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# AN ECOLOGICAL ECONOMIST'S VIEW ON "IS ECONOMICS IN VIOLATION OF INTERNATIONAL LAW? REMAKING ECONOMICS AS A SOCIAL SCIENCE"

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## *Response*

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### **Introduction**

Is mainstream economics with its many theories and recommendations compatible with international law, such as the United Nations Declaration of the Rights of Indigenous Peoples (UNDRIP, 2007) or the Rio Declaration on Environment and Development of 1992 (UN Rio Declaration, 1992)? Are globally renowned universities teaching economics in ways that violate international law? Can economics as a discipline be questioned in this way and held legally accountable? If so, who are the responsible persons or organizations to be prosecuted? Asking questions of this kind seems to be extremely relevant and timely.

As an ecological economist who has questioned the neoclassical mainstream, I find David Lempert's challenge to contemporary economics to be thought-provoking in more ways than one. Lempert highlights that consumers and firms are the only entities in neoclassical theory while aspects of society and 'culture' are missing. Indigenous peoples (and cultures) are just one example of those public interests that are excluded. As economists, whether neoclassical or heterodox, we need to acknowledge that the neoclassical "allocation of scarce resources" and its ideas about rationality and efficiency can cause local and regional cultures to suffer.

As a heterodox economist focusing on issues of sustainable development I share Dr. Lempert's call for scrutiny of mainstream economics in relation to ethical and legal principles. My subjective judgment is that the near monopoly position of neoclassical theory in economics education is dangerous to various communities and the global society at large. It is a threat not only to local cultures but also to humankind. It is the *monopoly* and the protection of this monopoly that is at fault. Neoclassical theory is not wrong when it preaches competition but what is needed is competition and pluralism as a challenge to neoclassical theory, itself.

### **Economics as Science and Ideology: Restructuring the Discipline to Benefit Society**

Lempert's central premise is that economics pretends to be a science but actually hides value-judgments (ideologies) representing specific political interests in ways that violate public purposes. In his piece, he extends some previous critiques that recognize the need for values in social science and adds an approach to assure that such values reflect public interest and law. Previously, some Nobel Prize winners have confronted the issue of value neutrality, but without a solution to the dilemma of how to assure that value-driven social science reflects public purpose. Dr. Lempert opens the door to solutions.

The so called "Nobel Prize in economics" is well known and Lempert critiques how it has seemingly reinforced a certain set of values and a specific approach in the discipline. This prize, that should more

correctly be termed “the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel”, is in my judgment questionable, but even some of its winners have also seemed to challenge the award’s basis. Gunnar Myrdal, who was awarded the prize in 1974, is known for his argument that we cannot refer to value-neutrality in economics research and education:

“Valuations are always with us. Prior to answers there must be questions. There can be no view except from a [political] viewpoint. In the questions raised and viewpoint chosen, valuations are implied.” (Myrdal, 1978, p. 778)

While Myrdal uses the term values or rather “valuations” in the above citation, I prefer the term ‘ideology’ or ‘ideological orientation’ since it helps to focus on what is wrong.

In a democratic society, politicians and political parties refer to their ideology in attempts to attract citizens. Citizens then respond to such invitations in one way or another suggesting that they, too, have ideological orientations. Ideology here reflects ‘means-ends relationships’ guiding behavior. Differences in ideology in society are healthy. Individuals differ with respect to ideological orientation and such differences are relevant in a democratic society in the marketplace of ideas. Some persons may hold an extreme market ideology while others may try to reorient their behavior towards a more sustainable life-style or mission. Therefore, in the political arena, ideology serves a role.

Not many economists use ‘ideology’ as part of their vocabulary or recognize that it has entered social science but Douglass North is one. He writes,

“By ideology, I mean the subjective perceptions (models, theories) all people possess to explain the world around them. Whether at the micro-level of individual relationships or at the macro-level 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)

Many assume that individuals are guided by their ideological orientation which may contain short term and/or long-term elements, be narrow or broad, complete or fragmented, certain or uncertain. Ideologies may vary over time and situation or context. Mathematical functions to be optimized are a special case of ideology found in economics rather than the only possible ideology that could shape the research questions and applications of the discipline. The ideological orientation of individuals as actors is broader than the ‘utility’ of individuals as consumers (or as actors in other roles) that is the basis of neoclassical economic theory. This reference to utility does not invite studies examining how individual ‘A’ assesses his/her utility compared to individual ‘B’. Some other vocabulary is clearly needed if the field is to reflect the full set of economic interests and actions of human beings.

### **Democratizing Economics: Promoting Pluralism**

Dr. Lempert refers to international law when he argues that economics and actors connected with economics (professors, Departments of Economics, universities) need to be scrutinized and held accountable. He offers a standard for determining which approaches are in violation of law. In my view, there is another important concern in a democratic society for the social sciences; not just whether one ideological approach violates international law, but whether there is an adequate pluralism of competing social scientific approaches that reflect those different values and ideas that are fully within the boundaries of international law. I suggest that economics can also be expanded to reflect a standards of pluralism of ideas that are necessary and expected components of social science and its applications in a democracy. This is the expectation found in key elements in the national constitutions of countries such as USA and Sweden (Söderbaum and Brown, 2010).

It is a fact that neoclassical theory is specific in ideological terms. It is also a fact that neoclassical theory in economics education holds a close to monopoly position in my own country and many other countries where Gregory Mankiw's textbook "Economics" (2011) or similar textbooks are used. Considering that ideology is behind what is described as a scientific discipline, a monopoly for one theory, in this case neoclassical theory, is not compatible with democracy and a democratic society. University departments of economics in fact today play political propaganda role beyond any scientific achievements. Beliefs in the wonderful performance of markets, monetary profits in business and self-interest by consumers are legitimized by this ideological role.

One way out of this that fits the goal of democracy is to promote pluralism in economics. Rather than promoting competitive political interests through political representation in universities, I believe in a return to the teaching of the history of economic ideas, focusing on the changes in dominant schools of thought along with consideration of heterodox schools. If neoclassical economics is judged not to respond so well to the challenge of sustainable development, for instance, then ecological economics (which claims to be "economics for sustainable development") may be worth trying. Instead of "paradigm shift" ideas (Kuhn 1970), I favor a promotion of "paradigm coexistence" (Söderbaum, 2000). As part of the more democratic "paradigm coexistence", there will likely be a 'shift in [the] dominant paradigm'.

### **A Note on Theory of Science: How Economics Can Do it Right**

I believe Dr. Lempert is correct that economics needs to follow the principles and methods of science and social science. At the same time, I offer a challenge to colleagues to widen their scientific questions and paradigms within each social science field.

In economics, proponents of neoclassical theory have attempted to borrow ideas about science and scientific work from physics. Lempert finds them to be hypocritical and to substitute ideology for science. In the classic view of science, hypotheses should be tested, controlled experiments are to be encouraged (but seldom accomplished, in my experience), bias is to be avoided and "value neutrality" is to be observed. This positivist idea of science is what critics refer to as the "physics envy" aspect of neoclassical theory, education and research. If value neutrality in economics and other social sciences is an illusion (von Egan-Krieger, 2014) and we need to recognize that science must go hand in hand with values (i.e., those that meet the requirements of international law), then we may think of scientific work in more than one way. We need not pretend that objectivity and neutrality in any final sense is possible and can deal with our values and ideologies more openly. A democratic society is characterized by the existence of more than one political party and by respect for differences in ideological orientation and so, too, can social science work with pluralistic scientific approaches.

Neoclassical theory can be described as attempts to find regularities about consumers, firms or other subjects: "Consumers maximize utility subject to monetary constraints", "Firms maximize monetary profits" and, as part of public choice theory, "Farmers cooperate in rent-seeking behaviour". At the macro level, the doctrines are that "nations maximize economic growth in GDP-terms (hopefully) subject to some constraints". In cases of investments in infrastructure, "Public interest is assessed by using (neoclassical) Cost-Benefit Analysis".

Similarly, the more recent interest in psychology and "behaviour economics", including "nudging", reflects an attempt to find ways of influencing behaviour of all individuals in specific situations. Though this subfield partially reflects pluralism in economics (by bringing in psychology to study some of the things that economists previously studied) and may provide some answers to specific questions, the approach appears to me to be a bit mechanistic and recalls what I view as the "physics envy" syndrome.

I agree with Dr. Lempert that going back to larger and more important social questions with economic dimensions is the way to spark a diversity of social scientific approaches in economics. Another way is to start by looking at peoples and concerns that do not fit existing models and seeking to build more incorporative models, overall (but not to fragment disciplines into just promotion of those individual groups and concerns). As an example of the empirical basis for new modelling, I was once asked to

participate in a session about public choice theory as part of the conference with the International Economic Association in Athens, in 1990. Since I am not enthusiastic about public choice theory my presentation was accordingly entitled, “What is the alternative to public choice theory?” I argued that if we observe farmers carefully we find differences between them. Some are conventional farmers while others so-called eco-farmers. Within the category of eco-farmers, we find additional differences. In a democratic society such differences between individuals (or organizations) as actors are worth studying and are perhaps more important than similarities and expected regularities.

Some economists will continue try to improve mathematical models of forecasting and will refer to basic assumptions in neoclassical theory and what they see as established theory and knowledge in order to try to retain their place in the discipline. In my view, that is a dead end. Instead, the main task ahead is to look for a *new conceptual framework and language* of economics. We may even need different conceptual frameworks for different fields in economics. For sustainable development (and perhaps also other fields of research in economics) we need to start with a different definition of economics, such as:

“multidimensional management of limited resources in a democratic society”  
(Söderbaum, 2017, p. 34)

‘Multidimensional’ means that we can take some of the 17 UN sanctioned Sustainable Development Goals (SDGs) that include concerns like equity and justice and avoid reducing them to their alleged monetary equivalents. In a democracy no consensus can be assumed about the idea of valuing everything in monetary terms and about “correct values” for each kind of impact for purposes of assessment at the societal level. This “trade-off” philosophy in monetary terms is rather part of the problem today with economics.

The goal of promoting a democratic and pluralistic economics points in the direction of making each actor participate in society in a responsible and accountable way. This in turn suggests that we need to elaborate our ideas about individuals and organizations as actors as well as our understanding of their relationships in networks, markets and other institutions within the study of economics, including those ways that Dr. Lempert’s piece suggests. We need alternatives to neoclassical *Homo Oeconomicus*, to profit-maximizing firms, to markets understood in terms of supply and demand. We also need to replace neoclassical Cost-Benefit Analysis (CBA) with multidimensional approaches such as Positional Analysis (Brown et al., 2017). In accordance with an emphasis on democracy and pluralism, the neoclassical Economic Man needs to be replaced with the Political Economic Person, while the profit-maximizing firm needs to be replaced with the concept of Political Economic Organization, and so on.

### **A New Economics: Offering a Challenge to our Political-Economic System**

Reforming the discipline of economics is not simply a matter of encouraging competition within the discipline but also of the kinds of legal and political challenges and accountability that Dr. Lempert’s article raises. While we aim at sustainable development we need to also admit that present development approaches are unsustainable in many parts of the world and that changes are needed in politics and in education as well as in policies regarding contemporary economic institutions, themselves.

In the final sections of his article, Dr. Lempert points to the power of transnational corporations alongside many vested interests in present unsustainable trends. Radical changes in laws and regulations of individuals and organizations can therefore not be excluded from the politics of achieving sustainability. The behavior of transnational organizations in the oil and mining industries is such that we must consider the possibility that joint stock companies need new public regulatory approaches including restructuring of economic enterprises and their models of operations.

Departments of economics and the university context are in need of transformation. I agree with Dr. Lempert that the neoclassical mainstream model of economists with their references to value-neutrality and their preferences for mathematical modelling is often devoid of reality and too many of my

colleagues, have organized their work to reduce or eliminate responsibility. We need to discuss University Social Responsibility (USR) as much as we need to discuss Corporate Social Responsibility (CSR). We may need legal reforms to replace those who do not take democracy in economics, or the rights of indigenous people, seriously. “Nudging” within the scope of present regulations is probably not enough.

In making reforms, even public choice theory may have something to offer. We should look at individuals as actors but we also need to study collectives of actors in networks, organizations and cultures. As I see it, the “rent-seeking” model can very well be applied to describe neoclassical economists as a category. Perhaps we can speak of the culture of neoclassical economists. I hope that there will be a segment of neoclassical economists, themselves, who will support the idea that also universities need to be scrutinized in relation to sustainable development and democracy as a way to restore the integrity of the discipline.

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