

Markets in the Light of Political-Economic Actors and Democracy Reconsidering Conceptual Framework for Sustainability Politics

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Abstract

The conceptual framework of neoclassical economics has been quite stable over the years while present challenges point in the direction of a need for new thinking and a new conceptual framework. Neoclassical economics is more or less blind to equality issues and not enough to deal constructively with present unsustainable trends. I will suggest important elements of such a new conceptual framework as part of a pluralistic understanding of economics.

When compared with neoclassical economics, the political dimension is emphasized thus making democracy a fundamental principle for relationships in markets and in society at large. A political economics is suggested where individuals are understood as political economic persons and organizations as political economic organizations. This leads to a different understanding of markets from that of neoclassical supply and demand. The ethics and responsibilities of market actors in a democratic society is considered relevant and something to be investigated for purposes of sustainability politics. Approaches to decision-making are also discussed. Emphasis on democracy suggests a different approach from that of neoclassical Cost-Benefit analysis (CBA).

Keywords: Political economy; Political economic person; Political economic organization, Ideological orientation; Mission; Market models; Positional analysis (PA); Sustainability politics

Introduction

Adam Smith and other classical economists referred to their discipline as 'political economics'. From 1870 onwards, a majority of economists have instead referred to the subject as 'economics'. An attempt was made to separate economics as science from the political sphere. The idea was to make economics objective, value-free and comparable to natural sciences such as physics¹. Economists looked for laws that preferably could be formulated as equations in mathematical terms to be tested empirically.

Something has certainly been achieved by neoclassical economists over the years and their school of thought has something to offer as part of a pluralistic philosophy where also competing theoretical perspectives are considered and respected. But some of us economists regard it as a mistake to abandon the term 'political economics'. In our discipline we should be conscious about how value issues and ideology is influencing our work and recognize that the idea of value neutrality and a pure economics is an illusion. Gunnar Myrdal who saw himself as an institutional economist argued that "values are always with us" as economists in research and education [1]. In the language I prefer, economics is science and at the same time ideology; values and ideology is always present in our work as educators and researchers. 'Ideology' here stands for 'means-ends philosophy' i.e. a kind of compass guiding thinking as well as behavior. It is about where you are (present position), where you want to go (future positions) and how to get there (strategies). Ideology is not a mathematical objective function to be optimized but rather fragmentary and uncertain. It is still useful in guiding an actor's thought and action.

In this paper I will point to the tension between technocracy and democracy in economics. Moving from Economic Man to Political Economic Person is a way of opening the door for a more conscious approach to value issues in economics. Actually, recognizing the political element in economics will lead to a theoretical perspective that differs systematically from neoclassical theory. Our understanding of

individuals, organizations, markets, decision making, the political-economic system and institutional change will be influenced. Also policy issues relating to environment and development will be seen in a new light (at least when compared to the insights offered by neoclassical theory). But first an attempt to recall our starting point in neoclassical theory.

Essential Features of Mainstream Neoclassical Economics

At university departments of economics, research and education is based upon neoclassical theory. These days it appears justified to speak of a monopoly position for neoclassical theory. Since the early 1960s when Paul Samuelson's textbook Economics became popular we have witnessed a far-reaching standardization of the neoclassical message in textbooks. Today, other textbooks with a similar content dominate the market. In Sweden [2] and internationally N. Gregory Mankiw's² Principles of Economics [3] are examples of this homogenization. Neoclassical economists are eagerly protecting this monopoly. But they are not alone in this effort to avoid competing theoretical perspectives in economics. Mainstream economics and mainstream politics tend to be closely related, suggesting that many establishment actors embrace neoclassical theory for conceptual and ideological reasons.

What are the essential features of neoclassical economic theory? For our present purposes I suggest five interrelated features of

²While 'democracy' is a main theme in this article it may be noted that this word is absent from the subject index of Eklund's as well as Mankiw's textbook.

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¹This is what some of us call the 'physics envy' aspect of neoclassical economics

mainstream neoclassical economics:

1. Focus on markets for commodities and factors of production
2. Markets are understood in mechanistic terms as an interplay between the forces of supply and demand
3. There is a focus on the monetary dimension. All factors and impacts are reduced to the monetary dimension by using prices as part of a trade-off philosophy
4. Assumptions about the behavior of market actors in the economy emphasize self-interest (as in the case of consumers) or are otherwise narrow (as in the case of the profit-maximizing firm). Issues related to ethics or ideology are largely avoided
5. When engaged in analysis or policy advice, neoclassical economists regard themselves as experts of a rather technocratic kind. The fact that our societies claim to respect normal imperatives of democracy is downplayed or neglected.

Monetary and financial aspects are at the heart of the neoclassical approach. The ambition is to move analysis in a quantitative and one-dimensional direction thereby opening the door for simple equations and calculation in mathematical terms. It is argued that “people know about markets and money” and that “everything has a price” in monetary terms. From this we get national accounting in GDP-terms, business accounting with focus on monetary profits and Cost-Benefit analysis (CBA) based on actual market prices (or a kind of hypothetical prices). One impact expressed in monetary terms can be ‘traded’ against – and offset by – other impacts as part of one-dimensional calculation. This approach is of course attractive in some ways. Complex issues are reduced to simple figures in money terms. We may refer to at least two kinds of reductionism ‘monetary reductionism’ and ‘ethical/ideological reductionism’.

There are many problems with the neoclassical approach in this part. Present challenges in our societies are largely non-monetary in kind, suggesting that we need careful measurement in non-monetary dimensions. The challenges are also a matter of ethics/ideology in the sense that some citizens and social movements question mainstream ideological orientation. Even establishment actors may be divided and uncertain in their ideological orientations. This is so for the present dialogue about sustainable development or in relation to new demands on business corporations discussed in terms of Environmental Management Systems (EMS) and Corporate Social Responsibility (CSR) for example.

Political Economic Person and Political Economic Organization Assumptions

Neoclassical economists study various aspects of what they refer to as the ‘economy’ or the ‘economic system’. This refers to the interactions of households and firms in markets for commodities and factors of production with the state in a role as regulator. Politics and democracy are then peripheral considerations connected with other disciplines and other parts of society. This reductionism where politics is separated from economics as much as possible of course plays an ideological role. Our present perspective suggests that reference should instead be made to a ‘political economy’ and ‘political economic system’. The market is embedded in a democratic society (or in some cases in a dictatorship). In the constitutions of many countries, the primacy of democracy over market is declared. This is so for Sweden, other countries in the European Union and the EU itself. The imperatives of democracy are considered fundamental for a

functioning society in the political sphere and this political sphere is not limited to the election of members of parliaments. While we may describe certain countries as relatively well functioning democracies, democracy is always threatened by groups aiming at monopolistic power in segments of society or society at large. As we all know there are countries where power is in the hands of the few. This is called dictatorship.

What does the primacy of democracy over market mean for our present discussion about conceptual and policy issues? One first step is to understand that we cannot be content with a view of individuals exclusively related to markets. Economic Man has to be replaced by a political economic person (PEP). It is an individual with many kinds of roles and relationships. The individual is a citizen who relates directly to our democracy perspective but perhaps also a parent, a professional, a member of a social movement etc. In her thinking and action, as part of all these roles, relationships and connected contexts, the individual is an actor guided by her ‘ideological orientation’. As we all know, politicians and political parties discuss various issues in terms of ideologies that they support or dislike and members of the electorate are expected to listen to them and to think in similar terms. In a democracy, ideally all individuals should furthermore be responsible persons concerned about politics and ideology. Ideology or rather ideological orientation is therefore a concept that can be applied also to individuals. This ideological orientation is certainly not a mathematical objective function to be optimized. Qualitative, quantitative as well as visual elements are involved. It is rather fragmentary, uncertain, even contradictory and divided, but still useful in guiding action. Self-interest is involved (and more so for some individuals) but also the interests of others. Our individual wants to be accepted in specific social contexts, for example among market actors to whom he or she is related. Reference to ideological orientation is thus a way of bringing in issues of ethics and responsibility in a larger context³. The title of the Brandt land report *Our Common Future* [4] is a reminder of this. Human rights and the rights connected with democracy are part of this and they refer to all members of a society. Here we are far from the exclusive focus on self-interest as part of Economic Man assumptions.

The only organization considered in neoclassical microeconomic theory is the firm and the firm is assumed to maximize monetary profits (in the interest of shareholders). Here again something more and different is needed. A political economic organization (PEO) is suggested i.e. an actor guided by its ideological orientation or mission. The debates about Corporate Social Responsibility (CSR), Environmental Management System (EMS), Fair Trade and similar issues become meaningful as part of an organization’s mission. Not only organizations that can be understood as firms are part of the political economy but also universities, Greenpeace and other environmental organizations, churches are PEOs for whom responsibility issues can be discussed. Are universities (compare University Social Responsibility, USR) always acting in a responsible way?

A political economic organization is understood as polycentric and complex with many individuals involved, each with her ideological orientation. While there are common interests connected with the mission, also tensions normally exist between individuals

³It should be noted that the word ‘ideology’ is often used negatively in the US context as ‘simplistic fundamentalism’. One example of such use of the term is John Ralston Saul’s (otherwise excellent) book *The Unconscious Civilization* (1995). In Europe ‘ideology’ appears to be used mainly in a broader sense to include also positive patterns of ideas. Means-end relationships that represent compromise are considered to be as ideological as extreme positions.

and groups, tensions that often are good for a creative dialogue while being difficult to handle in other cases. Politics and democracy is clearly relevant also within the organization and not only in relation to the external society.

Decision-Making and Efficiency in a Democratic Society

Part of human thought processes and behavior patterns is habitual while another part is a matter of conscious choice between alternatives. Decisions are somehow involved also when habits are initiated and become established. At issue is now how one can think of decision-making in a democratic society. Once more the concept of ideological orientation comes to the fore.

In Figure 1, decision-making is understood in terms of a ‘matching’ process between on the one hand an actor’s ideological orientation and on the other hand expected impact profiles of each alternative considered. Decision-making is closely connected with search processes which may modify or change not only the set of alternatives considered with expected impacts of each alternative but also the guiding principle in terms of ideological orientation. The ideological orientation of an actor then is not given from the beginning but may be reconsidered as part of the search process. The actor as decision-maker is looking for a good fit between her ideological orientation and specific alternatives. Instead of thinking in terms of ‘matching’, the actor as decision-maker can consider ‘compatibility’ between ideology and alternatives, look for ‘appropriate’ alternatives or think in terms of ‘pattern recognition’. Desired patterns are then compared with available patterns in terms of alternatives with their impacts.

Neoclassical economists often argue in efficiency terms suggesting that one alternative in a decision situation in an objective sense is more efficient than another. Reference is made to neoclassical theory and method and the whole thing is looked upon as a matter of expertness. It can also be described as technocracy as opposed to democracy. Cost-Benefit analysis (CBA), for example, is used at the societal level to estimate the monetary present value (or Benefit-Cost ratio) of each alternative considered and to rank alternatives in a clear-cut way. A kind of societal monetary profitability analysis is carried out. But to compare different alternatives and arrive at one alternative as the best from the point of view of efficient resource allocation one has to refer to specific values or a specific objective function. It has to be assumed that there is consensus in society about the values or ideology built into the objective function.

In the case of neoclassical CBA, impacts are valued in terms of actual (or hypothetical) market prices. Today, it is, or should be, accepted that there is no consensus about market valuation and the prices to be applied. How relevant are present market prices if one is concerned about impacts on future generations? There is no consensus about a focus on markets when approaching issues related to sustainable development, for example. Ezra Mishan, [5,6] himself a textbook writer on CBA (1971) later (1980) admitted that for the CBA to be applied there is a need for a consensus about the

rules of valuation that go into the method. He then added that clear differences of opinion in relation to environmental issues make it unrealistic to expect such a consensus. A Norwegian economist, Leif Johansen, at an early stage identified the values that go into CBA as a “net-value added” or GDP-growth ideology [7]. Today we know that a simplistic pursuit of GDP-growth is controversial, to say the least. It clearly differs from some interpretations of sustainable development.

Positional Analysis as A Way of Illuminating an Issue

Having rejected CBA as not compatible with democracy one has to look for an approach that better ‘matches’ the imperatives of democracy. I suggest that Positional Analysis (PA) is such a method. PA starts from the recognition that actors, stakeholders, politicians differ with respect to ideological orientation and that such differences should be respected in the analysis. Rather than ‘solving’ the problem in a technocratic sense, the idea is to ‘illuminate’ an issue while dealing systematically with essential features of its complexity. A limited number of ideological orientations, perhaps three or four, are identified and articulated as being relevant to decision makers and other actors concerned. Any conclusions then become conditional in relation to each ideological orientation. For ideological orientation A, the alternatives considered are ranked in one way while ideological orientation B suggests a different ranking. Specific decision makers may hold an ideological orientation that is not directly represented among those considered in the analysis but the analysis carried out is hopefully still of value for them (compared to a CBA study, for example).

It is not possible here to go through all the parts of PA [8, 9]. The main idea is however to illuminate an issue in a multi-faceted and multidimensional way through dialogue with those affected and concerned. Alternatives are identified, expected impacts are described keeping monetary and non-monetary impacts separate and conflicts of interest are identified. Ideally, decision makers should know before they are making a specific decision what they are doing, for example possible irreversible impacts in non-monetary terms. They should be encouraged to not only consider directly affected interests but also how alternatives match their ideological orientation in a broad sense. Is a specific alternative compatible with sustainable development defined in some way? If sustainable development is accepted as a goal at the UN or global level, in the EU or nationally then this consideration has to be brought into local decision making as well.

Only one more feature of positional analysis will here be commented upon. Non-monetary indicators and impacts are considered equally ‘economic’ as monetary ones. Impacts do not become ‘more economic’ by putting a price in monetary terms on them. In this way ‘economic analysis’ gets a new meaning where disaggregation is preferred. In Table 1, a distinction is made between monetary and non-monetary impacts and another distinction between flows and positions. A flow refers to a period of time while a position (or state) refers to a point in time. GDP exemplifies a monetary flow (‘a’ in Table 1) while the assets and debts of a business corporation exemplify monetary positions (‘b’). Pollution from a factory can be expressed as non-monetary flows (‘c’) and the state of an ecosystem at a point in time is a non-monetary position (‘d’).

	Flow (referring to period of time)	Position (referring to point in time)
Monetary	‘a’	‘b’
Non-monetary	‘c’	‘d’

Table 1: A classification of indicators and impacts in economic analysis.

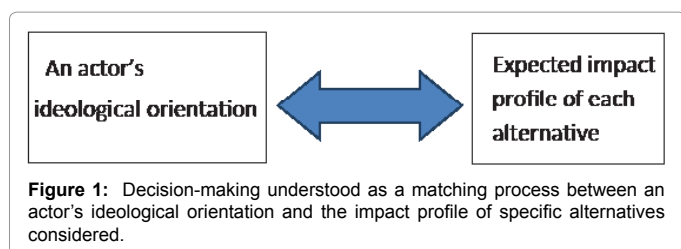


Figure 1: Decision-making understood as a matching process between an actor's ideological orientation and the impact profile of specific alternatives considered.

	Cost	Benefit
Monetary	'e'	'f'
Non-monetary	'g'	'h'

Table 2: A classification of costs and benefits for purposes of economic analysis.

	Assets	Debts
Monetary	'i'	'j'
Non-monetary	'k'	'l'

Table 3: A classification of assets and debts in economic analysis.

Positional thinking in non-monetary terms is judged essential to incorporate inertia, path dependence, commitments, lock-in effects and irreversibility into the analysis. Building a new road on agricultural land is an irreversible change that can be illustrated in positional terms. For each piece of land affected, expected changes in use and future options can be illustrated and the mentioned aspects of inertia discussed. As part of Positional Analysis, decision trees in positional terms can be used to illustrate how first stage alternatives and moves will have different impacts upon future positions and options [10]. This kind of decision-trees differ from decision-trees as part of conventional game theory where impacts are illustrated in terms of 'pay-offs' (rather than changes in non-monetary and monetary positions).

Costs and Benefits in New Light

From the point of view of one actor (or party) with her ideological orientation it is meaningful to speak of 'costs' and 'benefits' in relation to a decision situation. Such costs (benefits) may be monetary or non-monetary in kind (Table 2). They may be expressed in quantitative, qualitative or visual terms. The idea of handling all impacts in monetary terms is abandoned in favor of a more complex conception of costs and benefits. Multidimensionality, uncertainty, even ignorance and the recognition of conflicting ideological orientations opens the door not only for quantitative measurement but also for subjective judgment.

Non-monetary costs are as 'real' (or perhaps 'more real') as monetary costs. Consider a case of road-planning where a motorway is built on agricultural land. Monetary construction costs are involved as well as monetary operation costs. But the transformation of a specific number of hectares of agricultural land to asphalt surface and other purposes may also be considered as a cost, more precisely a non-monetary cost. The importance of this non-monetary cost and other non-monetary costs and benefits in relation to monetary costs and benefits becomes a matter of your ideological orientation. Some actors may not bother about these non-monetary aspects because they are not so easy to handle or for other reasons. Other actors may see them as essential parts of a total valuation.

Another aspect of the mentioned complexity is that what is regarded as a 'cost' for some actor may be neglected or regarded as a 'benefit' for other actors. Again this has to do with differences in ideological orientation. For some of us who take the threat of climate change seriously, projects involving exploitation of oil close to the North Pole is clearly a cost while oil companies (who are not yet taking CSR seriously) see it as a chance of receiving huge benefits and profits in monetary terms.

These examples illustrate how the CBA idea of aggregating all kinds of impacts in monetary terms into a so called present value – while responding to the technocratic motives of some economists – is

highly questionable, if not dangerous, to society.

Assets and Debts in Economic Analysis

Market models in terms of supply and demand tend to be a historical. Equilibrium stands for some mystical instantaneous situation neglecting what went before and what follows next to the equilibrium situation. The neoclassical model is empty with respect to the resource positions of market actors at different points in time. We need to also consider assets and debts, both in positional terms, to complete the picture. In business accounting and when dealing with the situation of nations, monetary or financial assets and debts are certainly considered. Table 3 suggests however that we should also focus on non-monetary assets and debts (cf. 'k' and 'l').

In positional analysis, all kinds of impacts are considered (Table 1) but as the name of the approach suggests, positional thinking and not least reference to non-monetary positions is at the heart of the method. These days the financial assets and debts of various nations, in the Euro-zone and elsewhere, are very much discussed and it has become clear for many that this cannot be dealt with in neoclassical mechanistic terms but is a matter of ethics and ideology. Not only nations but also individuals, families and organizations suffer or benefit from these recent developments. This means that a conceptual framework in terms of assets and debts is relevant also for the study of PEPs and PEOs. A macroeconomic policy option may for example strengthen those who are already wealthy and weaken those who are vulnerable.

At the micro level, thinking in positional terms about assets and debts permits us to bring in issues of inequalities and ethics. What are the power positions in terms of resources and relationships of specific actors in the market place? Is market actor M1 exploiting her superior power position in relation to market actor M2? Is fairness for example in the form of 'fair trade' an issue for any of the trading parties or for both of them? If M1 is a company – has this organization committed itself to CSR or specific certification schemes?

Present institutional framework for international trade and globalization under WTO has opened the door not only for exchange of manufactured goods but also for purchase of land and exploitation of natural resources. China or Chinese corporations can buy land in Africa, so called "land-grabbing" and international corporations hosted in Canada can exploit mineral resources in Sweden with connected pollution of water, air and soil. Thorstein Veblen's early questioning of "absentee ownership" is relevant here. It appears clear that democracy will not function so well with the owners located in far-away countries who in addition pursue narrow profit motives. As part of our emphasis on the right of each actor to formulate her own ideological orientation, the position of a country such as Sweden or Kenya with respect to ownership of land and mineral resources becomes an issue. A citizen as actor may even consider it as a negative thing and a "cost" when foreign narrow minded market actors buy land within her nation of residence. The neoclassical conceptual framework and ideology is silent about such transactions.

Market Behavior Based on Ideological Orientation

The neoclassical model of markets in terms of supply and demand is, as we have seen, based on simplistic assumptions about the behavior of firms and consumers as market actors. The model is mechanistic in the sense that firms and consumers are interacting like molecules. This supply and demand model may still be useful depending upon purpose of study but only as one among competing market models.

If the purpose is to make individual market actors invisible, a mechanistic model has something to offer. But recent debates about sustainable development, Corporate Social Responsibility (CSR), Environmental Management Systems (EMS), Fair Trade etc. suggests that the ethics and ideological orientation (or mission) of market actors is considered and to some extent made visible by actors in the market place or by outside observers.

Neoclassical theory is based on far-reaching beliefs in the functioning of markets. Reference is made to “equilibrium” and some balancing between supply and demand of commodities. While it is believed that each one of seller and buyer is content with a transaction, it is also admitted that there may be “market failures” in some situations where third parties are affected. This is what is referred to as (negative or positive) externalities or external effects (Figure 2). In addition to market failures in the form of negative externalities, neoclassical economists mention the possibility of “government failure” in cases where activities that are subsidized by government have negative impacts on welfare (defined in a neoclassical way). Such subsidies should be eliminated whereas the idea in the case of negative externalities is that impacts that are external should be “internalized” into the market transaction through government charges. Direct payment to those suffering by the actors involved in the market transaction is another option. The impact on third parties is then understood as a single negative ‘commodity’ to be compensated for. In reality there are many kinds of impacts and groups who are affected in different ways. Third party impacts are often multidimensional and complex. They may affect ecosystems and the environment in a broader sense. Neoclassical economists furthermore hold ideas about how environmental impacts should be valued in monetary terms. Again we are facing the technocratic tendency of neoclassical analysis.

Something more is needed than the neoclassical market model. I suggest that the pros and cons of four models can be considered:

1. Markets in terms of supply and demand
2. Markets in stakeholder perspective
3. Markets in network perspective
4. Markets in relation to ideological orientation (political economics perspective)

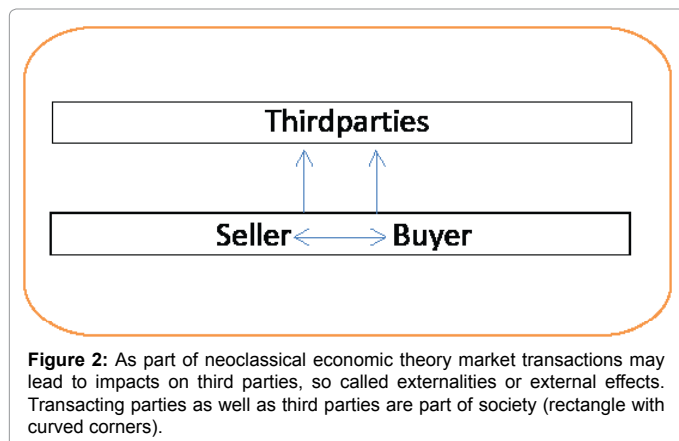
Market models 2, 3 and 4 are complementary in the sense that each can add to our understanding of markets. A stakeholder perspective suggests that a market actor, such as a business corporation, is not completely hierarchic but can be understood as made up by stakeholders with partly common, partly conflicting interests. Those

who are employed in a company may have objectives that differ from shareholders. Something similar is true of suppliers and customers. Also residents of the local community where the production plant is located are among stakeholders. The stakeholder model is often attributed to Edward Freeman [11] but in Sweden references to stakeholders as interested parties can be found much earlier [12].

Neoclassical international trade theory is normally unquestioned. An attempt is made to explain why trade in the sense of exchange of commodities is good for each of the trading nations. Reference is made to “comparative advantage” etc. But if we bring in a stakeholder perspective, it becomes unrealistic to refer to the interests of one nation in a clear-cut way. Many stakeholders and thereby special interests are involved in each of the trading countries. Outsourcing of production from Sweden to another country, let us say India, may imply losses of jobs in Sweden, pollution of water in India etc. It is easy to understand that more interests than one are involved in each of the trading countries.

The network model focuses on the fact that a specific transaction is often part of a prolonged relationship. Market actors may cooperate in networks of relationships for example in the form of supply chains. Recognizing that you are part of a network is a way of accepting that members of the network depend upon each other. An actor may consider such interdependence positively or negatively and the network model of a market may mean that market actor M1 bothers about the performance of other actors M2, M3 and M4 in the same network. The power position of M1 may be such that it can exploit less influential actors, for example M2 and M3, but M1 may choose to take it easy when it is in the interest of M1 to continue cooperation with M2 and M3. The network perspective has been articulated in the case of international business research (Ford ed. 1990). As we all know transnational corporations (as the term indicates) are present in many countries, suggesting that trade that crosses national borders often reflects transactions between units within one corporation. Again this network model adds to our understanding of markets and questions the simplistic neoclassical approach.

The fourth market model in our list, a democracy-ideology model with ideological orientation as a key concept brings us back to market actors as PEPs and PEOs. A political economic person is guided by her ideological orientation in market and non-market behavior whereas a political economic organization refers to its mission. Monetary as well as non-monetary aspects are part of the mission. The democracy perspective implies that each individual as citizen and in other roles has the right to articulate and express her specific ideological orientation in relation to market and non-market behavior. Listening to stakeholders as previously described is a matter of considering specific interests attributed to specific parties. Listening to citizens, social movements, political parties etc. means that you bring in actors that do not exclusively refer to specific and limited interests but who have their ideas of what is preferable or good for society at large. Taking democracy seriously then means that each individual can question the values or ideas of welfare built into neoclassical theory generally, the supply and demand model of markets or the theory of comparative advantage of neoclassical international trade theory. Normal imperatives of democracy encourage us to participate in a discourse about what is good for society as a whole. Mainstream approaches as well as alternatives should be scrutinized. Economic growth ideology can be compared with specific interpretations of sustainable development.



On the Meaning of Democracy

Some observers are worried about the role of democracy in relation to markets. A group of scholars from the Czech Republic edited a book with the thought-provoking title *Is Globalization Overpowering Democracy? The Challenge for Ecology, Economy and Culture* [13] was the fundamentalism of the Soviet system being replaced by a new kind of fundamentalism with expansion of transnational corporations and globalization of markets as key considerations? It is clear that the role of democracy in relation to economics need to be discussed (rather than avoided as in neoclassical textbooks). A lot has been written on the meaning of democracy and it is fair to argue that democracy is a contested concept (like many other concepts referred to in social sciences).

A minimalist understanding of democracy refers to basic human rights, freedom of speech, rights to organize for political purposes and a community founded on the rule of law. Rules are established concerning processes for free political elections to local and national parliaments. This part of democracy is certainly important and we hear repeatedly of cases in some countries where such basic democratic rights are not observed or respected. But democracy is relevant for public policy in a broader sense. Considering policy for sustainable development, it is here argued that such policy begins with individuals as citizens and political economic persons. Actually, our political economic perspective is designed to be compatible with democracy and a serious discussion of ideological options at various levels from the individual through organization, local community to national and global communities.

Politics then starts with individuals, their ideological orientations and perceived responsibilities. Also organizations and their missions are relevant. This point of departure suggests the importance of social movements and ideological dialogue. Does sustainable development enter seriously into public dialogue in a local or national context? As we all know, a power game is going on between various groups of actors at specific arenas, such as newspapers, radio and television channels. Mainstream arguments appear to be welcome at many places: "The most important consideration in the present situation is economic growth. With GDP-growth, there will be more jobs and unemployment will go down." Employment is certainly important in the present political economic system but improved levels of employment can be achieved in many ways and there are also other arguments to be made.

From the point of view of an actor as PEP, there are limits as to what he or she can say or write in any specific arena or social context. But a given actor is related to more than one arena or social context and will hopefully be able to participate in dialogue at some places. Costs and benefits, largely in non-monetary terms are associated with attempts to enter into the debate that goes on in more or less established arenas. Such barriers to participation tell us that there are shortcomings or deficits even in cases where basic democracy rights are observed. Or to argue in positive terms: in any country or local society there are many ways of strengthening performance when it comes to democracy.

Dialogue between actors as PEPs and PEOs will sometimes imply a reconsideration of ideological orientations or missions and that the actors get closer to each other. In the extreme case they may arrive at a consensus. But with Chantal Mouffe in her book *On the Political* [3], it is here argued that respect for divergent opinions and tolerance is at the heart of democracy. Tensions based on differences in ideological orientation are a normal thing and can even be understood as the life-

blood of a society. Creativity and new thinking thrive where there are some divergences of opinion.

Ideological Orientation and Institutional Change Processes

In all societies, there are common understandings of various phenomena in terms of language and rules of behavior or action. When a segment of actors interpret a phenomenon in a similar way and behave similarly in relation to the phenomenon, one may refer to an 'institution'. Institutions change more or less over time and in relation to sustainable development we can make a distinction between smaller changes corresponding to what has been called "modernization" of political economic system and "radical change" of political economic system.

The ideological orientation of an actor plays an essential role in both cases of institutional change. Ideological orientation stands for an actor's basic scheme of interpretation and action. The introduction of an Environmental Management System (EMS), such as ISO 14 001 in a business company can exemplify a case of "modernization", i.e. minor institutional change. Some actors in the organization realize at some point that performance of the company can be measured in other dimensions than money, for example environmental performance. They learn about the existence of EMS in other organizations. Interpreting environmental impacts as part of a certification scheme is manifested in different ways such as a modified language about performance (where also the environment matters). The new system may furthermore be manifested in organizational terms by appointing a person as environmental coordinator. Our company is connected with a certification organization which enters into an auditing role etc. The whole process can be described as a chain of interpretation – acceptance – manifestation. Adding one more organization contributes to the legitimacy of the certification system. EMS as a broader category, or ISO 14 001, may be strengthened over time or loose adherents as part of a 'competition' with other systems and institutions.

Radical institutional change for sustainability is a matter of ideological orientation and phenomena of a more fundamental kind. I suggest a focus on three levels:

- Ideas about science in relation to politics
- Paradigm in economics
- Political and other ideology

It is argued that dominant ideas of science, dominant economics paradigm and dominant political and ideological orientation in a society together largely explain the dominant political economic system in that society. If we wish to see some radical change for sustainable development, then we should try to articulate and strengthen alternative perspectives at all three levels. We need new ideas about science in relation to politics, new and complementary ideas about economic theory and an ideological orientation where values connected with sustainable development become dominant.

At issue is now whether there are politicians willing to discuss and seriously consider radical change in political economic system. Let us take a look at a UN document prepared for the recent Rio de Janeiro conference as an example [16]. Politicians from different parts of the world cooperated to present their views and proposals for action. The panel of 22 established politicians was led by Tarja Halonen from Finland and Jacob Zuma from South Africa. The politicians

certainly demonstrated a concern for sustainability issues and a list of 56 proposals for action was presented. I have elsewhere commented on the report [14]. It can be described as a consensus report which belongs to the mainstream “modernization” interpretation of sustainable development. Mainstream recommendations are certainly of interest when they reflect an understanding of sustainability issues. But more fundamental perspectives that can open the door for radical change are largely avoided in the report. Theories of science that open the door for subjectivity (hermeneutics, narrative analysis, social constructivism) or a new relationship between science and politics are not discussed; there is no sign that the politicians and their assistants from UNEP know anything about alternatives to mainstream neoclassical economics (Environmental impacts are discussed as single pollutants and “externalities that should be internalized” etc.) and the present dominance for Neo-liberalism as a kind of market fundamentalism is not discussed. There is no criticism of present globalization trends or the power of transnational corporations. The UN document then, which was planned as a follow up of the Brundtland report is of some interest since it points in the right direction but does not add much in terms of ideas about radical change.

Sustainability politics–A conceptual frame of reference

In Table 4 essential parts of the previous argument for a different and complementary economics is summarized. As economists we need to reconsider and broaden our views about the individual or human being, about the organization, market, our understanding of the act of making a decision, how decision-making at the societal level can be approached and about how to understand options with respect to institutional framework.

In neoclassical economics, politics is connected with alternative policy instruments at the national level. Our view is instead that politics begins with the ideological orientations of individuals as actors. Avoiding a discussion of the role of science in relation to politics, of competing theoretical perspectives in economics and of ideological options in society is a serious mistake. If ideology is important for politicians then it certainly also matters for actors in other roles who bother about the society in which they live. It is not enough to discuss unsustainable trends at the level of environmental degradation or lack of equality, problems may exist also at the level of perspectives. Neoclassical economists want us to rely on them as experts but if the monopoly position of neoclassical theory in introductory textbooks is part of the problem then there are reasons to act. Similarly, the dominance of Neo-liberalism may function as a barrier to sustainable development.

Sustainability politics–A personal, political view

	Neoclassical economics	Institutional economics
Individual	Economic Man	Political Economic Person (PEP)
Organization	Profit-maximizing firm	Political Economic Organization (PEO)
Market	Supply and demand as forces	PEPs and PEOs as market actors
Decision-making	Optimization	Matching
Approach to decisions in society	Cost-Benefit Analysis (CBA)	Positional Analysis (PA)
Institutional framework	Economic system	Political economic system

Table 4: Comparing some essential aspects of neoclassical and institutional economics.

Our PEP-assumptions are also applicable to professors and other scholars who participate in the development dialogue. Recognizing that values are with us suggests that we should openly discuss our beliefs and preferences about how to approach the present ecological crisis and connected sustainability issues.

Emphasis on democracy as a meta-ideology is a first recommendation. In all societies there are establishment or mainstream actors whose main concern appears to be to strengthen their own power positions. Too many of them tend to forget about or downplay the need for a strengthened democracy. Also university departments of economics need to move some steps away from technocracy toward democracy. Pluralism with respect to theoretical perspectives and methods is a key concept to accomplish this [15].

My second recommendation is closely related to the first one. In a situation where we are faced with complex sustainability issues we should not be afraid of ideological dialogue. Such debate is a way of learning even in situations where there is an element of antagonism between actors and their arguments. How can we better articulate sustainable development as an ideological option?

A selective view on the pros and cons of globalization is my third recommendation. In some fields globalization is highly questionable and goes contrary to local and national control (of natural resources for example) and democracy [16].

The candidates for major institutional change are many, some of whom have been mentioned. International organizations such as the WTO belong to this category. University departments of economics are a second category. At issue is also whether joint stock companies which according to law should focus on financial performance are miss-constructed in relation to present sustainability challenges that are largely non-monetary in kind. Banks are no exceptions from this demand. How can banks and other financial institutions be controlled and regulated to avoid some of the problems we see today? [17]

Mainstream actors, be they business leaders, politicians or university professors too often behave tactically. Issues that are perceived as controversial are avoided. But what we need most in the present situation is an open discussion of all kinds of opportunities for the future. We are then back to the importance of a strengthened democracy not only in establishment circles but on all kinds of arenas.

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