

Politics and Ideology in Ecological Economics

Entry prepared for the *Internet Encyclopedia of Ecological Economics*

Peter Söderbaum

School of Business
Mälardalen University, Västerås
Sweden

September 2004

1. Introduction

Is ecological economics mainly a natural science or a social science? Ecologists may start from a natural science perspective emphasizing positivism and value-neutrality as their theory of science. When looking for similarly inclined scholars in the social sciences they will find friends among neoclassical economists. But theory of science is not limited to positivism and economics is much more than neoclassical economics. Social science includes a number of disciplines other than economics, such as sociology, political science and business economics that can contribute constructively to the present development dialogue.

I will here choose economics as my point of departure and will approach economics in the spirit of 'methodological pluralism' coined by Richard Norgaard among ecological economists (cf. Norgaard's entry in the Online Encyclopaedia of Ecological Economics). Reference will be made to 'perspectivism' (Fay 1996) as my preferred theory of science where 'positivism' becomes just one among many perspectives. The world can be interpreted in many ways and a new perspective may add to the understanding offered by existing perspectives.

In the case of economics, it is furthermore argued that it was a mistake to abandon 'political economics' as the name of the discipline. The ambition of the neoclassical project from 1870 onwards to produce a 'pure' economics comparable to physics was simply not realistic. "Values are always with us" in social science research. "Disinterested research there has never been and can never be." (Myrdal 1978 p. 778-779). Neoclassical economics is science and at the same time 'ideology' and 'politics'. Ideology is here referred to in a broad sense as 'ideas about means and ends' (or 'means-ends philosophy') more generally or in relation to specific policy issues.

Established political means-ends philosophies, for instance liberalism and social democracy, clearly qualify as 'ideologies' but so do 'issue-related ideologies' in policy fields such as transportation, health care, forestry, agriculture, fisheries etc. In relation to such areas, some believe in large scale technology rather than the small scale, some prefer centralisation to decentralisation, some suggest that market

solutions are always preferable when compared with 'command-and-control' regulation; some bother about ethical issues such as fairness and equality, others do not. In all these cases, values and ideology is involved.

The concepts and theories of neoclassical economics is part of the mental maps of many actors in local and global societies and neoclassical economics may be helpful as a perspective in understanding the world and for decision-making purposes. But as already argued, neoclassical economics is not neutral in terms of values and ideology. The same is true of alternatives to neoclassical economics, such as specific versions of institutional economics, ecological economics or socio-economics. Consciousness and open-mindedness by the author about how values enter into a particular study become signs of good science or 'scientific rigour'. Pointing to alternatives to a mainstream perspective with its particular ideological flavour is a virtue and illuminating an issue in relation to more ideological orientations than one a positive quality of analysis.

Ecological economics is sometimes defined as 'economics for Sustainable Development' suggesting that ecological economists are somehow committed to a policy and ideology which differs a bit from mainstream perspectives. But Sustainable Development (SD) can be understood in more ways than one. Each interpretation is specific in ideological terms; from a 'business as usual' attitude (to 'sustain what already exists') through 'modernization' to a 'radical interpretation'. 'Modernization' essentially means that environmental and social problems are taken seriously but that only marginal adjustments within the scope of present institutional arrangements are considered. The more radical interpretation of SD – while welcoming modifications in the 'right direction' as implied by 'modernization' – also involves a readiness to seriously reconsider paradigms in economics, ideology and institutional arrangements (Söderbaum, forthcoming). Any claim of 'value-neutrality' in relation to such policy options is no longer a workable position.

2. Political Economic Person and Political Economic Organization

Economic Man assumptions as part of neoclassical economics focus on man as a utility maximizing consumer. Roles related to markets are emphasized at the expense of other roles such as parent, professional and citizen that all may be relevant as part of an understanding of development issues. Assuming that consumer preferences are given from outside means that important aspects of the problems faced are overlooked. The present challenge of Sustainable Development is an ideological challenge and consumer preferences have to be part of debate and necessary change processes.

The only kind of organization being part of neoclassical theory is the profit maximizing firm. In the present development dialogue about 'governance', many kinds of organizations are recognized as being influential, for instance Civil Society Organizations, universities and Churches. And in the case of business organizations, the simplistic idea of profit maximization is challenged by business itself in the form of Environmental Management Systems (such as ISO 14 001) and an intensified debate about Corporate Social Responsibility. Neoclassical theory of the firm is not very helpful in understanding this new development.

As an alternative to Economic Man assumptions, reference can be made to a Political Economic Person (PEP) (Söderbaum 2000, Faber et al 2002) guided by her 'ideological orientation'. Organizations are similarly referred to as Political Economic Organizations (PEOs) guided by their respective 'mission statements'. Individuals and organizations are 'actors' in the economy whose behaviour and decisions influence the trajectory of the economy and its 'performance' in social, environmental and monetary terms.

The ideological orientation of an individual is fragmentary rather than complete, uncertain rather than certain and open to change as part of learning processes. Qualitative aspects, visual elements included, are as important as quantitative aspects. Decision-making becomes a matter of 'matching' ideological orientation with alternatives and their multidimensional impact profiles. The actor is using her ideological orientation in identifying alternatives and evaluating their respective impact profiles. Sometimes there is a 'good fit' between ideological orientation and impacts – in other cases a mis-fit. Similar ideas about decision-making have been reported in the business management and organization theory literature although the language may differ. Reference is made to 'logic of appropriateness' (a search for appropriate alternatives that 'match' specific situations) (March and Olsen 1989, March 1994). Formulating decision-making as mathematical optimization then becomes a special case where many kinds of information are normally lost.

In neoclassical theory, for instance Cost-Benefit Analysis (CBA), it is assumed that there is agreement in society about 'efficiency'. But any idea of efficiency is necessarily based on specific values and is ideological as noticed by Ezra Mishan among others (Mishan 1980). So called 'eco-efficiency', a ratio between material output and material input of a production process, for instance, differs from monetary efficiency in a CBA-sense. As part of our present approach, 'efficiency' therefore is regarded as relative to each considered ideological orientation. Given one specific ideological orientation, it may be possible to judge whether the change from one alternative to another represents an improvement in efficiency. Since issues of equality and fairness are part of ideological orientation, there is no point in upholding a distinction between 'efficiency' and 'equality' as in neoclassical theory.

3. Actors participating in non-market and market exchange

Relationships between individuals and organizations as actors are of a (primarily) non-market or market kind. Non-market relationships that may be cooperative or competitive are as important in the economy and in a broader democratic society as market relationships. The debate about Sustainable Development between advocates of different interpretations exemplifies interaction and learning processes that are essentially of a non-market kind. University education and research in economics or other fields is mainly non-market in kind although market influences also exist. While neoclassical economics and Neo-liberalism has legitimized market penetration into almost every sphere of human activity and every part of the globe, some participants in social movements and political parties suggest a different balance between market and non-market relationships and activities. Reference to 'cooperation' rather than exclusively 'competition'; 'community' rather than market

and 'commons' rather than private property exemplifies such tendencies (Bollier 2003, Orr 2004). There is a pressure in society to privatize specific kinds of knowledge, the Internet etc but also a contrary social movement to keep many doors open to public access. 'Commodification' and 'market enclosure' is not necessarily equal to progress, it is argued.

Ironically, or perhaps fortunately, even market relationships are often of a cooperative kind. While neoclassical ideas about markets in terms of supply and demand are built on principles of self-interest, any serious observer of real world markets will also find networks of cooperative relationships based on similarity of interests or – in our present language – similar ideological orientation. Market actor A simply internalizes to some extent the interests of market actor B and may even be dependent on the continued relative success of B. Not only individual-to-individual, or individual-to-organization relationships but also 'organization-to-organization' e.g. 'business-to-business' relationships are often built on this kind of consideration (Ford 1990).

Thinking of business in terms of Political Economic Organization as guided by a 'mission statement' or its 'core values' is helpful also in relation to issues of transparency and accountability or more generally issues of Corporate Social Responsibility. The point here is not that the neoclassical model of the market should be replaced by some other model. Reasoning in terms of supply and demand of homogeneous commodities is still useful in some situations and for some purposes. But other more complex models where ethical aspects of market relationships can be taken into account or where multiple transactions and multi-functionality enter into the picture can add to our understanding (Söderbaum 2002). The plea for 'fair trade' as an example is not easily understood within the scope of the neoclassical paradigm. Rather than accepting what is referred to as 'world market prices' of coffee or cocoa, some market actors build alliances and cooperate on the basis of prices to producers of coffee or cocoa that lie above current world market prices. The commodity is sold with a fair trade label and consumers get a chance to enter into a relationship that presumably is less unfair than trade in the conventional sense.

4. Approaches to decision-making and evaluation

The ethical, ideological or political aspect of economics is of course accentuated in relation to issues of valuing various options at the societal level, for instance projects to build dams, roads, airports etc. In fields such as these the neoclassical approach is less worthy of attention. I am thinking of Cost-Benefit Analysis (CBA) as an approach to decision making and 'efficient resource allocation'. As already argued, ideas about what is efficient and preferable in a democratic society has to remain open and cannot be dictated by science alone. The 'monetary reductionism' of CBA and its ideas about correct prices do not fit well into the present debate about Sustainable Development where instead multidimensionality and a separate consideration of social, environmental and monetary impacts is the norm.

Our approach in terms of Political Economic Person and ideological orientation instead suggests that the purpose of analysis should be to illuminate an issue in a many-sided way for the different actors involved in a decision process. Conclusions will then be conditional in relation to possibly relevant ideological

orientations identified by the analyst. Multi-criteria approaches are discussed as a specific entry in the Online Encyclopaedia of Ecological Economics and represent an important step in a more democratic direction. As an example Multi-Criteria Analysis is preferred to CBA by the World Commission on Dams (2000) for ethical reasons, such as the resettlement of indigenous and other people connected with large construction projects. However, Positional Analysis, (PA), an approach that builds directly on PEP-assumptions is the preference of the present author. For purposes of accountability of different actors involved in a decision process, a degree of stability in terms of analysis is called for rather than reference to a number of options in terms of multi-criteria approaches (Söderbaum 2004).

5. Social and institutional change processes

Politics and ideology is necessarily involved also in social and institutional change processes. Reference to individuals as actors and Political Economic Persons with many roles rather than exclusively the role of being consumer is in itself an attempt to influence the perceptions and interpretations of my readers. Similarly, the term 'Political Economic Organization' suggests that not all organizations are business companies and that each organization has a political role, being responsible in relations to stakeholders and society at large.

But let us take our ideas about 'business company' as the example. It was previously mentioned that neoclassical economics exclusively refers to a business company as a 'profit-maximizing firm'. Only monetary impacts count and 'shareholder value' is said to be the overriding goal. In the real world many companies have had goals in addition to monetary profits and at some stage in the evolution of business – partly as a result of public pressure and partly as a result of internal voluntary processes – the environmental performance of a company became an issue. Management and auditing of environmental performance became established as an institution in the form of ISO 14 001 and other certification schemes. This means that the more narrow (neoclassical) idea of a business company – as profit maximizing entity – is challenged by a broader idea that in addition to monetary impacts includes non-monetary impacts of an environmental kind. This broader idea is more in line with SD as previously discussed and to the extent that actors in society embrace this broader idea an institutionalization process will take place. The more narrow idea will at the same time loose ground and be the subject of deinstitutionalization processes.

It is easily understood that the choice between the narrow and broader definition of 'business company' is not only a matter of scientific definition but also of ideology. Let us now refer to the radical interpretation of SD implying that non-degradation of the natural resource base is a top priority as well as a step towards increased equality and fairness in social relationships. Looking at the situation in any real world society one will probably find both social and institutional change processes that go against and those that are compatible with such priorities. Legitimized by many textbooks in economics and business management as well as parts of the ongoing information flow in media and business reports there are many trends that go against our radical interpretation of SD. Monetary reductionism is manifested in bonus systems for CEOs and other actors in society who consider themselves as being many times more valuable in monetary terms than their fellow human beings. On the other hand

there will be change processes that get us closer to the radical idea of SD. In both cases – movement away from or towards SD – there are actors responsible for observed activities, events and impacts.

6. Concluding comments

Neoclassical economics plays an important role in the mental maps of many influential actors such as politicians, business leaders and university professors. And neoclassical economics in the form of neoclassical environmental economics has a role also in relation to present challenges of Sustainable Development. But neoclassical economics is not enough. In fact, many of us who joined the ecological economics movement in the 1980s did it for ethical and ideological reasons. The monopoly of neoclassical economics at many university departments of economics was seen as a barrier to innovation and new thinking.

The ‘fact’ that values and ideology is involved in ecological economics and social science research more generally is a reason for pluralism. Our challenge is not only one of finding an ‘interface’ between conventional ecology and conventional economics but rather to consider the usefulness and relevance of different perspectives in economics – and in other social sciences, one may add. Rather than thinking in terms of ‘paradigm-shift’ as suggested by Thomas S. Kuhn (1970), ‘paradigm co-existence’ appears to be a more relevant way of understanding contemporary ecological economics. Advocating reliance on only one paradigm or perspective (cf. Norgaard’s discussion of ‘unity of science’) would seriously limit the ecological economics project.

The scientific and ideological power game between different ways of perceiving, interpreting and understanding the world will continue inside ecological economics and in society at large. The kind of theories, models and concepts presented and advocated in textbooks has played an important role so far and will be crucial also in the future. University professors in economics and all fields relevant for the development dialogue will have to admit that hiding behind the idea of value-neutrality is no longer an option. Also science is accountable in relation to the larger society. Student protests against the way introductory economics is taught at universities in most parts of the world (See Fullbrook 2003, 2004) have to be taken seriously. University professors and departments should respect normal ideas about democracy.

Many kinds of empirical research are relevant in ecological economics. In relation to the present argument, I will however especially point to the possibility of tape-recorded interview or conversation with influential actors (Puskas-Nordin et al. 2004). How do they perceive Sustainable Development as a concept and how does this challenge and influence the way they interpret their roles and practical behaviour? While something has been achieved in some fields of activity, the main tendency seems to be that traditional objectives in terms of economic growth and monetary profits still dominate the scene. On the positive side, it can be noted that some actors being part of this conversation realize that something is missing in current activities and as a way of dealing with these issues have advocated a continued development dialogue with university actors included among the participants.

References:

- Bollier, David, 2003. *Silent Theft. The Private Plunder of our Common Wealth*. Routledge, London.
- Faber, Malte, Thomas Petersen and Johannes Schiller, 2002. Homo Oeconomicus and Homo Politicus in Ecological Economics, *Ecological Economics*, Vol. 40, No. 3, pp.323-333.
- Fay, Brian, 1996. *Contemporary Philosophy of Social Science*. Blackwell Publishing, Oxford.
- Ford, David (ed.) 1990. *Understanding Business Markets. Interaction, Relationships, Networks*. Academic Press, London.
- Fullbrook, Edward (ed.), 2003. *The crisis in economics. The post-autistic economics movement. The first 600 days*. Routledge, London.
- Fullbrook, Edward (ed.) 2004. *A Guide to What's Wrong with Economics*. Anthem Press, London.
- Kuhn, Thomas S. 1970 (Second Edition) *The Structure of Scientific Revolutions*. International Encyclopedia of Unified Science, Volume 2, Number 2. University of Chicago Press, Chicago.
- March, James G. and Johan P. Olsen, 1989. *Rediscovering Institutions. The Organizational Basis of Politics*, Free Press, New York.
- March, James G. 1994. *A Primer on Decision Making. How Decisions Happen*. Free Press, New York.
- Mishan, Ezra J. 1980. How Valid are Economic Evaluations of Allocative Changes? *Journal of Economic issues*, Vol. 14, No. 1, pp. 143-161.
- Myrdal, Gunnar, 1978. Institutional Economics, *Journal of Economic Issues*, Vol. 12, No. 4, pp. 771-783.
- Orr, David W. 2004. *The Last Refuge. Patriotism, Politics and the Environment in an Age of Terror*. Island Press, Washington.
- Puskas Nordin, Anna-Carin and Peter Söderbaum, 2004. Regionala aktörers tankar om hållbar utveckling. Kalmar- och Uppsalaregionerna som exempel. (Thoughts about Sustainable Development by regional actors. The Kalmar and Uppsala regions in Sweden as cases) Mälardalen University, School of Business, Report 2004:1. Västerås.
- Söderbaum, Peter, 2000. *Ecological Economics. A Political Economics approach to Environment and Development*. Earthscan, London.
- Söderbaum, Peter 2002. Business Corporations, Markets and the Globalisation of Environmental Problems. In: Havila, Virpi, Mats Forsgren, Håkan Håkansson (eds) *Critical Perspectives on Internationalisation*, pp. 179-200. Pergamon, London.
- Söderbaum, Peter, 2004. Decision Processes and Decision-making in Relation to Sustainable Development and Democracy – Where Do we Stand? *Journal of Interdisciplinary Economics*, Vol. 14, No. 1, pp. 41-60.
- Söderbaum, Peter (forthcoming). Democracy, Markets and Sustainable Development. The European Union as example. *European Environment*.
- World Commission on Dams, 2000. *Dams and Development. A New Framework for Decision-Making*. Earthscan, London.