The Challenge of Sustainable Development: From Technocracy to Democracy-Oriented Political Economics

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Abstract: Mainstream neoclassical economics, as well as heterodox schools, should be regarded as different kinds of 'political economics'. There is no value-free economics. We therefore need to bring democracy into economics. The present challenge of sustainable development suggests that a new conceptual framework in economics is needed. In this essay, a political and democratic view of individuals, organisations, decision-making, markets, assessment of investment projects and policy options is proposed. The imperative of democracy also implies that the close-to-monopoly position of neoclassical theory and method at university departments of economics has to be replaced by pluralism. There is a continued role for neoclassical theory and method, considering the fact that millions of professionals globally have been indoctrinated in this particular way of understanding efficiency and governance, but the idea that neoclassical theory is best for all purposes has to be abandoned.

Keywords: sustainable development, democracy, political economics, political economic person, ideological orientation, political economic organisation, mission, decision-making, matching, positional analysis, actor-network perspective.

Introduction

At university departments of economics in Sweden and elsewhere a technocracy-oriented paradigm, so-called neoclassical theory and method, is dominant. Neoclassical economists look upon their discipline as comparable to physics in its scientific approach. Markets are understood in terms of how the 'forces' of supply and demand lead to equilibrium and normative issues for firms, consumers and society at large are formulated with a focus on optimal solutions. In these two cases of an 'equilibrium approach' and in the search for optimality, mathematics is the preferred language. Economics then becomes a discipline where problems are formulated and 'solved' in mathematical terms, a language with its possibilities and but also limitations.

Neoclassical theory and method are clearly technocratic in their reliance on experts who are acquainted with equilibrium theory and who frame problems and deal with them in ways that can produce optimal outcomes. While there is a role for mathematics in economics, the almost exclusive reliance on mathematics by neoclassical economists can be questioned (Lawson, 2015). Quantification is certainly meaningful in many situations but the idea of limiting analysis to mathematical presentations while attributing a secondary or peripheral role to other ways of perceiving and understanding, is a mistake. In this essay I will however primarily focus on value issues. Can economics ever be neutral in value terms? Is mathematics a neutral language? Or should we instead open the door for value issues in economics and respect differences in ideological orientation among economists and other actors? Should there be openings for a democracy-oriented economics?
There are many signs of unsustainable development: possibilities of climate change, biodiversity loss, pollution (of water, air and soil), threats to the health of humans and increasing income inequalities are just some examples. In this essay an attempt will be made to bring democracy seriously into economics (Söderbaum and Brown, 2010). A conceptual framework is proposed that differs from mainstream economics in important respects. It is concluded that pluralism in economics is a necessary and important step towards a more sustainable future.

**Gunnar Myrdal on Values in Economics**

A basic assumption in this essay is that values and ideology are necessarily involved in economic theory and analysis. Already the choice of one paradigm or school of thought, such as neoclassical economics, over another, such as institutional economics, is an ideological and political choice. It is in part based on an actor’s ideological orientation. In any study a number of decisions are made. Problems are framed or formulated and approached in specific ways amongst all possibilities, and values are involved in such choices. Gunnar Myrdal at an early stage demonstrated an interest in how values influence scholarly work (Myrdal, 1969). In an article entitled ‘Institutional economics’ in the *Journal of Economic Issues* he argues as follows:

‘Valuations are always with us. Disinterested research there has never been and can never be. Prior to answers there must be questions. There can be no view except from a viewpoint. In the questions raised and the viewpoint chosen, valuations are implied.

Our valuations determine our approaches to a problem, the definition of our concepts, the choice of models, the selection of observations, the presentation of our conclusions – in fact the whole pursuit of a study from beginning to end’ (Myrdal, 1978, p. 778).

Rather than arguing as in the above citation that our values ‘determine’ our approaches, I would say ‘influence’ our approaches. There are certainly other factors involved as well. In other parts I strongly support Myrdal’s view about values in economics.

Another scholar, Tanja von Egan-Krieger, has examined mainstream, as well as different kinds of heterodox, literature in economics (institutional, feminist and ecological) in her book *Die Illusion wertfreier Ökonomie* (von Egan-Krieger, 2014). Her conclusion is that ideas about economics as value-neutral or about possibilities to distinguish normative statements from descriptive statements – are illusionary. Even descriptive statements are based on some choice about what to describe.

We can safely conclude that economics should rightly be referred to as ‘political economics’. Neoclassical economics is a kind of political economics and the same argument applies to other schools of thought in economics – including the kind of ‘institutional ecological economics’ that is emphasised in this essay. If one realises that no study of economics can claim to be apolitical then one is on the right path. And the kind of political element in any study is worth investigating and discussing.
The Concepts of Ideology and Ideological Orientation

If economics is political economics, as I have argued, then ‘ideology’ and similar concepts like ‘worldview’ or ‘narrative’ appear to be relevant. Politicians present their political agenda and refer to their ‘ideology’ while turning to us as citizens in a democratic society. When we as citizens respond to their messages in one way or other, we too refer to something that can be called ideology or ‘ideological orientation’.

Not many economists refer to ‘ideology’ in their writings. A scholar who believes that we also need concepts at the level of perspectives is Douglass North. He uses the concept of ideology as follows:

‘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 colored by normative views of how the world should be organized’ (North, 1990, p. 23, emphasis in original).

Joan Robinson, another respected economist and social scientist refers to ‘ideology’ in her early book Economic Philosophy (1962). She also draws attention to differences in power between groups in society and points to a resemblance between the ‘ruling ideology’ in society and the ideology of mainstream economics:

‘We must go around to find the roots of our own beliefs. In the general mass of notions and sentiments that make up an ideology those concerned with economic life play a large part, and economics itself (that is the subject as it is taught in universities and evening classes and pronounced upon in leading articles) has always been a vehicle for the ruling ideology of each period as well as partly a method for scientific investigation’ (Robinson, 1962, p. 1).

Other terms similar to ‘ideology’ can be used. Mary E. Clark, a professor in conflict resolution, refers to ‘worldview’ (Clark, 2002, pp. 2-6). In her book In Search of Human Nature, worldview is described as ‘constructed Gestalt’. While there is some diversity in perspectives, reference can be made to a ‘western world view’ that is dominant in large parts of the world:

‘All human thought, all our knowledge ultimately is grounded in certain “givens” – certain inescapable beliefs and assumptions. On them we construct our model of reality or “truth” that allows us to function with confidence, more or less automatically’ (Clark, 2002, p. 3).

Worldview is understood as follows:

‘The beliefs and assumptions by which an individual makes sense of experience are hidden deep within the language and traditions of the surrounding society. They are the gestalt – the pilings, the vision of reality – on which rest the customs, the norms, and the institutions of a given culture. They are tacitly communicated through origin myths, narrative stories, linguistic metaphors, and cautionary tales. They set the grounds for a shared cultural meaning. These subconscious beliefs are sacred, a kind of religion or
faith. One’s place in society, indeed often one’s very survival, depends on accepting them. On top of those unconscious pilings are conscious traditions and institutions that form the normative map of behaviour which makes complex social life possible. Is it any wonder that we have such a powerful tendency to cling to them, to defend them, to find it painful in the extreme when they are threatened and we are forced to give them up and adopt new ones? Social change is not easy, especially when the changes are not superficial changes in our institutions, but profound ones touching upon our deepest beliefs’ (Clark, 2002, p. 5).

Today, mainstream neoclassical ideas about economics are threatened and the challenges are profound rather than superficial. The ideas of progress in neoclassical theory and method (such as economic growth at the national level and profitability of firms) are, for some of us, regarded as an important part of the problems faced, rather than any solution.

An ideological orientation or worldview can be expressed as narratives or stories about problems and about progress for individuals, organisations, local or national communities and the global society. As an example, this is discussed at the level of cities in a book edited by James Throgmorton (2003). One advantage with the term ‘narrative’ is that perspectives are expressed in historical time. How can the present position be described for a city in terms of problems and opportunities? What are the desired future positions and how can means and ends be combined in strategies to get closer to desired positions in a near and more distant future?

The imperative of sustainable development as expressed, for example, in the 17 UN sustainable development goals (SDGs) (UN SDGs, accessed 10 January 2020) means that we are all faced with a challenge to our world views or ideological orientations. A way to be conscious about this and make room for some change is to think in terms of competing narratives or stories. What are the alternatives to the mainstream Western story about progress in society? The Western story line in terms of economic growth, income for consumers and profits in business has been convincing for many. A narrative emphasising sustainable development represents a main alternative (or set of alternatives) to conventional thinking. One conclusion is that democracy has to be strengthened in many circles for stories about sustainable development to be articulated and heard.

Stories told by mainstream economists – as experts in textbooks and elsewhere – tend to have a specific role in society as argued in the citation from Joan Robinson above. Is mainstream neoclassical economics supplying us with a useful conceptual orientation for sustainability? I believe that the neoclassical narratives at the levels of individuals, organisations, nations and globally – are not enough. As a first step we as economists need to accept a pluralist and democratic viewpoint.

To summarise this section, the concepts of ideological orientation (worldview) can be described in terms of narratives in positional terms where present position is linked to future positions in a means-ends relationship. An ideological orientation (worldview) then:

- is expressed in historical time;
- is not limited to quantitative terms but also includes qualitative forms (for example visual);
- is not limited to precise, all-inclusive presentations but often fragmentary and uncertain;
- represents a story with logical as well as value-related elements.
Economics Redefined

In neoclassical textbooks, economics is about ‘allocation of scarce resources’. This emphasis on management or decision-making is not the only possibility of defining economics but will be retained here. In other respects, reference can be made to a new or modified definition. Economics is understood as:

‘management of (limited) multidimensional resources in a democratic society’

Why ‘multidimensional’ analysis? In neoclassical theory and method the emphasis is on the monetary resources and monetary aspects of other resources or impacts. As part of neoclassical Cost-Benefit Analysis (CBA) for example, an attempt is made to express all kinds of impacts in monetary terms to make them tradeable or exchangeable against each other. The new definition suggests that various non-monetary dimensions should be described and considered in their own terms and ‘monetary reductionism’ avoided.

When investments in infrastructure projects, such as roads or energy systems, are prepared, monetary or financial impacts should certainly be considered. But a focus almost exclusively on the monetary aspect may mean that many non-monetary impacts connected with the UN SDGs are excluded or downplayed. Various forms of inertia, such as irreversibility, commitments, path-dependence need to be seriously taken into account. CO₂ emissions and other kinds of pollution are irreversible and the same is true of many land-use changes connected with construction projects (roads, houses, dams etc.).

Making ‘democracy’ part of the definition of economics relates directly to our previous thesis that ‘valuations are always with us’ in economic theory and analysis. We need concepts such as ideological orientation or worldview in economic analysis. Those concerned or affected by an issue, e.g. alternative investment projects, often differ with respect to ideological orientation. In a situation with different opinions about that which is best for society, economists cannot claim the right to dictate the optimum alternative. Conflicts of interest and differences of opinion is a normal situation in a democratic society. And such differences of knowledge and opinion mean that we can learn from each other. While CBA is a method with serious limitations, Positional Analysis (PA) will here be advocated as an alternative (Brown et al., 2017).

On the Purpose of Economics as a Science

The theory and method of neoclassical economics are ambitious in their attempts to explain how individuals behave as consumers and even how they should behave; ‘All individuals as consumers purchase that combination of commodities which maximises their utility, subject to a financial budget constraint’. Similarly, it is assumed that ‘All firms maximise their monetary profits’ and that ‘The forces of supply and demand gravitate towards equilibrium’. These kinds of general statements can be of some help in making us understand and predict the behaviour of sellers and buyers at the macro level. But general statements about all individuals and all firms or all markets have their limits and are specific in ideological terms. In relation to sustainability issues, for example, which is our main concern here, some actors in society may be more interested in how individuals as consumers differ from each other or how firms differ from each other. To make us understand how individual A as consumer differs from individual B as consumer, general statements about all individuals as consumers are of little interest. We need to approach each individual as actor in the market place or each
firm as actor. When approaching single individuals or single firms, a relevant and useful conceptual framework is needed. Ideally this conceptual framework or language should be understandable among various actors in the economy and society.

It is true that neoclassical ‘public choice theory’ has been proposed as an attempt to distinguish between actor categories in the economy (Olson, 1965). Farmers as a category are expected to work together (in a form of ‘collective egoism’) to increase their incomes much like other actor categories. But a closer look at farmers as a category may reveal that some of them are organic or ecological farmers while others are not (Söderbaum, 1991). Focusing on the category of organic (or conventional) farmers again will make us see differences between them that may be relevant for specific actors. It is this kind of ‘closer look’ at individuals in their different roles and on firms or corporations that is recommended in the present kind of institutional ecological economics. Among research methods so-called case studies are preferred to the testing of hypotheses concerning a large number of entities.

An Understanding of Individuals Compatible with Democracy

Neoclassical theory is built on well-known assumptions about the individual as Economic Man or Homo Oeconomicus. This person is related to markets and is searching optimal solutions when purchasing the best combination of commodities within her financial budget constraint. The individual focuses on self-interest while maximising utility.

An alternative in terms of a Political Economic Person (PEP) is proposed. The individual is regarded as ‘an actor, disposing certain non-monetary and monetary resources, that is guided by her ideological orientation’. In her different roles (and in relation to each context) the individual is acting in a power position based on knowledge, experiences and other resources. This actor may still be focusing on self-interest but in the normal case a broader ideological orientation is expected where self-interest as well as interest or concern for others can be taken into account. The individual is not only a consumer or related to markets but also a citizen with a role in society and the economy. Our individual as a Political Economic Person may even take democracy and the future of ecosystems and our planet seriously. The ideological orientation of an individual is something to be investigated and respected, rather than taken as given.

A large part of human behaviour is habitual. The individual adapts or responds to a context which tends to appear repeatedly. But sometimes the individual faces options in the sense of alternatives with their respective expected impacts and decisions are made. In neoclassical theory and method such decision-making is seen as a matter of optimisation. A broader approach will here be recommended where calculation of ‘optimal’ consequences is regarded as a special case.

Decision-making is regarded here as a ‘matching process’ between – on the one hand an individual’s ideological orientation, and on the other hand the expected multidimensional impact-profile of each alternative of choice considered. The ideological orientation of an actor as decision-maker can be precise or uncertain and fragmentary, and the same is true of the impact-profile. Some impacts may be estimated almost with certainty while other impacts are less clear.

The idea of ‘matching’ is used frequently these days, for example, when discussing the labour market. Single individuals as potential workers in various professions are matched against available jobs. Some attempts to combine the expected capability of an individual and a specific professional position suggest a ‘good fit’ while the expected results are less positive in other cases.
Rather than speaking about ‘matching’, reference can be made to ‘appropriateness’ (March, 1994). F. Schumacher once wrote a book Small is Beautiful (1974) where he referred to ‘appropriate technology’. In computer language reference can be made to ‘pattern recognition’. There is nowadays even an International Journal of Pattern Recognition and Artificial Intelligence. Satellites can be programmed to identify specific military constructions on the ground and report results of these search processes. But thinking in terms of pattern recognition can be understood more broadly and need not involve digital technology. It is also possible to refer to ‘images’ rather than patterns.

Understanding Organisations in a Democratic Society

The only organisation considered in neoclassical theory and method is the ‘firm’ which is assumed to maximise profits in monetary terms. The firm is essentially understood as a joint stock company with limited liabilities and this kind of organisation certainly plays an important role in the present political economic system. In neoclassical theory, however, other kinds of organisations active in the economy and society are excluded. We need a microeconomics where other organisations are taken seriously, for example: those connected with national and local government such as universities and other educational entities; social and health care organisations; as well as other organisations not primarily focusing on monetary impacts. The latter kind of organisation is sometimes referred to as belonging to a not-for-profit category. It is far from the real world to understand all organisations in monetary profit terms.

In relation to sustainable development there are organisations that focus directly on non-monetary objectives such as the survival of human beings on this planet. Greenpeace is an example. Today organisations of this kind are essential for many actors in the economy and society. To bring in such organisations we need to refer to ideological orientations or missions other than profit maximisation.

Even in the case of joint-stock companies there are good reasons to bring in broader views. Corporate Social Responsibility (CSR) and Fair-Trade are issues which are often dismissed as ‘window-dressing’ but may deserve further attention. Different actors may use the same words differently. In this essay a Political Economic Organisation (PEO) is proposed, i.e. an actor disposing of certain resources in multidimensional terms and guided by its mission (ideological orientation). In relation to sustainability, the size (and with it the power) of business corporations is a political issue – implying that the possibilities of national governments to regulate transnational corporations are limited. Sometimes it appears that transnational corporations control the national governments rather than the other way around. As an example, the corporation can minimise its taxes by manipulating its monetary profits in different countries.

Business corporations in general and transnational corporations in particular are political actors whose power and missions need to be examined (Wilks, 2013). We want to examine if the business corporation as a legal entity fits well with sustainable development and democracy. This is discussed in David Korten’s book When Corporations Rule the World (2001). A book by a leader of Greenpeace in Germany Die Dictatur der Konzerne (Bode, 2018) also deserves attention. Thilo Bode points in particular to the incompatibility between transnational corporations of the present kind and democracy. While business corporations and other organisations may have considerable power to influence developments in society, our Political Economic Organisation is not a monolithic entity. Many individuals as actors in different professional roles as well as owners and board members may influence policies and behaviour.
In his book *Theories of the Multinational Firm*, Mats Forsgren presents no less than six theories or ways of understanding multinational firms (Forsgren, 2017). I will not list or present all these theories but like to restate my beliefs in the fruitfulness of pluralism in economics and also that the choice between theories or models is not exclusively a matter of science. Also ideological orientation is involved. One of the models presented by Forsgren is ‘the Networking Multinational’. When considering an alternative to the neoclassical firm we want something that is more in line with sustainable development and democracy, I suggest a political version of the network model. In this model, individuals and organisations are actors (PEPs and PEOs) guided by their ideological orientation or mission. They interact in relationships and networks which are of a market kind or more related to the larger society and democracy. Trust is essential for a functioning relationship and each actor is responsible and accountable in some sense.

While the borders between a firm and its context is assumed to be clear in the case of neoclassical theory, it is less clear in the present kind of political network theory. Actor A in one organisation with her (its) ideological orientation (mission) may in policies and behaviour be concerned about consequences for other actors in market and non-market networks. There is – in other words – a possible role for cooperation while the role of competition between clearly demarcated firms that plays such a dominant role in neoclassical theory is modified or downplayed. There can, however, be a kind of competition between networks of market actors and even including non-market actors.

When thinking in terms of networks, individuals and organisations are no longer so easily separable from each other. Market relationships are no longer a matter of the seller getting a high price in monetary terms and the buyer a low price. Seller and buyer may have interests in common and work together for mutual benefit. They may even work together to influence development in the larger community of actors or the larger society. Lobbyists may be hired to influence national government regulations, for example.

**Understanding Markets in a Democratic Society**

In neoclassical theory, markets are understood in terms of supply and demand as mechanistic forces. There are markets for commodities, labour and financial capital. This theory can be part of a pluralistic view of economics and certainly plays a role after many decades of economics education and indoctrination. Even in the present study orthodox theory plays a role but mainly as a point of reference when comparing different approaches in relation to specific purposes, such as sustainable development.

Markets can be understood in other ways. In his book *Markets. Perspectives from Economic and Social Theory*, William Jackson makes a distinction between four categories of approaches that differ from the orthodox view. These are social and cultural perspectives, structural, functional and finally ethical perspectives (Jackson, 2019).

In the present essay, I suggest a ‘political version of network theory’ as useful for the purpose of understanding markets in relation to sustainable development and democracy. We are back to the conceptual framework advocated above in relation to organisations. Concepts such as actor, role, ideological orientation, relationship, trust, cooperation, conflict, responsibility, accountability and other concepts from social psychology (perception, cognition, dissonance etc.) are potentially relevant.

Here, I will only elaborate upon one aspect of the proposed political version of economic theory. In neoclassical theory it is admitted that markets may fail in relation to actors outside the market transaction, so called third parties. This is referred to as external impacts or ‘externalities’. A ‘polluter pays principle’ is then invoked to compensate for single
impacts on an identified third party and the value of this negative impact is quantified in monetary terms. This is, however, a reductionist view of possible damage outside the seller and buyer of a commodity. As argued by William Kapp (1972) what we are dealing with is not damage in a single dimension upon a single third party. Impacts outside the market transaction are multidimensional and ubiquitous. Kapp refers to ‘cost’ 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 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).

As we all know so called externalities may potentially affect large numbers of people and in some cases even the global society. This is another case where broader ideas of mission or ideological orientation are necessary. One of my colleagues among ecological economists, Herman Daly, refers to the ‘Common Good’ (Daly and Cobb, 1989). While this points in the right direction, we should in a democratic society realize that there are many ideas of a common good rather than just one. Indeed, there are competing ideological orientations.

**Assessment of Investment Projects in a Democratic Society**

In the present political economic system expected profitability in monetary terms is an important part of how investment projects are evaluated in business. But non-monetary impacts can also certainly play an important part in business decisions, for example concerning investment in technological research and development projects (Söderbaum, 1967) and democracy are also a potentially relevant aspects of business decisions. Broad approaches to decision-making are therefore relevant both for organisations of a profit and non-profit kind. When arguing here for Positional Analysis as an interdisciplinary approach, the emphasis will however be on public projects such as investments in energy systems, roads, railways, airports.

In neoclassical economics, Cost-Benefit Analysis (CBA) is the method advocated to evaluate public projects of the aforementioned kind. This method can be understood as an attempt to extend profit estimates in monetary terms to the public sector. Costs and benefits are estimated for future periods and for each one of the alternatives considered. Some costs (benefits) are of the monetary or financial kind, for example construction costs to build a new road. Other impacts are of a non-monetary kind. The idea in CBA is then to estimate the actual or a hypothetical market price (at the time of decision-making) of non-monetary impacts and aggregate all impacts in one-dimensional monetary terms. In this way the analyst is able to point to the best among the alternatives considered.

How is possible for neoclassical economists (and others) to argue that one single alternative is the best for society as a whole? By dictating how each and all impacts should be valued, it is assumed that there is a consensus in society about the CBA way of valuing impacts and that this is the only possibility. Ezra Mishan, himself a textbook writer on CBA (1971, and later, 1980) admitted that CBA is built on an assumed consensus about how to evaluate public projects in society and that it is no longer realistic to assume such a
consensus. He explicitly pointed to the increasing role of environmental issues in public dialogue where opinions differ considerably. There may be a consensus among a number of neoclassical economists as claimed experts in a technocratic sense, but that is far from the democracy-oriented perspective suggested in this essay.

Positional Analysis (PA) is a different approach. The idea is still one of systematically comparing alternatives of choice but PA builds on the previously-presented alternative definition of economics in terms of multidimensional analysis and compatibility with a democratic society. Positional Analysis is presented elsewhere (Brown et al., 2017). Here only the purpose of the method and some of its features will be indicated.

In a democratic society there are many political and ideological voices rather than one. To respect such differences analysis should be many-sided with respect to:

- ideological orientations;
- alternatives of choice considered;
- impacts in different dimensions.

While ‘many-sidedness’ is a key consideration, in practice one may need to limit the alternatives considered to three or four. Similarly, the number of ideological orientations can be reduced to three or four. The criterion of many-sidedness is meant to reduce possibilities of manipulation. Limiting analysis to only one ideological orientation, such as the one built into CBA, is a case of manipulation. Limiting analysis to one alternative of choice (or alternatives that are very similar) is a case of manipulation. Focusing on a single dimension is another example.

In a political assembly there may be a majority, an opposition and perhaps other minority views. For some politicians or decision-makers, the ideological orientation built into neoclassical economics (which is close to neoliberalism) is perhaps relevant and can therefore be articulated by the analyst. A ranking of the alternatives considered will follow. Another group of politicians or concerned citizens may take sustainability and sustainable development seriously. This leads very likely to a ranking of alternatives considered that differs from the ranking in the previous case. This in turn suggests that the results of Positional Analysis will be in the form of ‘conditional conclusions’ in relation to each ideological orientation considered.

While the purpose of CBA is to find one ‘optimal’ solution among available alternatives, the idea with positional analysis is rather to ‘illuminate’ an issue in a many-sided way for politicians and others concerned. Complexity is taken seriously rather than being assumed away (Söderbaum, 2020). The idea is that decision-makers should know what they are doing when choosing among the alternatives. It can also be argued that the analyst is modest in her claims rather than ‘expert’ in an extreme sense.

As the name of the approach indicates ‘positional thinking’ is a fundamental part of PA. In any planning situation there is an initial position in various dimensions, for example with respect to land use, pollution of water, soil, air or the health of human beings. How can each one of the alternatives considered influence future states or positions as measured by each indicator?

On the non-monetary side, various aspects of inertia, such as irreversibility, should be considered and ‘illuminated’ whenever possible. Decision-making is then regarded as a two-stage or multiple-stage process. Choosing one alternative today will close the door for some future options and open the door for other future moves. In this sense there are similarities with the decision making process in a game of chess.
Policy-Making in a Democratic Society

The neoclassical view of policy-making follows directly from its mechanistic view of individuals and firms in the economy and related positivistic ideas of value-neutrality. Criticising this view, Mary Clark refers to a ‘billiard ball’ metaphor (2002, pp. 6-8). The balls are like ‘social atoms’ that can be influenced from outside by the player, i.e. the national government. The monetary dimension is at the heart of neoclassical analysis, suggesting that individuals and firms can be governed by taxes and similar incentives.

An economy can certainly be affected by changes in monetary incentive systems. But belief in self-regulating markets may make the neoclassical economist reluctant to make tax reforms. There has to be an open attitude to competing ideological orientations. We are back to our political economic person and political economic organisation assumptions. Policy-making in a democratic society starts with the individual as the actor in her various roles. If the individual is guided by an ideological orientation, then policy-making has to include an analysis of differing and often incompatible ideological orientations. Sustainable development in the sense of the 17 SDGs sanctioned by the United Nations differs from ideas about economic growth and profits in business, made legitimate by neoclassical theory for example.

One of the roles of national governments is therefore to encourage individuals as citizens and as members of organisations to change their activities, behaviour and life-styles to become more in line with overall policies, such as sustainable development. Individuals can participate in public debate and refer to the freedoms of speech and other human rights. It is possible to cooperate in networks or organisations of actors that trust each other while working toward common goals.

Democracy is however not always about common goals. There may be more than one view about achieving sustainable development. Strength of a functioning democracy is that conflicts of interest become visible. This in turn may initiate further dialogue where media actors and university representatives can also be involved. And a ‘many-sided’ analysis may be carried out. As an example of involvement of the university, Edward Fullbrook has brought together no less than 20 heterodox economists to show what they have to offer in relation to the present climate crisis (Fullbrook and Morgan, eds, 2020). This is a scientific contribution but starts with a commitment to certain values rather than claiming value-neutrality. Freedom of speech, public dialogue and economic analysis that is compatible with democracy can in fact be regarded as part of a security system. Technocracy and political dictatorship in particular on the other hand, reduce the possibilities of early warnings and action.

Concluding Comments

While non-monetary positional thinking is an important part of the kind of institutional ecological economics emphasised in this paper, policy making as part of the neoclassical approach with CBA emphasises monetary thinking where all kinds of impacts can be ‘traded’ against each other. I believe that this ‘monetary reductionism’ and the monopoly of neoclassical economics in education and research more generally, are among the factors behind the present climate crisis and other failures in governance. In any case, I contend that it is time to open the door for institutional economics and other heterodox schools of thought in economics (Beker ed., 2020; Decker et al., eds, 2020).

‘Democracy’ is seldom discussed in mainstream economics textbooks. Perhaps mainstream economists regard democracy as being part of a different discipline such as political science or other social sciences more generally. But today we can observe how the respect for the constitutional rights of democracy are threatened in some parts of the world. I
believe that there are many reasons for us as economists to bring in democracy as an essential element of our analysis. And it should be added that democracy is an issue, not only in the larger society, but also among scholars in the university context. I have received useful and thought-provoking comments to an earlier version of my paper from two individuals, Rafael Galvao de Almeida and Jamie Morgan. A journal such as Economic Thought can add to the dialogue and contribute to a strengthened democracy. Among comments thus received I will conclude by pointing to possibilities to learn and unlearn in economics from the present ‘climate urgency’ emphasised by Jamie Morgan. Also the Covid-19 pandemic provides opportunities for us to take steps toward a more open and pluralist economics.

References


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