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**Exploring the Contributions of Radical Ecology and Heterodox Economics in
Building an Alternative Political Economy of Sustainability**

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Contents

Introductory Abstract.....3

1. Some Important Concepts of Radical Ecology.....4

2. The Original Institutional Economics’ Perspective.....15

**3. Other Heterodox Economics’ Contributions on Market Imperfections
and the Social Costs of Private Enterprise.....26**

**4. The role of democratic planning in realising an equitable
and sustainable economy.....32**

Conclusions.....36

References.....37

Introductory Abstract

In the latest decades there has been a growing awareness among citizens, researchers and policy makers of the pervasiveness of the environmental problems. This development has seen the flowering of many radical perspectives of ecological economics: among others, in alphabetic order, bioeconomy, deep ecology, degrowth, ecosocialism, ecoanarchism, ecofeminism, green economics, social ecological economics, steady state. The weak side of this dynamism lies in a certain lack of dialogue between these perspectives and also with important fields of heterodox economics—for instance, original institutional economics and post-Keynesian theories. Also for this reason, whereas there is among radical ecologists and heterodox economists an ample consensus on the shortcomings of the neoclassical economics, there is little agreement on what alternative economic theories and economic systems — for instance, regulated capitalism, democratic socialism, centralised socialism, with their internal differences — are better suited for realising an equitable and sustainable economy. In our work, we aim to cast some light on these tangled aspects by focusing attention on some central issues of the complex transition towards an equitable and sustainable economy. For instance, what should be the role of public and private action? And, more specifically, what should be the role of public sector and policy action in promoting the sustainability goals? And how democracy and participation can contribute to realise these objectives? In the analysis of these issues, a better collaboration between radical ecology and heterodox economics can help clarify important aspects. In this light, we will address in particular, from the side of radical ecology, the contributions of deep ecology, ecosocialism, bioeconomy, degrowth and steady state theories, and, from the side of heterodox economics, the insights of Evolutionary and Institutional Economics (EIE), post Keynesian and Modern Monetary Theories (MMT). Considering the EIE's perspective, such collaboration can help better locate, in any given case, **(a)** the meaning and characteristics of public and private action, and the institutional nature of the market; **(b)** how public and private action interact each other and with what effects (economic, social, psychological) on the various groups and classes of society; and, in this connection, **(c)** which policies and institutions can better promote an equitable and sustainable economy; and **(d)** the role of democratic planning in improving the process of social valuation (and hence of democracy and participation) and so realise a better coordination of the policies needed for realising such sustainable transition.

In the work we try to highlight a number of largely unexplored synergies between radical ecology and heterodox economics – both between themselves and within its various strands – that can help clarify important aspects of these complex issues, with particular attention to their contributions to devise an alternative political economy of sustainability.

1. Some Important Concepts of Radical Ecology

By radical ecology we refer to a broad range of perspectives that stress the necessity of a structural transformation of our mature capitalistic economies in order to really attain an equitable and sustainable (in its strong meaning) society. In this ambit, we will consider some aspects of deep ecology, the bioeconomy of Nicholas Georgescu-Roegen and of ecosocialism. We will consider some key aspects of these perspectives, by focusing attention not so much on the features of their ideal societies but on how to reach them.

Deep Ecology

The Main Principles

The perspective of Deep Ecology (DP) was introduced by the philosopher Arne Naess in a famous 1973 article, “The Shallow and the Deep, Long-Range Ecology Movement: A Summary”. This perspective is based on the principle that natural life (both human and nonhuman life) has an intrinsic value and hence should be preserved beyond any anthropocentric bias. According to Naess (2021: pp.2-3, which contains also subsequent contributions), these are the basic principles of deep ecology:

- 1.** The well-being and flourishing of human and nonhuman life on earth have value in themselves (synonyms: intrinsic value, inherent value). These values are independent of usefulness of nonhuman world for human purposes.
- 2.** Richness and diversity of life-forms contribute to the relation of these values and are also values in themselves.
- 3.** Human beings have no right to reduce this richness and diversity except for satisfying vital needs.

4. The flourishing of human nature and cultures is compatible with a substantial decrease of human population. The flourishing of nonhuman life requires such a decrease.
5. Current human interference with nonhuman world is excessive, and the situation is rapidly worsening.
6. Policies must therefore be changed. These policies affect basic economic, technological, and ideological structures. The resulting state of affairs will be deeply different from the present state of affairs.
7. The ideological change is mainly that of appreciating life quality (dwelling in situations of inherent value) rather than adhering to an increasingly higher standard of living. There will be a profound awareness of the difference between big and great.
8. Those who subscribe to the foregoing points have an obligation directly or indirectly to implement the necessary changes. It is this principle that highlights the importance of *deep questioning* as the process by which follow/develop/enact the other principles.

A deep ecology society resting on these principles should then drastically reduce superfluous and “conspicuous” consumption, living in local communities with simple and sustainable means but with high spirituality and the sense of the common good.

This new social life implies a profound transformation of our personality in a holistic dimension: from individual self to social self, and from social self to “ecological self”, which means an inner unity between human society and the natural world.

In the elaboration of this view, Naess refers to the philosophical and ethical perspectives of Gandhi, Kant and Spinoza. And, in particular, to their stress on the inner link between self-realisation, joy and the capacity to care for the common good within a sustainable and equitable world.

How To Realise a Deep Ecology Society?

The perspective of deep ecology¹ is alluring and has the relevant merit of indicating the right direction to follow for realising a real green economy. The weak aspect is that the indication of an ideal society remains too vague as regards the ways to get there and on

¹ Although we have focused attention on Naess’s work since we believe that conveys the main aspects of the Deep Ecology’s perspective, there are of course other contributions on this field that, for space reasons, we do not address here. See, for instance, Pepper (1993), Ray (2017) and Wallis (2018), also for the debate with the various strands of ecosocialism.

how the life should be organised in the new context. This vagueness pertains to both the economic and psychological dimension of this transformation.

Considering the economic aspect, it is unclear how the trade off, in our system, between sustainability and full employment can be managed. Let us suppose that for realising a sustainable economy a reduction of at least 70% of the conspicuous and superfluous consumption is needed. In this way, however, a correspondent amount of workforce would become redundant. There comes the central issue of how to manage this transformation—namely, how to provide to the redundant workers a new job (or a citizen income in the meanwhile). To that purpose, an effective governance is required, in particular if we consider that the environmental problems significantly interact with other imbalances of contemporary capitalism: in particular, wide disparities of income between persons/regions/nations, insecurity of jobs, huge financialisation of the system. Hence, since global and structural solutions are required for these problems, the role of an adequate governance of these complex transformations appears all the more important.

In this respect, DP does not provide any precise clue on how to devise such governance. For instance, on what should be the role of the “state” and of the “market” — and of the corresponding actors and institutions (for instance, money, finance, big firms, central banks, public institutions) — in moving towards a green economy. But, in the absence of such a governance, any attempt to reduce conspicuous consumption would be opposed by the involved workers and stakeholders.

On these aspects, DP does not make specific proposals. What it seems to suppose is that the new regenerated persons along the lines of the “ecological self” would find a way to realise a deep ecology society. Of course, if most persons were so responsible and mature this would help a lot, but the reality is different because, as we will also see later, many persons are trapped within neurotic, predatory and environmental destructive habits of thoughts and life that are often reinforced by corresponding social habits.

In order to overcome such dysfunctional habits, the philosophies of Gandhi, Kant and Spinoza and others at the heart of DP can certainly be useful but in most cases insufficient to trigger a real change of personality. On that account, if these nasty traits of personality are largely neurotic-driven, the employ of psychological and psychoanalytic insights can be useful for their overcoming. But this potential is rather overlooked in the DP’s perspective even when, as in the case of Naess, the proponents mention in their work various psychological theories. This can be seen, for instance, in

the Naess' work addressed before. Here, he quotes approvingly an Erich Fromm's passage (the work is not specified) on Sigmund Freud's work on narcissism saying in particular,

"Freud's concept presupposes a fixed amount of libido. In the infant, all the libido has the child's own person as its object. During the individual's development, the libido is shifted from one own person toward other objects, the stage of 'primary narcissism, as Freud calls it. If a person is blocked in his 'object-relationship', the libido is withdrawn from the objects and returned to his or her person; this is called 'secondary narcissism'. According to Freud, the more love I turn outside world the less love is left for myself, and vice versa.", (Fromm, quoted in Naess 2021: 27).

In this regard, while it is true that Freud's work is not free from conflicts and contradictions², it seems also evident that the quoted passage denotes a serious misunderstanding of Freud's theory. As a matter of fact, what the passage omits to note is that when the libido is withdrawn from the objects and returned to the person, this comes about because the person "is blocked in his 'object-relationship'. In this regard, what Fromm and Naess overlook is that, according to Freud's theory on narcissism (1914) and subsequent psychoanalytic contributions, being 'blocked in object-relationship' means nothing less than an expression of a regression coming from psychotic conflicts, like schizophrenia, characterised by a withdrawal of the libido, "omnipotence of thoughts" and megalomania. And that, in this regard, the aim of psychoanalysis³ is precisely that of understanding and overcoming such conflicts and, in this way, rendering possible sound object and interpersonal relations.

The same overlooking can be noted in another passage from Naess, "Freud worked with the tripartition of id, ego and superego. The super ego, through its main application to explaining neuroses, has a rather ugly reputation: It coerces the poor individual to try the impossible and then lets the person experience shame and humility when there is no success.", (Naess, quoted: 67-68).

Naess then goes on by welcoming an ecological transformation based on feelings of joy and cooperation. This is wonderful, but what Naess does not seem to grasp is that, as

² For instance, in his bias against women based on a phallogocentric conception of infantile development. We have addressed these aspects in another work.

³ Interesting contributions on how psychoanalysis can be employed for addressing economic and social phenomena refer, among others, to S.Freud (1921, 1926, 1930), Ammon (1970), Bion (1970), Erikson (1968), Fenichel (1945), Horney (1939), Kernberg (1998), M.Klein (1964, 1975), Klein, Heimann and Money-Kyrle (1955), Sullivan, Perry and Gawel, M.L. (1953).

explicitly remarked by Freud and subsequent psychoanalysts, one central aim of psychoanalysis is to combat the neurotic aspects lying behind the severity of the superego. As we will see later on, these aspects, by tending to be based on the paranoid transformation of the personality, not only make excessive requests on the persons but can orient these requests in making nasty actions on the persons/groups/nations where their own aggressiveness has been projected. Relatedly, these aspects also explain the psychological dependency of many people on powerful and wealthy people, who are likely to represent parental figures. This can also be seen in the incapacity — also lamented by Naess (in the quoted work 2021, pp.82-83, where he reports an example from Nepal) — of many indigenous populations to defend and maintain their own culture against the influence of Western lifestyle tending to promote chaotic urban life and mass consumption mostly at the expense of the environment preservation. By anticipating a bit the next sections, we can quote at the same length the following Freud's passage from *Neurosis and Its Discontents*, a book which is generally interpreted as conservative but that in reality proposes — true, along with hesitations and contradictions — important ways for social change,

"What means does civilization employ in order to inhibit the aggressiveness which opposes it, to make it harmless, to get rid of it, perhaps?...His aggressiveness [of the child] is introjected, internalized; it is, in point of fact, sent back to where it came from—that is, it is directed towards his own ego. There it is taken over by a portion of the ego, which sets itself against the rest of the ego as super-ego, and which now, in the form of 'conscience', is ready to put into action against the ego the same harsh aggressiveness that the ego would have liked to satisfy upon other, extraneous individuals....If the development of civilization has such a far-reaching similarity to the development of the individual and if it employs the same methods, may we not be justified in reaching the diagnosis that, under the influence of cultural urges, some civilizations, or some epochs of civilization—possibly the whole of mankind—have become 'neurotic'? An analytic dissection of such neuroses might lead to therapeutic recommendations which could lay claim to great practical interest. I would not say that an attempt of this kind to carry psycho-analysis over to cultural communities was absurd or doomed to be fruitless. But we should have to be very cautious and not forget that, after all, we are only dealing with analogies and that it is dangerous, not only with men but also with concepts, to tear them from the sphere in which they have originated and been evolved....But in spite of all these difficulties, we may expect that one day someone will venture to embark upon

a pathology of cultural communities.", (S.Freud, *Civilization and Its Discontents*, 1990, pp.83, 84, 85, 91, 92, 109, 110; original edition 1930).

In concluding this paragraph, we can note that the DP's perspective is interesting but too self-contained. In the sense that such perspective does not pay enough attention to the contributions that economic and psychological sciences can provide on how a green society should be organised and on how to get there. In the following paragraph we will address some contributions of ecosocialism on these issues.

The Bioeconomy of Nicholas Georgescu-Roegen

Actually, environmental economics grew as a distinct discipline only in the early 1970s. An important scholar who steered that course was Nicholas Georgescu-Roegen. In his main work, *The Entropy Law and the Economic Process*, by applying the insights of physics and biology to the analysis of economic process, he set forth a new discipline, the bioeconomy. Such discipline has far reaching implications not only for environmental issues but also for the main concepts of economics. The core concept of his analysis is that of entropy, which constitutes the central feature of the physical and biological evolution. In the first part of his book, he carries out a detailed analysis of how the concept of entropy has revolutionized the realm of physics, allowing it to broaden its horizon from static mechanics to thermodynamics.

This implies a major shift from the analysis of quantitative forces in a (supposedly) static setting — like a ball on a billiard — to qualitative transformations in a dynamic setting, typical of the evolutionary processes. This new perspective comports a parallel revolution in the core concepts of economics and its methodological underpinnings: namely, from a positivistic conception (in a broad meaning) according to which economics should imitate the static — and the supposedly sharply precise “laws of physics” — to a dynamic and evolutionary perspective in which due account is given to the complex, qualitative and dialectical aspects of real world. In this way, environmental issues — so far relegated in the storeroom — enter the scene from the front door. The concept of entropy applied to environmental issues is relevant for, at least, the following aspects: **(i)** It highlights, as just noted, the evolutionary and qualitative transformations of the system, and such perspective is particular suitable for grasping the holistic nature of the environmental and economic issues. **(ii)** It points out a central aspect of environmental problems, namely, the irreversibility and pervasiveness of environment

degradation: once the free energy of the environment is transformed in a “bound and polluting” energy, such process is irreversible and nothing can bring the system to the previous state. **(iii)** The previous aspects of complexity and irreversibility pinpoint the structural uncertainty of environmental issues. This feature acquires particular importance for addressing the harmful effects of production and consumption. As these effects are not wholly known or foreseeable, a central precautionary concept applies: it is not the citizen that must provide hard evidence on the harmful effects of, say, industrial emissions but, conversely, it is the producer that must provide hard evidence, before starting production, on the safeness of such substances.

However, it should be noted that, in our view, Georgescu-Roegen does not fully unfold the potential implied in these premises. In the final chapters of the book — although underscoring the irreversibility of environmental degradation and making other interesting remarks on the contradictions of our economic systems — he does not propose a clear course of policy action. Basically, he thinks that in our economies (capitalistic and socialistic alike) little can be done to build a sustainable economy. Hence, sooner or later humans will be thrown, after the exhaustion of natural resources, in a new primitive condition. The roots of such pessimism can be found in the interpretation of social conflicts which, in his view, are determined by some inexorable “biological innate propensities” of human beings. These conflicts are bound to increase with the growth of economic surplus and the result is the formation of “economic élites”. We can note that this view disregards the aspect which he stressed more in the previous parts of the book: namely, the circumstance that entropy embodies a qualitative and irreversible transformation of material structures and living beings.

In this regard, as noted before, the entropy should render the observer more aware of the complexity of socio-economic phenomena and of the necessity of an interdisciplinary approach for their thorough investigation. For instance, in the case of environmental degradation and the quest for economic power, such an analysis can cast light on the following aspects: **(i)** if people use natural resources in a self-destructive way, it seems unrealistic to attribute such behaviour to some deterministic “biological laws” such as those governing animals’ behaviour: in fact, if such laws were working in humans and animals alike, such laws would steer a self-preservation behaviour. In fact, there are virtually no examples among animals of a collective self-destructive behaviour. **(ii)** If only humans have a real choice — even though often not completely free — on how to organize their material and spiritual life, the central question arises about the social, cultural and psychological factors moulding individual-

society relations. This would focus the analysis on, among others, the following aspects: (iii) what are the real motivations of persons and how can be promoted, distorted or frustrated in social life? For instance, if we find in a society a diffuse predatory behaviour aimed at possessing, say, polluting luxury goods, how should we interpret such behaviour? As a necessary expression of “biological laws/social trends ” or as a kind of deviation – which most often assumes the character of a psychological disturbance and can be reinforced by social habits— from the true motivations of persons? (iv) And, relatedly, does the *homo oeconomicus* maximize money only for “material reasons”? Or does the quest for money also cover the (mostly unconscious and frustrated) need of being accepted by following a socially approved behaviour? A relevant implication of this interdisciplinary approach for green economics is that, as socio-economic behaviour is much more open to the manifold influences of the context, the role of policies in orienting individual and collective action towards a sustainable and equitable society becomes paramount.

Ecosocialism

The Basic Principles

A significant strand of radical ecology is ecosocialism⁴ (ECS) which comprises a broad range of theoretical and political formulations, whose common trait is an improved awareness that gross economic inequalities and environmental problems constitute two prongs of a common malady. This resides in the contradictions of capitalistic economies, which require a coordinated policy action for their overcoming. For this reason, attempts to solve the environmental problem without addressing the huge issue of inequality between and within countries can attain only a transient and limited success. But also the reverse holds true, in the sense that policies aimed at substantially reducing inequalities without dealing with the environmental problems will soon give rise to new forms of injustices. In the recent literature on ecosocialism, the following aspects has received special attention:

⁴ See, for instance, the “Belem Ecosocialist Declaration”, <http://climateandcapitalism.com/2008/12/16/belem-ecosocialist-declaration-a-call-for-signatures/>
A good analysis of these issues can be found also in Löwy (2015), Macekura (2015), Pepper (1993), Swaney (1988), Wall (2010), Wallis (2018).a

(I) The relationship between economy, society and nature. On that account, various authors have questioned the “productivist” interpretation of Marx’s theory by stressing that he (and F.Engels) highlighted that productive activities should be carried in a way to ensure a sound balance between economy and nature. From these insights, Marx introduced⁵ the concept of “metabolic interaction” between human labour and nature in order to pinpoint the intrinsic relations between ecological and economic systems. Other authors have questioned this ecological interpretation of Marx’s theory by noting that he was mainly interested in production and did not care much about the environment, save for the bad effects in the workplace. On these aspects, there is an intense debate going on and it is not easy to assess what side is more on the right. Probably, the truth is in the middle, but what seems important is to further develop these Marx’s and Engels’s insights for addressing the problems of our time.

(II) The issue of valuation: in this regard, an important contribution of ecosocialism and other strands of radical ecology lies in the critique of neoclassical valuation based on market mechanisms (see, for instance, Douai, Berr in Spash, 2017; Wall, 2010; Wallis, 2018). Such valuation, based on cost-benefit analysis, tries to devise also for environment preservation a market and a price and. In this way, environmental issues are put on the same ground of every other good. Radical ecologists reject this interpretation by stressing that is immoral that central aspects related to the preservation of environment be commodified and subject to market valuation. They propose then that these matters be addressed not in the market but through a system of democratic planning involving all interested parties (see for instance Adaman and Devine in Spash 2017).

We do agree with all this, but would also note a limitation of this interpretation. Namely, that it does not provide clear criteria for assessing the market and non-market activities especially in real situations where a complex transition is required for approaching a strong sustainability. The reason for this limitation rests in the circumstance that these contributions do not full depart from the neoclassical interpretation of markets as exogenous mechanisms governed by the inner logic of demand and supply. But if we appraise, along with the insights of original institutional economics, markets as endogenous institutions created and maintained by norms and policies and heavily

⁵ This concept was rediscovered and further elaborated, among others, by Douai (2017), John Bellamy Foster (see for instance Foster, Clark and York, 2010), Clive Spash (2017), and by the authors mentioned in the previous footnote.

embedded with the social, cultural and psychological aspects of society, the process of social valuing and democratic planning (see also later) will reach every aspect of collective life.

How To Realise Ecosocialism?

Related to the previous issues, and once ascertained the common root of high economic inequalities and environmental problems, the problem poses itself as to the choice of a suitable policy strategy. While, in fact, the vast majority of ecosocialists would agree on realising some mix between market mechanisms and public intervention, their opinions widely differ as to the relative importance of public and private action. And, relatedly, opinions differ even more as to the priority to give to different objectives. This comes about especially in situations of severe economy deprivation and when it seems to exist, at least in the short run, an irreducible trade off between economic growth and environment protection. For instance, in developing countries plagued by poverty and environmental decay, a good number of people⁶, even of progressive stance, tend to believe that putting the growth to the fore — even at the expense of environment — can become necessary in the first steps of economic development.

In all these instances, the opinions of ecosocialists (and of other radical ecologists) are utterly different and much debate⁷ is going within its various strands.

One key aspect of disagreement concerns the alternatives between centralised, democratic and anarchic socialism (CS, DC, AS).

The CS perspective is based on a “hard” interpretation of Marx’s theory⁸ which posits that capitalism, under an “exchange of equivalents” in the marketplace, conceals a huge process of exploitation in the workplace.

This is realised by the circumstance that the workforce is paid — according to the labour theory of value (LTV) — only by the hours necessary to ensure its subsistence. Hence, all additional hours are appropriated by capitalists in the form of surplus. Since the market is the chief vehicle of such exploitation, there is no use in coming to terms with the market. The only solution rests in its abolition altogether, and then by organising

⁶ A good account of this conflict in the development policies of supranational institutions is provided by Macekura (2015).

⁷ See, for instance, the already mentioned Pepper (1993), Ray (2017) and Wallis (2018).

⁸ In this respect, it is by no means evident that Marx would have endorsed a system of centralized socialism (or state capitalism as that of former Soviet Union).

production through a centrally directed administration, whose officials are the expression of the ruling party. We believe, however, that the centralised solution is severely flawed. And this for two sets of reasons.

First, if an instance of a single party system can be conceivable during and shortly after a revolutionary process, it is untenable that this system can ensure in the long run an adequate expression of the wills of the workers. This is because power is concentrated in a restricted political and bureaucratic elite. All other persons and groups expressing different ideas and interests are, at the best, disregarded, and, at worst, persecuted.

In the light of these shortcomings, the anarcho-socialists propose the abolition of the power of the state altogether. In this regard, there is a wide spectrum of opinions in the anarchic field: in fact, not all the anarchists are socialists and, while some of them shade off into Deep Ecology, some others, with their insistence on the notion of “minimal state”, have some parallels with the neoliberal doctrine.

Another related aspect of disagreement concerns the role of the market. On that account, while of course it is true that markets constitute in many cases a means of exploitation, we believe it unrealistic to lump under the same heading all kinds of economic exchanges: for instance, the market power of a big corporation (with all its exploitative potential), and that of a little stand in a street market. Likewise, it is ungrounded the idea the wages are doomed to gravitate around their subsistence level. Wages can well move (as it happens for other markets) persistently up or down such level, according to a host of circumstances: for instance, segmentation of labour force and their relative contractual power, role of technology and of public policies, state of the economy. Of course, it is true that unfair contracts and exploitation are common in labour markets. The reason for this is that, normally, workers have far less contractual power than firms. Relatedly, we believe that there are no pre-ordained “economic laws” for wage determination and that the mainstream one still widely accepted (wages equal to marginal product) is totally ungrounded⁹. Also, it is totally ungrounded¹⁰ the idea that high profits constitute a necessary factor for inducing and financing investments.

Furthermore, it is worth noting that **(i)** markets can exist also in socialist or semi-socialist societies and that, **(ii)** exploitation and unfair treatments can also occur in public

⁹ In particular, it is illogical and unfair – where, for a given productive capacity, marginal product is decreasing – to apply the lowest value of the marginal worker to the infra-marginal and more productive workers (see for more details also Hermann 2017). This applies also when, owing to the characteristics of the productive equipment, an additional worker reduces, and renders equal among them, the marginal product of all workers because in this case marginal and average product are equal.

¹⁰ See for more details also <https://peg.primeeconomics.org/commentary/rate-of-profit-impact-investment>

institutions, if there is, like in CS, power concentration and lack of democratic participation.

As we will see later on, an institutional analysis of the “market” and of the “state” can help illuminate these issues.

Another limitation of the ecosocialist (and, as we have seen, of deep ecology) approach is a certain lack of interdisciplinary perspective. In general, the tendency is to interpret the emergence of capitalism as something exogenous in respect to the motivations and conflicts of the persons. This is because, so the reasoning goes, in capitalistic system people are bound to exploit their fellows even if they do not have such intentions. This is true to a degree, of course, but it is also true that also the predatory attitudes of persons rooted in previous systems find a new amplified expression in capitalistic systems. As we will see later on, a better understanding of the neurotic aspects of such predatory attitudes can constitute an important pillar of a more equitable society.

2. The Original Institutional Economics’ Perspective

The Basic Principles

Institutional economics originated in the United States in the first decades of the XX century. Its cultural roots can be identified in the philosophy and psychology of Pragmatism — in particular in the theories of Charles Sanders Peirce, John Dewey and William James — and in the German historical school, whose principles were developed by a scholar, Richard T.Ely, who had a considerable influence on the formation of the first generation of institutionalists. The principal founders of institutional economics are Thorstein Veblen, John Rogers Commons, Walton Hale Hamilton, Wesley Mitchell and Clarence Ayres.

Relevant contributions were also provided by L.Ardzooni, A.A.Berle, J.C.Bonbright, J.M.Clark, M.A.Copeland, J.Fagg Foster, I.Lubin, Gardiner C.Means, Walter Stewart and many others.

Significant contributions with important connections to institutional economics were provided by, among others, John Kenneth Galbraith, Fred Hirsch, Albert Hirschman, Gunnar Myrdal, Karl Polanyi and Michael Polanyi.

Within institutional economics, two main fields can be identified: **(i)** the *old (or original) institutional economics*, constituted by the first institutionalists and by subsequent scholars who shared their main concepts; and **(ii)** the *new institutional economics* (NIE),

composed of later scholars adopting principles having important references in the Neoclassical and Austrian schools.

We will focus chiefly on the *original institutional economics* (we will indicate it as OIE or institutionalism). As noted by numerous authors, the OIE does not present a completely unitary framework. Within this ambit, three main strands can be identified:

(I) An approach first expounded by Thorstein Veblen, stressing the dichotomy between ceremonial and instrumental institutions; the role of habits of thought and action; the cumulative character of technology in its relations with the workmanship and parental bent propensities; the role of the business enterprise in modern economy and their effects on the business cycles.

(II) An approach initiated by John Rogers Commons, which focuses attention on the evolutionary relations between economy, law and institutions; the nature of transactions, institutions and collective action, also in their relations to business cycles; the role of conflicts of interest and the social valuing associated with them; the nature and evolution of ownership, from a material notion of possess to one of relations, duties and opportunities; the role of negotiational psychology for understanding economic and social phenomena.

(III) An approach developed Walton Hale Hamilton, Wesley Clair Mitchell and other scholars, dealing with “market imperfections” at micro and macro level and their effects on economic systems. The aspects more widely investigated are market power, the duplication of firms and the inefficiency of many industrial sectors, the insufficient capacity to consume of middle-low income classes, the dynamics of business cycles.

Notwithstanding a number of differences between these approaches, the elements of convergence are remarkable. For instance, between the concepts of ceremonial and instrumental institution, on the one side, and the process of social valuing, on the other. In this sense, the observed differences tend to concern more the issues addressed than the basic aspects of the OIE. The leading ideas of the institutional economists appear to be the following: **(i)** the belief in the complex and interactive character of “human nature”, and the consequent importance of the social and institutional framework for its amelioration; **(ii)** the refusal of any abstract and deductive theorizing detached from the observation of reality, and the consequent emphasis on inductive methodology based

on case studies and statistical analysis; **(iii)** the importance attributed to the notion of “social control”, by which it was meant a proactive role of institutions and policies in addressing economic and social problems; **(iv)** an interdisciplinary orientation — in particular with the philosophy and psychology of pragmatism and other related contributions of social psychology — in order to acquire a more realistic account of the characteristics of human nature in its individual and social unfolding.

This new wave had its seats in a number of important universities — in particular, Amherst, Chicago, Columbia, Wisconsin — which became the springboard, through their institutional economists, of important collaborations with numerous research institutions and governmental bodies. The general sentiment pervading these initiatives was one of optimism about the possibilities of social progress and was by no means confined only to institutional economists as it involved the philosophy and psychology of pragmatism, and various strands of psychology, sociology and political science.

Veblen’s Evolutionary Perspective

Thorstein Veblen’s 1898 famous article *Why Is Economics Not an Evolutionary Science?* can be considered the initiation of the evolutionary and institutional approach in economics. It stressed that mainstream economics, based on simplistic hypotheses and a static approach, cannot succeed in analysing the complexity of economic phenomena. Instead, a deeper and more interdisciplinary analysis must analyse habits, instinct, evolution, and the role of technology in promoting social progress.

Habits, Instincts and Evolution

The existence of habits of thought and life that arise and change slowly and cumulatively implies, in Veblen’s analysis, that people do not behave out of a supposed ‘rational’ decision-making process aimed at maximising their ‘hedonism’. Thus, they do not react instantly to different economic circumstances as assumed within the neoclassical framework. Rather, following norms may itself be a goal, since norms reflect the values and criteria through which society classifies and appraises human conduct. Hence, norms can indicate to a person the appropriate behaviour to be followed.

Veblen's focus on habits also draws attention to important aspects of the nature of human development and the role played by *instincts* (or 'propensities'). This perspective gives a different conception of human nature. In Veblen's words,

"According to this conception, it is the characteristic of man to do something, not simply to suffer pleasures and pains through the impact of suitable forces. He is not simply a bundle of desires that are to be saturated by being placed in the path of the forces of the environment, but rather a coherent structure of propensities and habits which seek realisation and expression in an unfolding activity.", (Veblen 1990, p.74).

In Veblen's further elaboration — particularly in his book *The Instinct of the Workmanship and the State of the Industrial Arts* — workmanship and parental bent are held to be the most important human instincts. Both are intended in a broad sense: 'workmanship' means not only technical abilities but the whole set of manual and intellectual activities, whereas 'parental bent' means an inclination to look after the common good that extends beyond the sphere of the family alone. These instincts are appraised by Veblen as complex entities. As he noted, "Instinct, as contra-distinguished from tropismatic action, involves consciousness and adaptation to an end aimed at [...] Hence all instinctive action is teleological. It involves holding to a purpose.", (Veblen 1990 [1914], pp.4,31).

In Veblen's view, these propensities tend, under ideal circumstances, to strengthen one another. This important insight has been confirmed by studies in psychology and psychoanalysis that stress people's need to enhance their intellectual, social and emotional potential through the construction of adequate interpersonal relations. These propensities are likely to prevail in a situation where other instincts that can act at cross-purposes with them — for instance, predatory instincts which can be expressed through a framework of ceremonial and 'acquisitive' institutions based on invidious distinctions — have little social grounds to express themselves. Veblen supposes that the first stage of human life was of this kind but, since then, disturbing factors have caused a progressive deviation from such happy stage.

Business enterprise, pecuniary gain and the dichotomy with the serviceability of the product

The main disturbing factor is located by Veblen (1904) in the emergence of the business enterprises of the capitalistic system. To secure foreign markets and maximise profits, this system led to imperialist policies of national aggrandisement. Internally, the system is characterised by ceremonial institutions and invidious distinctions of wealth and status expressed through the phenomenon of 'conspicuous consumption'. Therein lies a tenuous relation, if any, between the serviceability of the product and the pecuniary gain.

This dichotomy lies at the basis of the famous Veblen's distinction between the role of the engineers, acting under the workmanship instinct and therefore directing their action toward the objective of serviceability, as contrasted with the role of capitalists, acting under the influx of propensities at cross-purposes with workmanship, based on acquisitive and aggressive traits, and finalised, through the applications of various restrictions on production, to increase their pecuniary gains.

A central element that can strengthen workmanship and parental bent propensities against acquisitive and predatory attitudes rests on the intensity of technological progress. In fact, by inducing individuals to adapt themselves to new methods of production, technological progress brings out, through a process of habituation to new habits of thought and life, the workmanship instinct. In this sense, in Veblen's (and Ayres) tradition of institutional economics technological progress¹¹ is strictly to instrumental value (see also later).

It can also be interesting to note that, although Veblen never directly addressed ecological issues, his analysis has relevant implications in this respect. As a matter of fact, his analysis of business enterprise, coupled with his theory of conspicuous consumption, bring to the fore the predatory, emulative character of modern capitalism based on mass consumption. In this sense, overcoming capitalism means overcoming the superfluous consumption through the building of an economy based on

¹¹ As also noted in another work (Hermann, 2015) this view, if not properly qualified, can give rise to a kind of deterministic attitude. In this regard, technological progress is far from being "neutral" as regards the attainment of social objectives. Therefore, it does not follow a deterministic pattern out of its "immanent rationality", but it is partly moulded by the characteristics of any given context. In this regard, an increased capacity for analysing social problems — a capacity which can also benefit from progress in psychological and social sciences — could well be regarded as a genuine expression of the instinct of workmanship which can play a relevant role in social evolution.

serviceability. As can be seen, such perspective is highly synergic with the contributions of deep ecology and ecosocialism addressed before.

John R. Commons's Institutional Perspective

Transactions and Collective Action

One of Commons's most important insights is that collective action constitutes a necessary element for an adequate performance of individual action. The dialectic and dynamic relations intervening between individual and collective action are effectively expressed in this passage,

“Thus, the ultimate unit of activity, which correlates law, economics and ethics, must contain in itself the three principles of *conflict*, *dependence*, and *order*. This unit is a Transaction. A transaction, with its participants, is the smallest unit of institutional economics.”, (Commons, 1990: 58, 69; original edition 1934).

Transactions are classified in three categories — Bargaining, Managerial and Rationing — according to the relationship intervening between the parties involved.

The first concerns the relation between individuals with equal rights — which does not necessarily correspond to equal economic power — for instance, between buyer and seller. The second regards the relations between people organized within an institution, for instance between a manager and his or her collaborators. And the third refers to the relations between the person and a kind of collective action where there is less direct involvement. This happens, in particular, with the policy action of Government and Parliament, but also with the collective action of the most important economic and social associations of society (for instance, political parties, unions, consumers associations).

These transactions are quite diverse according to the degree of direct intervention of collective action but, at the same time, are extremely intertwined. In their various combinations, they make up the tangled weft of collective action. It is interesting to observe the complex, conflicting and evolutionary role that institutions assume in Commons's analysis, as expressed in the following passage,

“Thus conflict, dependence, and order become the field of institutional economics, builded upon the principles of scarcity, efficiency, futurity, working rules, and strategic

factors; but correlated under the modern notions of collective action controlling, liberating, and expanding individual action.”, (Commons, 1934: 73, 92).

The importance of this concept of institution lies in the fact that it does not consider individual and collective action as opposite entities, but as different but complementary aspects of the "human will-in-action". The importance attributed by Commons to the human will does not mean, however, the adoption of a mere "contractual" view of institutions that overlooks the role of coercion and unexpected consequences of human action. As a matter of fact, Commons takes these aspects explicitly into account, but, instead of treating them as exogenously determined by some dusky and impersonal "structural factor" or "natural law", considers them as the outcome of the joint action of all the "human wills-in-action" in any given context.

The Evolution of Capitalism

This perspective brings to the fore, in particular with John R.Commons’s analysis (1934), the transition from the “individual capitalism” of the industrial revolution to the “mixed economies¹²” of our time. He identified three stages of capitalism: Scarcity, Abundance and Stability. In his words,

“Taking an historical view, we distinguish three corresponding economic stages: a period of Scarcity preceding the “industrial revolution,” the latter beginning in the Eighteenth Century and continuing today with augmented speed through collective action; a period of Abundance with its alternations of oversupply and undersupply for a hundred years or more, accompanying this industrial revolution; and a period of Stabilization, beginning with the concerted movements of capitalists and laborers in the Nineteenth Century, and the equalization of competitive conditions, the “live-and-let-live” policies of the Twentieth Century in America.”, Commons, 1934: 773.

These stages had quite different implications for economic organization.

In the period of scarcity there was “the minimum of individual liberty and the maximum of communistic, feudalistic or governmental control through physical coercion”

¹² In this respect, it is interesting to note that the notion of a “mixed economy” has interesting parallels with Rudolf Hilferding’s theory of “concerted capitalism” and with other heterodox economics’ contributions underscoring the importance of public action (and spending) for the development of the later stages of capitalism.

(Commons, 1934:774), which broadly corresponds to the merchant capitalism (broadly from the XVI century up to the industrial revolution).

The period of abundance was instead characterised by the “a maximum of individual liberty, the minimum of coercive control through government” (ibidem: 774), which corresponds to the “unlimited growth” of the industrial revolution; whereas a period of stabilization witnessed a “diminution of individual liberty, enforced in part by governmental sanctions, but mainly by economic sanctions through concerted action, whether secret, semi-open, open, arbitrational, of associations, corporations, unions, and other collective movements of manufacturers, merchants, labourers, farmers and bankers.”, (ibidem: 774).

From this perspective, the market cannot realistically be considered as an abstract mechanism leading automatically — if it is sufficiently “perfect” — to individual and social utility maximisation. Indeed, even the (seemingly) most atomistic and impersonal transaction occurring between individuals who are unknown to each other does not take place in an imaginary ‘free market’ world but within a complex institutional and legal framework that defines the ‘working rules’ of transactions, with the related set of “rights”, “duties”, “liberties” and “exposures”. This process, observes Commons, “tells what the individual *must* or *must not* do (compulsion or duty), what they *may* do without interference from other individuals (permission or liberty), what they *can* do with the aid of collective power (capacity or right), and what they *cannot* expect the collective power to do in their behalf (incapacity or exposure).” Commons 1924: 6.

Reasonable Value and Instrumental Value

The institutional nature of the market implies that it is heavily embedded in the social and cultural domain and that it involves a process of social valuing. As he notes,

“Reasonable Value is the evolutionary collective determination of what is reasonable in view of all changing political, moral, and economic circumstances and the personalities that arise therefrom.”, (Commons 1934: 684).

Thus, reasonable value can be regarded as an imperfect process whose characteristics can be interpreted as the synthesis of the conflicting and evolutionary components of collective action. The imperfection of reasonable value is also caused by its partly

unconscious and conflicting character, often embodied in habits of thought and life. These insights have significant synergies with the social psychology of Pragmatism and with psychoanalytic contributions highlighting the reasons of the psychological dependency of many people on authoritarian leaders/ideas and the need of a new participatory society.

A related and important concept that refers to the Veblen-Ayres's tradition of institutional economics is that of instrumental value which, as we have noted, is strictly related to technological progress. An effective definition of the instrumental value criterion is the "continuity of human life and the non-invidious re-creation of community through the instrumental use of knowledge", (Tool 1986).

On this matter, the appraisal of adequacy of social systems can be found not so much in abstract universal principles of social good related to a strictly conceived notion of technological progress but, rather, in linking these principles to people's actual needs. This implies considering the concept of "knowledge" in a wide and humanistic meaning — which was implicitly endorsed by Clarence Ayres, Marc Tool and other authors involved in such theory — and hence including not only technical achievements but also progress in psychological and social sciences. In this respect, the notion of psychological soundness — namely, the extent to which persons are free from psychological disturbances in their individual and collective action and are able to express their real need and inclinations — can also help better clarify the central distinction between the instrumental value principle and ceremonialism resting on invidious distinctions of wealth and status. Moreover, if we assume, following insights from institutional economics and from pragmatist psychology and psychoanalysis, that the propensities of workmanship and parental bent lie at the heart of the real needs of the person, the ethical principles of solidarity and participation become endowed with a more precise scientific content, since they become based on a systematic analysis of the ontological foundations of human needs in their social and cultural expressions. On that basis, the formulation of policies can become more focussed on the profound needs and orientations of society. As we will also see later, these aspects are particularly relevant for environmental policies.

The Links with John Dewey's Theory of Individualism and Social Action

The Growing Importance of Collective Action

In his article "Toward a New Individualism", he notes that our productive life is acquiring a corporate and collective character. And that, conversely, our moral culture is still "saturated with ideals and values of an individualism derived from a pre-scientific, pre-technological era.", Dewey, "Toward a New Individualism" [in *Individualism, Old and New*, 1999 (1929): 37].

The somewhat paradoxical idea of Dewey is that the spiritual roots of such individualism are to be found in medieval religion. In this sense,

"The apparent subordination of the individual to established institutions often conceals from recognition the vital existence of a deep-seated individualism....the fact that the controlling institution was the Church should remind us that in ultimate intent it existed to secure the salvation of the individual....The power of established institutions proceeded from their being the necessary means of accomplishing the supreme end of the individual.", Dewey, *ibidem*: 37.

It is interesting to note how this wild form of individualism went in tandem with political absolutism and a very hierarchical society. With the advent of industrial revolution, many things had changed, and societies became more dynamic, but such kind of individualism — expressed in the form of natural rights — remained relatively unaffected and persisted in the next stage of corporate capitalism. This stage, despite its semblance of individualism, is much more collective than individual capitalism. This assertion can appear paradoxical: in fact, is it not that corporations are privately owned? This is true, of course, but it is also true that the work of corporations requires a notable socialization of their activities as they must work together and interact each other in order to keep the system working. Also, the legally "private structure" of corporations often conceals the articulation of the stakeholders. These include not only the classic shareholders, but also other subjects like workers, consumers, local and (especially today) civic communities and environmental groups. Although these aspects would require a different and more collective attitude, the earlier creed of economic individualism still persisted. But, notes Dewey, "If [this individual creed] is not an echo of the echo of a voice of a long ago I do not know what it is.", Dewey, *ibidem*: 38. In this

respect, the “pure individualism” so often held at the basis of American development plays in the corporate time a modest role and exists only “in the movie and the novel”. But the persistence of this old individualistic creed in a context that requires a totally different attitude has caused the phenomenon of “lost individual”. This comes about in a situation of “anomie”, when there is for the persons a lack of social relations and no clear meaning of the public functions of their activities. As noted by Dewey, “They [influential and wealthy people], may be captains of finance and industry, but until there is some consensus of belief as to the meaning of finance and industry in the civilization as a whole, they cannot be captains of their own souls....Their reward is found not in what they do, in their social office and function, but in a deflection of social consequences to private gain....An economic individualism of motives and aims underlies our present corporate mechanism, and undoes the individual.”, Dewey, “The Lost Individual”, [ibidem: (1930), 1999: 27, 30].

In this regard, notes Dewey, “It is not fantastic to connect our excited and rapacious nationalism with the situation in which corporateness has gone so far as to detach individuals from their old ties and allegiances but not far enough to give them a new centre and order of life....The balked demand for genuine cooperativeness and reciprocal finds in daily life finds an outlet in nationalistic sentiment. Men have a pathetic instinct toward living and struggling together; if the daily community does not feed this impulse, the romantic imagination pictures a nation in which all are one. If the simple duties of peace do not establish a common life, the emotions are mobilized in direction of a war which supplies its temporary simulation.”, Dewey, ibidem: 30, 31.

In Dewey’s idea, also religion, conceived of as a cultivation of individual virtues detached from the social scene, cannot help realize a more organic society.

This lack of social meaning has its economic counterparts in economic insecurity, unpredictable and disruptive business cycles, chronic unemployment and precarious work. A situation of this kind, as people cannot live in a vacuum and continue to express their need of social relation, calls for vacuous and surreptitious values of “liberty” and “nationalism”. In this way, a kind of uniformity of thought is engendered but, notes Dewey, such standardization does not go deep. In fact,

“Its superficial character [of such standardization] is evident in its instability. All agreement of thought obtained by external means, by repression and intimidation, however subtle, and by calculated propaganda and publicity, is of necessity superficial; and whatever is superficial is in continual flux. The methods employed produce mass

credulity, and this jumps from one thing to another according to the suggestion of the day. We think and feel alike—but only for a month or a season. Then comes some sensational event or personage to exercise a hypnotizing uniformity of response. At a given time, taken in cross-section, conformity is the rule. In a time span, taken longitudinally, instability and flux dominate.”, Dewey, “Toward a New Individualism”, *ibidem*: 42.

It is then a psychological anchorage to a wild and unsocial form of individualism that produce these evils. Their overcoming, for Dewey, rests in promoting an economic system based on elements of democratic socialism and new, social oriented forms of individuality.

3. Other Heterodox Economics’ Contributions on Market Imperfections and the Social Costs of Private Enterprise

The issue of market imperfections has been widely analysed in contributions belonging or related Original Institutional Economics’ Contributions. The most relevant imperfections include environmental degradation, waste of natural resources, instability of economic cycles, chronic under-utilisation of human potential and of productive capacity, high prices in relation to costs often accompanied by uneconomic duplication of firms. These aspects are often accompanied by cut-throat competition, in particular in low-tech productive sectors with little market power. A phenomenon which tends to engender an analogous process of competition and exploitation between workers.

As noted by Slichter (1924), a central reason for the market’s weak capacity to economise costs is that it does not provide a mechanism¹³ for stopping the uneconomical increase in the number of firms. Rather, as Slichter notes, when prices become higher than costs (i.e. the mark-up increases), the tendency is not for prices to be lowered, as claimed by neoclassical economics, but for costs to increase because of the multiplication of enterprises attracted by high profits.

Hence, the concerns about the structural imbalances of capitalistic markets have become key themes within OIE. These insights were later developed by Karl Kapp, in his book, *Social Costs of Private Enterprise*, and in subsequent articles. Kapp notes that firms working in capitalistic systems, but also in the countries of ‘real socialism’, have a structural tendency to shift to the collectivity the negative effects on environments of

¹³ Since this analysis has striking parallels with the theories of underconsumption, a closer collaboration with these theories (and with post-Keynesian contributions) would be particularly useful for casting more light on these aspects.

their activities. It is, in this sense, a much more pervasive phenomenon than is portrayed by the neoclassical notion of 'externality'. It is a phenomenon characterised by circular causation involving technological, social, and institutional aspects. In this sense, 'environmental disruption' comes about only when the institutional system renders it possible. In Kapp's words,

"Speaking as an economist, I have long held the view and continue to believe that the institutionalised system of decision-making in a market economy has a built-in tendency of disregarding those negative effects (e.g. air and water pollution) which are 'external' to the decision-making unit [...] Thus, a system of decision-making, operating in accordance with the principle of investment for profit, cannot be expected to proceed in any other way but to try to reduce its costs whenever possible by shifting them to the shoulders of others or to society at large.", (Kapp and Ullmann 1983, p.42).

This situation gives rise to a vicious circle and is the result of a system that, under an appearance of private rationality, is overwhelmed by a collective destructive irrationality that finds expression in systematic damage of the environment. To address these problems, the objectives of environmental policies should be appraised outside the market sphere, like socio-political entities. What Kapp suggests is an *ex-ante* definition of the environmental objectives that should then be incorporated in investment decisions. A central factor for attaining these goals today rests in the systematic development of green technologies.

Contradictions of the "Affluent Society"

An interesting author having significant similarities with institutionalism is John Kenneth Galbraith. Among his many books, the most famous is *The Affluent Society*, published for the first time in 1958 and then again in 1998 with an author's update. It deals with issues central to a critical appraisal of the 'societies of abundance' during the decades following the Second World War. As a path-breaking interpretation, it highlights: **(i)** the imperative of production and consumption, with the excessive use of credit and pervasive advertising; **(ii)** the presence of a powerful 'technostructure'; **(iii)** the systematic downplaying of public expenditure and public goods; **(iv)** the growing economic and social insecurity; **(v)** the environmental decay; and **(vi)** the limited possibility of conventional policies to counteract these phenomena.

Galbraith presents a picture of an economic system where 'real production' is usually identified almost exclusively with the private sector, while the public sector is considered, at best, a necessary evil, and, at worst, an obstacle to the free operation of market forces. In this view, he notes: "public services rarely lose their connotation of burden. Although they may be defended, their volume is almost certainly never a source of pride.", (Galbraith 1998, pp.99-100). The result is a chronic shortage of the public goods needed for a balanced development of economic activities. It is also a situation of persistent inequality and 'poverty amidst affluence' because of the inadequate services (for instance, education) for poor people that would help to overcome their condition. Meanwhile, the complex of large enterprises and their managers, which Galbraith names the 'technostructure', takes the leading role in the creation and satisfaction of consumer needs. One of the indicators of this phenomenon consists in the costs of promoting the product, often equal to or even greater than the costs of production. In this sense, "wants are increasingly created by the process in which they are satisfied.", (Galbraith 1998, p.129).

Developing effective solutions to the problems of an affluent society, Galbraith remarks, demands a growing public awareness of the related imbalances. However, he is not optimistic about the possibility of quickly realising this potential, and ends his book by saying, "To furnish a barren room is one thing. To continue to crowd in furniture until the foundation buckles is quite another. To have failed to solve the problem of producing goods would have been to continue man in his oldest and most grievous misfortune. But to fail to see that we have solved it, and to fail to proceed thence to the next tasks, would be fully as tragic.", (Galbraith 1998, p.260).

Yet a note of optimism may be added if his insights into the problems of the affluent society, in their synergies with other contributions from institutional economics and cognate social sciences, helps to identify a more comprehensive course of policy action.

The relevance of supranational cooperation

The Swedish economist Gunnar Myrdal has been another influential political economist within the institutionalist tradition. Among many other contributions, Myrdal elaborated the theory of circular and cumulative causation as a means of interpreting many phenomena addressed by institutional economists—for instance, the persistence over

time of inefficient institutions (public and private) and of economic disparities such as those between developing and developed countries.

Myrdal's work also provides an analysis of the insufficient level of supranational relations. In his 1957 lecture *Why Are International Economic Organizations So Inefficient?* he argues, with prophetic insight, that, in a world where supranational cooperation becomes ever more necessary for addressing economic and social imbalances, the capacity to realise this goal remains dramatically insufficient. There are intrinsic problems in treating complex matters in an enlarged dimension, of course, but the major political economic difficulty for such collaboration rests in the unwillingness of governments – supported by much public opinion - to renounce part of their sovereignty for attaining supranational objectives. One relevant reason for this attitude can be found in the psychological difficulty of expressing solidarity and empathy for anything we perceive as 'foreign' and outside our sphere of action (nations, regions, towns and villages, with the related social groups). These localistic attitudes, however, do not allow to reap the advantages that would result from supranational cooperation. As he remarks,

“The legislatures, governments and administrations are usually more narrowly nationalistic than the enlightened sections of the general public. And so all the conditioning of negotiators in the international economic fields have taught them to do their utmost in fighting fiercely for the national penny, while losing the commonly desired pound.”, Gunnar Myrdal “Why Are International Economic Organizations So Inefficient?” in Appelqvist and Andersson (2005)(eds.), *The Essential Gunnar Myrdal*: 194).

What Myrdal proposes for overcoming nationalism and localism is a broadened citizenship which could be promoted by a better knowledge of the gains of cooperation. There are, however, no precise suggestions as to how to speed up this process.

In this regard, a better collaboration with institutionalism and other social sciences can help better explain why progressive social change (including more supranational cooperation) is so difficult and slow. Relevant explanations are the habits of thought and life that maintain the stability of social fabric, and how such habits can be influenced by the various propensities (positive and negative) of people in their interactions with the social system. So, if a society promotes predatory and aggressive propensities based on invidious distinctions of wealth and power, their embodiment in habits of thought and life can help to explain the difficulty of social change.

Other Heterodox Economics' Contributions

A central aspect of a novel economic system relates to the building a society of the systems towards a society less based on the “economic motive” and more on the unfolding of the true inclinations and potentialities of persons.

This implies that this system will be fully compatible with situation of limited growth, steady state, or de-growth.

It can be interesting to note that this tendency was noted by important economists, and now we mention two significant examples. The first one can be found in perhaps the most “heterodox” classical economist, John Stuart Mill. In his appraisal of the long term economic evolution, he remarks that the structural tendency towards the stationary state not only does not imply a static way of living but, on the contrary, constitutes the necessary condition for the full expression of the more advanced aspects of personality. The central element for attaining such a state is the control of population. In his words,

“There is room in the world, no doubt, and even in the old countries, for a great increase of population, supposing the arts of life to go on improving, and capital to increase. But even if innocuous, I confess I see very little reason for desiring it....I sincerely hope, for the sake of posterity, that they....[the future generations]...will be content to be stationary, long before necessity compels them to it.

It is scarcely necessary to remark that a stationary condition of population and capital implies no stationary state of human improvement. There would be as much scope as ever for all kinds of mental culture, and moral and social progress; as much room for improving the Art of Living and much more likelihood of its being improved, when mind ceased to be engrossed by the art of getting on. Even the industrial arts might be as earnestly and as successfully cultivated, with this sole difference, that instead of serving no purpose but the increase of wealth, industrial improvements would produce their legitimate effect, that of abridging labour. Hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being....Only when, in addition to just institutions, the increase of mankind shall be under the deliberate guidance of judicious foresight, can the conquests made from the powers of nature by the intellect and energy of scientific discoverers, become the common property of the species, and the means of improving and elevating the universal lot.”, [John Stuart Mill, 1994, (1871): 129-130].

Another relevant contribution to these structural issues has been provided by J.M.Keynes, in particular in the final part of the *Essays in Persuasion*.

This can appear a bit surprising because Keynes, owing to his proposals for recovering from economic depression, is often considered as the theorist of the short period. This opinion tends to be reinforced by his famous expression “in the long run we will be all dead”.

However, from the reading of the *Essays* we discover that the long-term perspectives¹⁴ of economy and society play a paramount role in his analysis.

For Keynes, centring the analysis also on short-term problems constitutes only a part of more profound awareness of the structural transformations of society. The focus of these changes will be on a substantial reduction of the working time, made possible by the increase of productivity. The main obstacle to the attainment of this potential rests not in technical but in psychological difficulty. He notes, with great psychological intuition, that the latter obstacle relates to the difficulty of people to employ leisure time for a better realization of their personalities. In his words,

“We are being afflicted with a new disease of which some readers may not yet have heard the name, but of which they will hear a great deal in the years to come—namely, *technological unemployment*. This means unemployment due to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour.

But this is only a temporary stage of maladjustment. All this means that in the long run *that mankind is solving its economic problem...*[but, despite this opportunity]....Yet there is no country and no people, I think, who can look forward to the age of leisure and of abundance without a dread. For we have been trained too long to strive and not to enjoy...[hence, in this perspective, economics]....should be a matter for specialists—like dentistry. If economists could manage to get themselves thought of as humble, competent people, on a level with dentists, that would be splendid!”, (*ibidem*, 364, 368, 373).

¹⁴ On that account, it is interesting to note that Keynes mentioned Commons’s analysis of the evolution of capitalism in order to give a good reason of public action to stabilize at full employment an otherwise unstable economy unable to deal with unemployment and other structural imbalances.

4. The role of democratic planning in realising an equitable and sustainable economy

As many of us would agree, the idea of a perfect and optimising market is far detached from reality. For these reasons, a kind of economic planning is always necessary for attaining the objectives of policy action. We shift then to the issue, namely, as to what kind of economic planning is preferable. On that account, Original Institutional Economics (OIE) provides an interesting analysis that nicely complements that of ecosocialism addressed before. OIE identifies three kinds of economic planning:

(I) The first is corporate planning, which is the reality of modern capitalism. In this system, the operation of “free market forces” is heavily conditioned by the interests of big corporations. They possess a wide array of instruments to influence the structure of all relevant markets in which are engaged. In William Dugger’s words,

“The corporation is privately efficient [in the pursuit of its goals], but it is not socially efficient because its low-cost, high-productivity performance benefits those who control it, generally at the expense of those who depend upon it but frequently also at the expense of the society at large.”, (Dugger, 1988: 239).

Corporate planning is highly hierarchical, since the key decisions are made by the top managers with little involvement of workers and citizens at large.

(II) Then comes totalitarian planning, which is a system characterised by a public purpose which is pursued through a highly hierarchical structure. Such organizations — although have sometimes achieved important results in building infrastructures and poverty alleviation — are flawed by a fundamental lack of accountability and democratic representation. This system, then, by acquiring a marked self-referential character, makes it impossible any objective and pluralistic assessment of the policies adopted and the results achieved.

(III) We move then to the third alternative, democratic planning. This system, although it does not always work miracles, is definitely more promising. By allowing a more complete expression of the ideas, experiences, competences, motivations and conflicts of the involved subjects, such system can improve the process of social valuation, and then the capacity of policy action to respond to the profound needs of society.

In this regard, OIE envisions the following macro-objectives (see, in particular, Dugger, 1988, Tool, 1986) of democratic planning:

(1) Overcoming the dichotomy, identified by Veblen, between the objectives of profit and serviceability related to the production of goods; this can be attained by reducing the artificial scarcity and the “invidious distinctions” stemming from market power and ceremonial status, and by making a better and participatory use of the community’s knowledge.

(2) Overcoming the dichotomy, underscored by John Fagg Foster, between structures and functions. Such dichotomy can occur because structures, even if, at least in theory, should be instruments for delivering some functions, can easily outlive their utility. This can happen in various degrees — as when, for instance, an organisation becomes a kind of a white elephant — and is directly related to the “ceremonial” aspects and power relations residing in the institutions. Also in this case, a broader participatory process, by improving the process of social valuation, can help abate such dichotomy.

(3) Implementing the “instrumental value criterion”, (see, in particular, Tool, 1986), which pertains to the goal of “the continuity of human life and the non-invidious re-creation of community through the instrumental use of knowledge”. This encompassing goal, which constitutes the cornerstone of the institutionalism, requires the attainment of the two intertwined goals: **(a)** an accountable and participatory democracy in which every citizen can play an active role in decision-making; and **(b)** a substantial reduction of economic and social inequalities.

Needless to say, these objectives will be interpreted differently according to the features of every considered context. This comes about because the relevance of democratic planning lies in the process it engenders for improving participation in decision-making. In this respect, the relevant aspect of democratic planning is its flexibility, which calls for its application to a wide array of contemporary issues, often reaching out to a supranational dimension. These include the building of peaceful relations, the reduction of gross inequalities between persons and economic areas, and, as a pivotal theme traversing the previous issues, the solution of the environmental problems.

How to attain a real democratic system?

A real democratic system, however, is not easy to realize. We can refer here to other interesting aspects of John Dewey's analysis of these issues, which are very topical in our time. As he notes,

“Our presidential elections are upon the whole determined by fear. Hundreds of thousands of citizens who vote independently or for democratic candidates at local election or in off-year congressional elections regularly vote the Republican ticket every four years...[in this respect]....because of vague but influential dread lest a monkey-wrench be thrown into the economic and financial machine....[all this]...testifies to the import of crowd psychology of suggestion and credulity in American life...[and, for these reasons]....We live politically from hand to mouth.”, [Dewey, “Capitalistic or Public Socialism” in *Individualism, Old and New*, (1929) 1999: 51-52, 53, 56].

How, then, citizens can become more independent in their assessments, and in this way realize a democracy not only formal but substantial? To that purpose, for Dewey, the state and the major political and economic actors should promote organised debates really involving citizens in order to devise policies based, not on alluring but ungrounded slogans, but on the intelligent application of scientific methodology (meant in a humanistic conception and then including also social sciences).

This aspect is central, of course, and it has been in our time in part realized also through the diffusion of the internet based “social networks”. However, despite this progress, not much has changed from Dewey's time in the ways to address socio-economic issues. Even today, in many cases political elections are won not by a scientific analysis of the problems, but by a pervasive propaganda — most often based on wild nationalism and xenophobia — aimed at arousing sentiments of fear and anger towards the weaker groups; and of parallel belief that every limitation of the power of the stronger groups would end up in the bankrupt of the system.

In addressing and solving these problems, also the theories addressed can provide, in a synergic spirit, relevant contributions. As for heterodox economics, we have tried to illustrate its large, and for various aspects still unexplored, potential in analysing the economic imbalances of our economies. Particularly important is the analysis of the evolution of capitalism towards a managed or concerted form. And, in this respect, how this evolution takes form in the various types of transactions (bargaining, managerial,

rationing) and with what consequences on the power relations informing the economic structure. Other important aspects addressed in particular by institutionalism relate to the role of technology in the evolution of capitalism and the relevance of “reasonable value” in policy action.

As we have seen, reasonable value is “reasonable” only in relative terms, in the sense that it can be regarded as an imperfect process whose characteristics can be interpreted as the synthesis of the conflicting and evolutionary components of collective action. This aspect calls for an interdisciplinary approach and this leads us to consider how psychological and psychoanalytic contributions can cast light on these issues—for instance, the phenomenon of mass credulity highlighted by Dewey.

As noted before, such mass credulity is related to the fear that any attempt to reduce the economic disparities would cause the anger of the wealthy class and the crisis of the system. It is easy to see how ungrounded this belief is in economic terms: as a matter of fact, it is the working class that is essential for keeping the economy going, rather than the reverse. But, this being the case, what psychological factors sustain that fear? A psychoanalytic explanation would underscore the role of the early stages of child development and in particular the often ambivalent relations toward its caretakers. For instance, also in connection with an experience of anxiety and deprivation, the child identifies itself with their caretakers and their protecting and nourishing power. But, at the same time, it can be envious of such power and may develop greedy and aggressive fantasies of stripping the caretakers of their nourishing power. As a result, a feeling of guilt emerges, with the corresponding formation of the *superego*. This early conflict, when transposed at social level, makes it difficult for persons to react to wide and unjustified economic disparities. In fact, if they identify themselves with a tycoon, this is likely to cover a partly unconscious envy and aggressiveness. In this situation, any proposal to reduce such economic power, by reactivating such greedy fantasies, tends to be hampered by feelings of fear and guilt. Hence, overcoming these distressing feelings is advantageous not only for the single persons but also for realizing a more equitable and rewarding society.

Conclusions

In conclusion, we can note that the effectiveness of policy action can be strengthened by a joint use of the theories addressed in the work—in particular, deep ecology, bioeconomy, ecosocialism, original institutional economics and other heterodox theories, in an interdisciplinary perspective. In fact, these contributions, however different in many respects, present notable complementarities, in the sense that the aspects more disregarded by some are more completely considered by the others.

In particular, an interdisciplinary approach casting light on the links between the “material”, cultural and psychological aspects of economic action can help attain a more complete social valuation which, as noted before, lies at the heart of the effectiveness of policy action.

In this regard, the related concept of instrumental value addressed before is particularly indicated for the dealing with the issue of environmental sustainability. As a matter of fact, the “continuity of human life and the non-invidious re-creation of community through the instrumental use of knowledge”, perfectly fits with, and can help better attain, the goals of creating an equitable and sustainable economy. As a matter of fact, the participation process required for realising an effective instrumental valuation — by improving the self-understanding (and hence the real knowledge) of the values, interests and conflicts of collective action — would also help understand and overcome its most “disturbed” and conflicting aspects and so improve the capacity of policy action to respond to the profound needs of society.

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