



# What Does the Critical Environmental IPE Perspective Contribute to Our Understanding of IPE?

Jingjing Zhang

Ningbo Open University, Ningbo 315016, China

**Abstract:** *The environmental perspective within the international political economy (IPE) highlights the importance of environmental protection in modern society and aids in our comprehension of IPE, particularly in terms of environmental economics. The environment and economy are closely intertwined. From an environmental IPE standpoint, we observe market failures and externalities that conflict with neoliberal principles. Governments often address these issues by using taxes and subsidies to internalize externalities, thereby attempting to balance environmental and economic concerns. However, critical environmental IPE extends beyond traditional environmental economics. Constrained by natural resources and ecological carrying capacity, as well as the diminishing demographic dividend, the extensive mode of economic growth is unsustainable and may no longer be viable. To improve the global ecological environment and promote harmonious development among nature, the economy, and society, transforming the mode of economic growth is essential. A zero-growth economy represents a transitional phase connecting two different modes of economic growth and plays a crucial role in mitigating socioeconomic contradictions. Ecological economics differs from environmental economics by adopting a more complex approach to environmental issues, focusing on long-term sustainability and scale considerations. This essay aims to construct an analytical framework to discuss the environmental IPE perspective and its contribution to our understanding of IPE.*

**Keywords:** IPE; Understanding; Critical Environmental.

**Cited as:** Zhang, J. (2024). What Does the Critical Environmental IPE Perspective Contribute to Our Understanding of IPE?. *Journal of Theory and Practice in Economics and Management*, 1(1), 44–50. Retrieved from <https://woodyinternational.com/index.php/jtpem/article/view/107>

## 1. Introduction

The environmental IPE perspective highlights the corresponding environmental protection in modern society, and it is important to help us understand IPE, i.e., environmental economics. The environment and economy are closely linked. On the other hand, from an environmental IPE perspective, we know that market failure, an externality, is in conflict with neoliberalism, but governments always use taxes and subsidies through the internalization of externalities to imbalance the environment and economy. However, critical environmental IPE goes beyond environmental economics. Be bound by natural resources and the bearing capacity of the ecological environment, as well as the loss of demographic dividends, the extensive mode of economic growth is unsustainable and cannot continue to exist. To improve the global ecological environment and promote the harmonious development of nature, the economy, and society, transforming the mode of economic growth is important. A zero-growth economy is a special stage of economic growth connecting two different growth modes of economic growth and should also moderate social economic contradictions. Ecological economists differ from environmental economists in that they take a more complicated approach to environmental problems and focus on long-term environmental sustainability and issues of scale. This essay builds an analysis framework to discuss environmental IPE and the function of the critical environmental IPE perspective, adding to our understanding of IPE.

## 2. Environmental IPE and IPE: Critique of Neoliberalism

In fact, there are two very different neoliberal ideologies that represent not only different ideas and policy proposals but also, in some ways, competing. One is neoliberal politics, which has inherited Western political liberalism in favor of maintaining the interests of vulnerable groups in society, advocating the expansion of Western social



welfare (Munda, 1997). Thus, it is in favor of government intervention in social and economic activities tending to be politically more radical social democracy, whose political representatives tend to be the two major parties in the United States and Europe in the left-wing parties (the United States, Democrats, Britain's Labor Party, etc.), an important figure. Another one is the neoliberal economy. This approach strongly opposed the state's intervention in social and economic activities and reduced the degree to which the West's social welfare advocates clearly in favor of capitalist business owner policy, with a politically conservative attitude, selected European countries and the two major political parties in the right-wing party alliance.

### **3. Externality**

From the perspective of human beings, the environment has three kinds of functions: as a kind of consumer good, as a supplier of resources, and as a receptacle of waste (Anderson, 2001). These three functions are, to some extent, contradictory. This dramatic market competition leads to people seeking maximum profits. If the cost of reducing pollution is greater than the cost of production, the discharge of pollution is completely free, and everyone will discharge contaminants into nature. When people evade the cost of living and production by abusing the environment, the objective of maximizing benefits is to make this kind of abuse rapidly diffuse throughout the whole society. There is no doubt that the existence of externalities is an important cause of environmental degradation. If the production or consumption of a commodity cannot reflect the cost of the market price, then externalities will appear.

Nonexclusiveness means that when one customer consumes a material that can be used by another customer and is also legally utilized by both, one of these two customers will suffer disadvantages if the other customer uses it. Thus, customers are motivated to capture more benefits from a material before it is taken advantage of by rivals. In this case, excessive use of resources occurs; at that time, the market is unsuccessful in reflecting the real scarcity of a resource, which is normally called market failure.

Neo-liberal people believe in the rationality of the free market economy, believe that the capitalist market economy is sound and can realize the rational allocation of resources. In their view, the market, as the media between consumers and producers, can pass consumer information to producers, and competition between producers can both make efficient use of resources and ensure the reasonableness of the price. The market mechanism plays an irreplaceable and decisive role in the rational allocation of production factors. They believe that in a perfect market system, both in the products on the market and in the factor market, the price mechanism, competition mechanism, supply and demand mechanism, and market mechanism can accurately reflect the scarcity of resources in terms of extent and time value and, through price signals, guide the rational flow of resources to achieve effective configuration. However, from such neoliberal perspectives, externalities hinder correct information about equilibrium quantities, which leads to market failure (Anderson, 2001). Environmental pollution is one of the most common and typical presentations of market failure.

### **4. Common Goods and Public Goods**

The environment is a kind of public resource. The way to distinguish between private goods, public goods and public resources basically lies in whether they have two characteristics: excludability and rivalness. Private products possess both excludability and rivalness. Public goods do not possess excludability or rivalness. While public resources possess rivalness, they have no excludability. Because the property of a public resource cannot be ensured, users of public resources cannot be charged directly. Many environmental factors are related to the nature of public goods, such as air, polluted air and clean air, which are all public goods, so rivalness leads to excessive use of public resources. Therefore, some scholars discuss the reasons for externalities on the basis of the characteristics of public goods. Nonrivalry means that the marginal social cost of the item will not increase even if this item is supplied to one more person.

The emphasis on the features of public goods is actually an emphasis on environmental cooperation. To protect such noncompetitive and nonrenewable public goods, governments need to work together to improve environmental quality, namely, the shared responsibility of public production. At present, remarkably, the international community has made significant achievements in this respect.

### **5. A critical View of Environmental IPE**

The immediate cause of ecological problems is externalities caused by human beings. However, a further problem is institutional failure, which is related to the economic agent lacking institutional constraints, leading to externalities from the government and individual behaviors. Critical environmental IPE goes beyond environmental economics. Environmental economics is a mainstream study of environmental IPE and is closely related to ecological economics, but there are differences between mainstream environmental IPE and critical environmental IPE. Environmental economists who can represent mainstream environmental IPE seem more like economists because they use the tool of economics to address environmental problems, such as market failures criticizing neoliberalism, which is unreliable because of the "invisible hand" of the free market. The most important theoretical basis of environmental economics is theories of externality and property rights, laying stress on how to realize the best way to plan for optimal resource allocation through cost-effectiveness analysis (Bergh, 2001). However, ecological economists are more reliant on ecologism, and they focus on the systemic level, which has expanded the scope to consider the whole ecological system and the impacts of humans and their economic activity. Socialism and capitalism, which are universal values of these two kinds of economic systems, are the root causes of environmental degradation, which includes the concepts of industrialization, urbanization, bureaucracy and expanded production (O'Connor 1998). Mainstream environmental IPE pays attention to a problem-solving approach, whereas critical environmental IPE takes economics as a strict subfield of ecology, which is more likely to involve a structural approach to environmental problems and focuses more explicitly on long-term environmental sustainability.

## **6. Free-Market Environmentalism**

Free market environmentalism is a new ideology that combines free markets and environmental protection. Most free-market environmentalists believe that the distortion of the market or the failure of the government contributes to today's environmental problems. Anarcho-capitalism, which is based on classical economics, argues that the free market and environmental protection are two contradictory concepts, but free market environmentalism organically forms a unique way to protect and improve the environment through the market, which is much different from the general policy used in the environmental protection work of the government administrative management system. Property rights and economic incentives possess the potential for efficient resource utilization and protection, but market failure and maldistribution may cause improper allocation of resources and environmental degradation. In general, the reasons for market failure are that private decision-makers do not consider all the social costs and benefits and that all trading parties cannot access information equally, as well as price distortion and output monopolism (Anderson, 2001). Free market environmentalism depends on the voluntary exchange of property rights between owners who take part in competitions to promote mutual cooperation and understanding. Free-market environmentalism is based on political positioning, which argues that the free market, property rights, and tort law provide the best means of preserving the environment, internalizing pollution costs, and conserving resources. In short, free market environmentalism offers another option, which guides increasing environmental awareness into a win-win solution. It can promote economic growth, improve the quality of the environment, and promote social harmony. Thus, free-market environmentalism is also regarded as a type of resource environment economics.

Resource environment economists believe that sustainable development involves sustainable growth, the avoidance of historical and spatial dimensions, and different national characteristics. Resource environment economics has completely ignored the fact that the scale of the economy cannot exceed the scope of natural sustainability and ignored the fairness of resource allocation but has only pursued the efficiency of resource allocation. Owing to the limited resources on Earth, this growth cannot continue indefinitely. Economic growth will come to a halt, but this does not mean that development will stop as well. With the growing economic system, on the basis of scale control, human beings should improve goods and services through improvements in quality and structural evolution, ultimately achieving the goal of improving human welfare rather than pursuing the quantity or growth of scale.

## **7. Globalization and Economic Localization**

Theoretically, globalization and free trade are beneficial for the international economy. In developing countries, an open market means a reduction in price and farmers' living standards, which may destroy the infant industry and increase the rate of unemployment. Neoliberal globalization occurs when international monopoly capital attempts to unify global institutional arrangements. In the late 1980s and early 1990s, the Washington Consensus concocted and came out, which was an attempt to dominate international monopoly capital, reflecting the will of the globe.

Green economists propose that economic localisation is good for globalization. On the basis of sustainable development and consumption patterns, ‘economic localization’ involves the stable development of the local economy and long-term returns (Woodin & Lucas, 2004). Economic localization is a relative concept; sometimes, it refers to a country, whereas sometimes it refers to a region. It does not exclude foreign products completely; instead, it advocates using local resources as much as possible, hiring local employees, and meeting the needs of native consumers. When the local market is unable to produce something, international trade can be adopted, and unfair trade rules must be revised. Localizing money, ‘site here to sell here’, ecological taxes, economic democracy, and immature industry protection are measures taken by economic localizations to strengthen social cohesion, eliminate poverty and injustice, protect the environment, improve infrastructure, improve quality of life and so on (Woodin & Lucas, 2004).

Developing countries promoted domestic infant industries through import substitution industrialization (ISI), which created a high-tariff policy to limit foreign products (O'Brien & Williams, 2013). As the domestic economy has developed, the cost of industrialization has increased, and the native environment has substantially degraded. The ecological environment problems across borders and often remains a political factor, which means that neighboring countries are more likely to be involved in regional environmental disputes (Homer-Dixon, 1991). The conflict content is presented mainly for environmental pollution issues and resource sharing issues. The former refers to the various losses caused by the diffusion of pollutants that lead to regional environmental disputes. Such disputes first appeared in the 1930s, and the incidence of these disputes has gradually increased in recent decades. The latter refers to international conflict and friction due to the maximization of shared resources, which leads to various losses between countries. For example, Egypt, Ethiopia and Sudan disputed the water utilization of the Nile River; Laos, Thailand, Cambodia and Vietnam disputed the Shared Mekong River (Zweynert, 2012). Environmental disputes surrounded by the rights and obligations of the environment, national ecological security and other issues have become important factors in regional conflicts in international society.

Given the globalization situation, there are two ways for countries to compete for advantages. One is increasing investment in economic activities, such as technology and education, which can improve the productivity of economic activities in the case of increased welfare for domestic people, and the other is, in contrast, damaging the natural environment to win the price advantage, which deprives all types of labor and social security of the working class and even decreases their salary (O'Brien & Williams, 2013). The latter is called ‘race to the bottom’.

Transnational capital flows into developing countries and plays a significant role in industrialization and economic development, but the subsequent deforestation, public hazard output, industrial pollution and other issues put developing countries in a dilemma. Theoretically, developing countries can impose punitive taxes to solve these environmental problems (Gilpin, 2001). However, most developing countries do not have bargaining power because the basic knowledge of international political economics is that a country's economic strength largely determines its ability to negotiate international relations. Therefore, when developing countries attempt to punish polluters such as multinational companies, they must consider the reactions of the multinational companies' home countries. In the international trade system, international incidents such as trade sanctions often occur due to environmental problems. Some developed countries use environmental barriers to implement trade protection, regardless of the actual situation of economic and technical aspects in developing countries, forcibly adopting unilateral environmental standards and implementing sanction policies for those countries that do not meet the standard, causing frictions and conflicts between countries (Jackson, 1996).

For the environment, many critics of the ‘race to the bottom’ assert that the formation of competitiveness is acquired mainly by contaminating the environment, which can reduce the cost. While GDP grows dramatically, environmental issues are more prominent. To increase profit, many natural resources are extracted excessively and exploited destructively. A country where environmental regulations are more lax will be heavily polluted. Therefore, scholars believe that such competitiveness causes a race to the bottom in terms of environmental policy in developing countries, which are more likely to be the major recipients of the pollution industry (Woods, 2006).

## **8. Steady-state Economy**

Mainstream economics focuses on how to use limited resources to satisfy people's unlimited demand, and the central idea is to maximize the efficiency of resource allocation via a price mechanism. Since the 1960s, Daly has argued that scarce resources can be divided into absolute scarcity and relative scarcity. The relative scarcity of resources can be effectively solved through alternative resources, while the absolute scarcity of resources due to

the limitations of ecosystems cannot be relieved and may even worsen the situation. Because mainstream economics regard the economy as an isolated system, resource scarcity is relatively rare. However, in this era of a sufficiently large economic system relative to the ecosystem, ignoring the absolute scarcity of the economic system and pursuing economic growth blindly will lead to severe ecological crises. The surge of excessive population, toxic waste, acid rain, destruction of tropical forests, reduction in ecosystem service functions, and other phenomena caused by anti-environmental fanatics have led to economic growth failure.

Our planet is a closed system that is bound by physical features, including natural resources and the bearing capacity of the ecological environment, as well as the loss of demographic dividends; thus, an extensive mode of economic growth is unsustainable and cannot continue to exist. The so-called "steady state" refers to an economic model in which every individual cannot only satisfy their own needs but also does not harm the ecosystem. People and the natural environment are harmonious and equal; moreover, the economy is relatively stable. This economic system runs the principle of ecology as a major index of economic development rather than the amount of profit. Many economists of the twentieth century recognized that there are limits to economic growth. Ecological socialists thought that people in that period of pursuing profits and economic development blindly, exploiting natural resources crazily, had an illusion for an ever-increasing economy. The natural environment cannot afford this blind pursuit of economy, which eventually led to a global ecological crisis, so people should calm down, astringing the production scale and stabilizing the speed of economic development. To protect nature, using natural resources rationally and considering future generations, present-day ecological economists advocate establishing a steady-state economy, realizing a zero-growth economy.

The essence of a steady-state economy is to maintain zero growth of material capital stock and population, mainly through quality improvement rather than an increase in the number of capital stock and population. In fact, Daly (1974) argues that the steady-state economy within the carrying capacity of an ecosystem is neither a constant rate of flow nor a stalled technology, which is not an ever-lasting situation with a good economy; rather, it refers to the best strategy of nursing working, which can make human society last long, instead of dying of growth mania. Moreover, for developing countries, their rights to live and develop are the most fundamental basic rights, while economic growth is the only way to solve the survival problem. Additionally, the development of a country depends on economic growth; thus, if a country is trying to establish a zero-growth, steady-state economy in such poverty-stricken countries, it is similar to asking them to commit suicide. Therefore, the proposition of a steady-state economy has its own merit, but in the context of economic globalization and deepening north–south polarization, solving the ecological crisis is not simply pursuing a zero-growth economy, which may create more serious consequences. In other words, current resources are short, and ecology is imbalanced; if we want to solve this situation, we need to rely on improvements in science and the reformation of existing technology, but realizing the progress of technology requires economic growth; however, it is impossible to achieve zero-growth economic conditions. Andre Gorz (1991) clearly proposed that zero growth or negative growth can only contribute to stagnation, unemployment and expansion of the gap between the rich and the poor. "After the 1990s, the ecological socialists gradually realized that zero growth was difficult to achieve.

## 9. Weak Sustainability vs Strong Sustainability

The traditional accounting method, gross domestic product (GDP), cannot reflect the negative impact of economic growth on resources and the environment and attracted much criticism in the early 1960s. Ecological economists have been constantly making efforts to seek a calculation approach to correct the traditional method of the national economy. Nordhaus and Tobin, who are pioneers in this field, first proposed the measure of economic welfare (MEW) in 1973, arguing that the environmental cost produced by economic behaviors such as radioactive contamination or food pollution should be deducted from national income (Lintott, 1996).

The main purpose of green accounting is to measure sustainability more accurately. The study of economics focuses mainly on the sustainability of economic development, which includes two main representative points of view, namely, weak sustainability and strong sustainability.

The former is held by many mainstream neoclassical economists, such as Robert Solow, whose growth model reveals that inputs and technical progress are vital to economic increase. A study on weak sustainability has presented a position in which the relationship between natural capital and man-made capital is substituted. In other words, the invariability of the total capital ensures the sustainability of the economy ( $K = k_m + K_n$ , where  $k_m$  represents man-made capital and  $K_n$  represents natural capital), while each part of the total capital can be completely replaced. This view means that natural capital can be deprived of, as long as the same amount of man-

made capital is invested in, then such substitution can be accepted. In contrast, strong sustainability emphasizes the nonsubstitutability and complementarity of natural capital and man-made capital, which is represented by Herman Daly. He suggested that those two types of capital should be maintained and sustained because the production of man-made capital and natural capital relies on each other (Daly, 1994).

Weak sustainability implies that the basic assumption is that the welfare of the different types of capital and that there is no essential difference between man-made capital and natural capital that is close to answering the question of alternatives. Because of this trade-off, as long as the use of natural capital can create enough man-made capital and compensate for the loss of natural capital, even if the natural capital stock decreases, the economy can also be considered sustainable.

The basic theory of strong sustainability is ecological economics. It not only requires maintaining the total stock of capital but also has to keep all parts in that constant, especially the stock of natural capital. At least one or more kinds of natural capital are irreplaceable. O' Connor (2001) noted that the criterion of strong sustainability is to keep the stock of natural capital above a certain critical threshold, which illustrates that economic development includes the management of economic systems and ecosystems; thus, human welfare not only depends on products and facilities but also relies more on environmental services.

The steady-state economy needs a well-established system, which ensures a stable population, a stable stock of material wealth and limited inequities in distribution. Daley still agrees with the positive role that the price mechanism and private property rights play in, but effective social contracts should first solve sustainability and distribution problems before market allocation; that is, the steady-state economy mainly controls the input side of the economy, ensuring a sustainable size of social resources, and then entering the market to proceed with allocation effectively.

## 10. Conclusion

With the advent of the era of globalization, the world will have a wider market environment, which consists of environmentally friendly products with environmentally friendly products, environmental technology, environmental services, and other products, while environmentally unfriendly products will be replaced by green products. Because of globalization and the correlation among environmental problems, it is impossible to handle environmental problems through only a single country. The view of sustainable development has deep and wide connotations. To maintain the sustainable ability of the ecological environment, cooperation is needed to realize the development of the social economy, the best welfare, and social fare within resources and the environment. For a zero-growth, steady-state economy, we should insist three principles---sustainable, fair and common. The first stresses that economic and social development must be based on the sustainable ability of resources and the environment. The second theory holds that opportunity and welfare should benefit all people fairly fairly fairly---both generations and later generations. The third covers the universal and overall characteristics of sustainable development. The critical environmental IPE perspective is beneficial for the environment and political economic system. Through this essay, our understanding of IPE can be strengthened from two important perspectives.

## References

- [1] Hussen, A. (2000). *Principles of environmental economics*, Routledge.
- [2] Pearce, D., Bromley, D. W., Anderson, T. L., & Leal, D. R. (1992). Environment and economy: property rights and public policy. *Economic Journal*, 102(413).
- [3] Anderson, T. L., & Leal, D. (2010). Free-market environmentalism. *Journal Des Économistes Et Des Études Humaines*, 250(2), 5–12.
- [4] Johnson, H., Bell, F. W., & Bennett, J. T. (1980). Natural resource scarcity: empirical evidence and public policy. *Journal of Environmental Economics & Management*, 7(3), 256-271.
- [5] Anderson, T. L., & Leal, D. R. (1992). Free market versus political environmentalism. *Harvard Journal of Law & Public Policy*, 15(2), 297-310.
- [6] Munda, G. (1995). From environmental economics to ecological economics. *Contributions to Economics*, 17-38.
- [7] Clapp, J., Helleiner, E., Hester, A., & Homer-Dixon, T. (2009). *Environmental Sustainability and the Financial Crisis: Linkages and Policy Recommendations*.

- [8] Gilpin, R. (2001). *Global Political Economy: Understanding the International Economic Order*. Princeton University Press.
- [9] Husson, M. (2012). *Le capitalisme en 10 leçons*. Paris: Petit cours illustré à l'écologie.
- [10] Jackson, J. (1996). *The World Trading System: Law and Policy of International Economic Relations*. 30-49.
- [11] Lang, S. (2007). Water, air and soil pollution causes 40 percent of deaths worldwide, Cornell research survey finds. *Cornell Chronicle*: <http://www.news.cornell.edu/stories/2007/08/pollution-causes-40-percent-deaths-worldwide-study-finds>
- [12] O'Brien Robert, & Williams Marc. (2013). *Global Political Economy*.
- [13] Schüller, D. (2010). On the optimal allocation of green technology under climate change agreements. Fridtjof Nansen Institute.
- [14] Lintott, J. (1996). Environmental accounting: useful to whom and for what?. *Ecological Economics*, 16(3), 179-190.
- [15] Jansson, A., Hammer, M., Folke, C., & Costanza, R. (1994). Investing in natural capital: the ecological economics approach to sustainability. *Island Press*, 22-37.
- [16] Daly, H. E., & Farley, J. (2004). *Ecological economics: principles and applications*.
- [17] O'Connor, M. Steurer, A. (2001). *Greening National Accounts*.
- [18] Daly, H. E. (1990). Toward some operational principles of sustainable development. *Ecological Economics*, 2(1), 1-6.

**Disclaimer/Publisher's Note:** The statements, opinions and data contained in all publications are solely those of the individual author(s) and contributor(s) and not those of Woody International Publish Limited and/or the editor(s). Woody International Publish Limited and/or the editor(s) disclaim responsibility for any injury to people or property resulting from any ideas, methods, instructions or products referred to in the content.