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Can economics research and education contribute to strengthened democracy?

Introduction

Democracy as a set of rules for good governance is playing an important role in large parts of the world. But in some places and in some respects, democracy is threatened. Is this a concern for economists and for economics as a science? The tendency so far has been to downplay issues of democracy and to leave them to other social sciences. Contrary to this strategy, it is here argued that economists and economics can – and should – play a more constructive role in strengthening democracy locally, nationally and even internationally.

Democracy is a multifaceted concept. It can be understood in relation to its opposite, 'dictatorship'. Dictatorship is about concentration of power in the hands of a small number of persons whereas democracy is built on ideas about division and distribution of power. Different roles are ascribed to citizens, politicians, bureaucrats, judges, journalists and scientists who all need to respect each other. Also, actors representing business interests have a role and the list can be extended. Democracy is connected with a legal system where human rights, such as freedom of speech, voting rules etcetera are specified.

Democracy can also be understood in relation to 'technocracy', another view of concentration of power. Technocracy stands for extreme reliance on experts who point to "optimal solutions" and recommend their implementation. These optimal solutions are not neutral but necessarily reflect a specific ideological orientation. While actors with expert knowledge certainly have a role, democracy is about citizens and different actor categories being encouraged to participate in decision-making and public dialogue. The starting point is that values and ideological orientation differ between interested parties and other concerned actors and that such differences should be respected. Conflicts of interest are normal and should be made visible. Rationality becomes an issue of an actor's ideological orientation.

In economics education there is a close to monopoly position for one paradigm, so called neoclassical theory. This dominant paradigm has been with us for a few decades. And textbooks in economics are presented as if they were neutral and uncontroversial in value or ideological terms (e.g., Mankiw and Taylor, 2011). Among economists, Gunnar Myrdal has questioned this belief in, or assumption about, value neutrality (1978). He points to the fact that each researcher or teacher in economics makes several decisions about what problems to study, the conceptual framework to be used, method, presentation of results and how to conclude the study. At all these stages, “valuations are with us”. Science alone cannot tell us how to make these decisions. We also need a viewpoint and ideological orientation.

This suggests that each paradigm is specific in conceptual and ideological terms. Limiting attention to one paradigm can therefore be questioned in relation to normal ideas of democracy. University departments of economics need to be opened to heterodox approaches in economics (Beker, 2020, Reardon ed., 2009, Decker et al. eds, 2020) and to other social sciences with their paradigms.

Ideology and ideological orientation as key concepts

As previously argued, mainstream economists are reluctant to deal openly with fundamental value issues in society. But if some challenges, such as sustainable development are value issues, then one needs to discuss alternatives at the level of ideology or ideological orientation. Fortunately, it is possible to find single respected economists who depart from the mainstream in this respect. In her early book *Economic Philosophy* (1962), Joan Robinson uses the word ‘ideology’ while pointing to similarities between economics as taught in universities and the dominant political dialogue in each period. Later Douglass North defined ‘ideology’ in his book *Institutions, Institutional Change and Economic Performance* as follows suggesting that “all people” somehow refer to ideologies: (1992, pp. 3-4, italics in original)

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 religion, the *theories*

individuals construct are *colored* by normative views of how the world should be organized.

In the more recent book *Capital and Ideology*, Thomas Piketty focuses on justice and equality issues where there evidently are competing views. Piketty defines 'ideology' as follows (2020, pp, 3-4):

I use "ideology" in a positive and constructive sense to refer to a set of a priori plausible ideas and discourses describing how society should be structured. An ideology has social, political and economic dimensions. It is an attempt to respond to a broad set of questions concerning the desirable or ideal organization of society. Given the complexity of the issues, it should be obvious that no ideology could ever command full and total assent: ideological conflict and disagreement are inherent in the very notion of ideology. Nevertheless, every society must attempt to answer questions about how it should be organized, usually on the basis of its own historical experience but sometimes also on the experiences of other societies. Individuals will usually also feel called on to form opinions of their own on these fundamental existential issues, however vague and unsatisfactory they may be.

There are ideologies dealing with "fundamental existential issues" as mentioned by Piketty, but 'ideology' and 'ideological orientation' is here also used for everyday decision-making in guiding behavior of individuals and collectivities. Cognitive, affective and behavioral patterns of individuals on their own or as actors in organizations is understood in political terms with conflict between ideological orientations as a normal state of affair in a democratic society.

The neoclassical paradigm as ideological orientation

The main agents or actors in neoclassical theory are 'consumers' and 'firms' and they interact in 'markets' for commodities, labor and capital. Consumers are assumed to maximize self-interested utility whereas firms maximize monetary profits. Markets are understood mechanistically in terms of supply and demand. Perfect competition is celebrated but there are also options for the national government to interfere in markets. At the national level, growth in Gross Domestic Product (GDP) is the main indicator of progress.

Is this perspective neutral in ideological terms? Narrow motives are assumed for actors, making such motives legitimate (Aldred, 2019). Market solutions are emphasized with commodification and privatization. The ‘prosperity’ of a society is understood in terms of GDP-growth and the whole approach is close to the much-criticized ideology of neoliberalism (Passet, 2000, Giroux, 2004, Williams, 2005, Lapka et al. 2007).

Sustainable development as ideological orientation

Sustainable development is a multidimensional idea of progress sanctioned by the United Nations with no less than 17 sustainable development goals (SDGs) and a 2030 Agenda for sustainable development (United Nations, 2015). In addition to multidimensional thinking about impacts, SD is about broadening ethical concerns to potentially include people and ecosystems expected to be affected locally, regionally, nationally and globally in a positive or negative way (Table 1). This idea of broadening ethical position goes against the narrow interests made legitimate by mainstream neoclassical economics. Impacts are potentially relevant not only in the home region and the present generation ‘a’ but also in other regions (‘c’ and ‘d’) and for future generations (‘b’ and ‘d’).

Table 1. Ethical concerns can be extended in different directions.

	Present generation	Future generations
Home region	‘a’	‘b’
Other regions	‘c’	‘d’

Positional thinking (Brown et al. 2017) focusing on avoiding or reducing irreversible degradation of the state of human health, ecosystems and natural resources for the present and future generations is a third component of attempts to get closer to sustainable development (Söderbaum, 1980, 1982). Some negative changes in positional terms are reversible, others are irreversible. Impacts on the non-monetary side, such as land-use changes, are of particular importance in relation to sustainability.

Decision-making as a matching and multiple-stage process

The behavior of individuals can be understood in positional terms. A Global Positioning Systems (GPS) can inform us about the position of an object in

space. But we are not only interested in changes in geographic position of individuals and organizations but also about changes in position of cars, ships and airplanes. Studies in positional terms are relevant for many kinds of dimensions (connected with the United Nations 17 SDGs), such as the status of individuals in social systems, the health status of individuals or the ecosystem of a lake or its state of pollution. Loss of biodiversity can be described in positional terms and the same is true of various indicators of climate change. Positional changes are the result of the habits of thought of various actors but are also connected to conscious decisions.

Decision-making is here understood as a 'matching' process between an actor's ideological orientation (be it fragmentary and uncertain or complete and fixed) and the expected impact profile in multidimensional terms of each alternative considered. Impacts are described in non-monetary or monetary terms and as flows (referring to periods of time) or positions (referring to points in time).

Positional changes are of special importance in relation to efforts to make development sustainable. Positional thinking and reference to irreversibility or difficulties to later return to previous states (if desired) suggests that it is relevant to regard decision-making as a 'multiple stage decision process' (Brown et al., 2017). Some changes are reversible in the sense that it is possible to later return to something close to a previous position. An ecosystem that is damaged or an individual diseased may heal by itself or through help from outside. Reference can be made to 'resilience'. But in other cases, there are problems that will last for a long time. And sustainability is about avoiding such long-term damage as well as possible.

Ecological economics as paradigm and ideological orientation

Democracy stands for pluralism and reminds us that there is more than one paradigm with connected ideological orientation to consider. But in the role as economist, I am necessarily also guided by my own ideological orientation, and I make my own judgments about the usefulness of one paradigm when compared with another. As I see it, sustainability issues such as climate change, pollution of air, land and water as well as pandemic represent extremely important and difficult challenges. This suggests that it is legitimate to socially construct a paradigm useful in relation to sustainability issues of the

mentioned and other kinds. A specific version of ecological economics is proposed.

Economics needs to be understood in multidimensional terms and in an ideologically open manner. I suggest that economics is defined as “multidimensional management of limited resources in a democratic society” (Söderbaum, 2019, 2021a). The monetary dimension plays a central role in neoclassical theory and analysis. Monetary impacts are still important as part of the present ecological economics perspective but ‘monetary reductionism’ (where all kinds of impacts can be traded against each other) is avoided. To put a price tag on each impact and use a specific discount rate as in neoclassical Cost-Benefit Analysis (CBA) means that decision-makers are faced with an ideologically manipulated aggregated result. Some decision-makers may understand and share the ideological orientation built into CBA but for others concerned about various non-monetary (social, health, ecological etcetera) issues, the CBA calculation may be regarded as systematic loss of information. A disaggregated presentation of results appears preferable. The relative importance of specific expected impacts then becomes a matter of each decision-maker’s ideological orientation. But each decision-maker or other actor is part of a social and political context which may include commitments to the ideology of sustainability (understood and described in a particular way) at the local, national and global levels.

The democracy aspect of our definition of economics can be regarded as a recognition that values are always with us, and that economics is always political economics. Ideology is involved and ideological orientation becomes a key concept. From a democracy point of view, actors in the economy are ‘political economic persons’ and ‘political economic organizations’. Individuals are understood as political actors guided by their ‘ideological orientation’ and organizations are actors guided by an ideological orientation or ‘mission’. Organizations are of different kinds and not limited to ‘firms’ in a neoclassical sense. There are public organizations and there are organizations focused on sustainability issues, GREENPEACE being one example (Bode, 2018).

‘Ecological economics’ is a theoretical perspective or paradigm that can be described as economics for a specific ideological orientation, namely sustainable development. It is an attempt to politically respond to the sustainability challenges. Ideological orientation is understood in a narrow or broad sense as a means-ends philosophy guiding thoughts and behavior. While

reference to 'value' (generally understood in monetary terms) is frequent in neoclassical theory and method, 'ideological orientation' is the concept emphasized in the present essay.

The ideological orientation of an actor may change over time, and it normally differs between individuals and organizations as actors. Rather than looking upon ideological orientation as an empty concept (like 'utility' of consumers in neoclassical theory), ideological orientation is something to be investigated in each case. The ideological orientation (or mission) of an actor can be compatible with sustainable development defined in some way or alternatively with traditional ideas of progress and prosperity. As part of our emphasis on democracy, actors in society are potential activists and policymakers, related to other actors in a game with competitive and cooperative elements.

Conclusions

Neoclassical economics with its conceptual framework and language has played a dominant role for decades in explaining the functioning of political-economic systems in single nations and internationally. Actors in different roles, such as citizens and politicians, are still essentially informed by indicators of progress connected with the neoclassical conceptual framework, such as GDP-growth and monetary profits in business.

These days it is increasingly understood that our political economic systems have failed in important respects. The "demand" for indicators of progress is changing. Traditional monetary indicators connected with neoclassical economics are no longer enough. Sustainable development as a challenge point in the direction of several non-monetary indicators as needed.

University departments of economics need to respond to this new situation. The illusion of value-neutrality must be abandoned. Each paradigm is specific in scientific and ideological terms. This suggests that only pluralism (or 'paradigm co-existence') is compatible with a democratic society. The monopoly position of neoclassical theory at university departments of economics can no longer be defended. Transdisciplinary approaches and heterodox versions of economics should be encouraged. It should furthermore be understood that universities and economics professors who limit "supply" of courses to neoclassical theory and method act as a kind of lobbyists for a paradigm and ideology that has failed in important respects.

It should finally be made clear that a move away from neoclassical theory toward ecological economics as presented here does not solve all problems. But new thinking in university departments of economics can play a constructive role among all factors influencing development (Söderbaum, 2021b).

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