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Schriften der Gesellschaft für Wirtschafts- und Sozialwissenschaften des Landbaues e.V.

Söderbaum, P.: Environmental, Rural and Agricultural Policies for Less Favoured Areas. What are the Lessons from Institutional and Ecological Economics? In: Hagedorn, K.; Isermeyer, F.; Rost, D.; Weber, A.: Gesellschaftliche Forderungen an die Landwirtschaft. Schriften der Gesellschaft für Wirtschafts- und Sozialwissenschaften des Landbaues e.V., Band 30, Münster-Hiltrup: Landwirtschaftsverlag (1993), S. 49-64.

ENVIRONMENTAL, RURAL AND AGRICULTURAL POLICIES FOR LESS FAVOURED AREAS. WHAT ARE THE LESSONS FROM INSTITUTIONAL AND ECOLOGICAL ECONOMICS?

von

Peter SÖDERBAUM*

Introduction

For a long time a majority of actors in various public domains believed it possible to treat environmental problems as secondary in relation to conventional goals expressed in terms of economic growth, employment, and price changes. It was also believed that environmental issues was the purview of specialists, for instance environmental economists, as part of a normal division of labour. Today we know better. Spokesmen for national governments have now acknowledged the primary role of environmental issues in development strategies as witnessed for instance by the UN conference in Rio de Janeiro in 1992 and numerous international treaties to limit pollution and safeguard ecosystem integrity. Similarly, an increasing number of actors are of the opinion that environmental issues must be dealt with as part of a holistic approach. As scholars or analysts we can still go on specializing, but each part has to be related to some form of totality and all of us have to form an opinion also at this holistic level. In a sense, each person in a democracy is responsible for the totality of development or societal change.

It is not possible here to examine in detail specific environmental problems. In broad and admittedly simplistic terms it can be argued, however, that the gravity of the problems on the global scale is related to the size of the human population and the life-styles of individuals (with related production and consumption activities) in various parts of the world. Human activities of production, consumption etc. are embedded in a global ecosystem or biosphere which is in essence a finite system. Physical resources are extracted from the ecosystem and waste and pollution are returned to it. Regarding this physical aspect, then, the global ecosystem has a 'source' and a 'sink' function in relation to the human sub-system with physical, man-made capital, etc. (GOODLAND, 1991, p. 16). These two functions are related, in the sense that a higher extraction of non-renewable resources such as fossil fuels will mean more pollution and waste and hence an increased pressure on the assimilative capacity and other service functions of the ecosystem.

As we all know, the global population has long been increasing and will continue to do so for some time. The average per capita load on the environment in most parts of the world is probably also increasing rather than decreasing. Although no one-dimensional indicator is available, it is presumably correct to argue that the scale of human activities is expanding. Supposing the "ecological space" on this planet is fairly constant, then the part of it occupied by humans is increasing in relation to other life forms. That non-human life forms are losing ground is indicated by losses in biodiversity. Some kinds of environmental

* Prof. Dr. P. Söderbaum, Departement of Economics, Swedish University of Agricultural Sciences, Box 7013, 75007 Uppsala, Sweden

degradation, which are the result of human activities, such as depletion of the ozone layer, may directly affect all forms of life and ecosystems.

In conclusion, then, there may be islands of success in implementing environmental policy - and Germany is regarded by many Swedes as a progressive country in this respect - but on the whole much remains to be done. Most, if not all, countries have some way to go before they can claim an ecologically sustainable society. It is true that the former planned economies in Europe face serious environmental problems in some respects. But it is not true that so-called market (or mixed) economies have overcome their problems. Materialistic and economic growth orientation has in many respects been similar in all parts of Europe and, more generally, in all industrialized countries of the world.

So, ecological sustainability is a major challenge for our present societies. In this connection, agriculture and forestry play a significant role. A sensible policy will mean that non-renewable resources like coal and oil will be levelled out, while renewables will gain ground. As part of this reorientation of development, the influx of energy from the sun plays a central role, together with the land surface and its various renewable resources. Although some areas may be 'less favoured' than others at some particular time and in some specific sense, the long-term prospects for most kinds of agricultural land would appear favourable. Assuming that knowledge about ecology and the environment plays a role (although one may sometimes wonder) in the formation of public opinion and for the decisions and behaviour of various actors, there are good grounds for optimism for many agricultural and forestry activities.

In relation to the environmental problems mentioned, the economist as a scholar may choose one of two strategies. One option is to rely exclusively on the mainstream neoclassical paradigm. According to this strategy, environmental problems and the concept of sustainability are interpreted and treated in ways which are compatible with established neoclassical thinking patterns. The result is a version of neoclassical environmental economics. A second option is to broaden one´s outlook to embrace alternative perspectives and paradigms, such as those connected with institutional economics or socio-economics. These perspectives may still represent minority currents within economics but are perhaps compatible with a mainstream within social science generally, in the sense that they are broadly compatible with developments within sociology, organization theory (as part of business administration) and political science.

I intend to rely mainly on an institutional strategy of this latter kind, but I shall not argue in favour of this institutional perspective as the sole 'correct' or 'true' paradigm. I believe that under present circumstances, pluralism and competing perspectives should be encouraged in economics. The perspective chosen could furthermore be described as an institutional version of ecological economics (cf. DIETZ and van der STRAATEN, 1992, OBSCHOR and van der STRAATEN, 1993). In fact the International Society for Ecological Economics with its associated journal Ecological Economics is a pluralistic project representing a forum for economists of various schools and ecologists or biologists of various schools. Other social and natural science scholars are also contributing in this attempt to deal constructively with issues of ecological sustainability.

Political economics and political-economic man

Economics is unavoidably political economics. No paradigm can claim value neutrality. "Valuations are always with us," Gunnar MYRDAL claimed repeatedly (1978, p. 778). "Disinterested research there has never been and can never be. Prior to answers there must be questions. There can be no view except from a viewpoint. In the questions raised and the viewpoint chosen, valuations are implied." (ibid., p. 779). It can be added that from the 1940s onwards, MYRDAL evolved into an institutional economist.

I share MYRDAL´s assessment of the fundamental role of the political element in economic theory and will here even go one step further. Taking this view seriously means that man as a professional (for instance a scholar), as a consumer, as a citizen or man in any other role is seen as a political being and that business companies or other organizations are seen as political entities. According to this view, policy, be it environmental or agricultural, begins with the individual in his or her different roles. Individuals may act collectively to pursue environmental or other goals not only through the state and public bodies, but also through private collectivities. Any business company or trade organization is a private collectivity, which may formulate and implement its environmental policy.

A symbolic representation of political-economic man is shown in Figure 1. It is assumed that for each individual, there are a set of relevant roles, R1 to Rk, a set of relevant activities, A1 to Al, and a set of relevant motives or interests, I1 to Im. The role R1 is assumed to be connected with activity (or set of activities) A1 and with interest (or set of interests) I1. For the individual, the complete set of roles is somehow integrated as parts of an 'identity', whereas the complete set of activities form a pattern referred to as a 'life-style' and the complete set of interests combine to form a 'valuational orientation' or 'ideological orientation'. Ideology refers here to ideas about means–ends relationships in the broader sense. Even 'world view' or 'Weltanschauung' is a relevant description for such a holistic orientation, comprising cognitive as well as valuational elements.

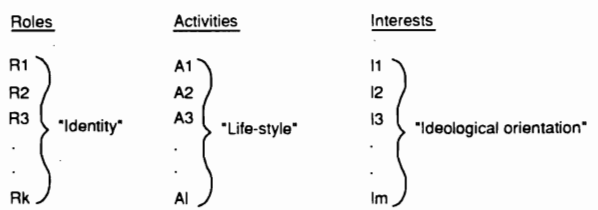

Figure 1. Symbolic representation of 'political-economic Man', i.e. a holistic and integrated view of an individual with his or her various roles, activities and interests (Source: SÖDERBAUM, 1993a, p. 396)

If R1 represents the role of consumer, A1 market–related activities of buying and consuming and I1 the interests related to this role and these activites, then Figure 1 indicates that there are other relevant roles as well, such as the roles of worker or professional, of parent, of member of an environmental organization or of a citizen. In order to understand the behaviour of an individual, all these roles, activities and interests are potentially relevant.

In spite of many tensions between motives and interests, the individual is somehow held together by ideas of his or her role in relation to each specific socio-institutional context. Dissonance theory, learning theories and other parts of social psychology are seen as relevant and useful in understanding behaviour. The individual strives for some congruence and balance between roles, activities and interests, and may experience such balance, but incongruence and tensions are equally characteristic of the human existence. And behaviour is largely habitual, as observed by many institutionalists.

An individual is related to environmental issues through his or her role as consumer, i.e. consumer behaviour. The market for consumer goods and services is a vehicle, or 'mechanism' that may work either for a better environment (cf. 'green consumerism') or toward continued degradation in the form of pollution and waste. But also human behaviour, for instance in the role of worker or professional with associated activities, has a significant impact on environmental outcomes. Whether employee or manager of a company (or any other organization), an individual can take small steps or large strides toward improved environmental performance. On the other hand, he/she may be unaware of or lack interest in such issues.

The implications for a discussion of environmental and agricultural policy can be summarized as follows:

1. Although public debate on state intervention in monetary terms (eco-taxes etc.) or in other legal terms (prohibitions, conditional permits etc.) is important, it may yet be fruitful to commence an analysis of environmental policy at the individual level. After all, public opinion and the opinions of specific actors will be decisive for the prospects of implementing specific measures at national level.
2. The theory of the consumer as a component of neoclassical microeconomics is of interest when discussing environmental policy issues, for instance expected impacts of eco-taxes. Neoclassical public choice theory is similarly useful for an understanding of the behaviour of individuals in professional roles. However, a more holistic attempt to integrate various human roles seems to be called for. The theory of the consumer is limited not only in the sense that one human role is emphasized at the expense of all others. In addition, consumer tastes or preferences are taken for granted. As part of an imagined value-neutrality, the neoclassical scholar regards it as extrinsic to his or her role to problematize the values and life-styles of consumers. But if, as already suggested, environmental problems are connected with present consumer tastes and life-styles and more generally with predominant world-views and ideologies in industrialized countries, then the neoclassical approach implies that essential aspects of the problems faced are being overlooked. Focusing instead on political-economic Man and his ideological orientation means that not all consumer preferences or life-styles are regarded as equally justified. Whether or not they are supported by a simultaneously facilitating state regulation, individuals may move in a step by step fashion away from life-styles that are environmentally destructive to those that are more environmentally propitious. But again, whether such moves represent an advance is a matter of ethics and ideological orientation.

Public choice theory also needs to be complemented with additional perspectives. Emphasis on a professional role, such as farmer, at the expense of all other roles may be as risky as concentrating solely on the role of the consumer. Our farmer is not only a farmer but also a consumer (!), a parent, a citizen and so on. He may even be a bit of an environmentalist. With respect to his overall ideological orientation (related to all roles and all activities), farmer A may in fact have more in common with bureaucrat K than with

neighbouring farmer B. Attempts to understand societal change solely in terms of the collective egoism of homogeneous professional groups and their lobbying and negotiating activities would therefore seem doubtful. Moreover, one has to allow for competing networks and organizations within a single professional category (e.g. conventional versus ecological farmers) as well as network building and cooperation across such professional boundaries (SÖDERBAUM, 1991 and 1992a).

Valuation and decision-making as part of a political economics paradigm

While neoclassical microeconomics focuses on the firm and the consumer as the main institutional categories, it is suggested here that the individual as an actor is seen as the major agent of social change. An individual may act on his (her) own or work through organizations. Organizations may be private or public and range in their ideological orientation from a purely monetary profit motive to a primarily non-monetary – even philantropic – orientation. Charities and environmental organizations may belong to this latter group.

As part of the institutional microeconomics suggested, activities (of individuals or organizations) are seen as the main objects of analysis. Again, such activities may be private or public. We may be interested in ongoing activities as well as new activities as part of evaluation and decision making. According to a political economics paradigm, there can be no value-neutral way of assessing a specific activity or set of activities. Each specific idea about efficiency reflects a specific ideological orientation. The efficiency concept or idea of "correct resource allocation" connected with neoclassical cost-benefit analysis, for instance, is specific in conceptual as well as ideological terms and is close to the GNP-growth ideology. (Present values may be compared with the net-value added concept as part of national accounting.)

In a democracy there may, as a special case, be consensus about ideology (or valuational rules as part of one-dimensional aggregation). Such situations are for instance connected with minor or more private issues. When public decision situations are concerned, as well as many organizational decision situations, the normal case is one of conflicting interests and ideologies. The role of the scholar and analyst, therefore, becomes more one of illuminating decision situations in a multifacetted manner, than of pointing to some imagined societal optimum. Conclusions become conditional in relation to various possible ideological orientations.

As part of this elucidation of decision situations, scholars can also contribute by problematizing the issue of values or ideological orientation. There is more than one health care ideology (in terms of centralization or decentralization, for instance), more than one ideological orientation related to transportation, agriculture, or forestry. On a more general level the meaning of a GNP-growth ideology or an environmental ideology may need clarification. As an example, what is the meaning of 'ecological sustainability'? Should sustainability be interpreted in the same neoclassical terms as GNP-growth, or in some other terms? It should be noted that this discussion about various possible ideologies is very different from the neoclassical approach where consumer preferences are explained or measured as they are. Very sophisticated approaches in terms of willingness to pay, contingent valuation etc., become less relevant if current preferences and life-styles are part of the problem.

There may be a monetary as well as a non-monetary evaluation of specific activities, or some combination of the two (cf. Fig. 2). Monetary performance in terms of profitabilty for an organization is certainly important within the scope of the present institutional structure but just one kind of evaluation. Environmental performance in non-monetary terms is something else. Here a disaggregated view of evaluation is suggested, where monetary and non-monetary impacts are kept separate. Impacts expressed in terms of flows (i.e. referring to periods of time) are furthermore kept separate from those expressed as stocks or positions (referring to points in time). Non–monetary impacts are not regarded as 'less economic' than monetary impacts. According to this view, limiting the meaning of 'economic' impacts to 'monetary' impacts is seen as a political and ideological act.

	Flows (referring to periods of time)	Positions (referring to points in time)
Monetary	I	II
Nonmonetary	III	IV

Figure 2. A classification of possibly relevant impacts as part of evaluation of ongoing and 'new' activities, projects or policy programs. Source: SÖDERBAUM, 1992b, p. 303.

For an ongoing agricultural or other rural activity, a multidimensional impact profile may be estimated and compared with some relevant alternative activity. Impact profiles are estimated for each of the two activities considered. The evaluation or decision act, then, is one where the impact profile of each activity alternative is related to the valuational or ideological profile of each decision maker. "Pattern recognition" and "compatibility" become key concepts in the sense that impact patterns are matched against ideological patterns in compatibility terms. As an example, there may a good fit between the ideological orientation of decision-maker D1 and the expected impact profile of a specific alternative A1 and a mis-match in relation to alternative A2. Analysis may also be carried out at the levels of projects and programmes, each comprising a package of measures and activities. Public policy options may refer to such packages rather than single activities.

Ecological sustainability as a possible ideological orientation

The concept of sustainability became part of political discourse through the work of the World Commission on Environment and Development, headed by Gro Harlem BRUNDTLAND. In the Commission´s report "Our Common Future", it was argued that "humanity has the ability to make development sustainable – to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission, 1987, p. 8). In the text, one finds appeals to the wealthier "to adopt life-styles within the planet´s ecological means – in their use of energy, for example". Poverty is also regarded as a problem and "meeting essential needs requires ... a new era of economic growth for nations" (ibid. p. 8). The authors express some cautiousness, however: "in the end, sustainable development is not a fixed state of harmony, but rather a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs. We do not pretend that the process is easy or straightforward. Painful choices have to be made" (ibid. p. 9).

The BRUNDTLAND report is essentially a political document and as such represents a kind of compromise. The value of the report lies therefore more in a process that has been initiated or reinforced than in the details of the argument. Once more, environmental issues were placed on the agenda of political leaders. What will happen in terms of practical agreements to limit environmental damage remains to be seen and is a matter of the attitudes and work of many actors and many processes in different parts of the world.

Economists can contribute locally and internationally as part of this process. A neoclassical economist with vested interests in specific ways of thinking can do his or her best to interpret sustainability in a way that is compatible with established cognitive and ideological patterns. Karl-Göran MÄLER, one of my colleagues among Swedish environmental economists, suggests the following definition:
"The economic development in a specified area (region, nation, the globe) is sustainable if the total stock of resources – human capital, physical reproducible capital, environmental resources, exhaustible resources – does not decrease over time". MÄLER explains: "The basic idea behind this definition is the notion of substitutability between resources. If physical and human resources can be substituted for an environmental resource, then the environmental resource can be exploited in such a way that it is severely reduced if, and only if, the investments in the stock of human and physical capital are such that the total resource base is not reduced. The exploitation of oil resources may therefore be part of a sustainable development, but only if investments in alternative energy resources and in energy conservation are made in such a way that the welfare of future generations is not threatened by the exhaustion of the reserves." (MÄLER 1990, p. 240; also MÄLER in BOJÖ et al., 1990 pp. 13-14)

There are difficulties in making MÄLER´s definition operational: How can one measure all parts of a total capital stock to be sure that it is not reduced? Do we know how to put a price on all environmental resources, for instance pollution that affects the ozone layer or losses in biological diversity? But aside from such objections, MÄLER´s definition clearly represents one way of looking at sustainability in conceptual and ideological terms. The problem begins if one argues that this should be the one and only definition. The ideas of substitutability, one-dimensional measurement in money terms and of correct prices, where one impact can be compensated for by another at specific prices, is certainly not neutral from a valuational or ideological point of view. Is it at all possible to ascertain the correct price of irreversible changes in the stock of non–renewable resources like oil, in biodiversity generally, or in the genetic resource base for agriculture?

According to a political economics paradigm, it is recognized that any attempt to define sustainability as a goal for development is coloured by values. In a democracy, where there are many ideas of the public interest, it becomes natural to consider more than one definition as part of an ongoing dialogue. The economics profession would be biased ideologically if attention were limited to one definition. I shall therefore suggest here one possible alternative to the above definition.

As I see it, MÄLER is on the right track in one respect, i.e. when moving from GNP, which is a flow concept, to a stock concept in terms of the total resource base (cf. Fig. 2). However in his definition, MÄLER sticks to monetary thinking. As suggested by Kenneth BOULDING in his classic article on "The Economics of the Coming Spaceship Earth" (BOULDING 1966), non-monetary thinking is more fruitful in relation to environmental and other welfare issues. Furthermore, thinking in multidimensional, profile or indicator terms seems more relevant than one-dimensional analysis.

A version of ecological ethics will here be suggested as a possible ideological orientation. Such an ecological ethics may then play a guiding role in ex post evaluations of ongoing activities or when valuing or making a political choice between activities, as part of ex ante considerations. The principles may be just as relevant if one is interested in projects or policy alternatives rather than activities.

Let us primarily consider ex ante valuation and focus on the non-monetary position (or state) of the environment at future points in time. A set of principles for housekeeping or resource management may then be formulated for decision situations concerning mutually exclusive agricultural activities, forestry activities, transportation activities, energy supply activities or other rural activities in a given region such as Germany or some part thereof:

1. Alternatives that involve irreversible degradation of the natural resource base within the region should be avoided.
2. Alternatives which contribute to irreversible degradation in the natural resource base in other regions and globally should be avoided.
3. In situations where there is uncertainty and knowledge is incomplete with respect to possible irreversible negative impacts on the future natural resource base (for instance a small probability of catastrophic consequences), a philosophy of cautiousness should be chosen.
4. Wherever possible, alternatives with a positive or neutral impact on the future natural resource base should be chosen. If no such alternative is available, a search should be initiated to find alternatives not previously considered in terms of a different technology, new rules of the game, or reconsideration of life-styles at the level of individuals.

The imperatives suggested may be further elaborated into behavioural rules of thumb concerning non-renewable resources, renewable resources, toxic materials with different characteristics, etc. The burning of non-renewables such as fossil fuels should not be permitted. Any activity based on such energy resources is clearly unsustainable according to the above definition.

Some activities are technically difficult or financially very costly to reverse, rather than irreversible. Should these activities also be avoided? Where should the line be drawn between activities that should be avoided and those that can be accepted? This example indicates that some difficulties will remain for the judgement of decision – makers or others concerned.

Furthermore, the imperatives are deliberately limited to environmental impacts and therefore do not represent a complete ideological standpoint in relation to development. Social, cultural and monetary factors or impacts normally form part of ideological reasoning and political decision making. These factors become important, for instance when a choice has to be made among alternatives that remain as acceptable after the first three principles have been considered.

A conditional view of the market and of actors in the market place

Today there is much optimism about markets and the price mechanism as vehicles towards welfare and a better society. At issue here is whether the market mechanism and the invisible hand will lead us to an ecologically sustainable society. Neoclassical environmental economists, who generally tend to be fascinated by and firmly believe in the market

mechanism, recognize that there may be market failure in the form of negative externalities. Such failures represent reasons for eco-taxes or other state intervention in markets. But neoclassical as well as institutional or other economists may differ in their beliefs and judgements. Here I will draw attention to a spectrum of views and ideologies in relation to the market and then (opportunistically?) advocate some conditional intermediate position.

According to an optimistic view, it can be argued that mechanistic models of supply and demand in static, comparatively static, or dynamic equilibrium terms are helpful and sufficient also in relation to environmental problems. There are no limits to the wisdom of the market. The intuition of entrepreneurs moving around, looking for price differentials is all that is needed. The invisible hand will secure the best possible world, through the coordination of the behaviour of self-interested individuals. Concerning policy, 'laissez-faire' is regarded as the best option. According to this world view, recent events, especially the collapse of the command-and-control systems in Eastern Europe, have demonstrated that the market and private capitalism are the winners on the international scenes. Furthermore, private capitalism is a winner also in terms of nature conservation and impacts on the environment. As part of this optimistic view, present prices at local, national and international markets are broadly correct for purposes of societal resource allocation. Some marginal adjustments in the form of environmental charges and the like may be considered.

At the other end of the spectrum, a pessimistic view may be articulated as follows: The market and simplistic ideas of its functioning are more of a problem than a solution in relation to environmental issues. Caution is recommended when interpreting recent events in Eastern Europe. There are important similarities between the world view and materialistic ambitions of the former socialist countries and present 'Western' industrialized societies. In terms of environmental degradation, the 'West' competes reasonably well with Eastern Europe and lags only some 20 years behind with respect to regional ecological collapses. In addition, this pessimistic view holds that few of the present prices in local, national and international markets are reasonable or just in relation to the degradation of the environment that follows from activities related to extraction of raw materials, production, transportation, consumption, waste disposal and so on. What is more, the system of private capitalism involves a systematic tendency to externalize environmental (non-monetary and monetary) costs.

From these opposite poles, I will now move to a conceivable intermediate position, which will be referred to as 'conditional optimism': According to this view, the market is neither inherently wise, nor unwise, neither good, nor evil. The actors in the market place, their knowledge, morals and ideological orientation together with the rules of the game and other elements of the institutional context all influence the functioning of markets as evaluated in both non-monetary and monetary terms. Whether specific outcomes of markets should be judged as positive or negative depends on the specific valuational standpoint chosen; and in a democracy, there is generally more than one such valuational viewpoint. State intervention in markets (influencing the rules of the game) may, just as private intervention in markets, be either beneficial or detrimental, when judged from a specific valuational standpoint.

This latter 'conditional optimism' is compatible with the political economics paradigm suggested. If one chooses an ideological orientation in terms of ecological ethics as the valuational standpoint, then specific actors in the market place or in the political arena may be scrutinized with respect to their behaviour. Given the circumstances in terms of institutional structure and cultural context, some may do reasonably well. Others may

perform badly and perhaps totally neglect their environmental performance. Within the scope of the neoclassiscal paradigm, it is hardly possible to criticize any individual consumer or any business company. The consumer is simply maximizing utility in his or her particular way and the scholar´s value-neutrality prevents him from saying more. Similarly, the business company is maximizing profits, while issues of social responsibility are efficiently kept out of sight.

As part of the neoclasical paradigm, reference to externalities and collective goods suggests some limits to the functioning of the market mechanism. However, these acknowledged limits may only tell part of the story. They start from the premise of consumers and producers as institutional entities, while in the present study individuals as agents and activities have been chosen as the basic elements. William KAPP´s early analysis of social costs and social benefits (In German; "Sozialkosten und soziale Erträge") seems to me to be a better conceptual starting point. KAPP realizes that mainstream economists refer to externalities in a positive (as opposed to normative) sense. But he adds that there may be purposeful externalization of costs by business companies and individuals. As part of private capitalism (and other economic systems as well), there is a tendency for a business company, whether private or public, "to reduce its costs whenever possible by shifting them to the shoulders of others and society at large" (KAPP, 1970, p. 18). The concept used for this phenomenon is externalization of costs, or 'cost-shifting' (in German "abzuwälzen", as in the phrase "ein in der Markwirtschaft eingebauter Mechanismus zur systematischen Abwälzung möglichst vieler Kostenelemente vom verursachenden Unternehmen auf Dritte und/oder auf die Gesamtgesellschaft"; (LEIPERT, 1987, p. 13).

KAPP was sceptical about one–dimensional monetary measurement of social costs and benefits (e.g. 1970, pp. 24-25). He pointed instead in the direction of disaggregation, i.e. simultaneous attention to a number of impacts, monetary and non–monetary, that are kept separate throughout the analysis. According to this view, there are monetary as well as non–monetary costs of a private or social nature and the same holds for benefits. KAPP also argued that social and environmental indicators should be included in the debate on the performance of organizations or societal development. I may not have read KAPP in all parts of his writings, but in addition to KAPP I am here introducing the idea of relativity of social values. In any society, there are many ideas of a 'public interest' rather than one – or, in the previous vocabulary, many ideological orientations. This means that there are many consequent ideas of efficiency and rationality and that it is no longer meaningful to look for one single idea of correct prices, social costs or social benefits. Politicians can, of course, make decisions in consensus terms or by majority voting concerning official objectives for societal development. They may even make decisions about methods to be applied in comparisons of costs and benefits, as has been the case in the USA. But if they do so, such decisions are very unwise and more compatible with dictatorship than with democracy.

A conditional view of the market, therefore, means that unanimous ideas of efficient market performance have to be abandoned in favour of a more open attitude. One can always measure current prices on actual markets, but whether they are just or reasonable has to be discussed in relation to various possible ideological orientations. And justness or reasonableness is as relevant to the non-monetary aspects of market (and non–market) transactions.

The conditional view furthermore implies that actors within business companies and other actors in the market place are responsible for their environmental and social performance

just as they are responsible for their monetary performance. These actors may more or less internalize an ideological orientation in terms of ecological ethics and respond to the Rio Conference exhortion of "changing course" (SCHMIDHEINY, 1992). Lack of acquaintance with the German situation (see, however, a more general discussion by STEGER, 1993) induces me choose Swedish examples. A furniture company, IKEA of Sweden, has attempted to take steps towards more ecologically friendly products (avoiding timber from tropical forests, for instance) and to reduce pollution from transportation by increasingly utilizing local suppliers. In Sweden, the company even sells an environmental encyclopedia as an element in a kind of partnership with an environmental organization, "The Natural Step". This partnership may at the same time contribute to improved environmental performance and – indirectly through influence on the company image – be profitable in monetary terms.

A second example of cooperation on the basis of ideological orientation refers to organic or ecological farming. A number of farmers have established their own trade mark or label, KRAV, and their own social control system to check the performance of member companies in relation to specific criteria. When experiences and technology permit, the criteria of minimum performance may be modified with the purpose of further improving efficiency in environmental terms. A final and in some respects similar example is taken from Great Britain and has its background in the credibility problems of the British chemical industry (SIMMONS and WYNNE, 1993). The trade organization for the industry, CIA (Chemical Industries Association) has institutionalized a "Responsible Care Program" to exert pressure on member companies to improve their environmental performance. So far, there is not much to show in terms of sanctions, but this case of social control in the form of self-regulation by an industry may represent an embryonic development.

Integrating rural, agricultural and environmental policies; some suggestions

The political economics theme of this paper should make it clear that recommendations of policy for private and public collectivities cannot be based on value-neutrality and similar traditional ideas about science. Policy formulation rather begins with a debate about the pros and cons of various possible valuational or ideological orientations. And ideological orientations vary with cultural context, and among subcultures and individuals. In Europe there are important cultural similarities but also differences. I could, of course, speculate concerning parts of Europe about which I know little, but will instead make some personal remarks related to more general matters. I still have some hope that these remarks will be considered relevant also in relation to the rural areas alluded to in the title of this paper.

1. Some steps have been taken by the European Community, both by member countries and by potential member countries like Sweden in terms of environmental policy programmes and their implementation. But it seems to me that we are still far from an ecologically sustainable development. The original concept of the Treaty of Rome was one of economic growth in GNP terms by the removal of trade barriers and this still seems to be the primary consideration for influential actors. These same actors realize that there is tension between the traditional development view and an ecologically sustainable development, but have so far not changed their main ideological orientation. I believe that a reorientation is necessary and that even evidence from studies requested by the Commission of the European Communities could be used to suggest a new direction for development (Task Force Environment and the Internal Market, 1990). Ecological sustainability must be seen as the primary objective of societal development rather than as a secondary consideration.

2. Increased production and trade in material terms is part of the problem, rather than a solution. Non-renewable resources like oil, coal and minerals are consumed as part of a process that also contributes to pollution and waste. Instead of continued international integration and increased mobility for money, goods, services and people, some intermediate policy has to be chosen where rather de-linking and local reintegration become key considerations. Transportation in terms of ton-kilometres has to be reduced rather than increased if we want to approach a situation of ecological sustainability. Each part of Europe should become more rather than less self-reliant (cf. BOWERS, 1993, SÖDERBAUM, 1993b). There is still a role for international cooperation of various kinds and also for international trade. But it is often favourable in terms of energy and pollution costs to convey ideas and information rather than move heavy goods. Local relationships between towns and their rural environments (in German; Umland) should perhaps be encouraged rather than further impaired. International integration tends to lead to increased specialization in each region. This is connected with increased labour productivity and perhaps unemployment at the macro level. Although this is a complex issue I think that current severe unemployment levels in Europe are partly a result of the Internal Market. Some steps in the direction of self-reliance on the other hand will probably lead to increased employment in formal as well as informal terms.

3. The problem behind all this, in the EC as in Sweden, is largely one of world view and ideology. And being among colleagues and scholars in economics, it may be worthwhile to discuss the relationship between the dominant 'Western' world view and paradigms in economics. As I see it, the neoclassical paradigm largely legitimizes the current development pattern in the EC or in Sweden. The proliferation of neoclassical environmental economics represents a modification but does not seem to be enough to reorient ideological and thinking patterns among economists, politicians and other categories of influential actors.

It is true that there is some ideological flexibility within neoclassical theory. In Sweden, economists with political sympathies close to Social Democracy can bend the neoclassical conceptual framework their way and those with liberal or conservative inclinations can twist concepts and interpret data in a somewhat different way. But this 'freedom within limits' is no longer enough. A freedom of thought which includes not only the now dominant world view and the now dominant neoclassical paradigm but also competing world views and paradigms seems preferable, if not necessary.

4. Provided that development patterns in the EEC, in Germany and in Sweden are further reoriented towards ecological sustainability, life will become easier in various rural areas. Renewable resources will gain ground at the expense of non-renewable ones. Some land may be set aside to expand the ecological space of non-human life-forms. As an example, watersheds may be recovered. Preservation of the genetic base and diversity of agriculture (VELLVÉ, 1993) and forestry become important considerations. Bioenergy will furnish an increased proportion of energy supplies and fibres from agriculture will also be utilized for purposes other than energy and food (U.S. Department of Agriculture, 1992). Organic or ecological agriculture will gain ground. In Sweden, the percentage of total arable land is currently 1.6 and is increasing. A campaign by KRAV is now aiming at 10% for the year 2000 (KRAV, 1993). The corresponding 1993 figure given for Germany is 1.1% and according to the same source, Germany is ranked as number two in this European league.

5. It has already been argued that personal and private initiatives are of importance in making a reorientation possible. Actors within local and national governments could play an important role as facilitators. Public policy measures and institutional changes should be

designed to support the process. In relation to the ecological ethics indicated, very few current prices could be considered just or reasonable. This means that there is plenty of room for eco-taxes. In this area, others have more to contribute and nothing is more appropriate than to refer to the proceedings of the conference "Can Eco-Taxes Solve the EC-Agricultural Crisis?" with contributions by Winfried von URFF, Günther WEINSCHENK, Rolf WERNER and Alex DUBGAARD (Denmark) among others (Agrarsoziale Gesellschaft 1992, see also CLUNIES-ROSS, 1993). In relation to this I merely wish to emphasize that we should look for workable eco-taxes and discuss them in a dynamic context. Farmers react even to low charges – there is also a non–monetary signalling system – and schedules could be used to inform farmers about planned step-by-step increases in charges. Impacts could be monitored and related to governmental objectives to reduce the use of artificial fertilizers and pesticides by specific percentages, for instance 50% in terms of active substance as is the current policy in Sweden (cf. Naturvårdsverket 1992, pp. 40-43). Some of the difficulties of measurement in this area (e.g. low dose pesticides should be kept separate from more traditional ones) are handled through an ambitious follow-up program.

However, eco-taxes by themselves will not solve all problems; world-views and attitudes will also have to be discussed. Universities can facilitate specific reorientations as in the case of the above-mentioned conference – or can act as efficient barriers to change. Organizational changes and changes in laws other than those related to taxes will also play a role. Non-monetary standards of performance is a case in point, as is procedures to regulate specific production activities by governmental permits and prohibitions.

6. Much environmental or agricultural policy debate and analysis focuses on what the farmer should do or how specific industries can be transformed to become more environmentally friendly. In the last few years I have been writing a bit about actors and networks. Rather than focusing on nitrogen leakage at specific places, some of my students enter into a dialogue with influential actors about their personal and professional attitudes to environmental issues. Environmental issues represent a challenge to all of 'them' and to all of 'us'. Thinking patterns and behaviour related to our different roles are often incompatible or hard to reconcile (CRAIG and GLASSER, 1993).

I think that we should continue our dialogue with 'them' as actors but that we should also focus on our own profession and our own universities and departments. What are 'we' doing to facilitate a transformation towards an ecologically more sustainable society? Exactly this question is raised as part of a follow-up in Sweden of the Rio de Janeiro conference. The usual procedure in our country is one of governmental studies that are scrutinized and commented on by various organizations, the universities included. But this time the government asks specifically for each organization´s potential contributions to the ongoing process of improving environmental performance in the spirit of Agenda 21. How can the Agricultural University contribute to this effort? To me this seems to be a very fruitful way of tackling environmental and other societal problems.

Concluding comments

The political element of economics has been emphasized in this essay. Whether neoclassical, Marxist, institutional or other, economics is always political economics and there is a danger in neoclassical attempts to find a clear demarcation line between science and politics. Instead one could follow Gunnar MYRDAL and William KAPP and talk more openly about the political and ideological aspect of one´s own professsional behaviour. This also means that some relativity is introduced into the economics doctrine. Truth becomes relative to the

perspective chosen and the economist becomes a more modest person. To reflect various possible ideologies in a democratic society, therefore, some pluralism seems warranted. If each paradigm in economics is somehow ideologically biased, then restricting education and research to one paradigm, such as the neoclassical, becomes a political and not only a scientific act.

Some purists (as opposed to pluralists) among neoclassicists hesitate to open the door for institutionalists and other heterodox scholars. They prefer to think in terms of only one 'true' paradigm and feel that the choice is one of either–or, i.e. a paradigm-shift; "If they are right, then we must be wrong". However, this idea of sudden paradigm-shift finds little support in the evolution of economic thought. Thus history reveals that simultaneous co-existence of paradigms has been the rule rather than an exception. Paradigms may serve a complementary function rather than being mutually exclusive. The market share of one paradigm varies with time but can hardly reach 100% within the social sciences in a society that calls itself a democracy.

In this paper, I have also pointed to institutional economics as a paradigm or perspective worth considering. For a long time, institutionalism was limited to the American tradition, with early scholars such as Thorstein VEBLEN and John R. COMMONS and the more recent U.S.-based Association for Evolutionary Economics. In June 1988 a number of European scholars gathered in Grim´s Dyke, London to form an association and to challenge the near monopoly situation of neoclassical economics at many universities. The European Association for Evolutionary Political Economy now has 550 members. They meet annually and refer to a number of priority research areas where "Theoretical and Policy Aspects of Environment–Economy Interactions" is one. The Association cooperates with its American counterpart, but some of us emphasize a European institutional tradition with MYRDAL and KAPP as two important names. KAPP wrote largely in German and has some followers in the German-speaking area, such as Christian LEIPERT at Wissenschaftscentrum Berlin für Sozialforschung (LEIPERT, 1987) but the number of German members in the Association is surprisingly small. (Britain has 117 members, Italy 53 and The Netherlands 34, while only 32 German economists are Members of the organization. The Czech Republic has 32 members and Slovakia 10 as an additional comparison.) Has the relative success of the German economy in conventional terms made the neoclassical paradigm more dominant than elsewhere?

In William KAPP´s writings, reintegration of economics among the social sciences is an important theme. He also referred to the humanization of the social sciences (ULLMAN ed. 1985) and called for a "Menschenbild" that represents an alternative to that of neoclassical economic Man. A number of books and articles are now being published which respond to this challenge under various labels, such as policy science (FISCHER, 1990) or socio-economics. I hope that this diversity of approaches at the same time will improve the quality of social research and enrich policy debate, whether private or public.

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