Internalization of Ecological Problems – Is This the Right Method?

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Abstract: Authors attempt to confront the still mainstream approach that the economic recipe for solving ecological issues is their internalization, their inclusion into the economic domain. The argumentation takes the ecological issues as similar in nature to the societal ones, and insists on archaism of the still dominant practice of applying economic measures as primary solution. The article invokes such authorities as Bourdieu, Keynes and McCloskey. The strong influence of modern (non-individualistic) sociological theories on the mainstream economic thinking may overcome the misunderstanding of the ecologic problems in this context.

1 The background: the social determination of economy

Bourdieu [1988] points out that: “[E]ven if its theoretical possibility is universally allocated, the propensity or the ability to have recourse to a rational principle of production of practices has its own social and economic conditions of possibility: the paradox, indeed, is that those who want to admit no principle of production of practices, and of economic practices specifically, other than rational consciousness, fail to take into account the economic preconditions for the development and the implementation of economic rationality”. These economic preconditions are described as social regularities by the author in his theory.

To put it simple: Even if we assume that the waterpark down the river is willing to pay the factory up the river to restrict its cyanid pollutions1 since it would be economically rational, this deal will not realize until a whole complexity of preconditions for such economic relationship come to life. Such preconditions are social and economic: people mind swimming in clear water; people are aware of cyanid related health risks; owners of the waterpark care about health risks their guests are exposed to even if the presence of such risks has no smell, no color; the state and municipal regulations of cyanid pollution are too insensitive to protect the leisure-time use of water; polluting chemicals

1 Let us take this classic problem of environmental economics workbooks.
to rivers is acceptable part of business practice; precedents exist for paying polluters money in exchange for their environmental investments; etc.

To extend the above idea and illustration to the point of our article: The cyanid pollution is negative externality, its cost incurred by the waterpark is not covered by economic relationships by definition. The market-driven approach to handle the externality would be to internalize the cost of the latter, that is to make the waterpark pay for its benefit of reduced pollution or to make the factory pay for damages caused by the pollution. Whereas in an ideal country a child would be brought up with a categorical disposition not to pollute the neighborhood, thus all individual actors involved in the above situation would never allow such situation to realize, collectively and without conscious deliberation – and that would be a soft social solution.

The “soft” social determination, such as the dispositional logic of collective action, is hard to interpret and even harder to operationalize for economists, who are still searching for an independent logic in economic processes. However, the reification of rational agency, agent preferences, institutional interests or information asymmetries, risk bearing differences is rather obvious². If Paul A. Samuelson's individualist-rationalist approach is inherited into the economic thinking, one will tend to abstract individuals and households acting deliberately, corporations operating according to planned strategies, and to interpret social-economic processes abstracted according to macroeconomic factors. In this reductive approach one would greatly tend to confide in the invisible hand taken from the crudely reduced heritage of Adam Smith the implicit gaps and the necessary consistency between micro and macro levels and between actors. One will tend to operationalize and reify ideas such as needs, scarcity, benefit, knowledge, interest, expectations, choice, decision, rationality, utility function, capital, distribution, equilibrium, and one may also make contextual references to the reasonable role of values, ideology, morality and culture in general. One would assume that the primary factors and rules of economic thinking prevail over the regularities discovered by anthropologists and sociologists in that people's activities are shaped by their own history and combine into a stably regulated reality. One would also assume that the functioning of social reality is efficiently regulatable by the means of concepts operationalized by the economic approach. In order to reduce the 'soft' social noise in regulation, one would often recommend defectors natively integrated into the comprehensible for economics aspects of existing market conditions (taxes, charges, product taxes), or in order to get a clear picture would recommend to convert uncontrolled reality into market conditions (market of pollution permits, privatization of public goods and natural resources). The examples cited in parentheses represent the subject of ecological issues.

As economists, we prefer to look at institutions and organizations as if they were functioning primarily according to formalisms. Thus it seems logical to complement

² We selected the listing of the individualist ontology of collective action according to Mark Blyth [2003b:2], supplemented by reading texts by Schoemaker on the collective model [1993:118]. See Chia 1995 for the description of reification.
bureaucratization with environmental management systems (EMS). Our modernist, economist patterns of thinking perceive people as having conscious behavior and being motivated by values. Thus we believe that environmental consciousness is conclusive in people, as consumers, employees and managers.

It is evident and irrefutable that governmental regulations, emission standards, taxes, charges, the market of pollution permits, the concerns of owners, enlightened knowledge of the ecological impacts of our own behavior, motivation to intentionally follow sustainable consumption and production patterns – these are all important factors in reducing the environmental burden of the economy. But if we consider that only a fraction of consumer and business behavior is economic, and even there the behavioral space for conscious and rational manoeuvring is narrow, while events reductively interpreted as “economic” take place in the complex gravitation of less rational human nature, complicated concrete social relations and constructions, and historicity embedded in the present – then it follows, that the dominant role of reductive economic mindset and its tendency for intervention is worrisome in such key areas as the management of an ecological crisis.3

2 The problem: lost in translation

The economic approach does not deny that ecological matters are out of scope in the economic domain – why else would we state that these are basically externalities. For economists it could be a natural way of reasoning that all socially important relations and activities have their respective representations in the economic domain – as the economy acts as a guard over the implementation of social efficiency –, but the proper transactional channel between the stakeholders, actors and activities of externalities is missing, which could compensate for the real effects by value exchange. It seems obvious anyway that the economic recipe for solving ecological issues is their internalization, their inclusion into the economic domain. This may be either the inclusion of actors, roles and activities outside the scope, or their relations. In order to internalize them, we have to assume that the original social relations can be mapped to the economic language (e.g. the need for potable water, and the lifestyle tied to natural landscape). And that due to this conceptual transformation the ecological case, as it was originally sensed by society, will not be at a disadvantage (see: the equal access to water and air regardless of property class, the symbiosis of a community and a landscape, the motivation for volunteer help, the social solidarity). It is also to be assumed that

3 We may also add that governmental and market-conform regulation attempts and succeeds in orienting actors toward compliance, which can be interpreted as promotion of the minimalist attitude in actors, for instance in manufacturers. As Ray Anderson, head of a carpet manufacturer giant corporation states negatively, such regulation leads to the achievement of “as bad as the law allows” results. [Achbar et al. 2003/2004, Disc 2, interview] Yet in case of active engagement the sophisticated and creative behavior according to their eco-sensitive orientation and proactivity is expected from the actors.
regulations by economic conditions will have the adequate intended impacts on the original matter (e.g. by assignation of scarce water sources and nature reserve to private party, or by trading of pollution permits). We also have to believe that – in spite of our mindset dominated by economic ideology – our impact assessments have competently surveyed the other societal consequences of the intervention and we will act responsibly towards those during the whole life cycle of the intervention (see: local culture and customs, long-term stakeholders in lower bargaining positions, socialization of the youth, or manufacturer responsibility for products which become waste in several years' time). Thus in case of deliberately planned interventions, in case of change, we should be in competent relations with the regularities of complex social relations and constructions, and the regularities of ecosystems. Finally, as we are committed to economic methods, we assume that other modes of intervention are socially less efficient than internalization.

The present article is supposed to promote the idea that if the determining drivers, regularities and structures of social reality, the socialized behavior of people and the economic practice are described with the operationalizable concepts of economic language then we would usually arrive at a theory reduced to uselessness in representing the original behavioral regularities taking place in the original problem fields. By this, the authors are not making an impossible statement that the thinking of economists is unusable in managing societal issues. The authors' approach rely especially on the Bourdieusian sociological theory, which is applicable to economy as well, and, in a much less processed manner, the approach and certain thoughts of an insider, the economist Deirdre McCloskey, when we try to describe, that conscious calculations, intentionally functioning structures, and motivations related to needs, efficiency and information as principles of thinking of economists allow for only a narrow understanding of economic reality itself. Thus exploring non-economic matters by using the patterns of economic mindset may be a fruitful venture, but not that objective and authoritative one. While the venture of placing the societal problems under the umbrella of economic relationships should be carried out with strict care regarding the concerns which are of high priority, but cannot be covered this way.

An important case of internalization is the transplantation of ecological issues into the context of institutionalized political action. Quoting the sharp wording of John Barry: “In order for green claims to get a 'hearing' within the current environmental policy-making system, they have to be systematically stripped of their normative content and reduced to monetary measures that is the dominant 'common denominator' with which the liberal democratic state operates. So, rather than one's ethical concern about the destruction of a much loved and culturally significant landscape or ecosystem, for example, being expressed in those ethical terms, one must engage in the ubiquitous, utilitarian calculus of 'cost-benefit analysis'. This is to force people to make a category mistake, which is to force ethical concerns to be misrepresented as monetary ones.” [2002:11, emphasis added] Thus the re-wording of problems into the language of
economy forcibly changes their original perceived nature. If economic thinking can be dominant in operationalizing ecological issues, one accepts a language, patterns of thinking and action, rules of game, which hardly were created for representing complex social problems, especially not the problems of the biosphere and ecosystems. Authors do not think that financial analysis is exclusive in the policy making system of environmental protection, but we do believe that it could have a high authority over other expert opinions. We do not think that the economic approach is given exclusivity in general, as this would contradict the basic theorem, that social relations are complex and embedded into practice, thus into policy making practice as well. However, it should be taken as a matter of course that economic thinking currently has authority over other, 'softer' social conceptualizations. Referring to semiotic terms, we could as well state that the modality of economic judgments is high, (since) we tend to overrate the authority and reliability of its representations.

Conceptual representation of environmental topics at the level of society is a critical issue. Foremost: the nature itself is also a construction for us. Using the radical statement of Ingolfur Blühdorn: “[t]he important question is not the reality of ecological damage, degradation, human-induced health problems etc., but rather for what reasons and to what extent such phenomena […] can be conceptualized as problems and crises” [in Barry 2002:7]. This well applies to European societies. Most of us experience ecological problems as abstractions – except for the pollutedness of rivers and metropolitan air, and the omnipresence of waste such problems can hardly be experienced in Europe in physical contact (as they were mostly exported to the third world along with physical production and almost all related problems). What's left is hyperreality – environmental problems are reproduced for our social reality in hyperreality. We may consider economy and economic thinking as one of the hyperrealities, as it is a copy of practical reality, which copy we tend to perceive as real. Thus environmental problems are not only reproduced for us as reality in the modality of news and documentary channels, but also in the modality of economic judgments. For example as the pecuniary value of damages caused, packaging fee, tradable pollution permits, concrete interpretations of externalities, water treatment investments, expected legal costs, terms of tender invitations, PR items or elements of the corporate image.

In relation to the economic modality of ecological topics it is especially worrying that economic thinking – putting it arrogantly – is in “complicity” with the major root causes of ecological problems, and the mechanisms, the culture reproducing and maintaining un-sustainability. To put it simple: because the modern welfare society structurally depends on the increase in consumption, the growth in net financial terms [Jackson

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4 Compare with Pierre Bourdieu's statement, quoted by Chia: “[the logicism in the traditional academic approach] 'cannot capture the principles of practical logic without forcibly changing their nature’” [Bourdieu 1980/1990:86, in Chia, 2004:30].

5 I. Blühdorn 2000 “Post-Ecologist Politics”, quoted by Barry 2002, who doesn't share his views.
Except for great crises, in all stages (and in all brands) of capitalism there inherently remains the basic growth-orientation determined by the credit-based system, while the societies based on this order may have and adopt many different world views, religions, morals, lifestyles, national cultures. Capitalism remains a strongly economy-centric system in the stage of welfare society as well. Accordingly the patterns of public thinking and political thinking are intertwined with the principles intertwined with economic practice – thus economic growth is a political goal today, consumption is the core practice and way of self-expression for the society, the increase of shareholder value is a sacred term in the operation of companies. Economic thinking following the neoclassical foundations and their Samuelsonian reading justifies the good of accumulation and self-interest, and it “colludes” with the enlightened modernist proclivity to conquer the environment, it celebrates the objectivity and prioritized status of economic rationale, reifies such conceptual references as individual need, but at the same time externalizes the categories of responsibility, morality, trust, commitment and involvement.

Historical retrace: Protestantism had made ascetic work and individual entrepreneurship an accepted way of life, personal well-being had became deserved; Industrial Capitalism established an economic environment which made better urban life accessible for the masses; Modernism laid the foundations for the belief in development and the importance of product life-cycles; with Welfare Economy the perceived demand of the masses for goods have been fulfilled; in Postmodern times the equivalency of simulations found its way to the minds of people; today the Economy provides an environment for existence in the consumption of illusions.

The statement is not that capitalism equals accumulation, maximization, profit, interest minus morality. Authors are stating that the dominant social-economic order identified with this label is in its principles and functioning intertwined with the ecologically unsustainable social-economic practice, and the mainstream economic thinking with its principles (methodologically) anchors this inertia of the order, thus it is worrisome that we seek the solution for ecological problems by using a way of thinking which is not only social-scientifically obsolete and socially narrow-minded, but also whose principles account for the causality of the problem itself. The authors emphasize that comprehension and action reduces to schemata, and these stereotypes play a determining role in practice, thus we emphasize the significance of the aspects of the mainstream which have been embedded into practice as used theories – and the importance of change in the mainstream thinking as well.

3 The new theory: the context of broader understanding

Bourdieu believes that the thinking of economists is likely to dump the failures of economic operations on sociologists. Because we are inclined to distinguish the

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6 E.g. American, German, Swedish, Japanese, Brazilian, Russian, Central-European
economic system as a domain controlled by actual logic, as the territory of the market and logical behavior, and treat separately “the uncertain 'social' order, shot through with the 'non-logical' arbitrariness of custom, passions and powers”. [Bourdieu 2000/2005:210] It was McCloskey who happened to promote that the thinking of economists [its mainstream] should acknowledge that in addition to good judgment, wisdom, practical know-how (prudence) there are other personal, civic, social and cultural [regularities] (virtues) which are relevant in the market-based bourgeois society. According to her opinion, which is authoritative for the authors, there are very few economists today who understand the other Smithian heritage hidden behind the term ‘moral sentiments’. “We few – lagging many decades behind sociologists and social psychologists and literary folk – have finally noticed the ethical soil in which an economy grows” [McCloskey 2006:xiii] The allusion to the judgments of Bourdieu is significant and important. Bourdieu's interpretation of social embeddedness is more general, structured and sociologically developed; it indeed provides a well-formed “context of a broader understanding” of economic reality.

While promoting his own theoretical framework Bourdieu writes the following on the obsoleteness of the traditional division between sociology and economics [2000/2005:210]: “One can reunify an artificially divided social science only by becoming aware of the fact that economic structures and economic agents or, more exactly, their dispositions, are social constructs constitutive of a social order.” The citation is from one of his last works titled “The Social Structures of the Economy”. In this book Bourdieu attributes fundamental importance to the analysis of dispositions, thus he puts the analysis of schemata of economic judgments and actions in the forefront. In this context dispositions are tendencies to comprehend used in economic thinking, and tendencies and capacities to act fitting the economic order. The dispositions of judgment and action are intertwined; they enable and restrict behavior at the same time. They constitute restricting, inert and nonconscious scaffolding around deliberate actions and freedom of opinion, and scaffolding for facilitating creative and innovative processes.

Such judgments\(^7\) are consumer preferences, which are intertwined with the schemata of shopping and self-expression behavior; and such tendencies to act are professional routine, fitted into the day-to-day workplace practices; and such tendencies build the scenario of an average working day. Organizational functioning is resulted from the cohesion of several micro-organizings, and the micro-logic of these elements is not conscious or rational, but stereotypical [in Chia 1995]. The aspirations of an executive about the future of his company are tendentious, and this tendency is in great part rooted in the individual socialization in the past, and the thinking and behavioral stereotypes of his current social milieu (this observation appears in our empirical material\(^8\)).

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7 The examples are partly from Bourdieu, and mostly our own examples. The source indication applies to the sentence in question.
8 Timur kHrotko 2006 "Business Practice can be Changed via the Dispositions of Executives – Re-socialization towards Implicit Eco-sustainability", PhD dissertation, BCU
Companies non-consciously adopt ideas about the needs of the customers, and this influences the results sought and found during a relevant market research. Each market establishes norms regarding quality, accepted by both the demand and the supply sides, the quality is not objective, it is negotiated in social meanings, the industry may influence its symbolic meanings, can form dispositions in clients, while it also takes over concepts about quality from the society. Consumption is influenced by many stylistic and taste tendencies, be it dressing, real estate, traveling, office furniture, car fleet or bridge construction. Orientations in society are interrelated with the policies of the administrative system regulating the industries whose concepts constitute parts of the social orientations. Taxation works mainly in the framework of propensity and the established social rules of the game. The attribution of the success of the German monetary system with the strong central bank gave orientations for the actual implementation of the monetary integration of the EU [in Blyth, 2003b:5]. The dispositional logic may reveal itself in that the countries supported by the IMF were inclined to accept the action recipes for liberal reforms. Today the broadly uniform thinking and behavioral patterns, styles and tastes are infiltrated by globalization.

As opposed to the modernist understanding of behavioral logic in its rational, interest- and computation-based, deliberate aspects, the logic of practice described by the Bourdieusian concept of habitus can capture the determining force of involvement or engagement, and can explain the continuous collective action and interplay without anchoring its origin in individual behavior and psychology. Ethics, usually referred by economists in opposition to, together with or accompanying rationality, in this view is only 'one' of the human regularities among several determining ones. According to Bourdieu, rational and conscious calculation has a very small room to manoeuvre; social structures deeply embedded its playing field into individual cognitive structures and the physical body. Explicit thinking sometimes breaks through these inert frames, for example in situations of crisis.

4 The reality: stepping over the stages of welfare

Those behavioral, lifestyle and business patterns which have a negatively significant impact (impose a burden) on the environment are not merely superficial phenomena in contemporary society but constituting the immanent nature of the current realization of societal functioning. There is a complex resistance against the recognition of this appraisal – a complex dispositional system – that can be explored in economic thinking. It seems as mainstream thinking only reached the level of putting the integration of a broader social context on the agenda. It would be important to assure that this approach is not only used in facultative education, but also in the mandatory education programs

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Authors avoid the judgment about business practice being immoral, which judgment is very oversimplifying. This simplification has been criticized for instance by McCloskey from many different aspects in her book, 2006.
for the masses of students. It would be important to assure that not only the high-class of social-economic policy makers, but also the ordinary ones evidently and non-consciously use the approach that socially efficient economic moves are complex socially – not only in impact assessment appendices, but also in the main texts as well. It would be important not to override the culture of established social practice with enlightened efficiency principles, or at least we should ironically see the social engineer. It would be beneficial to prevent the illusion of rational and efficient operation to pervade the business dispositions when they take on the professional mask in their offices. It would be important to interpret organizational behavior in the framework of social engagement. It would be important not to project the tale of needs satisfaction into the depiction of consumer behavior. If such changes in approach take place, the space of ecological problems could be transformed without significant loss of meaning into a (new) space of the economic thinking and acting of the general practice.

Until then the economic thinking of the general practice will be pervaded by the approach based on neoclassical preconception with its “prehistoric” view of society, namely that there are self-sufficient actors, around whom we can plot systems and rules. The drawn landscape's structure with self-sufficient regularity is the market, with the rules and information of which the actors interplay, and sometimes the state shows up as representing the society which is not an element of the landscape, and we are supposed to believe that the role of the latter extra player should be minimized. Society almost always appears in the narrative appendix, which gives lifelike references to the plotted system.

Authors caricature the preconception, not the sophisticated practice of economic thinking, which still has to use this preconception, as this is the universal coordinate system. A key element of the canonized preconception is the conception of the actor, about whom nobody may think that he is a realistic social being, who cannot be supported even in his psychological isolation (see: “anthropo-monster”, autistic individual [van Staveren], Mr. Maximus Utility, Max U [McCloskey]). If we focus on the actor, we generally state that he is struggling for something, for a goal, controlled by embedded logic, by his dispositions, due to his involvement. In the neoclassical tale the consumer struggles for the satisfaction of his needs. We can discern that in certain stages of the social morphosis (development) this tale is the naked reality. Thus the neoclassical theory is not alien from social reality, but it generalized the social problem of its own age. However, economy has been realized in a different social context for a long time. The preconception is also not universal even if we look at the history of capitalism. For examples Keynes wrote in 1930:

“[.. I]f, instead of looking into the future, we look into the past – we find that the economic problem, the struggle for subsistence, always has been hitherto the primary, most pressing problem of the human race—not only of the human race, but of the whole of the biological kingdom from the beginnings of life in its most primitive forms. Thus we have been expressly evolved by nature – with all our impulses and deepest instincts – for the purpose of solving the economic problem. If the economic problem is solved, mankind will be deprived of its traditional purpose. Will this be a benefit? If one
believes at all in the real values of life, the prospect at least opens up the possibility of benefit. Yet I think with dread of the readjustment of the habits and instincts of the ordinary man, bred into him for countless generations, which he may be asked to discard within a few decades. To use the language of to-day – must we not expect a general 'nervous breakdown'?” As a contemporary (vernacular) example he describes the wives in the British and American well-situated class, who were deprived of their traditional tasks and occupations due to their sudden wealth, and could not take pleasure in housekeeping, although they were not able to find more enjoyable activities for themselves. [Keynes 1930/1963]

Keynes wrote the above in the context that since its 'take-off' the average increase in the standard of living in capitalism has been continuously multiplying, and it would reach a 4-8 times increase in a hundred years (by now) – that is what he means when anticipates the final solution of the mankind's economic problems. The “nervous breakdown” perhaps did not occur as a general disease. Rather society has succeeded to transform itself into a welfare society then into a 'post-welfare' one. Within the topic of economy beyond its needs we may also automatically refer to Veblen [1894], and he also found the general symptoms of later stages in his contemporary well-situated women. One aspect of the general problem is boredom, pointed out Tibor De Scitovsky in 1999 while arguing about those who cannot utilize their leisure time, and he added that politicians, educators and parents should realize that “culture and leisure skills are not luxuries”, and their development is one of the key factors for a lesser violent society. The fact that instead of the fulfilment of the lower levels of the Maslowian hierarchy the utilization of leisure time causes a social problem, also leads to the conclusion that the economic problem has been solved according to the Keynesian criteria, thus it has to be taken off the agenda.

But at least one objective and inert determinism remained to reproduce the economic problem every year – the structural dependence on the growth in real terms. In addition to the inertia of the financial system, another possible problem with the economy today is that society cannot practically cope with deterioration in the performance of the economy. Society has not yet developed the proper skills and reaction schemata for normal functioning beyond constructively stepping over the stages of welfare. Individualism and the associated economic religion and theology were inevitable for the economic development establishing incontestable welfare for the masses. It is beyond dispute that the welfare state created a unique and from several aspects an excellent social system, thus “the contribution of economic growth has to be judged not merely by the increase in private incomes, but also by the expansion of social services (including, in many cases, social safety nets) that economic growth may make possible” – quotes McCloskey [2006:49] economist Amartya Kumar Sen, an authority upon this issue. But this does not lead to the conclusion that the truths and successful

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10 Making an explicit reference to Keynes' observation at one point.
11 According to Amartya Sen 2000 “Development as Freedom” :40
dispositions of the past are still valid for (say “socially effective”) treatment of today's social and ecological problems.

**Conclusion**

In this article authors made an attempt to provide an overview of the several reasons why the economy interpreted in the format of individualism and rationality and primarily functioning in such format (practical individualism) no longer corresponds to contemporary social problems, namely the issue of ecology. For solving environmental problems caused by economy successfully we would like to recommend a new perspective which probably cannot work on the basis of recent paradigms, so a paradigm shift is needed toward a more value-based thinking.

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http://kgk.uni-obuda.hu/sites/default/files/CsiszarKocsirA_FodorM_VargaE.pdf


