


Principles of Ecology and Management:

International Challenges for Future Practitioners

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Learning objectives

After reading this chapter, you will be able to:

- Adapt concepts of value to include the ecological imperative
- Adapt market theory to include environmental externalities and public goods
- Determine the shape of the international political environmental agenda
- Identify different influences on environmental policy-making.

■ Introduction

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from intellectual influences, are usually the slaves of some defunct economist.

John Maynard Keynes (1936)

The General Theory of Employment, Interest and Money

? Can an ecological perspective fit into existing social and economic paradigms?

Paradigm: ■
Worldview, general philosophy.

One of the premises underlying this book is that the only accurate way of analysing business is within the economic and political contexts of the societies where it operates – frameworks that the business world itself will have helped to shape. Assessing the current and future prospects of Ecology and Management therefore means looking at relevant economic and political theories and practices. As Keynes indicates in his famous quotation above, today's **paradigms** derive from particular philosophical stances – many of which ignored the ecological imperative, which as Chapter 1 discussed, has only recently been viewed as a priority concern in most societies. Hence the value of incorporating environmental considerations into economic theory, before examining their political implementation.

■ Environmental economics

There is little doubt that a market-oriented 'classical' economic philosophy has characterised the international business environment since the early 1980s, taking over from a previous paradigm that was more accepting of government 'interventionism'. The current mindset will not necessarily last – economic history is characterised by recurring cycles, with shifts from one paradigm to another usually occurring after people become disenchanted with the status quo due to a deep crisis (e.g. the Great Depression of the 1930s, stagflation in the 1970s). As such, there is a possibility that the 2008 credit crunch and the international recession that followed will spark yet another paradigm shift. For the moment, however, classic economics (or their modern variant, 'neo-liberalism') continue to dominate most political discourses. The problem is that in certain key respects, this paradigm may be incapable of fully attending to the ecological imperative (Speth 2008).

■ Incompatibilities of classical theory

It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect our dinner, but from their regard to their own interest.

Adam Smith (1776), *The Wealth of Nations*

Smith's seminal treatise, which laid the foundations for modern capitalism, asserted that individuals should have the freedom to conduct their economic affairs as they see fit. This is because of his prediction that in the absence of the kind of distortions that governmental action injects into the market, people will necessarily seek to maximise their material self-interest, with the sum total of these individual behaviours combining to create an outcome maximising overall welfare. The process would be driven by price mechanisms, with prices signalling to buyers or sellers how they should modify their demand or supply behaviour until the overall market eventually reaches an equilibrium ensuring optimal allocation of resources.

This paradigm has been subject to deep scrutiny throughout history, perhaps most cogently in the writings of the British economist John Maynard Keynes. Noting that 'in the long term, we are all dead', Keynes demonstrated the dangers of building economic theory solely on the basis of markets' internal logic, while ignoring the social pain of the adjustments needed to achieve any long-term equilibrium. This is not to say that classical economics lack any merit. Notwithstanding a long tradition of idealistic calls for a form of economics transcending the venal notion of 'money for money's sake' (NEF 2006), Smith's vision of self-interested actors is hard to contest. Moreover, ample historical evidence exists to suggest that market mechanisms can be a relatively efficient way of organising economic interactions. However, like all philosophies, they are imperfect. Without going as far as eco-socialists do in castigating resource-hungry, growth-oriented capitalism itself as bearing full responsibility for Planet Earth's ecological distress (Foster *et al.* 2009; Kovel 2007), it is clear that classical economics run foul of the ecological imperative on at least two levels: the assumption that amalgamated self-interest translates into optimal group outcomes; and the reliance on prices as accurate signals of value.

Self-interest vs. group interest

In 1968, Professor Garrett Hardin wrote what would become the seminal text in modern environmental economics. Hardin postulated a

? Is capitalism fundamentally at odds with an ecological mindset?

Chapter extract

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