

## **How can the language of economics be made politically more relevant?**

### **Peter Söderbaum**

Professor emeritus, ecological economics  
School of Economics, Society and Engineering  
Mälardalen university, Västerås, Sweden

### **Introduction**

I share the opinion that Elinor Ostrom's contribution is timely and important in many ways. Her reference to interdisciplinary approaches is not new (Cf. Kenneth Boulding, Gunnar Myrdal, Herbert Simon) but she is strengthening this tradition. Her focus on important sustainability issues and property regimes is very much needed. Where other economists rely on egoism and greediness in their assumptions about human behavior, she looks for cooperation and common interests. Her interests include an ambition to learn from practice through case studies. Such case studies are popular in other social sciences, for example management literature, but have not been common in mainstream neoclassical economics.

There are certainly many reasons to celebrate Elinor Ostrom. She is the first political scientist awarded the Bank of Sweden Prize in Memory of Alfred Nobel. Her award actually suggests that political science and economics are overlapping in many respects, a theme to which we will return.

### **Limitations to Elinor Ostrom's approach**

The challenge of this workshop is to go "beyond Ostrom" as formulated by the organizers. This suggests that we should also try to study the limitations of her message. Some criticism may be needed to identify possibilities for further progress.

I think for example that her ideas of science are quite traditional and that this is something that made her eligible for the mentioned Nobel award. Just as neoclassical economists rely on positivism as their theory of science, she looks for regularities in the functioning of various institutional arrangement or property regimes. But in my understanding she did not exclusively search 'laws' applicable at a general level but respected a diversity of cases in her findings.

In some respects – the attempt to bring in traditional game theory for example – one can interpret her behavior as tactical to become respected in the community of traditional social scientists being part of the relevant Nobel committee.

## **“The public sphere is everywhere”**

In my understanding Elinor Ostrom saw her contribution as an addition to standard economics. When she was lecturing at Uppsala University as part of traditional Nobel arrangements, I asked her if neoclassical theory was enough or if she could see a need for alternative paradigms and textbooks in economics. Is the distinction between private and public goods all that is needed or should these concepts be reconsidered? She replied that she didn't see any reason for new thinking in this part. This made me argue that “the public sphere is everywhere”. There is a public aspect even of so called private market transactions (and this public aspect cannot be reduced to specific externalities).

I am a biased person (as we all are) but as I see it there is a need to bring in alternative theories of science, alternatives to mainstream neoclassical economics and even value, ethical, ideological issues more explicitly. New ways of thinking in these respects will open the door for new institutional arrangements. Rather than be content with one modified mainstream we should look for different models of individuals, of organizations (which are not limited to firms), of markets etc. as part of a pluralist strategy.

## **‘Ideological orientation’ and ‘public sphere’ among key concepts**

In the present workshop (as in previous workshops where I have participated), the ambition is to get away from narrow and simplistic thinking to broaden our scope. In her short text, Judith Dellheim points to this need to socially construct a sustainability economics that uses (or is compatible with) the terminology in political discourse. How can ‘solidarity’ be understood as part of sustainability economics?

Politicians refer to their own ‘ideology’ and the ideology of others, for example other political parties. I have suggested that one instead of Economic Man refers to a Political Economic Person as actor guided by an ‘ideological orientation’. This ideological orientation is clearly multi-faceted but still useful in guiding thinking and behavior. It is about where you are (present position), where you want to go (future positions) and how to get there (strategy).

Ideological orientation may include ethical ideas and principles such as ‘solidarity’ (or its opposite, exclusive reliance on self-interest). Ethical ideas or ideological orientation is something to be investigated in each case rather than taken as given.

In this way ideology has to be involved in a transition from present unsustainable development to a more sustainable path. It can be noted that while many economists only reluctantly refer to ideology (because they hope to be regarded as neutral in value terms, it seems) even a person such as Murray Gell-Mann, a Nobel Laureate in Physics, refers to a need for an “ideological transition” in addition to other necessary transitions (1995).

“Public sphere” is an equally multi-faceted concept that can be regarded as part of a person's ideological orientation. A person may, as part of her ideological orientation, emphasize a private sphere (his own and/or that of others) or a public sphere. The concept of public sphere is probably not new. I came across it at a meeting with philosophers and economists in Melbu, northern Norway (Öfsti ed. 2008). Reference can be made to a local public sphere but also a public sphere at the global

level. Concepts such as 'community' point in a similar direction. The title of the Brundtland report *Our Common Future* (1987) is another example.

For the moment I am not ready to try to subdivide the public sphere into categories. My point is however that all economic behavior, market transactions included, need to be related to a public sphere. The private and the public are not mutually exclusive spheres. This appears to be relevant considerations when economists and politicians discuss climate change or loss of biodiversity.

It should also be observed that attempts can be made to reduce the public sphere through political propaganda, for example 'ideological indoctrination' in neoclassical textbooks or through actions, such as privatization of public assets. I think that each one of us and the Rosa Luxemburg Foundation has a role in attempts to clarify concepts of the mentioned kind that frame our perceptions and understandings.

### **On the need for dialogue about political economic systems**

Elinor Ostrom pointed to some existing, sometimes well-functioning, property regimes. Present unsustainable trends suggest that we also need to consider significant changes in the present national and global political-economic systems. It is a matter of a person's ideological orientation whether she or he believes that sustainable development is a realistic possibility within the scope of the present political economic system nationally and globally. The author of this essay is convinced that present institutional arrangements need to be significantly reconsidered.

The least we can do is to start discussing these issues. UN panels of politicians and secretariat have addressed these issues where sustainable development has been a lead concept and where at least important verbal progress has been made (e.g. UN 2012, UN 2013). Strengthening opportunities for peace and democracy (transparency, accountability) are among recommendations but I do not find any serious discussion of the future of the present political economic system (or of mainstream neoclassical economics for that matter). Rather such arguments are systematically avoided. This can perhaps be expected when establishment actors come together. The many books and articles written by non-establishment actors as part of public debate appear to be systematically neglected.

It is of course not possible here to deal with these issues but international institutions such as WTO need to be reformed or even better replaced. There are also reasons to scrutinize the laws governing joint stock companies. These organizations are defined in monetary, financial terms while present global and regional challenges are primarily of a non-monetary kind. One of the favorite ways of increasing profits is to reduce labor etc. This miss-match suggests that joint-stock companies may be miss-constructed in important ways in relation to present needs. Avoiding debate about these issues is indeed a dangerous strategy.

### **The importance of individuals as actors**

In the UN documents mentioned, reference is increasingly made to the responsibility and accountability of individuals in different roles. Those of us who act from a basis within universities

have specific responsibilities and as I have argued elsewhere there may even be good reasons to refer to a University Social Responsibility (USR) much like Corporate Social Responsibility (CSR).

There is a need for an open dialogue in the academy where we seriously listen to each other. I am critical to the dominance of neoclassical theory seeing it as an essential part of the problems faced. Neoclassical economists are “rent-seeking” people to use their own public choice language. But even public choice theory can be criticized for its simplistic assumptions about homogeneity in each considered actor category (Söderbaum 1991). This suggests that there may be neoclassical economists who can play a positive role in the present crisis situation. I am thinking of Joseph Stiglitz and his recent book *The Price of Inequality* (2013) where repeated reference to “standard economics” is made in negative terms. Unfortunately, he chooses to keep neoclassical theory at a distance rather than discuss how a conceptual framework that differs from neoclassical theory can be socially constructed. Stiglitz points to the important role of “perceptions” and “framing” and blames political parties and media in the USA. This criticism is probably relevant but in his next book, the very influential “framing” that characterizes neoclassical theory and textbooks should be added to the analysis.

#### **References:**

Gell-Mann, Murray, 1995. *The Quark and the Jaguar. Adventures in the Simple and the Complex.* Abacus, London.

Stiglitz, Joseph E. 2013. *The Price of Inequality.* W.W. Norton, New York.

Söderbaum, Peter, 1991. Environmental and agricultural issues: What is the alternative to public choice theory? In: Dasgupta, Partha ed. *Issues in contemporary economics: Volume 3, Policy and Development*, pp. 24-42. Proceedings Ninth World Congress of the International Economic Association, Athens. Macmillan, London.

United Nations Secretary General’s High-Level Panel on Global Sustainability, 2012. *Resilient People. Resilient Planet. A future worth choosing.* United Nations Publications, New York.

United Nations, 2013. *A New Global Partnership: Eradicate poverty and transform economies through sustainable development (The Report by the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda).* United Nations Publications, New York.

World Commission on Environment and Development (the Brundtland Commission), *Our Common Future.* Oxford University Press, Oxford.

Öfsti, Audun, ed. 2008. *The Public Sphere. Essays in Honor of Karl-Otto Apel.* Res Publica, Oslo.