

Toward sustainable development: from neoclassical monopoly to democracy-oriented economics

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Abstract

Will mainstream neoclassical economics be helpful and enough in dealing with present unsustainable development? Or, should we try alternative schools of thought in the sense of conceptual framework and language? In this essay the latter option is chosen. It is argued that new views of individuals, organizations, markets etc. are needed. A new definition of economics is even suggested where the multidimensional nature of sustainability issues is emphasized together with a democracy-oriented view of the discipline. Assessment of investment alternatives in a democratic society is outlined as well as elements of a politics for sustainable development. Considering the seriousness of the problems faced, there is no good excuse for avoiding the more fundamental issues of paradigm and ideology with its influence on the functioning of our political economic system.

Key words neoclassical economics, institutional-ecological economics, political economic person, ideological orientation, political economic organization, mission, sustainable development

Introduction

Research and education in universities is subdivided into disciplines. There are departments of economics and departments of political science for example. Specialization and division of labour is thought of as being fruitful; Economics is about resource allocation at the micro and macro levels while political science is about democracy and governance. Something is sometimes gained through specialization but there are losses as well. This opens the door for counter-movements in terms of transdisciplinary research. Should “efficiency”, for example, be exclusively a matter for economics and economists and democracy exclusively something for political scientists?

Sustainable development is a challenge in contemporary society. It is a complex, multidimensional issue where contributions from all university disciplines can make a difference. Social sciences such as economics, business management, political science, economic history, sociology, psychology, all have something to offer. And barriers between disciplines become less relevant.

Present development is unsustainable in essential ways. Climate change and biodiversity loss are examples. This process of unsustainable development has been going on for some time and we have every reason to try to identify factors explaining the failures. This is not easy but the difficulties are no reason to refrain from attempts.

For many years there has been a common view among more or less influential actors in society about progress indicators such as GDP-growth and monetary profits in business. Such thinking patterns have largely been made legitimate by mainstream neoclassical economics. It can therefore be argued that neoclassical economists have been successful in propagating their conceptual framework and many actors have benefitted in some respects from referring to the ideas. Theories and methods in economics and business management have become popular in many circles. These days it is however increasingly understood that

while some actors have benefited in the short run, the same actors and all other actors and citizens have lost something at a more fundamental level. How can one speak of progress if essential development trends are unsustainable?

Through education and research neoclassical economists have had an impact on development in single nations and globally. What is more of a problem is that those employed at university departments of economics have largely neglected alternative schools of thought. The neoclassical monopoly in introductory economics education for example has been protected. Neoclassical theory may have a role among other schools of thought but the monopoly position can no longer be defended. A more pluralistic attitude in university departments of economics would, as I see it, have been more helpful in reconsidering visions and progress indicators.

Neoclassical economists may still argue that their approach is useful also when attempting to turn development in a sustainable direction. While neoclassical environmental economics may have something to offer I am sceptical regarding statements about the *sufficiency* of neoclassical theory and method. Something more is needed. I argue strongly that it is time to open up university departments of economics for alternative schools of thought such as institutional economics and ecological economics.

The call for a strengthened democracy is relevant for economics in two respects:

1. Standardization of economics to one single paradigm in teaching and research should be abandoned in favour of a pluralistic philosophy where different schools of thought can coexist. This has to be reflected in the organization of university departments of economics, recruitment of PhD-students etc.
2. The ideals of democracy can also be recognized in the very definition of economics as a discipline and in its conceptual framework, theories and methods. Individuals and organizations can be understood in political terms rather than in terms limited to markets. Sustainability assessment of investment projects in society will differ for example between a technocratic approach (such as neoclassical Cost-Benefit Analysis, CBA) and a democracy-oriented approach (such as Positional Analysis, PA) as will be explained later on in this essay.

I start from the observation that “democracy” is a word that is largely absent from textbooks in economics (Mankiw and Taylor, 2011). My question is: What happens if we bring in democracy seriously into economics?

The illusion of value-neutrality

Neoclassical theory is positivist in terms of theory of science. Individuals and firms interact in markets and are understood in mechanistic terms, the presumption being that some of the ideas about good science from physics are applicable also for economics. This is by critics referred to as the “physics envy” position of neoclassical economists. The purpose is to explain and predict behaviour at the micro level of individuals and firms as well as performance of the economy as a whole. Hypotheses are tested and experiments are carried out when possible.

The neoclassical economist is ideally standing outside watching what goes on in an alleged value- neutral manner. It is assumed and believed that only one paradigm exists and that since there is no alternative perspective, the neoclassical one represents the “truth”. Among economists Gunnar Myrdal, known for his studies of development in various parts of the world, has questioned the neoclassical position arguing that “values are always with us in research and education”:

“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 presentation of conclusions – in fact the whole pursuit of a study from beginning to end” (Myrdal, 1978, p. 778).

Since values are unavoidable according to Myrdal and we live in a democratic society, value issues have to be dealt with openly rather than hidden “behind a veil of neutrality”. In her study of different schools of thought in economics, Tanja von Egan-Krieger (2014) similarly argues that there is no value-free economics. In her comparative study she scrutinizes mainstream neoclassical economics, feministic economics, institutional economics and ecological economics. The term “feminist” in feminist economics for example suggests that values and ideology are involved. Ecological economists take environmental and development issues seriously into account and so on.

In my own writings I claim to respect some traditional ideas of good science while adding others. Respecting democracy is one where the plea for many-sidedness in analysis is reducing the possibilities of manipulation. But my person and subjectivity will still influence the kind of problems I am choosing for study and how I frame my analysis.

Neoclassical economists sometimes try to escape from the above criticism by making a distinction between “positive statements” which are “descriptive” and “normative statements”, the latter being “prescriptive”, as claims about “how the world ought to be” (Mankiw and Taylor, 2011, p. 32). But even descriptive statements are normative and specific in value terms. There is always a choice about how to frame problems and what to describe.

Individuals and organizations as political actors

In neoclassical theory individuals and organizations are related to each other in markets for commodities, financial capital and labour. According to Homo Oeconomicus assumptions the individual as consumer maximizes “utility” within the scope of her monetary budget constraint. Self- interest is emphasized and there is little or no concern for the interest of others. The only kind of organization in neoclassical theory is the “firm” which is assumed to “maximize profits” in the interest of shareholders. Shareholders are assumed to be exclusively concerned about dividends in monetary terms.

The emphasis on self-interest and otherwise narrow interests are sometimes defended as just assumptions that simplify analysis. But a simplified analysis may entail losses in relevance.

Some of us economists and other actors are worried about the possibility that neoclassical theory systematically legitimizes self-interest and narrow interests among actors in the economy. Today we need an economics that – without denying the existence of self-interest – rather pushes individuals and organizations in the direction of broadening their interests where ethics, responsibility and even ideology play a role. It is no longer reasonable to believe that markets automatically can solve our sustainability problems for example.

As alternative to Homo Oeconomicus, a Political-Economic Person (PEP) is suggested. This understanding of human beings is based on social psychology with concepts such as role, relationship, trust, network, motive, dissonance, conflict, cognition, learning, etc. Individuals are actors guided by their “ideological orientation” and this ideological orientation may be narrow or broad. Rather than assuming that all individuals as actors are guided by the same motives, the ideological orientation becomes something to be empirically investigated in each case. There may be individuals who are close to the self-interest position assumed in neoclassical theory but also others with broader concerns and interests. And for one individual the ideological orientation varies over time in relation to context and decision situation.

The neoclassical profit-maximizing firm is similarly replaced by a Political-Economic Organization (PEO), i.e. an actor guided by its ideological orientation or “mission”. A sub-set of organizations are joint-stock companies (“firms” according to neoclassical vocabulary) but even for them, the possibilities of broader missions need to be investigated empirically. Corporate Social Responsibility (CSR) and “fair trade” are increasingly discussed. As economists we could open the door for such possibilities rather than systematically support actors with narrow interests.

The concepts of ideology and ideological orientation

“Ideology” and “ideological orientation” are contested concepts (Connolly, 1993) which suggests that when used the concepts need to be defined. Among economists Douglass North has proposed the following definition:

“By ideology, I mean the subjective perceptions (models, theories) all people possess to explain the world around them. Whether at the microlevel of individual relationships or at the macrolevel of organized ideologies providing integrated explanations of the past and the present, such as communism or religions, the *theories* individuals construct are *coloured* by normative views of how the world should be organized” (North, 1990, p. 23, emphasis in original).

Ideology can be described as a “means-ends” relationship. It is about where you are (present position), where you want to go (future positions) and how to get there (strategy), bringing desired positions and available means together. Politicians and political parties in a democratic society refer to their ideologies or ideological orientations. These ideological orientations are not static but the subject of repeated reconsideration. When turning to us as citizens, political parties refer to their ideological orientation. As individuals and members of groups we respond in one way or other to the ideological elements and programs of specific politicians (political parties). This suggests that all of us are guided by something that can be referred to as ideological orientation.

Neoclassical theory is largely limited to quantitative analysis. “Only that counts which can be measured” is the motto. But when studying sustainability something more is needed. Sustainable development cannot easily be defined in one-dimensional quantitative terms. In addition to quantification we need to refer to qualitative and visual elements. In her attempt to replace neoclassical quantitative analysis with other thinking patterns, Kate Raworth points to the importance of words and pictures “Our brains are wired for visuals” (2017, p.11). Raworth refers to media theorist John Berger who suggests a dominant role for visualization in human cognition “Seeing comes before words. The child looks and recognizes before it speaks” (Berger, 1972 p. 7). An ideological orientation, however understood, is seldom built on complete information as in neoclassical modelling. It is rather in most cases fragmentary and uncertain.

Other terms can be used with content similar to “ideology”. “Worldview” is one, “vision” another, “narrative” a third. I have chosen ideology because it goes well with the political and democracy-oriented perspective emphasized in this essay. But also “narrative” is a term that can be used. Neoclassical theory can be understood as a narrative about consumers, firms, markets and economic growth. This narrative is no longer functioning so well. What can we do to open the door for other perspectives? Eva Kras, former chairperson of Canadian Society for Ecological Economics, suggests that we should “listen to visionaries” (Kras, 2007). Her examples of visionaries include Vandana Shiva with her book *Earth Democracy* (2006), David Korten, author of *When Corporations Rule the World* (2001) and Naomi Klein’s *This Changes Everything. Capitalism vs the Climate* (2014). While something can be achieved through modernization and modification of mainstream ideology, we also need to consider alternatives at the level of perspectives. Alternative schools of thought in economics can be helpful in this respect.

Sustainable development as ideological orientation in a democratic society

Neoclassical economists refer to value-neutrality and regard their personal values as a non-issue. As an institutional ecological economist, I am turning things around; Value or ideological issues should be openly discussed and be part of analysis. The present call for sustainable development is a typical example of an ideological issue. SD is a contested concept in the sense that it can be interpreted in more ways than one. Some actors prefer a *business-as-usual* interpretation in the sense of minimizing changes from the established mainstream view and activities. Other actors are ready to modify and *modernize* thinking patterns, activities and institutions while a third category of actors may have internalized a need for *radical change* (Söderbaum, 2008 pp. 13-22).

In all these cases of interpretation, “ideological orientation” appears as a useful and very relevant term to describe differences between thinking and motives among actors. Sustainability issues are ideological and any attempt to avoid value issues or politics will make the analysis less relevant and meaningful. The role of economists is to articulate alternative visions, narratives and ideological orientations that appear relevant to politicians and other actors and discuss their advantages and possible weaknesses. The economist can claim a degree of independence (but not value-neutrality). Many-sidedness in analysis reduces opportunities for manipulation.

As is well known, sustainable development became seriously part of an international dialogue through the Brundtland Commission (World Commission on Environment and Development,

1987). Emphasis was on ethical issues between human beings in one region and those in other regions and between the present population and future generations. A philosophy of cautiousness in decision situations has been emphasized by some (Harremoës et al., eds, 2002). Too often policies have been implemented which today are regretted at least by some actors. More recently 17 sustainable development goals have been sanctioned by the United Nations (2015).

It may be concluded that a power game is going on in society between single actors and groups of actors concerning ideological orientation. How should we as economists or other social scientists relate to such a power game? A first observation is that we as economists are political-economic persons much like other individuals in the economy. This means that we have specific roles as professionals but that we at the same time are citizens and part of a democratic society. As economists we should respect normal ideas of democracy and, when possible, contribute to a strengthened democracy. We should not limit our studies to one ideological orientation but rather “listen to many voices”. Competing ideological orientations in relation to a decision situation should be made visible for all actors involved or concerned. Arguments about best alternative will then be conditional upon each ideological orientation considered. In this way conflicts of interest will become more visible and actors behind each ideological orientation have a chance to reconsider their ideas and will be held responsible and accountable for their voting in political assemblies and decision situations more generally. A political dictatorship at the national level can be understood as a reliance on one main ideological orientation (or a set of ideological orientations being close to each other) while dialogue about this ideological orientation is systematically avoided or impeded. Actors who do not share this main view and present their opinions openly risk harassments of various kinds.

But dominance of one ideological orientation may exist even in nations normally described as democracies. In nations such as Sweden and globally, an economic growth and market ideology is dominant to such an extent that one can refer to this specific market ideology as a kind of dictatorship. Behind this are, as I see it, university departments of economics (with neoclassical theory in a monopoly position) but also international organizations such as the European Union with its specific organizational infrastructure, the World Trade Organization (WTO), the World Bank and the International Monetary Fund (IMF). Transnational corporations with their lobbyists also play a role in defending this market ideology. Actors advocating radical versions of sustainable development are facing this “partial ideological dictatorship”. This explains why there is a lot of inertia and that progress has been, and still is, limited. Even political dictatorships such as China have had to adapt to the global market ideology for their relations with other nations. The idea advocated by some that market ideology automatically leads to democracy, appears far-fetched.

Arguments for democracy are helpful by the insistence on a dialogue between advocates of different views. Today debate about radical change in ideological orientation and institutional framework is too often avoided among political actors in powerful positions and media actors who control essential arenas. Since the dominant market ideology does not go well with sustainable development, a part of our role as economists must be one of arguing in favour of pluralism and democracy.

Defining economics in a new way

The discussion so far can be summarized as follows:

- A number of development trends nationally and globally are unsustainable
- The theories and conceptual framework of neoclassical economics has been dominant in governance nationally and internationally while development has become increasingly unsustainable
- In the latest decades university departments of economics are characterized by a close to monopoly position of the neoclassical paradigm
- Other schools of thought in economics exist but have played a peripheral role in university departments of economics in the Western world and even globally
- Economics and other social sciences cannot be value-free or value-neutral. A degree of independence is however possible for economists
- The neoclassical paradigm is specific not only in scientific terms but also in ideological terms. The ideology of neoclassical theory and method is close to market fundamentalism
- In terms of ideological orientation, the neoclassical theory and conceptual framework has contributed to make neoliberalism legitimate
- Neoliberalism as ideological orientation has contributed to make the present political-economic system legitimate
- For economics to constructively contribute to sustainable development a first step is to eliminate the neoclassical monopoly in education and research at university departments of economics and open the door for competing schools of thought
- The monopoly for neoclassical economics at university departments of economics can be described as a “local monopoly”. Heterodox economists are often connected with other social science departments such as economic history, political science, sociology or business management
- In a democratic society this kind of dialogue between schools of thought grounded in partly different ideological orientations is very much needed.

From the above it follows that there are good reasons to bring democracy into the definition of economics. I suggest that economics is defined as “multidimensional management of (limited) resources in a democratic society”.

Why “multidimensional” management?

There is an emphasis on the monetary dimension in neoclassical theory and method. Non-monetary impacts are reduced to monetary ones to make analysis more tractable using a “trade-off philosophy”. In neoclassical Cost-Benefit Analysis (CBA) actual market prices and a kind of hypothetical market prices are used to transform non-monetary impacts of various kinds to the monetary dimension. Even different non-monetary dimensions are “traded” against each other in this way.

Those indoctrinated in the neoclassical paradigm tend to see the mentioned simplification of analysis as smart and elegant. Prices in monetary terms on ecosystem services are estimated and regarded as “correct” as are prices on each unit of CO₂ pollution and such prices are determined in a technocratic manner by the neoclassical economist as expert.

This kind of transformation of all kinds of impacts to their alleged monetary values is here referred to as “monetary reductionism”. Instead a more holistic and multidimensional approach is recommended where the judged importance of different kinds of impacts is left to the ideological orientation of each individual as actor or each group of actors.

The distinction between a “technocracy-oriented” philosophy and a more “democracy-oriented” approach is illustrated in Table 1.

Table 1 Roles and relationships in the cases of technocracy-oriented respectively democracy-oriented analysis

| Actor categories: | Technocracy-oriented (Cost-Benefit Analysis, CBA) | Democracy-oriented (Positional Analysis) |
|--|--|--|
| Analyst | Expert on correct market prices and CBA-method resulting in “optimal solution” | Facilitator, expert on PA-method and dialogue resulting in conditional conclusions |
| Stakeholder | Expected to be essentially passive. Possibly asked about “willingness to pay” | Is encouraged to express opinion and participate in dialogue and analysis |
| Concerned citizen and other non-stakeholder actor | Silence will facilitate analysis and decision process | Is encouraged to express opinion and participate in dialogue and analysis |
| Politician / decision-maker | Expected to accept the authority of analyst and the result of analysis | Participates in dialogue. Decisions are based on the ideological orientation of each politician / decision-maker who is thereby made a responsible actor |

Source: Adapted after Söderbaum, 2000, p. 84.

The technocracy-oriented view (left-hand column in Table 1) positions the analyst at the centre expected to carry out the Cost-Benefit Analysis in a correct way. The ethical imperatives built into the CBA-method should be applied, for example actual market prices of various impacts. Other actor categories such as stakeholders and politicians related to the decision situation are expected to regard the analyst as expert and accept the optimal solution produced through analysis.

The democracy-oriented view regards the ethical and ideological imperatives built into CBA as just one possibility. The analyst gets a different role of identifying competing ideological orientations among politicians, stakeholders and other concerned actors. This can be done in various ways by studying official documents, by listening to different actors and inviting them to participation etc. Ideological orientations can be formulated as narratives for example beliefs in private business initiatives and economic growth in GDP-terms versus ideas that emphasize some interpretation of sustainable development. When related to a specific decision situation such ideological orientations (narratives) can be expressed in more concrete terms. There is no single optimal solution as result of analysis, only conditional conclusions and preference orders connected with each ideological orientation considered.

Within the scope of the alternative, multidimensional view of economics, the expected impacts of implementing specific alternatives can be classified in four categories:

- Monetary flows (referring to periods of time)
- Monetary positions (referring to points in time)
- Non-monetary flows (referring to periods of time)
- Non-monetary positions (referring to points in time)

Neoclassical analysis is generally carried out in monetary terms. Economic growth is measured for single periods such as years and thus exemplifies monetary flows. Business accounting emphasizes monetary flows (e.g. profits) and monetary positions (balance sheet with its different components).

When considering the results of sustainability politics, non-monetary flows and positions play a central role. Pollution of various kinds can be measured as non-monetary flows with impacts on non-monetary positions. Plastics are used for various purposes in society and parts of these flows end up and are accumulated in the oceans. CO₂ pollution in flow terms has impacts on the atmosphere measured as states or positions of carbon dioxide in ppm terms. The existence of inertia and possibly irreversibility in non-monetary terms is a reason to avoid CBA with its trade-off philosophy in monetary terms. Instead non-monetary positional changes should be an essential part of the picture. House construction, road building and other development projects need to be evaluated in such non-monetary terms. It is increasingly understood that this is also true of life-style changes.

The possibility of irreversibility suggests that decision-making often needs to be looked upon in multiple-step terms. Each step opens the door for some future steps (with connected impacts) and at the same time excludes future possibilities, much like positional changes in a game of chess. This kind of options in positional terms can be described in decision-trees like the ones used in game theory but with positions rather than pay-offs as the result. And such positions only represent the beginning of new moves. The kind of thinking in positional terms indicated is an essential part of Positional Analysis (Söderbaum, 2000, Brown et al., 2017) to be discussed further in next section of this essay.

Even the use of terms such as “cost” and “benefit” may need to be reconsidered as part of the distinction between monetary and non-monetary impacts. Once more, a classification in four categories appears relevant:

- Monetary cost
- Monetary benefit
- Non-monetary cost
- Non-monetary benefit

Among institutional economists I have mentioned Gunnar Myrdal and Douglass North. William Kapp (1976) is a third person who at an early stage emphasized environmental and development studies. Neoclassical economists admit that third parties may be negatively (or positively) affected by a market transaction. Reference is made to single cost (benefits) for so called “externalities”, again measured in monetary terms. In his early book “The Social Costs of Private Enterprise” (1950), and at other places Kapp referred to “costs” in a much broader sense:

“as an economist I have long held the view and continue to believe that the institutionalized system of decision-making in a market economy has a built-in tendency of disregarding those negative effects (e.g. air and water pollution) which are “external” to the decision-making unit ... 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).

Rather than thinking in terms of single externalities, Kapp pointed to a more systemic tendency of “shifting the costs of environmental disruption to third persons or to society” (ibid. p. 20). To judge the validity of such claims in relation to empirical decision situations, I believe that we once more need the distinction between monetary and non-monetary impacts and consider them as separate.

While a number of largely accepted standardization systems for measurement of environmental and other impacts exist in present society, there may still be conflicting views of the importance of specific impacts and the importance of all expected impacts following the choice of one alternative of choice. This is where the concept of ideological orientation and the reference to democracy in our definition of economics comes in. If one respects the existence of more than one ideological orientation in a society and in relation to a decision situation, then there may be conflicting views about costs and benefits connected with specific alternatives of choice. What is perceived as a cost or negative impact of one actor may be regarded in positive terms, i.e. as a benefit by another actor. Such differences in situation and perspective need to be respected. The idea of one common and standardized idea of “cost” or “benefit” is abandoned.

The purpose of Positional Analysis

As has already been made clear, Cost-Benefit Analysis is the neoclassical approach to investments in infrastructure, such as energy systems, roads, airports. Analysis is carried out in monetary terms where all kinds of impacts are traded against each other. Even impacts in different periods of time are traded against each other using a so called discount rate. The result of aggregation is a “present value” for each alternative considered.

An attractive element in the CBA-method is that one single optimal solution can be produced. When thinking of alternatives to CBA, attempts have been made to construct other methods that can match CBA in attractiveness in this sense and thus point to one alternative as the best or optimal. While all kinds of alternative methods can be discussed, such methods suffer from reductionism to one dimensional calculation and in ideological terms.

Positional Analysis claims to be more compatible with a strengthened democracy. The purpose is to listen to many voices and then illuminate an issue in a many-sided way with respect to:

- Alternatives of choice that appear relevant;
- Ideological orientations that are part of the ongoing dialogue;
- Estimated impacts of alternatives considered.

Conditional (rather than unanimous) conclusions follow based on each ideological orientation considered. Ideological orientation A will suggest one order of preference among alternatives while ideological orientation B may point to a different order of preference. For reasons of tractability, only a limited number of ideological orientations and alternatives of choice are considered, for example 3 or 4 but they should clearly differ from each other according to the principle of many-sidedness. Not all actors will find that their ideological orientation is considered in detail but they will hopefully still be helped by the analysis carried out. And there is always a possibility to complement the existing analysis or demand a new study.

This is certainly not an approach that solves all problems but it represents a considerable step forward when compared with neoclassical CBA. Conflicts of interest among politicians, stakeholder and other concerned actors are illuminated rather than hidden. Dialogue may be initiated on the basis of such competing views and each actor may confirm or reconsider her/his view. It should be made clear that this approach differs from a “**consensus view of democracy**” often attributed to the writings of Jürgen Habermas (Martin, 2005). The ideological orientations of specific actors can be modified or changed as a result of dialogue and the decisions made in a political assembly but it is not realistic to believe that all differences disappear. It may be a wise strategy sometimes to settle on a compromise but again the word compromise tells us that the parties involved differ in terms of agenda or ideological orientation. Consensus in the sense that all actors agree about one ideological orientation and one alternative as the best is still possible but an exception. Instead a “**conflictual view of democracy**” is advocated. Chantal Mouffe is an author who acknowledges the adverse aspect of political relationships and uses the term “agonistics” (2013). A degree of conflict can be regarded as constructive in solving different problems or challenges in society. Is it possible to deal with the problems of climate change without allowing for tensions between actors in society?

In a democracy-oriented study of alternative policies or decisions, analysis should be many-sided and match the existence of competing opinions. But there is always a risk that the ideological orientations, the alternatives of choice or the estimates of impacts are systematically manipulated by the analyst or other actors using their power. To reduce such risks an open dialogue about the issue and the study carried out is needed. A well-functioning democracy can here be seen as a security system.

A model of social and institutional change toward sustainability

“Institution” is another “contested concept” in the sense that it can be defined in more ways than one. “Ideology” and “power” are other contested concepts. As I understand it, neoclassical economists tend to limit attention to concepts that can be quantified and therefore avoid or reduce the role of contested concepts of the mentioned kind. Precision in quantitative terms is preferred while there may be considerable losses in relevance. But the mentioned contested concepts are used in real life and if one wishes to construct a conceptual framework that is relevant in relation to sustainability and other practical problems perceived by actors, it is probably wise to incorporate some of these terms into ones conceptual framework. The important thing then becomes one of clarifying how the terms are used.

“Institution” is here understood as phenomena that contribute to regularities or a degree of repetition in the behaviour of actors (individuals or organizations). Governmental laws and

guidelines exemplify institutions as do organizations of a governmental or non-governmental kind. Even habits of thought and habits of behaviour shared by many actors can be referred to as institutions.

Douglass North suggests a slightly different definition:

“Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change” (North, 1990, p. 3).

The two ways of understanding “institutions” are complementary rather than mutually exclusive. While a degree of stability characterizes institutions, there is also the possibility of institutional change. Existing institutions may be modified, some institutions loose in importance or disappear, other institutions are strengthened and new institutions may emerge. Single actors and groups of actors have their agendas (ideological orientation) and may use their power position to facilitate or counteract specific kinds of institutional change. At issue is how institutions can deliberately be changed to become more supportive of sustainable development.

A “political economic system” can be understood as the total institutional framework or arrangements in a nation or a group of nations such as the European Union. Such an institutional framework consists of single institutions in dynamic interaction with other institutions. Two kinds of essential factors that explain social and institutional change can be discussed in relation to Table 2. The present kind of capitalism is largely made legitimate through the domination of neoclassical economics as economics paradigm and neoliberalism as ideology (left-hand column in the table). It should be made clear that neoclassical economics and neoliberalism are not totally separate but rather overlapping. Neoclassical economics is, as previously argued, specific in value or ideological terms and neoliberalism includes ideas about how to look upon economics and efficiency. The reason to regard economics paradigm and ideology as different factors has to do with the fact that the two kinds of perspectives are often considered as different discourses. Paradigm in economics is mainly discussed by economists while ideological orientation is often being regarded as being a matter for politicians.

Table 2 Paradigm and ideology as essential factors behind political economic system

| | Mainstream | Alternative (Example) |
|----------------------------------|--|--|
| Economics paradigm | Neoclassical economics | Institutional ecological economics |
| Ideological orientation | Extreme business and market ideology (neoliberalism) | Interpretation of sustainable development as ideology |
| Political economic system | Present kind of capitalism | Institutional arrangements compatible with alternative paradigm and ideology |

Source: Modified after Söderbaum, 2000, p.84

Not only the mainstream perspectives but also alternative perspectives need to be considered in relation to sustainable development (right-hand column of Table 1). A different definition and conceptual framework for economics is suggested as well as an interpretation of sustainable development as ideology.

Potential elements of sustainability politics

In the present essay the role of paradigms in economics and ideological orientations among actors in society has been stressed. A dialogue about these issues is very much needed. The close to monopoly position of neoclassical theory and method at university departments of economics and elsewhere need, as a first step, be replaced by pluralism. The cognitive inertia of neoclassical economists emphasizing one thinking pattern at the expense of all other possibilities can be referred to as “narrative fixation” (Fullbrook, 2016).

The conceptual framework or language connected with a paradigm matters. Economic Man assumptions with their narrow focus on self-interest differ from Political Economic Person assumptions. The latter point in a potentially more active role of the individual as actor, not limited to self-interest. Ideological orientation enters as a concept suggesting that the individual is a responsible and accountable person.

Assumptions about organizations as profit-maximizing firms can be replaced by political-economic organization assumptions implying that there also exist organizations other than firms and that all kinds of organizations are guided by a mission which can be multidimensional and differ from the limited liability doctrine of joint stock companies. Thinking about the economy and society exclusively in (neoclassical) market terms is perhaps not such a good idea.

Closely related to neoclassical economics is neoliberalism, i.e. an extreme business and market ideology. The dominant role of neoclassical economics has contributed to the present dominance of neoliberalism as ideology at many arenas where political options are considered. Some steps can certainly be taken toward sustainable development through governmental manipulation (in neoclassical terms) of markets through taxes or by constructing “markets for pollution permits” etc. But neoclassical economists, as well as neoliberal politicians, generally believe so much in the beneficial aspects of unregulated markets that they are reluctant to implement measures that go against their fundamental beliefs.

A different conceptual framework in economics and a Green ideology will open the door for additional policy measures. Here I will point to a need for institutional change at the following levels:

- Laws and guidelines for universities, departments of economics in particular
- Laws and guidelines for pension funds, observing possibilities for so called divestments
- Laws and guidelines governing corporations, in particular transnational ones
- Laws and guidelines governing international institutions, United Nation organizations included
- The Bank of Sweden Prize in Economic Science in Memory of Alfred Nobel.

Such proposals certainly reflect my own experiences, scientific and ideological orientation as an actor and institutional-ecological economist. In a democratic society each citizen as actor will react or relate to the above guidelines in her way. I will only comment upon some of the suggestions:

- Concerning universities I think that ideas about value neutrality in social sciences have to be abandoned. Values are always with us even when making descriptive statements. Describing a phenomenon can be made in different ways.
- Concerning pension funds allocation of financial resources can be based on sustainability criteria rather than short term financial expectations.
- Too many transnational corporations are not performing well in relation to sustainable development. William Kapp's arguments about tendencies of "shifting costs of environmental disruption to third persons or to society" should be taken seriously. New legal forms of organization, such as the UK Common Interest Company have to be systematically considered. Such new initiatives are very much needed.
- International institutions such as the World Bank, International Monetary Fund and World Trade Organization and even UN organizations, such as UNEP and UNDP, still rely very much on neoclassical theory and method. New approaches are needed.
- There are many reasons to abandon the Bank of Sweden Prize in Memory of Alfred Nobel. In recent times this prize has, as I see it, had a role mainly of protecting neoclassical theory. Ideology is involved which makes the prize comparable with the Nobel Peace Prize rather than anything else.

To summarise; in relation to climate change and other threats we need to consider scenarios of future political economic systems that in terms of social and environmental performance differ from the present kind of capitalism (Smith, 2016). The present ideas behind pluralism and democracy in relation to economics should also be stressed. When suggesting a partly new conceptual framework, this is not done as a proposal for "paradigm-shift" (Kuhn, 1970) in the sense of neoclassical theory and method being completely replaced by one other paradigm. While each economist may have her or his preferences, it appears more constructive to think in terms of "paradigm coexistence". In relation to a set of phenomena, one perspective may add to the understanding offered by another. Within the scope of coexistence there may still be shift in dominant paradigm, for example by the neoclassical paradigm losing ground to institutional theory.

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