit-maximizing firms is of some relevance in present society. The dominance, if not monopoly, of neoclassical theory in university education and the power of those establishment and other actors who believe in profits and limited horizons with respect to motives may explain this. But other models of organizations are becoming increasingly relevant for actors who take sustainability seriously.

Rather than the neoclassical hierarchic model, a first step is to recognize the existence of stakeholders with different interests in relation to an organization. Tensions and conflicts are possible and different actor categories become more visible. In addition to the stakeholder model (Freeman, 1984), network models of organizations emphasizing relationships between individuals and organizations (Ford, 1990) as actors have been proposed. One implication is that the borders between organizations become less clear than what is assumed in neoclassical theory. An individual as actor in organization A may bother about her relationships to actors in organization B. The organization is understood as a collective of actors, and a network of cooperating actors may also be understood as a collective comparable to other networks. Business corporations in the same field may work together for some purposes, municipalities or cities may work together, universities may work together in networks.

As part of Political Economic Organization (PEO) assumptions, ethical/ideological issues related to organizations can also be considered and made visible. The organization is guided by its mission (or ideological orientation) that may be monetary in kind but also multi-dimensional. Actors may exploit their power positions in relation to other actors or emphasize fairness. Responsibility and accountability become issues to be considered.

Our deliberation suggests there is no single "true" model of organizations. In attempting to understand business corporations or other organizations we need to consider different models that may contradict each other or be complementary.

View of markets

In neoclassical theory "markets" are understood in mechanistic terms. Firms "supply" commodities that consumers "demand". Supply and demand are "forces" resulting in market "equilibrium" at specific prices and quantities exchanged for each commodity.

From the point of view of sustainable development it appears constructive to also consider other models of markets. The models proposed for an understanding of organizations are a relevant starting point. The Network model of markets is one example. Markets can also be understood as relationships or exchange between political economic persons and political economic organizations as market actors. Focusing on the power position and ideological orientation of each market actor then becomes an option. Is a relationship characterized by "exploitation" or "fairness" according to a specific ethical viewpoint? "Fair trade" and issues of Corporate Social Responsibility (CSR) can then be considered. And such issues of responsibility can be extended to other organizations such as universities. Do we need reference to University Social Responsibility (USR) in relation to the sustainability issues?

Approach to decision-making

In neoclassical theory decision-making is a matter of monetary optimizing. In the case of the firm, profits are maximized and at the societal level Cost-Benefit Analysis (CBA) is applied as a kind of societal profitability analysis. The focus on the monetary dimension is specific not only in scientific but also in ideological terms. As part of CBA, even “correct” prices for purposes of resource allocation are dictated and connected with actual or hypothetical markets. Why apply this particular market ideology at the expense of all other potential ideological orientations?

From the point of view of sustainable development and considering the fact that our societies claim to be democracies a more open approach to decision-making is called for. Economists as analysts have no right to reduce all kinds of impacts to the monetary dimension and apply the “weak” sustainability criterion mentioned earlier.

Environmental Impact Assessment (EIA) is a step in the right direction – although limited in scope to environmental impacts – and Positional Analysis (PA) is another option of a more holistic kind (Söderbaum, 2008). It is built on distinctions between monetary and non-monetary impacts and between impacts as flows, referring to periods of time, and positions (or stocks) referring to points in time. Decision-making is furthermore regarded as a matching process between an actor’s ideological orientation and expected impacts for the case when specific alternatives are chosen. Conclusions are conditional in relation to each ideological orientation considered.

Policy instruments

In neoclassical theory environmental charges or taxes and command-and-control (prohibitions) instruments are considered as the main public policy instruments. The polluter pays principle should be applied in the sense that external negative impacts on third parties are “internalized” to become part of the market transaction. More recently the creation of new markets for pollution permits has become a popular option among neoclassical economists.

In relation to sustainable development neoclassical policy instruments can certainly be useful. These instruments are logically connected with other aspects of the neoclassical paradigm. The alternative to the neoclassical perspective as described above is less mechanistic and focuses more on the responsibilities of various actors in a democratic society. Policy and politics is certainly an issue for the national government through state intervention but also for all other actors as PEPs and PEOs. The neoclassical idea where consumers and firms react mechanistically to external stimuli is replaced by an idea of governance where actors at all levels from the local to the global can contribute and are considered responsible for what they do.

A more open political economics where democracy matters

Each economic theory tends to focus on some phenomena at the expense of others. Certain things are absent from neoclassical theory or downplayed. At the same time a specific ideology is built into each paradigm or theory at the expense of other possible ideological orientations. In the case of neoclassical theory, free movements of commodities, of labor and financial capital within and across nations is part of the ideal and is expected to contribute to

efficiency in resource allocation. Competition is also celebrated and “perfect competition” an improvement when compared with so called “imperfect competition”. “Monopoly” is bad and believed to reduce efficiency in commodity markets, labor markets and financial markets.

While competition is expected to be good for the functioning of an economy, this ideal is no longer valid for neoclassical economists when it comes to research and education. Monopoly for one theory, the neoclassical one, is then celebrated. According to this view there can be only one true theory at a time. When ideology is brought into the picture this attitude of neoclassical economists becomes dangerous for society. Limiting research and education at university departments of economics to neoclassical theory with connected ideology means that such departments of economics take on a role as political propaganda centers. Competing ideas of economics with connected ideological orientations are excluded. Modernized and radical versions of sustainable development exemplify such ideological orientations that differ a bit from the ideology of neoclassical theory.

Neoclassical theory is very much connected with the present political economic system and is part of the protection of this system. Global trade or the rights of business corporations to penetrate every part of the globe is not questioned but rather encouraged. In this way efficiency is believed to be increased while barriers to trade have the opposite impact of reducing efficiency. The challenge of sustainable development is not seriously discussed and the fact that transnational corporations have become so powerful is regarded as natural or a non-issue.

Neoclassical economic theory has its role among other economic theories. The present monopoly claim which has led to a global standardization of economics textbooks is however a mistake. All kinds of barriers to dialogue and “competition” have to be removed. We need to move from neoclassical monism to pluralism in economics.

At the time of the classical economists, reference was made to “political economics” rather than economics. Considering the ideological content of any kind of economics, it is here argued that our discipline should always be referred to and understood as “political economics”. But there are more kinds of political economics than the neoclassical version.¹

Political economic person and political economic organization assumptions represent a starting point for an economics that is open in ethical and ideological terms. Economists no longer dictate the objectives of individuals and organizations. Instead such objectives are open for study in each case. PEP and PEO assumptions in turn lead to a different (and more open) view of markets, efficiency, decision making and an alternative view of how decisions can be prepared in a democratic society, of policy instruments and institutional change processes. Along these lines a version of institutional economics has been indicated as an alternative to neoclassical theory (Söderbaum, 2007, 2008, Söderbaum and Brown, 2010).

Economics in the context of a 2012 UN document on sustainable development

What is the role of mainstream neoclassical economics and other kinds of economics in relation to the present dialogue about sustainable development? I have chosen to study one single document “the report of the United Nations Secretary-General’s High-level panel on

¹ Marxian economists have attempted to monopolize the term “political economics”. But according to the present argument their economics is just one kind of political economics.

global sustainability". The title of the report is *Resilient People, Resilient Planet. A Future Worth Choosing* (2012). The panel was led by Tarja Halonen, Finland and Jacob Zuma, South Africa as co-chairs. Gro Harlem Brundtland who chaired an earlier UN report entitled *Our Common Future* (World Commission on Environment and Development 1987) was among the 22 members of the panel.

With so many panel members representing different experiences, and additional actors who have assisted, it is not unexpected that the recommendations are not completely integrated. This need not necessarily be a disadvantage. Some diversity of opinions may be a strength rather than weakness from a democracy point of view.

Democracy in the UN report

In the preface to the 2012 UN report by the two co-authors, the seriousness of the problems faced by humankind is stressed. Considering also the complexity of the problems suggests that it is wise to listen to many voices. The consensus report presented may be a good option but it would be of interest for all of us who participate in the sustainability dialogue to also be informed about departing views by single members of the panel. Democracy is not just an attempt to reach a consensus. It is as much a matter of visualizing tensions and antagonism as part of a continued debate (Mouffe, 2005).

While neoclassical theory largely neglects the idea of democracy, I have here argued for the primacy of democracy over market and that economics itself needs to be democratized. The 2012 UN report certainly emphasizes democracy, for example in the discussion of ways of "empowering people to make sustainable choices". To some extent this can be seen as a way of moving responsibility for the future to individuals in their roles as consumers or producers. But the report also refers to lack of political will among actors in leading positions as a reason for limited success with previous attempts to get closer to a sustainable development.

Science in the report

The ideas about science reflected in the argument of the report are largely limited to positivism. Reference is made to a "global track record of sustainable development" based on studies from the Stockholm Environmental Institute and Stockholm Resilience Centre. There have been varying degrees of success in fields such as the ozone layer, poverty eradication, forests, education, health, the oceans, water and sanitation, energy, climate change, biodiversity & ecosystems, etc. Radiation, nuclear power, and storage of radioactive materials are not mentioned although they are big issues today in some parts of the world following the Fukushima catastrophe in Japan.

Science and universities are not much criticized, which may be explained by the emphasis on positivism. Do universities take their responsibilities seriously in relation present challenges? I am not sure. In fact the dominance of positivism may be a problem since it can be regarded as a limited responsibility doctrine for universities and scientists. There are many reasons to study the subjectivity of individuals as actors in different roles in relation to sustainable development. As previously mentioned, we may speak of a University Social Responsibility. Actors in research and education are also part of a political dialogue and should be made responsible for their behavior.

The members of the panel repeatedly (pages 7, 14, 64, 71) warn against institutional fragmentation, what they call “silos”. Single issue organizations, even at the UN-level are criticized for not looking at problems holistically. From this follows proposals for a “global sustainable development council”. Similarly, integrated thinking is recommended rather than the “silo mentality” (p. 14) that is so common.

I agree about the importance of holistic, integrated and multidimensional thinking. But a careful reading of the UN report reveals that the authors have their own “silos”. At places one can find a wish to reduce all sciences into one conceptual framework, more precisely mainstream neoclassical economics:

“For too long economists, social activists and environmental scientists have simply talked past each other – almost speaking different languages, or at least different dialects. The time has come to unify the disciplines, to develop a common language for sustainable development that transcends the warring camps; in other words, to bring the sustainable development paradigm into mainstream economics. That way politicians and policymakers will find it much harder to ignore.” (UN 2012 report, p.12)

Mainstream neoclassical economics with its monetary reductionism is, as I see it, a silo much like other silos criticized in the report. We are all expected to agree about “full cost pricing” or the “polluter-pays-principle” as has been recommended by neoclassical environmental economists for a long time. The report suggests that we should incorporate “social and environmental costs in regulating and pricing of goods and services, as well as addressing market failures” (UN 2012 report p.7).

Taxes and charges in monetary terms to reduce negative environmental impacts is often a good idea, but such policies should be based on fairness and other ethical/ideological considerations rather than the expertness of neoclassical economists. Neoclassical cost-benefit analysis is built on an idea of “weak sustainability” as previously discussed and on an assumption about consensus in society about correct values in monetary terms for all kinds of environmental and other impacts. This assumption reflects an extreme version of technocracy and is not compatible with democracy. Still, the authors of the report welcome accurate monetary valuation of environmental services in the case of ecosystems and biodiversity recommended in an ambitious volume initiated by the United Nations Environment Programme, *The Economics of Ecosystems and Biodiversity* (Kumar, 2010, p. 50). Why stick to this idea of correct monetary valuation in a situation where (almost) all of us agree that irreversible losses in biodiversity cannot be valued meaningfully in monetary finite terms?

This debate of course needs to continue. For the moment we may note that the panel members and their assistants act as if they did not know of any other economics than the mainstream. Ecological economics as an example started as a reaction by influential ecologists against neoclassical attempts to deal with environmental problems. Ecological economics which is often defined as “economics for sustainable development” is strangely enough not part of the mental map of those who wrote the UN report. It can be mentioned that the International Society for Ecological Economics (ISEE) has existed since 1990 together with the journal *Ecological Economics*. Regional societies have later been formed such as a European Society for Ecological Economics (ESEE), a Canadian society (CANSEE), a Russian Society (RSEE) etc.

There are of course many other associations for economists who depart from the mainstream. Today even a World Economic Association (WEA) exists with 10,000 members who are skeptical of the way neoclassical economists have dealt with financial crises as well as other problems. I will end this section with the observation that the UN report in the part of it that deals with economics is based on a theoretical frame of reference which has dominated during a period when success in dealing with sustainability issues has been very limited.

Ideology in the report

The word “ideology” is not part of the index in Gregory Mankiw’s textbook *Principles of Economics* (2008). “Ideology” is similarly absent from the UN report we are discussing. (However, on its page 35 the role of “political perspectives” is mentioned among factors contributing to change.) But if the problems we are facing are about ethics and ideology in a fundamental sense then the attempt to avoid this aspect of a dialogue is a mistake.

Democracy is discussed seriously in the report, but ideological options are not articulated. And still a little reflection will make it clear that the way we interpret sustainable development is ideological. “Weak” sustainability differs from “strong” sustainability in ideological terms, is an example.

I have previously in this paper argued that neoclassical economics is specific in ideological terms and that any idea of value-neutrality is an illusion. I will now contend that neoclassical economics in ideological terms is closer to some political ideologies than others. Neoclassical economics in fact tends to make Neo-liberalism legitimate. In both cases we have to do with a kind of market fundamentalism. Self-interest is made legitimate, economic growth is seen as a natural objective for the economy and free movements of commodities, financial capital and labor within countries and across national borders is thought of as a way of improving welfare in all parts of the world.

I have discussed this similarity between neoclassical economics and Neo-liberalism at many places (e.g. 2008). Here, I just want to formulate two questions to the authors of the report; if ideological options are part of the problems faced – why do you avoid analysis of such options? Do you agree that the dominance of Neo-liberalism is a problem in relation to sustainable development?

Institutional change in the report

The authors of the report cannot be criticized for avoiding the issue of institutional change altogether. A UN Council for Sustainable Development to overcome some “silo” tendencies has already been mentioned. I want also to point to what I see as a promising experiment in Norway. In a Box on page 65 of the report reference is made to “Governance for sustainable development in Norway”:

“The Ministry of Finance of Norway is responsible for coordinating the Government’s work on sustainable development, including the National strategy for Sustainable Development, which covers the economic, environmental and social dimensions of sustainable development.

To implement this strategy, Norway has integrated sustainable development into the Government’s most important policy document, the annual national budget. In each yearly budget follow-up is reported in a separate chapter, with contribute

This attempt to move some steps away from an annual national budget exclusively in financial terms could be a beginning of a new institutional framework for economic analysis and public policy. But then it is necessary to keep mainstream neoclassical economists at a distance until they have proven a capability to think in interdisciplinary, ideologically open terms.

A serious failure in the UN report is the unwillingness to discuss the role of business, transnational corporations in particular, in relation to sustainable development. The panel members seem to believe that Global Compact and other lists of ethical imperatives together with a dialogue about Corporate Social Responsibility will be enough when supported by the World Business Council for Sustainable Development (WBCSD) and other similar institutions. I do not agree. Joint stock companies are defined in financial profitability terms. Something is of course also achieved in non-monetary terms, but the idea is still one of maximizing profits. We all (or almost all) are shareholders in some companies but this should not be a hindrance for intellectually understanding that there is a need for major institutional change.

Concluding comments

The sustainability problems faced are complex and multi-faceted. They represent a challenge for all actors in society. I have here focused on the role of science, and economics in particular. Among theories of science, positivism has a role but ideas about value-neutrality have to be reconsidered especially for the social sciences. Each conceptual framework in economics is specific not only in theoretical but also in value and ideological terms. For this reason the present monopoly position of neoclassical theory cannot continue. Only pluralism is compatible with a democratic society.

Cooperation at the UN level will hopefully continue in many fields. But politicians and those who assist them in writing reports have to broaden their capabilities to include alternatives to neoclassical economic theory. If the mental maps of leading actors in governance are limited to neoclassical theory, then we are in trouble. In the present situation some diversity of conceptual frameworks and opinions should be encouraged.

Many kinds of policy instruments are needed and they should probably focus on the behavior of many actors categories. How can politicians help us move from a monopolistic situation to pluralism at university departments of economics for example? Are we ready to seriously consider alternative institutional arrangements to the current political-economic system? How can the present dominance of transnational corporations be tackled?

The UN report discussed in this paper is a cooperative effort between countries at the national level. International cooperation at the sub-national level between regions and cities/municipalities should be further encouraged. Perhaps more radical proposals and activities will emanate from such sources.

Many are those who can contribute to a sustainable development. Eva Kras in her writings (Kras 2007) has pointed to the potential role of "visionaries". In the present report we are reminded about some words of Mahatma Gandhi "Earth provides enough to satisfy every man's need, but not every man's greed." (UN 2012, p. 3) But there are many other visionaries who deserve our attention. I am thinking of David Korten (2001), Vandana Shiva (2005) and Naomi Klein (2007). Attempts have been made also to bring together a number of them in a consensus book (Cavanagh co-chair 2002).

While realizing that you cannot expect everything from a UN report of the kind discussed in this paper, it is a thought-provoking exercise to identify issues that essentially have been avoided. I am thinking of a criticism of the present political-economic system and a discussion of its alternatives. Also the connected issues of options with respect to ideological orientations and paradigms in economics need to be part of the dialogue. Finally, why all this reverence in relation to transnational corporations? Actors within these organizations who take Corporate Social Responsibility seriously may need some support from outside.

References:

- Burr, Vivien, 2003 *Social Constructionism* (second edition). Routledge, London.
- Cavanagh, John, Co-chair, 2002. *Alternatives to Economic Globalization. A Better World is Possible. A Report of The International Forum on Globalization*. Berrett-Koehler, San Francisco.
- Connolly, William E. 1993, *The Terms of Political Discourse* (third edition). Blackwell, Oxford.
- Eklund, Klas, 2007. *Vår ekonomi* (eleventh edition). Norstedts akademiska förlag, Stockholm.
- Ford, David, editor, 1990. *Understanding Business Markets. Interaction, Relationships, Networks*. Academic Press, London.
- Freeman, R. Edward, 1984. *Strategic Management. A Stakeholder Approach*. Pitman, London.
- Gell-Mann, Murray, 1994, *The Quark and the Jaguar. Adventures in the simple and the complex*. A W. H. Freeman/Owl Book, New York.
- Hajer, Maartens A. *The Politics of Environmental Discourse. Ecological Modernization and the Policy Process*. Clarendon Press, London.
- Klein, Naomi, 2007. *The Shock Doctrine. The Rise of Disaster Capitalism*. Penguin Books, London.
- Korten, David C. 2001. *When Corporations Rule the World* (second edition). Kumarian Press, Bloomfield.
- Kras, Eva, 2007. *The Blockage. Rethinking Organizational Principles for the 21st Century*. American Library Press, Baltimore.
- Kumar, Pushpam, editor, 2010. *The Economics of Ecosystems and Biodiversity. Ecological and Economic Foundations*. Earthscan, London.
- Lapka, Miroslav, J. Sanford Rikoon, Eva Cudlinova (eds), 2007. *Is Globalization Overpowering Democracy? The Challenge for Ecology, Economy and Culture*. Dokoran Publisher, Prague.
- Mankiw, Gregory, 2008. *Principles of Economics* (fifth Edition). South Western CENGAGE Learning.
- Mouffe, Chantal, 2005. *On the Political*. Routledge, London.
- Myrdal, Gunnar, 1978. *Institutional Economics*, *Journal of Economic Issues*, Vol. 12, No. 4, pp. 771-783.
- Neumayer, Eric, 2010, *Weak and Strong Sustainability. Exploring the limits of two opposing paradigms* (third edition). Edward Elgar, Cheltenham.
- Porter Abbot, H. 2002. *The Cambridge Introduction to Narrative*. Cambridge University Press, Cambridge.
- Ricoeur, Paul, 1981. *Hermeneutics and the Human Sciences*. Cambridge University Press, Cambridge.
- Shiva, Vandana, 2005. *Earth Democracy. Justice, Sustainability and Peace*. Zed Books, London.
- Söderbaum, Peter, 2000. *Ecological Economics. A Political Economics Approach to Environment and Development*. Earthscan, London.

Söderbaum, Peter, 2007. Towards Sustainability Economics: Principles and Values, *Journal of Bioeconomics* Vol.9, pp.205-225.

Söderbaum, Peter, 2008. Understanding Sustainability Economics. Towards Pluralism in Economics. Earthscan, London.

Söderbaum, Peter and Judy Brown, 2010. Democratizing economics. Pluralism as a path toward sustainability, *Annals of the New York Academy of Sciences*, Volume 1185, *Ecological Economics Reviews*, pp.179-196.

United Nations Secretary-General's High-Level Panel on Global Sustainability, 2012. Resilient People, Resilient Planet: A Future worth choosing. United Nations, New York. www.un.org/gsp/sites/default/files/attachments/GSP_Report_web_final.pdf

UN Commission on Environment and Development, 1987. Our Common Future. Oxford University Press, Oxford.

Zadek, Simon, 2001. The Civil Corporation. The New Economy of Corporate Citizenship. Earthscan, London.

Author contact: peter.soderbaum@mdh.se

SUGGESTED CITATION:

Peter Söderbaum, "Democracy and sustainable development – implications for science and economics", *real-world economics review*, issue no. 60, 20 June 2012, pp. 107-119, <http://www.paecon.net/PAERreview/issue60/Soderbaum60.pdf>

You may post and read comments on this paper at <http://rwer.wordpress.com/2012/06/20/rwer-issue-60>