The economic–environment relation: can post-Keynesians, Régulationists and Polanyians offer insights?

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As the environmental debate has intensified, post-Keynesians, Régulationists and Polanyians remain relatively silent. All treat time as historical, consider economic issues subordinate to politics and have plenty to say about growth, institutions, uncertainty and path-dependent events. These concepts seem pertinent to understanding the economic–environment problematic. This article explores the ‘environmental potential’ of these three heterodox economic traditions. We examine the conception of nature underpinning each methodological approach and the ability of their key conceptual tools to explain the economic–environment relation. Methodological pluralism and a project driven by the neoclassical agenda, we posit, seriously weakens the possibility of a post-Keynesian-grounded coherent environmental perspective. On the other hand, the Régulationists and Polanyians provide cogent analytical frameworks to advance explanations of the economic–environment relation and the contemporary environmental challenge.

Keywords: capitalism, environment, Polanyi, post-Keynesian, Régulation theory

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1 INTRODUCTION

Contemporary capitalism is distinguishable by so-called green consumerism, the development of allegedly clean technologies and corporate environmentalism, while the concept of sustainability has been re-configured to validate the green credentials of an economic growth agenda. Neoliberalism has reconceptualised environmental degradation and depletion as an economic issue, giving markets a prominent place in policy prescriptions. The policy responses to ecological problems have been increasingly framed through the lens of orthodox mainstream neoclassical economics. Yet, despite the centrality of economy, many heterodox traditions ‘have almost totally ignored environmental problems … [and] the environment seems to be treated as an optional extra … rather than of fundamental importance to understanding economic systems’ (Spash/Ryan 2012: 1098).

Concerns about the sustainability of production, distribution and consumption place the institutions of capitalism at the centre of analysis. Sustainability entails questions about the relationship between socio-economic organisation and the natural environment which sustains it. These macro- and meta-level concerns are the professed province of heterodox traditions which often define themselves in opposition to the micro emphasis in neoclassical theory. Yet, beyond ecological economics, the Feminist and Marxian traditions, there is a relative dearth of environmental scholarship.
Three heterodox traditions that have been relatively silent as the environmental debate has intensified are the post-Keynesians, *Régulationists* and Polanyians. All treat time as historical, consider economic issues subordinate to politics and have plenty to say about growth, institutions, uncertainty and path-dependent events. These concepts seem pertinent to understanding the economic–environment problematic.

This article examines the contribution these heterodox traditions could make to environmental discourse. The following three sections explore the possible reasons for each tradition’s limited environmental contributions, the conceptions of nature underpinning each methodological approach, and the ability of their key conceptual tools to explain the economic–environment relation. A final section, drawing together points of complementarity and divergence, contends that post-Keynesians share a closer relationship to neoclassical environmental economics and this has impeded the development of a coherent post-Keynesian economics of the environment. The *Régulationist* and Polanyian approaches are found to provide more cogent analytical frameworks to explain the contemporary environmental challenge and the responses of capitalism to environmental issues.

2 THE POST-KEYNESIANS

Post-Keynesians are methodologically distinguishable through an emphasis on realism, historical time, uncertainty and institutions (Holt 1997). The tradition’s emphasis on explanation over prediction (realism) means that ‘history and institutions are an integral part’ of its methodology; but it also includes, according to Arestis (1990: 226), a ‘prudent use of econometrics’ and a ‘central position’ for effective demand. Yet King (2003: xiv) posits that ‘stripped down to the bare essentials, Post Keynesian economics rests on the principle of effective demand’. These differences of view, about what constitutes post-Keynesian methodology, point to a consistent theme in the literature, namely a widespread acceptance of methodological pluralism (for example, Eichner 1979; Harcourt 2006; King 2003; Lavoie 2006). This creates a somewhat paradoxical situation. Methodological pluralism points to the difficulties posed in discerning a post-Keynesian theoretical and methodological framework to understand the economic–environment relation. It also heightens the possibility of engagement between the post-Keynesians and other heterodox traditions with deeper ecological credentials.

2.1 Why have post-Keynesians paid limited attention to the environment?

Mearman (2007; 2009) suggests there are five significant reasons for the post-Keynesians’ ‘isolated patches of concern’ with the environment. First, they were busy struggling to break the orthodoxy’s hegemony and ‘adopted a strategic focus on criticising key areas of orthodox economic theory’ (Mearman 2009: 99). All heterodox economics traditions have similar aspirations. Perhaps the post-Keynesians consider themselves the most likely to succeed because of their ‘strategic focus’.

The second reason posited logically follows from the post-Keynesians’ pre-analytic methodological preoccupation, namely the use of ‘static tools ill-equipped for analysing the environment’ (Mearman 2009: 99). Davidson’s early environmental focus (1979) notably used neoclassical tools and concepts.
Lack of direct exposure to ecological impacts is a further reason Mearman puts forward along with a perception of environmental issues as being microeconomic. The link between direct exposure to ecological impacts and academic discourse is tenuous. The micro perception of environmental issues suggests a conceptualisation of nature being subordinate to the macro economy, and environmental issues as discrete and treatable with policy solutions that change the behaviour of individuals.

Mearman’s (2007: 376) final reason for the post-Keynesian environmental lacuna is because the ‘leaders’ were preoccupied with ‘pressing social issues of the day’ (that is, growth and employment), not environmental concerns, and others followed this lead. According to such reasoning, post-Keynesians will devote a far stronger analytical focus if their ‘leaders’ do; ‘animal spirits’ will lead to the greening of post-Keynesianism. Joan Robinson (1972), a post-Keynesian luminary, nominated the environment as a ‘critical question’ but leading contemporaries (such as Arestis, Chick, Dow, Fontana, Harcourt and Toporowski) have not heeded her call.

The preoccupation with growth and employment may have created a post-Keynesian reluctance to focus on the environment given the obvious ecological implications. Nevertheless, post-Keynesians have been urged to widen the range of problems analysed, be less concerned with methodology, to engage with traditions of a comparative methodology and/or heterodox traditions, and be open to inter-disciplinarity. Courvisanos (2012), Holt et al. (2009) and Kronenberg (2010) are evidence of a growing dialogue with ecological and evolutionary economics. Notably, the Cambridge Journal of Economics – generally regarded as a post-Keynesian publication – contained no contributions to its 2012 special issue on environment, sustainability and heterodox economics.

2.2 How do post-Keynesians explain the economic–environment relationship?

The focus of post-Keynesian scholarship on growth and employment infers that the prism through which these are considered excludes the environment – economic growth and the environment being treated as two distinct unrelated arenas which are analogous to the approach of mainstream environmental economics. Such a ‘separateness’ is, however, less apparent in some post-Keynesian contributions which focus on questions of sustainability, although nature is definitely subordinated to the economic.

According to Holt (2005: 174), for example, ‘economic sustainability is how you deal with unemployment and poverty today without damaging and depleting the natural resources and ecological systems needed for economic opportunities’. Courvisanos (2005: 187) argues for an ‘eco-sustainable framework’ for the ‘attainment of sustainable economic and ecological development’. This post-Keynesian form of sustainability means the imperatives of economic growth determine contemporary environmental priorities. The environmental challenge is viewed through an economic prism with the emphasis on ‘reducing the environmental impact of each unit of economic activity’ (Gibbs/Healy 1997: 195) and legitimising certain levels of environmental impact.

1. ‘Lack of direct exposure to ecological impacts’ is akin to King’s (2002: 222) suggestion that ‘very sparse contacts’ with green economists has led to ‘underdeveloped’ post-Keynesian analysis of environmental issues.

2. See, for example: Dunn (2000); Fontana/Gerrard (2006); King (2012); Lavoie (2012); and Stockhammer/Ramskogler (2009).
Subordination of the environment means that some post-Keynesians, like mainstream orthodoxy, accept continual economic growth as axiomatic to sustainable development. The terms ‘environment’ and ‘sustainable development’, in these cases, are synonymous with little questioning of the physical limits of economic growth, nor any envisaged resource and environmental restrictions to production. One exception is Lawn’s (2009) endeavour to reconcile the conflicting goals of full employment and ecological sustainability.

Nevertheless, the focus of post-Keynesian environmental attention has been heavily skewed towards discussing specific policy measures, not the changing nature of the relationship between the environment and the economy. These emphases bear a striking similarity to the mainstream orthodoxy which regards specific environmental problems as those of optimisation, not about the interrelationships of the economic with the environment.

Post-Keynesians have lamented their failure to frame a ‘distinctive approach’ to the environment analogous to those developed for growth, methodology and monetary policy (Mearman 2005a: 123). Such yearning invokes the notion that analysis of an issue necessitates the development of an issue-specific approach rather than utilisation of one already established. This idea echoes the contention of eminent post-Keynesian Geoff Harcourt (2006: 2) that ‘Post-Keynesianism should be a situation-and-issue-specific method’. If so, this sits at odds with other heterodox economic traditions which have developed theoretical and methodological frameworks (despite likewise being heterogeneous) and applied these to a range of issues rather than use issues to deduce methodological frameworks.

Perhaps the lack of a distinctive approach is not surprising given the tendency of post-Keynesians ‘to define their program in a negative way as a reaction to neo-classical economics’ (Arestis 1990: 222). Mearman suggests (as articulated by Winnett 2003), for example, that post-Keynesians should ‘make clear the redundancy of concepts such as externalities and market failure; not treat price as a reflection of scarcity; not claim that environmental entities can be valued at prices treated as allocatively efficient; be sceptical about concepts of natural capital; and consider environmental issues according to uncertainty’ (2005b: 129 fn29).

The post-Keynesian criticisms of neoclassical environmental economics have been well articulated. Prominent contributors clearly convey that their post-Keynesianism provides many concepts which they perceive to be extremely relevant for ‘grasping the environment’. Uncertainty, institutions, dynamism, path dependency, irreversibility, historical time, complexity theory, cumulative causation, procedural rationality and regulation are the most commonly cited concepts (for example, Berr 2009; Courvisanos 2005; Holt 2005; Mearman 2005a).

The synthesis of even a handful of these concepts into a broadly coherent economic–environment framework has yet to be realised. Perhaps the difficulty of synthesis lies in the general absence of a theory of production, which is critical to understanding capitalism’s relationship with the environment. Winnett (2012: 171–172) suggests the post-Keynesians’ lack of attention to the production process is ‘a serious deficiency’. Post-Keynesians like Kalecki, Sraffa and Pasinetti did develop powerful production models (Gowdy et al. 2009). However, these have not been taken up by green post-Keynesians, Schefold’s (1997) Sraffian framework being the exception.

Perhaps the difficulty of synthesis is because ‘post-Keynesians have the methodology and approaches which would allow them to avoid the mistakes of neoclassical economics, [but] they remain torn as to whether all orthodox baggage should be dispensed with’ (Mearman 2005a: 125). Evidence of this quandary emerges in recent
policy prescriptions which confirm the absence of a coherent economic–environment model and a strong predilection that the environment is manageable through state control.

Perry’s (2012: 179) proposal of a ‘suite of policies to achieve a scientifically determined appropriate pollution level’ heavily favours micro measures. Their purpose is to induce individual behavioural change and to ‘guide’ future investment in small green firms, notwithstanding the complementary role prescribed for environmental taxes and government expenditure. Perry advocates that a range of micro and macro policies, which address post-Keynesian concerns like equity, power and uncertainty, can easily coalesce to achieve an ‘appropriate’ pollution level. Explicit acceptance of a ‘pollution level’ sails close to the optimal level of the mainstream orthodoxy. It also reinforces neoclassical privileging of the economic over the environment, with environmental priorities dictated by the imperatives of the accumulation process.

Moreover, an ‘appropriate’ pollution level translates into an argument that ‘the appropriate level of environmental improvement must be decided by scientists and the community’ (Perry 2012: 176). This places significant faith in science to have perfect ecological knowledge and in the community to overcome divergent interests. Climate change serves as a humbling example – the (still contested) science has long been known, yet it has failed to translate into timely policy action. The faith in experts typically prescribes a suite of policies to deal with environmental problems that hinge on a state-led transition to green firms and green technology.

Berr (2009: 29) also advocates a central role for the state which ‘must urge firms’ to undertake appropriate green investments. Remaining true to the post-Keynesian concepts of uncertainty, effective demand and history, Berr suggests that the ‘ideal’ model should ‘privilege production over exchange’ (Berr 2009: 34). This is consistent with the Keynesian macro focus, but the implied neglect of the (unknowable and uncertain) micro-level is problematic given it is the locus of distribution. Furthermore, capitalism is a commodity production system where production is for exchange value (not use value). This post-Keynesian proposition seems to merely reverse neoclassical one-sidedness.

Harris (2011) adapts the Keynesian national income equation which supports economic management of a green kind. This environmental macroeconomics advocates government planning for green investment with market incentives, using environmental problems and solutions as sources of economic growth. It is the latter which is key to reconciling the limits-to-growth perspective of ecological economics with the Keynesian growth-orientation. For Harris (2011: 11), ‘it is crucial to exploit environmentally beneficial forms of economic growth’ in the short to medium term for transformation to a steady state economy in the longer term. This ecological version of Keynesianism is conceptually coherent, but it rests on the ‘trick’ of securing environmental policies to stabilise and steer ‘a renewable energy transition and a human-capital, service-oriented economy’ (Harris 2011: 12). A worthy goal, but are not the post-Keynesian canons of realism and primacy of politics over economics being somewhat marginalised?

Overall, the broad church of post-Keynesianism has embraced many concepts and, in some cases, explored compatibility with ecological economics (for example, Holt et al. 2009). Nevertheless, no distinctive and coherent economic–environment model is discernible, nor is an explanation of the economic process in which the environment is situated. Attention has gravitated to policy prescriptions which demonstrate an instrumental view of nature, promoting a synthesis of expertise and ‘better policy’
which accepts market logic but places macro limits through government regulation to evoke the spectre of a Green New Deal.

Their stand-out message is the classic Keynesian one of state management of the economy. Where it was once unemployment (labour, wages and effective demand) and investment (money, growth and uncertainty), now the environment is a policy concern. All three are deemed too important to be left up to the vagaries and uncertainty of microeconomic processes. Just as there is no natural tendency to full employment equilibrium, so too there is no natural tendency to equilibrium in the sustainable draw-down of natural resources. If the economy is not self-regulating with respect to employment, natural resources and investment, then the state must take control.

3 THE RÉGULATIONISTS

Régulation theory seeks to explain the long-run changes in capitalist economies which characterise distinctive phases of economic growth and the forms of economic crisis. The theory is underpinned by a Marxian view of capitalism where the mode of production is structured around two fundamental conflictual and unequal social relations: the commodity relation and the wage relation. Lipietz (1988: 14–15) observes that ‘the notion of social relations points to the regularity and repetitiveness of certain practices’. This does not mean that change cannot occur. It does mean that certain elements – invariant aspects – are sustained and their inherent contradictions are contained partially whilst their historical form and precise articulation will alter over longer periods, ensuring capitalism’s hegemony (Boyer 1990: 37). This invariant reproduction, contradiction containment and historical representation require a set of regularities. These are distinctive social and economic patterns, the regime of accumulation, that ensure the long-term stabilisation of the accumulation process. The concrete expression of the accumulation regime is the mode of régulation. The mode coheres particular periods of accumulation by reproducing capitalism’s social relations. It does this by reducing, containing, and mediating – regulating – conflictual social relations through the conjunction of its five institutional forms: the wage–labour nexus, form of competition, insertion in the international regime, the monetary regime, and the role of the state.

3.1 Why have Régulationists paid limited attention to the environment?

Lipietz, the most prominent ecological Régulationist, acknowledges the scant attention given to the environment. Chester (2010) rejects Lipietz’s (2002: 223) claim of few Régulationists being environmentalists to explain the limited focus and contends that the answer lies in Régulation theory’s conceptual framework, genesis and evolution.

To explain the growth, crises and dimensions of capitalism, Régulationists analyse the mode of régulation’s five institutional forms which are ‘any kind of codification of one or several fundamental social relations’ (Boyer 1990: 37). The inherent conflict of capitalism’s social relations is contained – although not indefinitely – in a number of ways. Each institutional form may include compromises between socio-economic groups ‘when none of the forces present manages to dominate the opposing forces sufficiently to enable it to impose its own interests entirely’ (Boyer/Saillard 2002: 340). Examples include the adoption of limits for water usage with breach penalties, local development
planning rules and charges for waste collection. These compromises impose discipline in relation to an institution through which behaviour is adapted but which subsequently grow into an object of increasing tension. More importantly, the institutionalised compromises of capitalism only exist between human beings in relation to that which ‘unify or set them in opposition to one another’ (Lipietz 2002: 224). Consequently Régulation-ists reject any notion of institutionalised compromises with the environment. Hence their analytical preoccupation has been the constructed context of capitalism not the economic–environment relation.

The theory’s genesis and evolution provides another reason for an environmental gap in the body of Régulationist work. The 1970s economic crisis meant ‘there was a need to understand why things no longer worked ... which first required an understanding of what had previously worked, and why’ (Lipietz 1988: 14). Early studies focused on forms of crisis with subsequent research directed at specific aspects of crisis such as inflation and state expenditure. Régulationists sought to explain the causes for the crisis of Fordism and these were not found to be within the economic–environment relation (Lipietz 2002).

3.2 Can Régulation theory explain the economic–environment relation?

The environmental consequences of the contemporary accumulation regime are becoming evident from Régulationist analysis, despite the environment not being at analytical centre-stage. Lipietz (1997; 2002) has shown: forms of ecological régulation; that the most developed, highest-energy consumer countries regard environmental protection as preventing growth and development; and that the economic–environment relation may act as a constraint on post-crisis growth. Changes within the mode – such as ecological régulation – indicate some form of impediment to accumulation to which responses within the mode are seeking to alleviate or eliminate. This means the environment–economic relation is becoming more explicit to the dynamics of post-Fordist capitalism.

Zuindeau (2007: 282) posits that the ‘particular form’ of the economic–environment relation may be expressed in terms of environmental impact, the environment’s impact on economic activities and environmental management methods. He also suggests that different accumulation regimes display different economic–environment relations which ‘will be influenced by the content and development of institutional forms’ (2007: 287). A complementarity exists, according to Zuindeau, between the economic–environment relation and three of the mode’s five institutional forms (competition, form of the state and international position). This view negates any complementarity with the conjunction of all institutional forms (the mode) although it is this very conjunction which legitimates – and reinforces – the ability of the mode to sustain accumulation. This view of complementarity also means the wage–labour nexus and monetary regime are deemed to have no interaction with the economic–environment relation. How is this reconcilable with the dominance of the wage–labour nexus during Fordism and the ascendancy of the monetary regime during the post-Fordist regime (Boyer/Saillard 2000)? Zuindeau is silent on this point. Nor does he mention if any of his three selected institutional forms is particularly dominant within the economic–environment relation.

Zuindeau uses the term ‘complementarity’ to mean the influence exerted on the economic–environment relation by institutional forms. Complementarity refers to an interrelation of reciprocity where one thing depends on or supplements the other. To complement often refers to forming a complete whole, or making up what is lacking.
in another. Amable (2000: 656 cited by Zuindeau 2007: 287, our emphasis) argues that ‘the concept of complementary institutions is based on multilateral reinforcement mechanisms between institutional arrangements: each one, by its existence, permits or facilitates the existence of the others’. This statement is a direct reference to complementarity between the mode’s institutional forms with which we have no issue. However, Zuindeau’s extension to suggest that an institutional complementarity exists between the mode of régulation and the economic–environment relation ascribes to this relation the status of an institutional form equivalent to those of the mode. But is it? Is the economic–environment relation a codification, as are the mode’s institutional forms, of capitalism’s fundamental social relations to contain, mediate, and thus regulate the inherent conflicts of those social relations through laws, rules, regulations, compromises, negotiated outcomes, a common value system or representations?

The economic–environment relation as a core social relation of capitalism has generated considerable debate.3 This relation is a well-established feature of economic activity which is strongly exemplified by the environment’s source and sink role. But is the economic–environment relation a codification of a particular capitalist social relation? The evolution of capitalism has placed increasing pressures on the environment, neoliberal capitalism has progressively applied forms of commodification as a solution to environmental problems, and the concept of sustainability has been reconfigured to validate the holy grail of economic growth (Carruthers 2001). Zuindeau (2007) notes pre-capitalist forms of the economic–environment relation. These observations lead us to conclude that the capitalist economic–environment relation is subject to ongoing metamorphosis (as are the mode’s institutional forms) and there is increasing evidence of ecological régulation, within the mode, directed at mediating and containing environmental issues.

The historical form and precise articulation of capitalism’s fundamental social relations, we noted earlier, will continually alter as certain invariant aspects are sustained and their inherent contradictions contained. This invariant reproduction, contradiction containment and historical representation requires a set of regularities to ensure accumulation, and we know the materialisation of those regularities is the mode of régulation. The economic–environmental relation has historical representation. It has contradiction containment evidenced by the heightened prevalence of ecological régulation. But what are its invariant aspects upon which capitalism depends for its reproduction?

A further issue is posed by Zuindeau’s usage of ‘complementarity’; namely, the assertion that the economic–environment relation is not fully realised without reference to the mode of régulation and the converse. It is our contention that the mode of régulation does not give existence per se to the economic–environment relation. Rather, it gives definition to – not complements – the nature, scope and form of this relation and, as such, explains some of the mode’s complexity. How?

We know that the mode of régulation coheres the accumulation regime through the conjunction of its five institutional forms which in the post-Fordist regime encompasses ecological régulation – a range of actions and policies primarily initiated by the state to deal with the environmental degradation caused by the accumulation process (environmental managerialism). For example: the trading schemes to purportedly reduce greenhouse gas emissions; the environmental impact assessments conducted for new infrastructure projects and used to negotiate compromises for projects to proceed;

3. For example, see Burkett (2006); Lipietz (1996; 2000); and the six responses to Lipietz in the June 2000 issue of Capitalism, Nature, Socialism along with his rejoinder.
the fishing quotas imposed to allegedly ensure species survival but also maintain economic activity; the legislation imposing penalties for large-scale oil-spills (but not preventing or prohibiting them); and local land-use regulations which legitimate certain levels of environmental damage from vehicle access to national parks and ocean beaches.

These actions and policies, we contend, point to the nature, scope and form of the economic–environment relation because they are directed at removal or alleviation of impediments to accumulation. They are evidence of the type and form of interaction between the economic system and environment. Albeit a handful of examples, they nevertheless characterise, delineate and thus define aspects of the contemporary capitalist economic–environment relation. Consequently, the term ‘complementarity’ does not adequately depict the interaction between the economic–environment relation and the mode of régulation.

Nevertheless, Zuindeau along with Jäger/Raza (2001), Lipietz and the Régulationist geographers (for example, Angel 2000; Bridge 2008; Gibbs 2006; Peck 2000) provide useful insights about the economic–environment relation. For instance: the accumulation process depends on the exploitation of labour and nature as a source and sink; certain accumulation strategies require specific forms of access to specific forms of nature which will require specific forms of ecological régulation; the relation between ecological régulation and the mode’s institutional forms will vary depending on the accumulation regime; and capitalism’s relationship with nature is governed by the imperative of accumulation.

These conclusions inform the régulationist framework proposed by Chester (2010: 33) for empirical investigation of the economic–environment relation which requires the identification of four elements:

1. the social and historical origins of the economic–environment relation, its collective actors and spatial implications;
2. the constituent elements defining the economic–environment relation within each institutional form of the mode of régulation, and the relationship between ecological régulation and the macro mode;
3. the environment’s place in the accumulation regime and macroeconomic relationships; and
4. the drivers which cause transformations in the economic–environment relation.

This framework requires each institutional form to be analysed before assessing the impact of each, and their conjunction, on the economic–environment relation. Such an approach is necessary because the changing nature of the economic–environment relation can only be understood by reference to the macro mode of régulation. The five-dimensional analytical grid provided by the mode’s institutions is insufficient to explain the economic–environment dynamic which can only be explained within the context of the mode. An analysis against the conjunction of all institutional forms will determine the nature of any particular institutional arrangements which define the economic–environment relation and ensure its functioning. The analytical method posited also does not presuppose whether any one institutional form is particularly influential.

This analytical schema is analogous to Régulationist sector-based studies with one critical difference (Chester 2007: 64–70). The environment is not subsumed, like a sector, within the economic system and thus ecological régulation will not mirror or replicate the macro mode as does sector régulation. Ecological régulation, and thus the economic–environment relation, nevertheless can only be understood in terms of the
overall prevailing mode of régulation. The proposed method focuses on the dynamics of capitalism over time to explain the impact on the environment; it does not conceive of nature as being subordinate or separate from the economic, nor that there are acceptable levels of environmental degradation. Thus, we contend a Régulationist analysis can yield a greater depth of understanding about the dynamics of the contemporary economic–environment relation, the sources of change, and the forms in which change occurs, than those offered by mainstream orthodoxy or other traditions using similar static ahistorical methods.

4 THE POLANYIANS

Karl Polanyi (1944) is most well-known in heterodox circles for The Great Transformation (TGT). In that book, he explored the empirical and historical problem of the rise and fall of nineteenth century ‘market society’ and its associated ‘breakdown of the international political economic system’ (Stanfield 1980: 594). Thereafter, his conceptual concerns became more preoccupied with the methodological underpinnings of economic theory and its limitations for understanding economies historically and comparatively. Polanyian scholarship has tended to be fractured accordingly, with TGT achieving greater prominence than Polanyi’s later anthropological works.

In the Keynesian mainstream of the post-World War II era, Polanyi’s work remained marginal until the onset of neoliberalism and its free market policy approach. With the resurgence of laissez-faire, there has been a renewed interest in TGT where Polanyi points toward an alternative way of framing economic processes to that posited in the ‘iron law of the market’. He demonstrated how ‘free markets’ were politically constituted during the nineteenth century, arguing that ‘laissez faire itself was enforced by the state’ (1944: 139). The same is true of the neoliberal milieu where the illusory self-regulatory character of the economy has once again been asserted for policy purposes. Much contemporary Polanyian scholarship is thus channelled into a critical engagement with the ideas and practices of neoliberalism.

4.1 Why have Polanyians paid limited attention to the environment?

TGT points to the socially instituted, or ‘embedded’, character of the capitalist economy and the role of politics necessary to its constitution and management by markets. However, Polanyi also specifically identified nature as a crucial underpinning of the economy that was a casualty of the market system. It is therefore surprising that contemporary Polanyians have not engaged more comprehensively with environmental discourse. One possible explanation for this neglect is that Polanyian theorists have tended to concentrate on debating the meaning or significance of key concepts such as embeddedness, fictitious commodities or double movement. In this way, a dedicated focus on environmental concerns may have been subsumed in broader analytical tasks designed to augment the critical engagement with neoliberalism.

4.2 Can Polanyian theory explain the economic–environment relation?

In TGT, Polanyi (1944) explicitly drew attention to the precarious economic–environment relationship evident in the nineteenth century international self-regulating market system. He argued that persistence of such a utopia ‘would result in the
demolition of society’ and that ‘nature would be reduced to its elements, neighbour-
hoods and landscapes defiled, rivers polluted ... the power to produce food and raw 
materials destroyed’ (1944: 73). For Polanyi, the regulation of land and the natural 
environment through a self-regulating market system would jeopardise the very eco-
ological conditions necessary for the reproduction of society. The source of this potential 
tragedy lay in the logic of neoclassical economics which supported the laissé-faire 
argument for non-interference in economic matters.

Neoclassical theory suggests that the factors of production can be commodified in 
order to manifest an equilibrating international economic system where all prices 
would be determined by market forces. Yet, as Polanyi explains, although markets 
for these commodities ‘are essential to a market economy, no society could stand 
the effects of such a system of crude fictions ... unless its human and natural sub-
stance ... was protected’ (1944: 73). Indeed, there were strong moral motives for pro-	ectionist actions in the late nineteenth century context of rising wealth alongside 
growing poverty, disease and environmental stress. Thus, in what Polanyi referred 
to as a ‘double movement’, early social reformers obstructed market liberalisation 
by forcing institutional protection for the fictitious commodities in the interest of 
society (1944: 143).

However, the need for governance beyond the market also represents a contradiction 
for the economic arguments underpinning laissé-faire. Hence, in the neoliberal milieu, 
Polanyi has invoked consideration of the ways in which social and political action is cen-
tral to, not outside, the economy. TGT has inspired demands for protection against 
abstract market forces and an end to free market policies that impact negatively on 
society and nature. At the policy level, the instability of the economic–environment relation stemming from the commodity fiction invokes the need for specific policies and forms of regulation. However, as Polanyi suggested, these forms are not pre-
determined but stem from the ‘values, motives and policy’ shaping economic practice 
in any specific empirical context (1957: 250).

In identifying the social determinants of the economic process, Polanyi acknowled-
ged the pivotal role of prevailing cultural, political and ideological norms. Thus, 
the realm of pragmatic politics is where we find the Polanyian mechanism for shaping 
a green economic life in a market-based system. In the context of widespread concern 
about the ecological environment and its sustainability, Polanyians would typically 
look to ways the political sphere can be harnessed for planning environmental protections to provide economic security into the future – for example, through ‘ecological modernisation’ where ‘socialisation’, rather than ‘marketisation’, of environmental amenities and resources is the path taken by the state for transforming capitalist econo-
 mies (Low 2002: 55).

However, while the emphasis on social movements and democratic planning supports a critical engagement with policies and ideas informed by economics, it is yet to translate into a systematic exploration and transformation of economic theory itself. Contemporary Polanyians seek to ensure that social and ecological realities are not sub-
ordinated to market abstractions, but what might a green Polanyian theory of economy look like? At this level, their contribution has been somewhat meagre. Halperin’s Cultural Economies Past and Present (1994) and Paton’s Seeking Sustainability (2011) provide exceptions. Emanating from economic anthropology and political econ-
omy respectively, both explore and articulate the environmental significance of the 
economic theorising Polanyi developed in the years following TGT.

In Trade and Market in the Early Empires (1957) and Livelihood of Man (1977), 
Polanyi gave analytical substance to the metaphor of embeddedness by modelling the
different ways in which economy is systematised on a social scale (Paton 2011: 30). Drawing on Marx and anthropological scholarship (Halperin 1994: 34), Polanyi developed a universal or ‘meta-theory’ that presented nature as ‘the silent obstructor and furtherer’, front and centre of the human activities associated with economy (Polanyi 1977: 33). However, rather than a logically constituted thing, as in economic orthodoxy, Polanyi’s economy is a material, or ‘substantive’, process (1957: 243) described as ‘the institutionalised process of interaction … between man … nature and his fellows … which functions to provide material means in society … Without an economy in this sense, no society could exist for any length of time’ (1977: 31–34).

On this substantivist view, economy is effectively a ‘conduit’ for provisioning (Paton 2011: 16) that constitutes the ways in which ‘humans, in interaction with each other and the environment, provide for their survival and health’ (Nelson 1993: 34). This focus directs attention beyond the exchange problematic of neoclassical theory to the tangible practices of production and distribution that must be sustainable in order for societies to be reproduced over time. Polanyi’s ‘substantive economy’ is a general model common to all social systems, while the institutional patterns the provisioning process may take in any given society are represented by specific ‘forms of integration’ (Polanyi 1957: 250; 1977: 35). Together, these constitute a ‘universal frame of reference’ for understanding empirical economies (Polanyi 1957: 245).

Polanyi defined economy in its substantive sense as ‘an instituted process’ geared to the ‘ordered advance of all material means towards the consumption stage of livelihood’ (1977: 31–32). He suggested that two types of ‘movements’ could be observed in the interactions between ‘man … nature and his fellows’ as they go about producing and reproducing their social existence (Polanyi 1957: 243). First, the spatial, or ‘locational’, movements in production which also involve the gathering together of the technical elements required for production, whether ecological, technological or human/social (Polanyi 1977: 32). Second, the organisational, or ‘appropriational’, movements of distribution which represent changes in the rights of disposal over the elements of production and the output it generates, including goods, tribute, income or taxation (Polanyi 1977: 31).4 These locational and appropriational movements constitute the economic process but they have no separate existence. Production and distribution cannot, in Polanyi’s words, ‘be physically detached from the ecological, technological, and societal tissue’ (1977: 34). Hence, they are associated with the ‘presence of definite structures in society’ which constitute the institutional level of the substantive model (1977: 36; 1957: 250). Here, Polanyi identified three common institutional patterns – reciprocity, redistribution and exchange – that shape the economic process in different social, historical and environmental settings (1977: 35; 1957: 250). These ‘forms of integration’ determine ‘the institutionalised movements through which the elements of the economic process … are connected’ (1977: 35).

The forms integrate the movements between people and between society and nature, thereby securing ‘order in production and distribution processes’ (Polanyi 1944: 47). Where there is coexistence of different forms, Polanyi argued the pivotal factor determining ‘dominance’ was ‘the degree to which it comprises land and labour in society’ (1957: 255; 1977: 42). The dominant form organises productive forces, creating their institutionalised interdependence and mobilisation on a social scale. These ideas are not inconsistent with the Marxian principle that the nature of the economy is

4. According to Halperin (1994: 44), the locational/appropriational categories are analogous to Marx’s forces and relations of production.
determined by the status of labour but, as Polanyi argued, ‘the integration of land into the economy should be regarded as hardly less vital’ (1977: 43; 1957: 256).

Polanyi’s economic substantivism provides a basis for reconceiving ‘economy’ in universal terms as a process dependent on nature as both ‘source and sink’. Moving from the general to the particular, the forms of integration can also explain the precarious economic–environment relation within the specifics of capitalism. Market exchange may be the dominant form of integration because it organises the productive forces, including the integration of land and natural resources into the economic process. However, because of the ‘fictitious’ commodity status of those forces, the market cannot be ‘independent of non-market institutions in doing so’ (Paton 2011: 48). Thus, ‘double movements’ reflect efforts to find the appropriate balance between exchange (market) and other forms like redistribution (state/household).

The substantive reading of Polanyi brings out an underlying theoretical cohesion in the purportedly dual focus of his oeuvre (Paton 2011: 30; cf. Stanfield 1980). It also highlights Polanyi’s lifelong concern about the method and use of neoclassical theory in relation to empirical (real, rather than merely logical) economies. He sought to counter the formalist logic of neoclassical theory with an approach derived from fact: the human need for a sustaining physical environment (Polanyi 1977: 19; 1957: 243). The model shifts the unit of analysis from the atomistic individual to society and its institutions, thereby providing a basis for understanding the social organisation of production and reproduction so critical to questions of ecological sustainability and the economic–environment relation.

5 CONCLUDING COMMENTS

Mainstream neoclassical economics fails to elucidate the interaction of the capitalist economic system with the environment, treating each as virtually independent of the other. Notably the mainstream orthodoxy does not have a theory of production and its analytical focus rests on conceptualising environmental issues as externalities arising from market failure. Also without a theory of production, the post-Keynesians have endeavoured to graft Keynesian concepts onto an environmental economics. This has not yielded a clearly articulated analytical framework to explain the economic–environment relation. Perhaps this is not achievable given the different post-Keynesian methodological strands. They are on stronger conceptual ground, however, when engaging in the potential for macroeconomic management of environmental resources. Accepting market logic as does the mainstream, macro and micro measures are advocated to promote socio-behavioural change. Nevertheless, the post-Keynesian contribution embodies a conceptualisation of the environment shared by many mainstream environmental economists, namely its subordination to the economic.

*Régulation* theory, on the other hand, provides an alternative analytical context, the focus of which is the dimensions, dynamics and crises of capitalism. The mode of *régulation* embodies ecological *régulation*, the range of policies, actions, arrangements and norms to deal with environmental degradation while not impeding accumulation. The constituent institutional forms of the mode define the scope and form of interaction between the capitalist economic system and the environment. Consequently, the mode of *régulation* provides the context to understand the evolving nature of capitalism’s economic–environment relation. This is starkly illustrated by the morphing of the mode of *régulation* dominant throughout the Keynesian–Fordist era (managerialist command-and-control measures) to its contemporary neoliberal
form (market-based measures). The analytical framework of *Régulation* theory does not subsume nature to the economic and explains the prospects for sustainability in terms of adjustments to the mode which do not challenge accumulation.

A cogent meta-analytical framework for explaining the contemporary environmental challenge and the responses of capitalism to environmental issues is also evident in the Polanyian approach. The substantive model potentially provides the basis for an alternative economics of sustainability. At the same time, it reveals the political and contingent mechanisms by which capitalist reproduction is secured through the balancing of institutional forms governing the fictitious commodity status of nature. However, at the micro level, Polanyi did not specifically problematise the neoclassical analysis of price determination (1977: 43). Instead he asserted a more general model of economy which, in the capitalist case, rests significantly, but not absolutely, on a price-making market system. It is in this space of the ‘not absolutely’ in which contest over the form and extent of ecological governance in capitalism necessarily takes place.

All three of our potential green heterodox approaches bring us back, in one form or another, to the social and political management of economic–environment relations. In this, they demonstrate their realism in a way in which neoclassical theory is incapable. The *Régulationist* and Polanyian approaches, however, do not engage with neoclassical theory on its own terrain as the post-Keynesians are want to do, becoming stuck on a ‘methodological pluralist treadmill’ risking capture in a vortex of abstractions that will remain ‘logical possibilities’ unrelated to the real world (Knight 1941). Institutionals are also methodologically pluralist, but we have shown two traditions that can offer green insights. We encourage post-Keynesians to do the same.

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