

ALTERNATIVE ECONOMIC THEORY:

Some desiderata\*

by Johan Galtung, Ingvar Nilsson,  
Per Svae and Anders Wadeskog

Université Nouvelle Transnationale,  
154 rue de Tolbiac,  
F75013 Paris.

July 1985

The time has now come, is indeed overdue, to do more about the gap in the current debate about economic theory and practice: the need for alternative economic theory. Neoclassical theory has been criticised, and so has - indeed - current economic practice, which essentially means capitalist and socialist economies, the former from a (neo-) marxist angle, and both the latter and the former from a (neo-) anarchist angle, both terms being used very broadly. There is also considerable constructive attempts in the direction of building alternative economic practice, usually centered around a nucleus of self-reliance, combining age-old human experiences and insights with new experiments (the Green wave). Using colors rather than ideological labels, one might say that there is Blue theory and Blue practice, they have both been criticised by Red (or Pink) theory; and there is Red-Pink practice. All of this has been criticised from a Green angle. And there is Green practice. What is missing is an alternative to Blue and Red theories of which the Red has been characterised as an appendix to the Blue, "Marxism as a wart on neo-classical theory".

1. Neo-classical theory is equilibrium-oriented, using (Aristotelian) equilibrium (particularly between supply and demand) as a reference point for further explorations. In any theory a reference point is useful, like in any human endeavour, in order to know better where one is located. However, much more interesting and useful than a market equilibrium point of reference would be a normative point of reference enabling us to understand better how far we are located from a possible goal of economic endeavour. Economic activity is then seen as production, distribution and consumption, whether on the basis of scarcity or abundance (usually there will be a mix, some factors and products being scarce, others being abundant and - possibly for that reason - escaping attention). A theory of choice under conditions of scarcity is a perspective that may take the form of a paradigm but should not be seen as

---

\* The present paper is the outcome of a colloquium held at the Université Nouvelle Transnationale in Paris, June 29-30, with the authors as participants.

coinciding with economic theory, being both too narrow (valid for those who have options in economic systems, not for those who have no choices) and too broad (this is a perspective that can be applied to any human activity as economists have recently done - but other disciplines have competing paradigms).

A normative point of reference for alternative economic theory would have to locate economic activity both in nature, human, social and world spaces. In nature space, the theory would have to take into account the theory of ecological balance/maturity: diversity of biota-abiota and their symbiotic relationship as constraints on economic activity. In human space they simply would have to take into account a theory of human balance/maturity: satisfaction of basic needs (survival, well-being, identity, freedom), but in diversity and symbiosis, within and among human beings - as a constraint on economic activity. In social space the theory would have to take into account a theory of social balance/maturity, building economic systems on diversity in sociotopes (plan and market and modern and traditional, as two clear examples) in symbiotic relationship - again as a constraint on economic activity. And in world space alternative economic theory would have to take into account a theory of global balance/maturity, building world systems based on diversity among countries and their active symbiotic coexistence.

2. An alternative economic theory should see human beings in general, not only entrepreneurs as active, as actors. The task of a good theory is to enlarge action spaces, showing as many ways of obtaining, within reasonable limits, reasonable goals. The task is not to decide for others what they should do, under the (highly normative) injunction to be rational. Thus, following Kant, the task must also be to search for those types of economic behaviour that are both compatible with the goals indicated above (which can be described as "ecological balance" in nature space, "somatic, mental and spiritual health" in human space, "development" in social space, and "peace" in world space) and

can, in principle, be engaged in by everybody (are universalisable). What alternative economic theory should look for would be classes, clusters of possibilities rather than optimal point solutions. It is then for human actors, individual or collective, to design their strategies, including challenging the goals, designing totally new processes for obtaining them, developing new indicators of the extent to which the processes are goal-compatible. Consequently economic theory, like any other social theory will always be in a flux. There is no such thing as the final theory, not even an approximation towards that abstraction (since economic theory is always moving, as economic activity is moving) and certainly no asymptotic convergence towards any such abstract point in theory space.

3. An alternative theory will necessarily have to be global and holistic. It will take into account the effects of economic activity on actors near and remote (and not only the actor, a firm, an individual or a country that initiated the economic activity, but also the re-actors); and it is imperative to take into account the effects on a broad spectrum of variables in nature, human, social and world spaces - and not only classical "economic" variables, essentially coming out of the book-keeping tradition for firms.

In this connection "global" stands for more than inter-individual, inter-firm and international; it transcends such conceptualisations into efforts to look at the systems as a whole. And, correspondingly, "holistic" stands for more than inter-disciplinary. The words "transnational" and "transdisciplinary" are better, but could also be seen as stations on the road to more total conceptualisations.

4. An alternative economic theory should not only be eclectic, based on neo-classical, marxist and anarchist (green) elements. It should ideally be made in such a way that these three major trends in economic thinking can come out of the theory as special cases, given certain choices in the field of assumptions, even certain values for parameters. In other words, alternative economic theory is not to be identified with green economic theory.

Rather, it should be seen as overarching theory for societies where economic behaviour would have blue, red, and green components - a "rainbow society", in other words. This is in line with the idea that the theory should expand our economic horizons and not contract them into a more or less narrow green corner - although, at the same time, alternative economic theory would be much more sensitive and take much more into account green criticism and constructive practice than is possible within the blue and the red paradigms. Put differently: in alternative economic theory there should be room both for Adam Smith, Karl Marx and J.M. Keynes - as, indeed, for Kropotkin, and Gandhi. The theory will certainly be concerned with how these approaches can be combined, not only in theory but also in practice within a broad range of alternatives. An eclectic theory includes a theory of optional mixes.

5. An alternative economic theory would have to build into itself a self-understanding of economics as a science. Neo-classical theory can be seen as emerging parallel with the emergence of the bourgeoisie on top of society: they were in need of alternative theory and complemented rather than replaced the theological/philosophical tradition of the clergy and the juridical/military tradition of the aristocracy. The behaviour of the bourgeoisie on the market became the positive point of departure for economics as an empirical science; economics de facto becoming "capitalistics". The bourgeoisie needed a theory for their type of power, exchange power based on buying and selling under some rules - again complementing rather than replacing normative powers and coercive power. And their basis was, of course, shop-keeping /accounting theory with the shop as the unit of accounting to be followed by the enterprise/company - with no accounting tradition for the nature, human, social and world spaces. Epistemologically this conditioned neo-classical theory by contracting the theory in space time and knowledge to the company, to the relatively immediate, and to a narrow range of variables deemed to be "economic".

However, this vision has certainly been expanded. The socialist/social democratic tradition introduced "social economics" as an effort to do national accounting for a society as a whole, and there are there are similar efforts (within the United Nations system) for the world as a whole. Such efforts may be linked to the emergence of new groups of powerful bureaucrats at the social and world levels respectively, equally in need of a theory for their own activity and legitimation of their own power. Correspondingly the range of variables has been expanded to some extent because of interaction among ministries at the national level and among agencies at the level of the U.N. system although it is quite clear that very much theoretical and practical work remain to be done.

However, recently the impetus towards new directions in economic thinking has come more from "below", staying closer to the ground by watching the impact of economic activity on nature and on human space - in terms of ecological imbalances and threats to the somatic, mental and spiritual health of human beings. The task of alternative economic theory is not only to try to integrate all of these efforts as pointed out above, but to do it with so much self-reflection that the forces behind these changes in economic theory are reflected in the theory itself. In other words, the cultural and structural forces and constraints are seen as determinants of the theory be brought into the theory so as to enable us to say something about the type of economists, and not only the type of economics, that will come out of certain socio-cultural conditions, not to mention what kind of society they will try to construct.

6. In line with the above, economists are then seen as a major economic factor. If contemporary neo-classical economists tend to have blind spots both for nature, human, social and world spaces, be relatively unaware of how they themselves and their thinking has been and is and will be conditioned by cultural and historical factors and in addition to that are so philosophically unreflecting that they are incapable of appreciating the points just mentioned, then the net outcome may be highly counter-productive.

These economists, then, serve as an input in economic systems and the more so the more numerous and higher placed they are - it is the latter factor that makes them different from other social scientists who are usually, at present, in more modest social positions. In other words, an alternative economic theory would have to see economists as an endogenous, not exogenous factor, hoping that insight and self-reflection on that factor will change the factor.

7. For expanded book-keeping, new indicators are indispensable, as has been pointed out by many. Although efforts are needed to make indications more global and more holistic, there should also be a caution against too high levels of aggregation because it shows insufficiently where the problems are located, as effects; and from where they originate, as causes. An indicator of life expectancy for the world as a whole is interesting. But it is also important to compare the life expectancies of different age groups, genders, races, classes and nations. But comparisons only bring out the relative aspect, not the relational aspect. And this raises the interesting question of how indicators of relational aspects can be constructed. Imagine it can be shown that the high life expectancy of nation A to some extent is due to the low life expectancy of nation B, and vice versa. Should one not, in that case, subtract something from the life expectancy of nation A? Within a firm, one branch may be in the black and another branch in the red; the total accounting would have to show the net balance between the balances. Using the analogy, one might then look at nation A + B as a "dyad" and construct a measure of the "joint" (for instance average life expectancy). There are many ways of doing that, this little note is only to indicate a way of thinking that comes automatic the moment the approach becomes more global and one refuses to draw a circle around an economic actor accounting only for what passes the borderline to the environment, computing the balance.

A major slogan for alternative economic theory is to internalise the externalities. This will also have to be done at the indicator level. Across actors, in other words in the direction of becoming more global, this poses the problem of level of integration. In neo-classical theory firms tend to be seen as the social atoms of inert gases because of the book-keeping tradition, but recent advances exploring degrees of coupling would make it easier to reach out from the isolation of one actor to broader perspectives. Correspondingly, to think in a more holistic manner, gets us immediately into the problem of comparing across variables that may be rather incommensurable, not to mention the circumstance that some of them may not be measurable at all. In other words, more than enough work to do for alternative economic theory!

9. Regardless of the strong points just mentioned as desiderata for alternative economic theory, there should not in this theory be any disregard for the significance of such factors as efficiency, profitability, optimum solutions; nor for such notions as harmony and equilibrium. More particularly, neo-classical theory has one very strong point that should also characterise alternative economic theory: not only is the theory, but also the economic practice dynamic. The socialist alternative has a tendency to become more static; the planners using their combination of omniscience and omnipotence (or as much as they have of such godlike characteristics) in order to make the economy surprise free not only in space but also in time, achieving a certain immunity to the influence of world conjunctures through a relatively high level of self-sufficiency and by fixing goals of the economy, from above, with a relatively long time horizon. Of course, any effort to make a surprise free society would dialectically lead to the opposite, but as bursts of unrest, as major discontinuities, rather than as a rather permanent state of dynamism. Capitalist economy in a certain sense has no other goal than growth, in and by itself dynamic. In addition dynamism in space is guaranteed because of a high level of coupling of actors through trade in visibles and invisibles and dynamism in time guaranteed through the innovative struggle of competitors to remain afloat. It is



enough to visit Europe, East and West, or Korea, North and South, to appreciate the tremendous significance of this particular factor: societies close to freezing point versus societies close to boiling point. Of course, alternative theory should have this as a major variable and also indicate the range within which one might prefer society to be located - perhaps in a temperate zone!

10. Any alternative economic theory should have the concept of work as a centrepiece of the theory. A job is a setting where work, often alienated, is done against a salary on conditions decided by the labour-buyer rather than the labour-seller. A job is a special sub-category within the much broader category of work. Work is considered normal for human beings; a prolonged situation of non-production of any kind of goods/services, material or non-material, is hardly sustainable. Leisure time only devoted to consumption may be imposed upon people as a structural necessity in a certain social formation, but empirical observation seems to indicate that even very soon the need for sustained activity that is goal-directed, in other words, "productive", in the broad sense of that term, asserts itself. To condemn a person to a life in libraries and swimming pools is no solution to the unemployment crisis, as indicated by the fact that those who prescribe such "solutions" usually do not engage in them themselves. For growth in human space, human development may be obtained in situations of non-work, but since work to a large extent is synonymous with goal-directed activity it has to be organised in such a way that human development, in other words self-realisation, is a part of the activity. Jobs can also be socially useful and acceptable (in other words legitimate and meaningful), they may help building social networks and develop ability to cooperate and in addition, of course, be economically "interesting". But it is in the broader category of work that self-realisation, existential meaningfulness can be realised. As a consequence alternative economic theory has to work with a much broader work concept than a job-concept, based on the buying and selling of labour on the market.

11. A major task of alternative economic theory is to be helpful as a reservoir of insight from which policy implications can be drawn. The general form of the policy implication would be located in the description-prediction-prescription-strategy complex: a description of the present situation, a prediction of what will happen if trends continue unimpeded, a prescription in the sense of indicating a goal, a strategy in the sense of indicating how trends can be "bent" away from the predicted towards the prescribed course. In other words, policy implications should also contain strategies, meaning by that not only analysis of what should be done, and why it should be done, but also the much more precise answers to the questions, who shall do it, how, when and where - and at whose expense! Thus, alternative economics theory should not rest content with description and prediction, but should use its postulates about those dates in order to derive strategies - as has been done for generations now within the field of welfare economics.

12. Alternative economic theory should not be based on any naive assumption to the effect that one can combine all the good aspects of blue, red/pink and green economic thought and practice into a super-system, avoiding all the negative facts. Nor should it assume the pessimism of those who believe that the alternative would eliminate all positive aspects, "combining the worst of capitalism with the worst of socialism," for instance. Alternative theory should look for new solutions, not be caught in the thought prison of having to design trade-offs between old ones.