

New book

Understanding Sustainability Economics. Towards Pluralism in Economics. Earthscan, London 2008, 160 pages, (ISBN 978-1-84407-626-0, 978-1-84407-627-7) by Peter Söderbaum

In any serious attempt to come to grips with present unsustainable trends concerning water quality and availability in specific regions, issues of world-views and ‘mental maps’ of influential actors cannot be avoided or assumed away. In this book the idea that science can be, and should be, separated from politics is questioned especially for social sciences, such as economics. Values are always with us as social scientists or other scholars who claim to have something to offer for the ongoing water policy and management dialogue.

Positivism with its emphasis on objectivity and value neutrality together with neoclassical economics as theoretical perspective and a related neo-liberal ideology has dominated the scene in a period when too many things have gone wrong. Mainstream neoclassical economics is specific not only in conceptual terms but also as ideology. This mental map or worldview certainly has a role but the monopoly of neoclassical economics at university departments of economics all over the world can no longer be defended (Fullbrook 2008). Only pluralism with respect to theoretical perspectives and thereby ideological orientations is compatible with a democratic society according to Söderbaum. University education in economics should to some extent reflect the diversity of ideological orientations among politicians and citizens in society. Limiting university education in economics to one paradigm or theoretical perspective means that only one ideological orientation is emphasized and that the university department acquires a role as political propaganda centre.

Since the Brundtland report (WCED 1987) and the UN conference in Rio de Janeiro 1992, the world is committed to sustainable development. But the conceptual and ideological interpretation of ‘sustainable development’ may differ and such differences have to do with established world-views or mental maps. Some actors in society do not see any reasons at all to change their conceptual and ideological orientations. This way of reacting (or not reacting) to the challenge of sustainable development can be referred to as a business-as-usual (BAU) interpretation and may mean continued or ‘sustained’ economic growth at the national level and ‘sustained’ monetary profits in business at the level of organizations. It may then be believed that advances in technology and market mechanisms will more or less automatically solve all kinds of problems.

Other actors may admit that something needs to be done but believe that problems can be handled within the scope of present political-economic system. Only minor institutional change is needed, implying modifications or additions to prevailing conceptual framework and ideological orientation. As examples of minor institutional change the addition of Environmental Management Systems (EMS) to already existing financial management systems and the addition of Environmental Impact Assessment (EIA) to other approaches to investment decisions can be mentioned. As part of neoclassical environmental economics, new markets for pollution permits can be designed. In relation to climate change so called ‘flexible exchange mechanisms’ are recommended that reflect far-reaching beliefs in the beneficial aspects of market mechanisms.

Minor institutional change in the direction of sustainability should certainly be encouraged. But also major institutional changes have to be considered and discussed although there are

certainly strong interests favoring the status quo. Ideas of rationalism and efficiency based on impacts expressed in monetary terms can be questioned. Sustainable development is a multidimensional concept where non-monetary impacts cannot easily be transformed for purposes of monetary calculation. Ideas of 'correct prices' necessarily imply that a specific ideology or ethics is applied, and it is not realistic to assume that there is a consensus about this ideology in society. Neoclassical cost-benefit analysis is for this and other reasons (such as the existence of irreversibility in many non-monetary dimensions) hardly compatible with radical interpretations of sustainable development. Similarly, joint stock (or limited liability) companies as long as they are defined exclusively in monetary terms (connected with profits and shareholder value) do not go well with ideas of sustainable development. International trade theory, making institutions such as the World Trade Organization legitimate, is built on simplistic ideas of prices and monetary costs of production. Some other trade theory is needed to reflect the existence of complexity in terms of multi-dimensional impacts, many stakeholders in each country, differences in ideological orientation among citizens in the trading countries and various aspects of uncertainty.

Söderbaum's book systematically compares neoclassical ideas about human beings, about organizations, markets, decision-making, efficiency etc. with alternative ideas connected with the theoretical perspectives of institutional or ecological economics. Neoclassical Economic Man is compared to a 'political economic person', i.e. an actor guided by her ideological orientation. Profit-maximizing firms are compared to 'political economic organizations' guided by their missions; relationships between self-centered market actors are compared to relationships where market actors may cooperate and consider options with respect to ethics and ideological orientation. Fairness is a possibility but so is also inequality of power position making one market actor exploit another. Analysis in terms of equilibrium is not very helpful in making cases of 'exploitation' visible.

It should be stressed that the idea is not to completely replace neoclassical economics as part of a Kuhnian 'paradigm-shift' conception of scientific progress (Kuhn 1970). Preference for one paradigm over another in economic analysis is largely a matter of purpose, making 'paradigm co-existence' a more appropriate description. There can of course still be a 'shift in dominant paradigm' as part of such a pluralistic position. If the purpose (or ideological orientation) is to come closer to sustainable development, non-neoclassical schools of thought certainly deserve a stronger position. The main issue can also be described as one of opening up economics in relation to other disciplines and even as one of moving some steps away from technocracy toward democracy. If economics is political economics then 'democratizing economics' is a very relevant imperative.

Emphasis in this book is on conceptual framework and ideological orientation but policy issues and empirical cases of land-use or water management are also exemplified.

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Peter Söderbaum is professor emeritus of ecological economics at Mälardalen University, Västerås, Sweden and author of books including 'Ecological Economics' (2000). He has written numerous chapters in edited books and has recently published articles in journals such as *Ecological Economics*, *Journal of Bioeconomics*, *International Journal of Green Economics*, *Journal of Interdisciplinary Economics*, *Journal of Environmental Monitoring*, and *Integrated Environmental Assessment and Management*. He has also served as member of the international scientific committee of Stockholm Water Symposium.

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