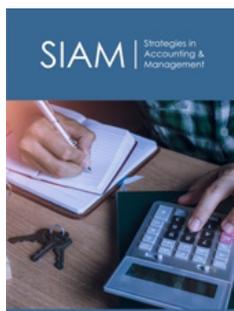


Perspectives on Management and Accounting from Mainstream Economics to Sustainability Economics

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Introduction

Over the years a mainstream of ideas about economics, management and accounting has been established. These ideas include specific ways of understanding economics, human beings, organizations, market transactions, accounting and the framing of policy issues. This conceptual framework has been successful to some extent within the scope of its own ideas about development and progress. But ideas about progress may change over time and new challenges call for new thinking. Sustainable development in the sense of the UN 17 Sustainable Development Goals (SDGs) sanctioned since 2015 represents such a challenge. Ecological Economics is here proposed as a response to the new challenge. Ecological Economics can actually be defined as “economics for sustainable development”. Alternative or complementary ideas about economics, individuals, organizations, market transactions, accounting and the framing of policy issues are formulated in the hope of contributing constructively to a sustainable society.

Mainstream management and accounting

It seems reasonable to argue that there is a mainstream theory and practice of management and accounting. It is largely based on assumptions made in mainstream neoclassical economics. There is a search for optimal solutions in mathematical terms at various levels from the nation via the organization to the individual. At the level of nations, Gross Domestic Product is estimated and monitored. Cost-Benefit Analysis (CBA) is used to find out the best alternative when deciding about infrastructure investments in roads, airports etc. At the level of the firm, monetary performance is estimated and recorded in accounting practices. At the level of individuals, optimal solutions are understood in terms of maximum income or some average GDP per capita. At all the mentioned levels, the monetary dimension is emphasized. There is often a one-dimensional trading philosophy in the sense that positive and negative non-monetary impacts are given a price in monetary terms to be traded against other impacts. Looking for optimal solutions reflects a closed ethical and ideological standpoint (Table 1). Some problems can be formulated and “solved” in terms of mainstream perspectives and approaches. Even relatively new challenges, such as sustainable development can hopefully be handled to some extent. But we should also open the door for alternative or complementary perspectives and approaches. Mainstream ideas of economics, management and accounting have not been successful, so far, in dealing with climate change, loss of biological diversity, pollution of land and water or health issues, such as the present COVID-19 disease. This suggests that we need to consider alternative approaches.

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Ecological economics

In Table 1, right hand side, a kind of ecological or sustainability economics is proposed as alternative to the mainstream. It is based on a definition of economics that departs from the mainstream idea of "optimal allocation of scarce resources". Instead it is suggested that "economics is multidimensional management of limited resources in a democratic society" Söderbaum [1] Rather than referring to neoclassical Homo Economicus assumptions the individual is regarded as a Political Economic Person (PEP) and potentially responsible human being and actor guided by her

"ideological orientation". An organization is similarly understood as a Political Economic Organization (PEO) and potentially responsible actor guided by its ideological orientation or "mission". Making assumptions or testing hypothesis about the ideological orientation of all individuals or all organizations is not considered as very meaningful. The ideological orientation of individuals (organizations) is instead something to be investigated in each case. It may vary between situations for each individual (organization) and between individuals (organizations). How do they for example differ in relation to sustainability issues?

Table 1: Basic economics paradigm with related management and accounting approaches.

| | Mainstream | Alternative, for Example |
|---|---|--|
| Economics paradigm with ideological orientation | Neoclassical economics | Ecological economics (Sustainability economics) |
| Management perspective (approach) | Optimal solutions at all levels (nation, organization, individual) | Many-sided illumination of decision situation at all levels (nation, organization, individual) |
| Accounting perspective (approach) | Monetary accounting practices at all levels. Ethically/ideologically closed | Non-monetary and monetary accounting practices at all levels Ethically/ideologically open |

The idea of trading non-monetary impacts against monetary ones with monetary aggregation of all impacts using a discount rate as in Cost-Benefit analysis (CBA) is abandoned. Non-monetary impacts are presented in their own terms and one-dimensional aggregation avoided. Instead there is a focus on inertia in its different forms (commitment, path dependence, irreversibility etc.). Non-monetary impacts are often specific in terms of inertia. Constructing a road on agricultural land will cost something in financial terms but also represents a move in positional terms from agricultural land to asphalt surface which is irreversible for practical purposes. Positional thinking in non-monetary terms is recommended as in the case of a game of chess. Each move means that some future options are facilitated and others downplayed or excluded [2].

Decision-making is regarded as a matter of "matching" the ideological orientation of an actor with the expected impact profile of each alternative considered. The main idea of analysis is to illuminate an issue in a many-sided way by reference to relevant ideological orientations, alternatives of choice, expected impacts. Ideally, decision-makers (and other actors) should know what they are doing in the sense of being well-informed about relevant ideological orientations, alternatives and impacts. "Democracy" in the definition of economics stands for the idea that we should respect different voices or ideological orientations in a democratic society. This is an ethical/ideologically open position as indicated in Table 1, right-hand side. Instead of one single optimal solution (as in the mainstream approach), the idea is to articulate different ideological orientations that appear relevant among actors and interested parties and present a ranking of alternatives based on each ideological orientation articulated and considered. In case of 3 ideological orientations considered and 3 alternatives, there can be a maximum of 3 different rankings. While the objective function in the mainstream approach is used in estimating an optimal solution,

the concept of ideological orientation plays a key role in the ecological economics approach. The idea is to openly demonstrate the existence of more than one ideological orientation and even point to conflict or tensions between ideological orientations. In this way newer concerns and ideological orientations, such as sustainable development in some sense, will get a chance of being seriously considered.

Ideology (ideological orientation) is a contested concept [3]. In the present essay it stands for means-ends relationships. It is not only about objectives but also means of approaching such objectives. A politician may refer to her/his ideology when advocating a specific approach or solution or when turning to us as citizens in the hope of being understood or elected. As citizens we react in one way or other, suggesting that we too react according to something that can be referred to as ideological orientation. Among economists, Gunnar Myrdal pointed to the fact that "values are always with us" in economics research and education (1978) and that there is no value-free or neutral economics. I prefer to refer to ideological orientation rather than values. In this preference I am not alone. Joan Robinson at an early stage (1962) pointed to relationships between mainstream economics and the "ruling ideology in public affairs. In his study of institutional change another economist, Douglass North, has defined "ideology" as follows: "By ideology I mean the subjective perceptions (models, theories) all people possess to explain the world around them. Whether at the microlevel of individual relationships or at the macrolevel of organized ideologies providing integrated explanations of the past and the present, such as communism or religions, the theories individuals construct are colored by normative views of how the world should be organized." North [4] And Thomas Piketty even uses "ideology" in the title of his recent book "Capital and Ideology" [5].

Markets can certainly be understood in neoclassical terms as relationships between actors who maximize self-interest in monetary terms. But the sustainability perspective advocated here means that market actor A, considering her specific ideological orientation may be concerned about the impacts upon the trading partner B and impacts upon other actors and society at large. This is where concepts such as ethics and ideological orientation enter the scene. Actually, sustainable development specified in some way can be regarded as an ideological orientation to be compared with other ideological orientation, such mainstream ideas about economic growth and monetary profits in business.

Ecological economics of the kind advocated here furthermore involves an emphasis on non-monetary accounting practices at all levels from the nation through the organization to the individual [2]. Again, ethics and ideology become important as indicated by the concept of Corporate Social Responsibility, CSR. Also, the Limited Liability Doctrines have to be examined. New laws defining new kinds of organizations should probably be considered. The mainstream approach to policy issues focuses largely on measures that can be considered at the state level in relation to firms and consumers. But policymaking may also start at the level of individuals and social movements as political actors. In the case of policies to counteract the spreading of the COVID-19 disease, each political actor can contribute. Measures by governments are certainly important but individuals and organizations with their ideological orientation and missions can also contribute. Mechanistic ideas of consumers and firms to be affected exclusively through shut-down policies have a role but are probably not enough. Reference to ethics and responsibility of political-economic persons as actors in different roles adds to the picture.

Concluding Comments

In the ecological economics perspective, there is an emphasis on various non-monetary impacts. Does this mean that monetary concerns disappear in analysis? Monetary and financial concerns can certainly be important and essential as part of analysis

depending on the ideological orientation of decision-makers and other actors in power positions. But as part of an ecological economics perspective, monetary or financial calculation should perhaps be best understood as partial analysis. As part of neoclassical Cost-Benefit Analysis, the analyst is an expert in an extreme sense dictating not only the method to be applied but also a market ideology with specific ideas of correct prices to be used. This is a technocracy-oriented approach as opposed to the democracy-oriented ambition in positional analysis and the present study [6-9]. It can be expected that many professional economists and accountants only reluctantly will abandon their established roles as experts. But climate change and other similar threats also need to be taken seriously.

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