

Workshop "Understanding Sustainability Economics", Rosa Luxemburg Foundation, Berlin 28-30 October, 2011

Introductory remarks

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Why this reference to "Sustainability Economics"? From where does this term come?

In 2003-2004 a series of workshops were arranged at **DIW, Deutsches Institut für Wirtschaftsforschung** (German Institute for Economics Research) where the term was used. The initiative came from **Bundesministerium für Bildung und Forschung** (German Federal Ministry of Education and Research). It was argued that neoclassical economics is "inadequate" for sustainable development and that something different is needed (<http://www.sustainabilityeconomics.de>)

I participated in one of these workshops entitled "International Institutions for Sustainability" and this was the first time I learnt about the term.

Problems of identity... Over the years, I have connected my writings with institutional economics and more recently ecological economics (where ecological economics can be defined as "economics for sustainable development"). My identity and field can be described as "institutional ecological economics". Lately, I have become a bit disappointed with what I perceive as too large a role for neoclassical theory in ecological economics and my identity can as well be described as "institutional environmental economics" or an institutional version of sustainability economics. For me "sustainability economics" stands for a readiness for critical reflection in relation to the mainstream and also in relation to the existing political economic system

Others have become fond of the term "sustainability economics" and some attempt to interpret it as a new version of neoclassical economics (referring to 'externalities 'or 'joint production'). I have responded in a short **Commentary** article "Sustainability economics as a contested concept" in *Ecological Economics* 70 (2011), pp. 1019-1020

The future of this power game in terms of language is an open issue.

Some of the **main issues to be discussed** at this workshop, as I **see it**, are:

- Should neoclassical monism at university Departments of Economics be replaced by pluralism? Or, should we look for a new monism?
- Do we need a different economics for sustainability purposes, a sustainability economics?
- Is it possible to socially construct an overall economics where neoclassical theory and other schools of thought become sub-categories?

The present situation:

- Neoclassical economics is the dominant paradigm (theoretical perspective) in education and research at university departments of economics in all parts of the world. Something similar hold for preparatory schools (gymnasium etc.) where economics is taught
- In university education the same (or very similar) textbooks are used when introducing thousands, or even millions, of students into economics
- Examples of textbooks used in this global standardization of economics include Paul Samuelson's *Economics* (now with William D. Nordhaus) and Gregory Mankiw's *Principles of Economics*, books that have been translated to many languages
- There is certainly some room for other paradigms or schools of thought at other social science university departments (economic history, management science, sociology, interdisciplinary research institutes) and in society at large

Why is global standardization of economics education to neoclassical theory a potential problem? Is it not a good thing that people in all parts of the world speak the same language?

- It is perhaps not realistic to expect that one economics theory could be the best for all purposes. Sustainable development is a different purpose from the ideological orientation of those who originally developed neoclassical economics
- It is perhaps unwise "to put all eggs in one basket" as neoclassical economists themselves argue
- "Values are always with us" (Gunnar Myrdal) in economics research and education. Neoclassical economics is science in some sense but at the same time ideology. The idea that science can be separated from politics has to be reconsidered
- The ideology of neoclassical economic theory is close to Neo-liberalism. Neo-liberalism is just one among competing political ideologies in contemporary society
- This suggests that the one-sided (monopolistic) education at university departments of economics implies a specific political propaganda in the name of science. This does not go well with normal ideas about democracy

In my book I have discussed the ideological features of neoclassical theory, such as market fundamentalism, monetary reductionism, emphasis on self-interest, mechanistic thinking rather than making individuals visible and responsible, pro-privatization, pro-growth etc.

Here I would like to add that many of the key words or catch phrases used in present political debate by various actors are down-played or pushed away as non-issues by the neoclassical theory and language:

- "sustainable development", "sufficiency economy"
- ISO 14001 and other certification schemes
- "fair trade"
- "Corporate social responsibility" (business codes of conduct)

We need a different conceptual framework that better matches the language used by actors in social movements and in public debate

Recently we have seen that something may happen also in the neoclassical camp, the Stiglitz-Sen-Fitoussi report (www.stiglitz-sen-fitoussi.fr/) being one example. **But why should we always wait for neoclassical economists to wake up?** This is another impact of the monopoly situation

Positivism as a theory of science suggests that 'science' and 'politics' can be separated. This means that terms like 'ideology' are connected with politics and should not be used by economists

But if the problems that we face are largely connected with ideology and the ideological orientations of various actors (economic growth ideology, specific market ideologies, Neo-liberalism etc.) then economists and other social scientists relying on positivism are seriously handicapped as not being allowed to study what is essential for solving problems, namely the ideological orientations of various actors

In my political economics, ideologies and the ideological orientations of various actors play central roles

Other **negative implications with the separation of 'science' and 'politics'**:

- The separation of science and politics may make us believe that the ideology of neoclassical economics (understood as 'science') is a non-issue
- Positivism can for the scholar serve as a limited liability doctrine. The responsibility of the scholar is limited to positivistic ideas of good science: "I am just a scientist – if politicians and others make mistakes that is their responsibility"
- I have at different places pointed to a need to seriously discuss a "university social responsibility" (USR) comparable to CSR

Democratizing economics I:

Neoclassical economics suggests a role for the expert in an extreme sense. This is close to technocracy rather than democracy. Example neoclassical Cost-Benefit analysis, CBA

At issue is how economics can be democratized

Reference:

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. 179-195

Democratizing economics II:

In neoclassical theory consumers and producers are optimizing agents in the economy. Democracy is not an issue. Reference to normal ideas of democracy suggests that we instead interpret all individuals and organizations as actors in political terms

- From neoclassical Economic Man to Political Economic Person (PEP), i.e. an individual as actor guided by her ideological orientation
- An organization is an actor of a collective kind which can be interpreted in political terms as a Political Economic Organization (PEO), i.e. as actor guided by its mission

Democratizing economics III:

From PEP and PEO we can go on to **interpret other parts of economics in political terms**

- Political economic system
- Political economic understanding of non-market and market relationships
- Political economic understanding of property and markets
- Political economic understanding of decision-making
- Political economic understanding of impact studies
- Political economic understanding of efficiency and progress
- Political economic understanding of commons

Democratizing economics IV:

- The idea is not to dictate optimal solutions but rather to move from a closed economics to an open economics
- Economists have to somehow respect the diversity of ideological orientations in society
- Democracy is about all individuals becoming 'politicians' and conscious about their roles in the immediate context as well as in the larger society and economy
- The idea is to deal openly with ideological issues in society (rather than trying to avoid ideological issues assuming that science and politics can be separated). As example, an actor's interpretation of 'sustainable development' is an ideological issue

Conclusions about democracy and economics:

- The previous discussion points to the need for pluralism in economics. There are many ways (rather than only one) of understanding individuals, organizations (business corporations included) etc.
- We should encourage more than one paradigm or theoretical perspective in economics. Preference for one paradigm becomes a matter of purpose of study and ideological orientation (There is no single correct or 'true' way of understanding/describing individuals, organizations etc. in the economy)
- An open political economics perspective of the kind indicated can serve as an overall economics perspective where, for example, neoclassical economics becomes a sub-category

The concept of "ideological orientation" opens the door for constructive ways of dealing with

- ethical considerations, for example Corporate Social Responsibility, fair trade, fair labour contracts etc.
- considerations of common interests

In both cases, actors and categories of actors may make different interpretations which can be made visible in studies by the scholar (as actor)

About the role of "commons"

The neoclassical commodification of the economy is highly questionable and this is also so for the distinction between private goods and public goods. This distinction is understood in terms of either-or whereas **the public and common interests normally exist also when we deal with market transactions.**

There are many kinds of commons that can be perceived, understood and considered differently by different actors. We have to conclude that **"the public sphere is everywhere"**

And present at many more places and arenas than where market transactions take place. And even market transactions will have an impact upon different kinds of commons. Each market actor can articulate her ideas about commons (with connected interests) as part of her ideological orientation and ideology

Political and institutional change is a matter of social movements including initiatives by individuals as actors

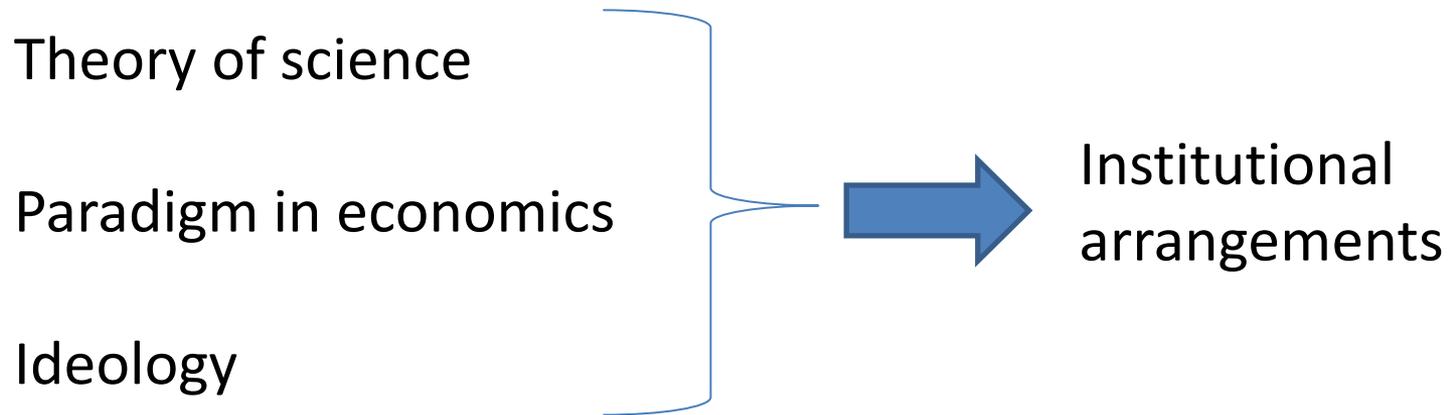
- Various social events, such as major natural catastrophies with connected social impacts, nuclear accidents etc. may also influence how people perceive the world and thereby influence institutional change processes

- National governments play a central role in institutional change processes but institutional change can be initiated and carried out more or less independently of national (European union) laws and regulations. There is of course a mutual interdependence between attitude change and new regulations

- **What I like to add** and emphasize here is the role in influencing institutional change (and the lack of it) of the following perspectives in science and education:

- Theory of science
- Paradigm in economics
- Ideology

Dominant and alternative (competing) perspectives influence institutional change processes:



Institutional change may start with individuals as actors perceiving the world and problems in similar ways:

- Interpretation of a phenomenon
- Manifestations and further articulation of the interpretation
- Acceptance and support for the interpretation and its manifestations

Jointly interpretations and manifestations form an **institution** that becomes more legitimate when accepted by an increasing number of actors

These days there are **many signs of a promising kind**, as I see it (with my ideological orientation):

- The World Economics Association (referring to pluralism and democracy as key concepts)
- Real-world Economics Review Blog (<http://rwer.wordpress.com>)
- International Journal of Pluralism and Economics Education
- This workshop and other similar arrangements
- Occupy Wall Street activities in different cities

And so on

Questions to you:

- Do you agree with me about "ideological orientation" as a key concept?
- Is it a good (or bad) idea to refer to an over-all political economics where neoclassical theory, specific versions of institutional theory, ecological economics, feminist economics, Marxist economics, Post-Keynesianism etc. become sub-categories?
- Should one – for tactical reasons – emphasize small changes within the scope of Ecological Modernization or should we also consider more fundamental changes in perspectives and political economic system? Is the present kind of capitalism sustainable?