

Institutional Ambiguity and Ecological Economics

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Overview

Ecological economics has the potential to provide a framework for change that will reconcile the economy with biophysical limits. Ecological economics has provided a clear understanding that the human economy functions within a broader biophysical system. Great strides have been made by a generation of ecological economists in valuing natural capital and ecosystem services. Despite this work and the more radical rhetoric of the steady state economy the question of how to effectively transform the economy to limit (or reduce) the scale of economic activity remains unanswered. There is much confusion about the restructuring of the economy at a time when we confront exponential growth and need clarity to take decisive and meaningful action. In order to develop a framework for institutional change, ecological economics must sever its ties with neoclassical economics.

Institutional Transformation of the Economy Has Not Been Adequately Answered by Ecological Economics

- Clear institutional understanding of capitalism is essential
- Neoclassical economics does not engender a clear picture of the present economic system
- Ecological economics remains tethered to neoclassical economics

Examples of Neoclassical Influence in Ecological Economics

- $MB=MC$
- Natural capital
- Disaggregation of allocation, scale and distribution
- Allocative efficiency

Evolutionary Economics

- Evolution of economy
 - Logic and dynamic
 - Change over time
 - Growth and stagnation
- Foundational underpinnings
 - Private property
 - Production for profit
 - Centrality of markets
- Belief system and ideology
 - Growth is good
 - Self interest leads to social welfare
 - Imperfections easily corrected

Evolutionary Economics: A New Direction for Ecological Economics

- Historical change and ideology
- Allocation, distribution and scale: an institutional whole
- Connecting human ecology with human economy